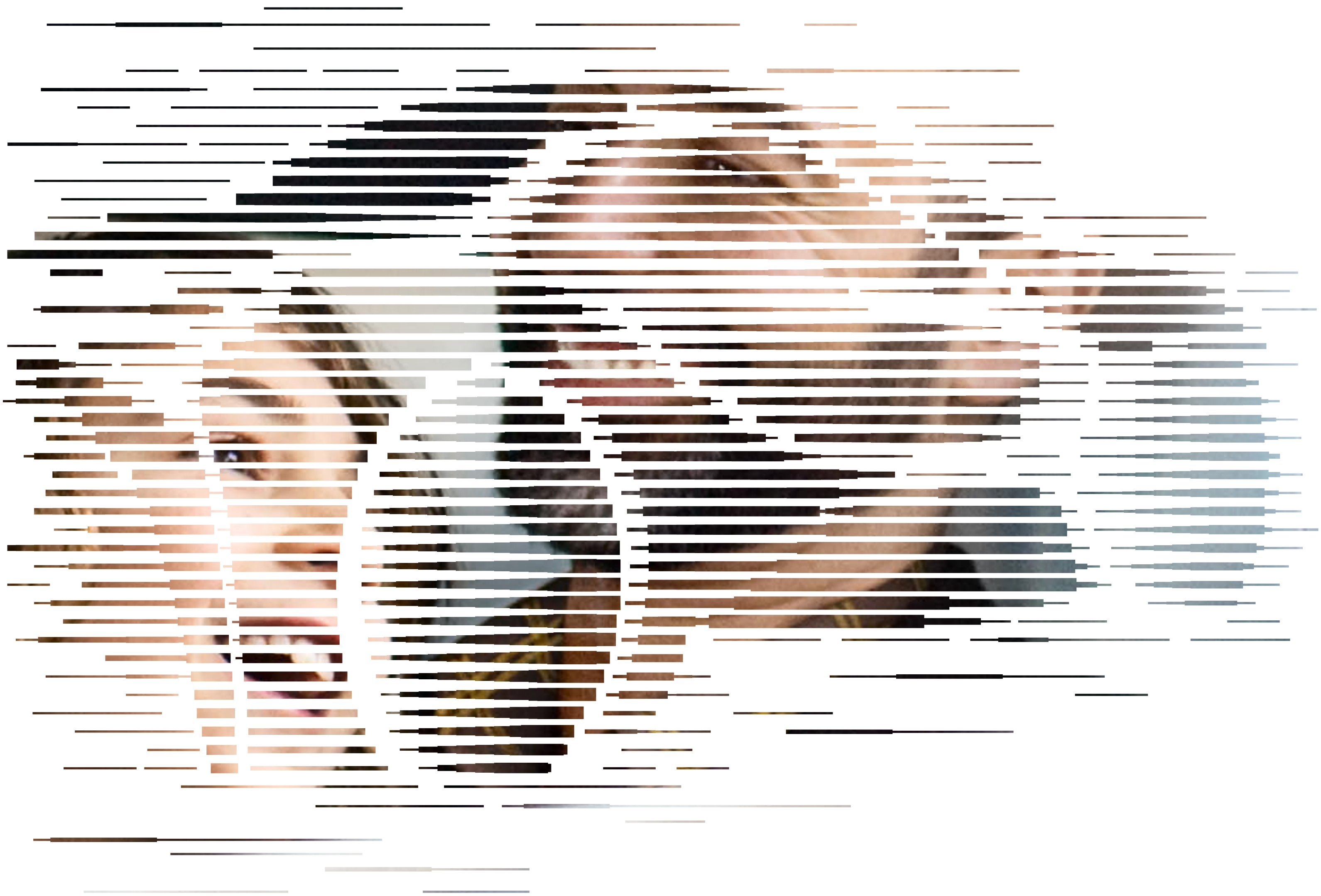
Annual Report 2009



Rolls-Royce
Motor Cars Limited

BMW Group

Facts and figures

A portrait of the Company

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

The BMW Group has meanwhile become one of the ten largest car manufacturers in the world. With our BMW, MINI and Rolls-Royce brands, we possess three of the strongest premium brands in the automobile industry. We also command a strong market position in the motorcycle sector and operate successfully in the field of financial services.

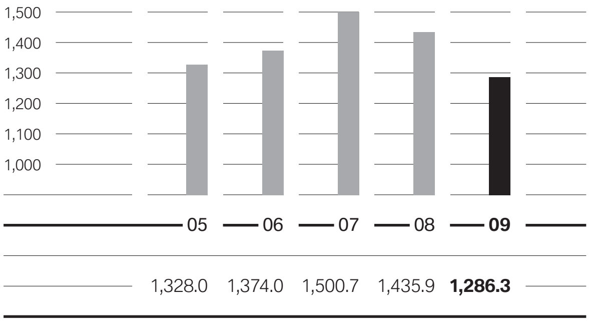
The Strategy Number ONE adopted in 2007 has put us on the right path to a successful future. The business was given a new strategic direction with an emphasis on profitability and long-term value growth. Our activities will remain firmly focused on the premium segments of the international car markets.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

Long-term thinking and responsible action have long been the cornerstones of our success. Striving for ecological and social sustainability along the entire value-added chain, taking full responsibility for our products and giving an unequivocal commitment to preserving resources are prime objectives firmly embedded in our corporate strategy. For these reasons, the BMW Group has been sector leader in the Dow Jones Sustainability Indices for the last five years.

BMW Group in figures

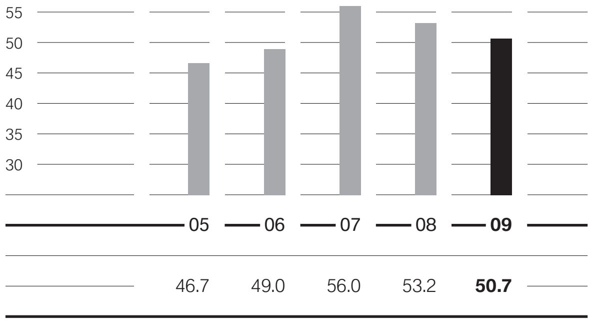
Deliveries of automobiles

in thousand units



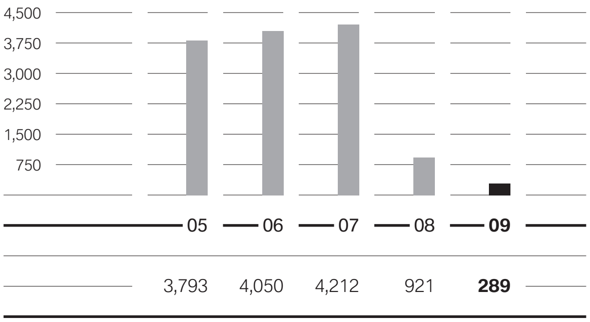
Revenues

in euro billion



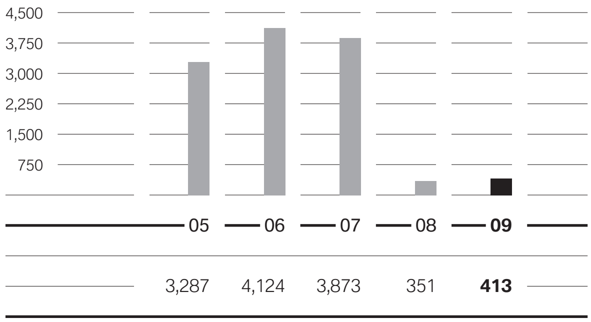
Profit before financial result

in euro million



Profit before tax

in euro million



BMW Group in figures

	2005	2006	2007	2008	**2009**	Change in %
Deliveries to customers						
BMW	1,126,768	1,185,088	1,276,793	1,202,239	**1,068,770**	–11.1
MINI	200,428	188,077	222,875	232,425	**216,538**	–6.8
Rolls-Royce	796	805	1,010	1,212	**1,002**	–17.3
Automobile deliveries total	**1,327,992**	**1,373,970**	**1,500,678**	**1,435,876**	**1,286,310**	**–10.4**
Motorcycles[1]	97,474	100,064	102,467	101,685	**87,306**	–14.1
Vehicle production						
BMW	1,122,308	1,179,317	1,302,774	1,203,482	**1,043,829**	–13.3
MINI	200,119	186,674	237,700	235,019	**213,670**	–9.1
Rolls-Royce	692	847	1,029	1,417	**918**	–35.2
Automobile production total	**1,323,119**	**1,366,838**	**1,541,503**	**1,439,918**	**1,258,417**	**–12.6**
Motorcycles[2]	92,012	103,759	104,396	104,220	**82,631**	–20.7
Workforce at end of year[3]						
BMW Group	105,798	106,575	107,539	100,041	**96,230**	–3.8
Financial figures						
in euro million						
Revenues	46,656	48,999	56,018	53,197	**50,681**	–4.7
Capital expenditure	3,993	4,313	4,267	4,204	**3,471**	–17.4
Depreciation and amortisation	3,025	3,272	3,683	3,670	**3,600**	–1.9
Operating cash flow[4]	6,184	5,373	6,246	4,471	**4,921**	10.1
Profit before financial result	3,793	4,050	4,212	921	**289**	–68.6
Profit before tax	3,287	4,124	3,873	351	**413**	17.7
Net profit	2,239	2,874	3,134	330	**210**	–36.4

[1] excluding Husqvarna Motorcycles (13,052 motorcycles)
[2] from 2006 including BMW G 650 X assembly by Piaggio S. p. A., excluding Husqvarna Motorcycles (10,612 motorcycles)
[3] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.
[4] reported in the cash flow statement up to 2006 as cash inflow from operating activities of Industrial Operations and from 2007 as cash inflow from operating activities of the Automobiles segment

Joachim Milberg —— Chairman of the Supervisory Board

Ladies and Gentlemen,

The financial year 2009 presented many challenges for the BMW Group. Throughout this difficult period, the Supervisory Board and Board of Management worked together closely, constructively and in an atmosphere of trust. We supported the Board of Management in an advisory capacity in key management issues, including strategic decisions concerning the expansion of the product portfolio within the Automobiles segment. We also continuously monitored the management of the business with the aid of regular written and oral reports provided by the Board of Management and on the basis of joint discussions. In a total of five meetings, one of them held over a two-day period, we deliberated at length on the Group's business plan and forecasts – the preparation of which has clearly been rendered more difficult by the financial and economic crisis. Our discussions also covered risk management issues, risk provisions, the current performance and financial position of the BMW Group and the compensation of the Board of Management. In addition to the scheduled meetings, the Board of Management also kept us informed of current business and economic developments, in particular sales volume performance, personnel figures and other significant matters. The Chairman of the Board of Management informed me personally and on a regular basis about major business transactions and projects.

Primary objectives of the Supervisory Board's monitoring and advisory activities Against the background of the current financial and economic crisis, legislative measures in key markets to reduce CO_2 emissions and changing customer requirements, we paid particular attention to the Board of Management's detailing and implementation of the Strategy Number ONE. The main focus of our monitoring and advisory work was on management's endeavours to engage in new growth areas and with new customer target groups, on securing access to customers and innovative technologies, on improving profitability and hence safeguarding the long-term competitiveness of the BMW Group. The Board of Management reported to the Supervisory Board at regular intervals and in depth on risk management and risk provision issues. These two topics constituted a further area of emphasis for our deliberations in the Supervisory Board.

The Board of Management kept us informed of changes in the general economic environment caused by the financial and economic crisis and provided a detailed analysis of the risk profile, particularly that of the Financial Services segment. In this context we also held discussions with the Board of Management regarding its plans to restructure activities in this segment to take account of the changing economic environment and regulatory framework. The Supervisory Board fully supports the initiatives taken by the Board of Management to optimise liquidity management, risk management, sales support facilities within the Automobiles segment as well as corporate and management organisational structures.

In September we joined the Board of Management over a two-day period in a board meeting with a new format. During one session of that meeting – dedicated to reviewing technical information, exploring the concept of motoring as an experience and exchanging ideas – members of the Board of Management gave presentations on new products and innovative drive concepts developed in conjunction with the Strategy Number ONE. It is hoped that these developments will provide some answers to the changing requirements of customers, legislation and the environment. In a further session, the Board of Management presented the results of its strategy review which were discussed at great length. The Supervisory Board considers that the Board of Management is on the right track with new projects designed to tap new growth markets, address new customer groups and move into other vehicle segments. In the course of this meeting we also gave intensive consideration to the long-term business plan which the Board of Management presented for approval and which, due to the financial and economic crisis, predicts a delayed increase in sales volume but a quality of earnings from 2012 onwards in line with previous forecasts. The Board of Management explained variances from earlier forecasts and reported fully on the main external risk factors affecting business. The Supervisory Board remains convinced that the Board of Management's Strategy Number ONE is robust and accordingly granted its formal approval to the long-term business plan.

We also carefully considered the annual budget for the financial year 2010 and the targets incorporated therein and discussed these with the Board of Management.

In regular reports, the Board of Management kept us informed of sales volume performance in the Automobiles and Motorcycles segments, new business developments in the Financial Services segment and vehicle residual values in key markets. We were also regularly informed about measures to bring production capacities into line with current demand and about important changes in the area of human resources. The Board of Management also reported on other current events such as the sale of the Formula One racing team. Key projects, such as the expansion of production capacities in China undertaken to strengthen competitiveness and open up potential opportunities for growth, were also explained. One Supervisory Board meeting was held at the BMW plant in Dingolfing, Lower Bavaria, where the BMW 5 Series, 6 Series, 7 Series, 5 Series Gran Turismo and a wide range of components are produced. The central parts distribution centre is also located at this site. During our visit to the plant we were shown how profitability has been significantly improved through rigorous application of the principles of value-added production.

In 2009 the Personnel Committee and the Supervisory Board carried out an in-depth review of the structure and level of the Board of Management's compensation, and deliberated on the new pension arrangements for members of the Board of Management. A detailed Compensation Report is included in the Corporate Governance Report section of the Annual Report. Tasks dealing with issues relating to the Board of Management's compensation were reallocated between the Personnel Committee and the Supervisory Board as a result of the German Act on the Appropriateness of Management Board Compensation (VorstAG). With effect from the date on which that law came into force, the Supervisory Board has been responsible for determining and regularly reviewing the Board of Management's compensation. The Personnel Committee now plays a preparatory role in this process. The Supervisory Board's terms of reference were adapted to take account of the change in allocation of tasks between the Personnel Committee and the full Supervisory Board. The Personnel Committee and the Supervisory Board also took an in-depth look at the requirements of the VorstAG and the recommendations of the German Corporate Governance Code relating to the structure of board compensation. Further information is provided in the detailed Compensation Report.

Corporate Governance and Declaration of Compliance At a joint meeting in December 2009, the Supervisory Board and the Board of Management examined whether the corporate governance principles laid down in the previous year had been applied during the financial year 2009 and also deliberated in detail on future corporate governance developments within the BMW Group. The two boards issued a joint Declaration of Compliance with the German Corporate Governance Code (GCGC) pursuant to § 161 AktG and had it posted to the BMW Group's website. The recommendations of the Government Commission on the German Corporate Governance Code (draft from 18 June 2009) contained in the revised code issued on 5 August 2009 will be complied with in the future with one exception, namely the level of an appropriate excess amount of directors' and officers' (D & O) liability insurance for Supervisory Board members. In view of the different financial circumstances of Supervisory Board members, both boards consider it appropriate that a differentiation should be made in the level of the D & O insurance excess amount applicable for members of the Board of Management on the one hand and members of the Supervisory Board on the other, and are of the opinion that the levels of insurance excess already agreed for members of the Supervisory Board remain appropriate. The Board of Management and the Supervisory Board decided to comply with all other recommendations. This includes the code's recommendations to take diversity into account when making proposals for elections to the Supervisory Board and in the composition of the Board of Management. In their assessment of individuals for posts on the Board of Management or for proposed election to the Supervisory Board, the Personnel Committee, Nomination Committee and the full Supervisory Board will take even more care to ensure that the process is impartial and also pays due attention to diversity. The full Declaration of Compliance is also shown in the Corporate Governance Report (part of the Annual Report). The BMW Group Corporate Governance Code was updated on the basis of resolutions taken by the Board of Management and the Supervisory Board. This code, which sets out the principles of good corporate governance applied within the BMW Group, is available to shareholders and the general public via the Group's website. Examining and improving the efficiency of the Supervisory Board's work is seen as an ongoing task, one key element of which is to engage in open and constructive dialogue within the Supervisory Board and in dealings with the Board of Management. The efficiency examination was also the subject of a separate discussion by the full Supervisory Board. Our preparations for this were based on the results of a questionnaire previously devised and distributed by the members of the Supervisory Board in advance of the meeting. The two-day meeting held in September (including self-evaluation sessions and opportunities for in-depth technical discussions amongst the members of the two boards) and the introductory programme for new Supervisory Board members received much praise.

There was no indication during the past year of any conflicts of interest on the part of members of the Supervisory Board or the Board of Management.

Attendance at Supervisory Board meetings in 2009 was on average over 90 %. One member was unable to attend four meetings during the financial year 2009 due to illness. Presiding Board and committee meetings were fully attended.

Description of Presiding Board activities and committee work In a total of five meetings, the Presiding Board focused mainly on preparing for the meetings of the full Supervisory Board, including corporate governance related issues unless such preparation fell under the remit of one of the committees. The Presiding Board selected additional topics for Supervisory Board meetings and made suggestions to the Board of Management regarding items to be included in its reports to the full Supervisory Board.

The Audit Committee convened five times during the period under report. In accordance with a recommendation by the GCGC, the Group's three interim reports in 2009 were discussed with the Board of Management prior to publication (by telephone conference). One meeting of the Audit Committee dealt in particular with preparations for the Supervisory Board meeting at the beginning of 2009 at which the financial statements were examined. Before giving the Supervisory Board its recommendations for nominations for election at the Annual General Meeting and engaging the external auditor for the financial year 2009, the Audit Committee obtained a Declaration of Independence from the proposed external auditor as well as fee proposals for the audit of the year-end financial statements and the review of the six-month financial report. After the Annual General Meeting 2009, the Audit Committee appointed the external auditor for the financial year 2009 and, taking the suggestions of the full Supervisory Board into account, specified areas of audit emphasis, including risk management within the financial services line of business.

The Audit Committee also looked carefully at the current risk profile, risk management and risk provision issues (in particular with regard to the Financial Services segment) as well as at the Group's internal control system. The Audit Committee received reports from the Head of Group Internal Audit on the main areas of emphasis, the results of the audits conducted as well as on the Group Internal Audit Department's organisation, capacities and audit projects. The BMW Group Compliance Committee chairman reported to the Audit Committee on the current status of implementation of the Group's compliance programme at an international level, preventative measures taken and the evaluation of any indications of non-compliance.

In line with the authority given to it by the full Supervisory Board, the Audit Committee approved the decision taken by the Board of Management to increase BMW AG's share capital pursuant to § 4 section 5 of the Articles of Incorporation (Authorised Capital 2009) by euro 469,200 and, in conjunction with the employee share scheme, to issue 469,200 new non-voting shares of preferred stock, each with a par value of euro 1, at favourable conditions to employees.

The Personnel Committee held five meetings during the financial year 2009, focusing in particular on issues relating to the compensation of the Board of Management. Further information is provided in the detailed Compensation Report. In addition, the Personnel Committee undertook preparatory work ahead of the full Supervisory Board's decisions to extend two mandates of Board of Management members. In line with its terms of reference, the Personnel Committee also gave its approval in specific cases to contracts with Board of Management members.

The Nomination Committee, which is charged with the task of finding suitable candidates for the Supervisory Board for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting, met twice in 2009 to agree on the names of candidates and recommendations to be put forward to the full Supervisory Board.

The statutory Mediation Committee (§ 27 (3) of the Law on Worker Participation) was not required to convene during the financial year 2009.

The relevant chairmen reported regularly and in depth at Supervisory Board meetings on the status of Presiding Board and committee work.

Changes in the composition and organisation of the Board of Management The management team comprising seven persons was unchanged in 2009 in terms of composition and portfolio responsibilities. The Supervisory Board extended mandates in two cases.

Changes in the composition of the Supervisory Board, Presiding Board and committees 17 members of the Supervisory Board commenced their new term of office at the end of the Annual General Meeting 2009. The ten employee representatives elected at the meeting of Workers' Delegates held on 3 March 2009 in accordance with applicable co-determination regulations – Bertin Eichler, Willibald Löw, Werner Neugebauer, Franz Oberländer, Anton Ruf, Stefan Schmid, Maria Schmidt, Manfred Schoch, Werner Zierer and, for the first time, Horst Lischka – took up office alongside the shareholders' representatives elected individually at the Annual General Meeting held on 14 May 2009. The following representatives were elected at the Annual General Meeting: Franz Markus Haniel, Susanne Klatten, Wolfgang Mayrhuber, Stefan Quandt, Professor Dr. Jürgen Strube and myself, and one new representative, Dr. Robert Lane. The mandates of Ulrich Eckelmann and Professor Dr. rer. nat. Dr. h. c. mult. Hubert Markl came to an end at the conclusion of the Annual General Meeting. Mr. Eckelmann had been an employee representative on the Supervisory Board for more than eleven years, Professor Markl a shareholders' representative on the Supervisory Board for almost 15 years. On behalf of the Supervisory Board, I would like to thank both gentlemen for their commendable work and their constructive, steadfast years of service to the BMW Group.

After the Annual General Meeting 2009, the Presiding Board and committees were constituted anew. I was elected unanimously as Chairman, Mr. Manfred Schoch as First Deputy Chairman and Messrs. Stefan Quandt, Stefan Schmid and Professor Dr. Jürgen Strube as further Deputy Chairmen. In accordance with the recommendations of the GCGC, I had it made known on the BMW Group's website in conjunction with the invitation of shareholders to the Annual General Meeting, and again before election at that meeting, that, should I be re-elected to the Supervisory Board, I would stand again for the position of Chairman. The Supervisory Board passed a resolution that the Presiding Board should at the same time take over the function of the Personnel Committee and the Audit Committee. The shareholders' representatives on the Supervisory Board elected Stefan Quandt and Professor Dr. Jürgen Strube as members of the Nomination Committee. By virtue of my position as Chairman of the Supervisory Board, in accordance with the applicable terms of reference, I assumed the chair of both the Nomination Committee and the Personnel Committee, in line with the recommendation of the GCGC. As a result of his expertise in the fields of financial reporting and internal control procedures, Professor Dr. Jürgen Strube was re-elected (as an independent member of the Supervisory Board) to chair the Audit Committee. Together with myself and the First Deputy Chairman of the Supervisory Board, Messrs. Stefan Quandt and Stefan Schmid were elected members of the Mediation Committee.

The work procedures of the Supervisory Board committees are described in detail in the corporate governance section of the Annual Report. This also includes an overview of the structure of the Supervisory Board and its committees.

Examination of financial statements and the profit distribution proposal KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, conducted a review of the abridged Interim Group Financial Statements and Interim Group Management Report for the six-month period ended 30 June 2009. The results of the review were reported orally to the Audit Committee: no issues were identified that might indicate that the abridged Interim Group Financial Statements and Interim Group Management Report had not been prepared, in all material respects, in accordance with the applicable provisions.

The Company and Group Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the year ended 31 December 2009 and the combined Company and Group Management Report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and given an unqualified audit opinion on 19 February 2010. The Audit Committee examined these documents in detail at its meeting on 26 February 2010. At its meeting on 11 March 2010 and after hearing the committee chairman's report on the meeting of the Audit Committee, the Supervisory Board deliberated on and examined the relevant drafts drawn up by the Board of Management. Representatives of the external auditors attended both meetings, reported on significant findings and answered any additional questions raised by the members of the Supervisory Board. The representatives of the external auditors confirmed that the risk management system established by the Board of Management is capable of identifying events or developments impairing the going-concern status of the Company and that no material weakness in the internal control system and risk management system were found with regard to the financial reporting process. In the course of their audit work, the external auditors did not identify any facts inconsistent with the contents of the Declaration of Compliance issued jointly by the two boards. Documents relating to the Company and Group Financial Statements, the combined Management Report, the long-form audit reports of the external auditors and the Board of Management's profit distribution proposal were made available to all members of the Supervisory Board in a timely manner. The Supervisory Board concurred with the results of the external audit and approved the Company and Group Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the financial year 2009 prepared by the Board of Management. The Company Financial Statements are therefore adopted. The Board of Management's profit distribution proposal was reviewed by the Audit Committee and the Supervisory Board. Taking account of the financial condition of the BMW Group and the interests of the shareholders, they consider the proposal appropriate and concur with it. In accordance with the conclusion reached on the examination by the Audit Committee and Supervisory Board, no objections were raised.

The financial year 2009 was overshadowed by the ongoing financial and economic crisis. The strategy of incorporating Efficient Dynamics throughout the whole range of products and the successful implementation of profitability improvement measures made an important contribution to the Group's ability to take action and be competitive during the financial year 2009. Seen in the context of unfavourable macroeconomic conditions, the BMW Group was able to successfully assert itself in 2009 as a robust, autonomous company. This achievement required a high degree of commitment and constructive cooperation at all levels.

On behalf of the Supervisory Board I sincerely wish to thank the members of the Board of Management, all employees and employee representatives for their continued hard work and their commitment to furthering the interests of the BMW Group.

Munich, 11 March 2010
On behalf of the Supervisory Board

Yours
Joachim Milberg

Joachim Milberg — Chairman of the Supervisory Board

Group Management Report
A Review of the Financial Year

BMW Group performs well despite economic crisis
The worldwide economic and financial crisis again had a major impact on our business in 2009. The steep decline in demand on key sales markets and unfavourable refinancing conditions on international capital markets were particularly pronounced during the first half of the year. Manufacturers of premium vehicles benefited only to a very minor extent from the various stimulus programmes established in many countries to help increase car sales volumes.

The first signs of moderate economic recovery, from which our automobile business also profited, emerged during the second half of the year. With a total of 1,286,310 BMW, MINI and Rolls-Royce cars sold in 2009, we ended the year 10.4 % down on the previous year's sales volume performance and within the predicted range of 10 % to 15 %. Intense competition and model life-cycle factors also played a role in reducing sales volumes to below the previous year's figures. We were nevertheless able to increase market share in the premium segment and retain our position as the world's leading premium manufacturer.

International motorcycle markets contracted on average by roughly one third in 2009. Despite this difficult environment, we were still able to sell 87,306 BMW motorcycles worldwide (– 14.1 %), convincingly outperforming the market as a whole.

The weak state of the global economy also cast its shadow over financial services business in 2009. Ongoing adverse conditions on the international car markets also caused new financing and lease business to decline. The situation on the international used car markets differed greatly from market to market. Whereas demand for previously owned cars stabilised over the course of the year in North America and the United Kingdom, the situation in Continental Europe remained difficult. The economic and financial crisis was especially reflected in this region in a higher volume of bad debts. Narrower risk spreads on the international capital markets reduced refinancing costs during the year.

Due to the uncertain conditions on international capital markets, we increased our liquidity levels at the beginning of 2009. As the financial markets have settled somewhat and with economic conditions stabilising, we have been able to reduce those levels. Some of the liquidity raised was used to externalise the financing of a second tranche of pension liabilities.

Positive earnings achieved
With the economy performing so weakly, revenues fell short of their previous year's level. Group revenues in 2009 totalled euro 50,681 million, 4.7 % down on the previous year. Excluding the exchange rate impact, revenues would have fallen by 5.1 %.

Efficiency improvement measures initiated at an early stage as part of our Strategy Number ONE and rigorous cost management policies have both helped to enable us to report positive Group earnings for the full year. A steep sales volume decline, adverse exchange rate factors and a difficult competitive environment had a negative impact on business performance. The BMW Group reports a profit before financial result (EBIT) of euro 289 million (– 68.6 %). At euro 413 million, the profit before tax was up by 17.7 % on the previous year.

In line with the sales volume performance, automobile business revenues fell short of the previous year, dropping by 10.3 % to euro 43,737 million. Reflecting the weak state of most of the major car markets, the Automobiles segment recorded a negative EBIT of euro 265 million (2008: positive EBIT of euro 690 million). The slight economic recovery in the final months of 2009 resulted in a resurgence in car sales volume, enabling the segment to achieve a positive EBIT of euro 93 million in the last quarter of 2009. The segment recorded a loss before tax of euro 588 million for the year (2008: profit before tax of euro 318 million).

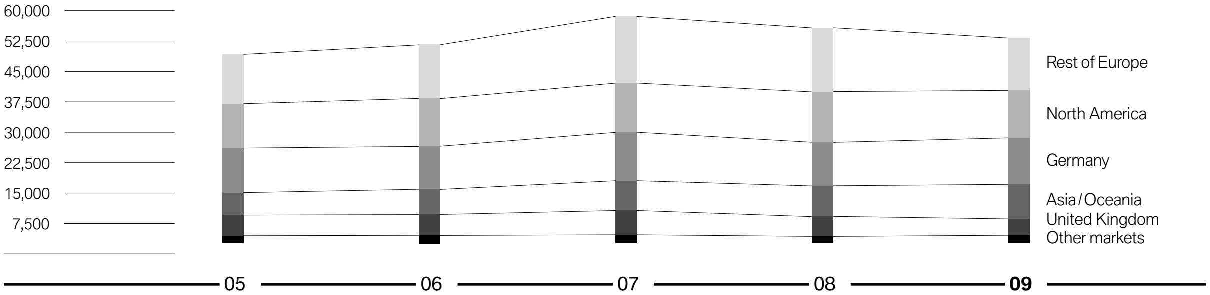
The Motorcycles segment generated revenues totalling euro 1,069 million in 2009, 13.1 % down on the previous year. The difficult market environment in 2009 pushed down EBIT by 68.3 % to euro 19 million, with profit before tax falling to euro 11 million (– 78.4 %).

The total business volume of the Financial Services segment was similar to that of the previous year, with revenues of euro 15,798 million (+ 0.5 %). The positive EBIT generated by this line of business, at euro 355 million, was well above the previous year's level (2008: negative EBIT of euro 216 million). The pre-tax segment result turned around from a segment loss before tax of euro 292 million to a segment profit before tax of euro 365 million. The slight improvement in the global economy brought with it lower risk levels in terms of residual values and within the lending business. Narrower risk spreads on capital markets nudged refinancing costs down during the year.

The income tax expense for the year was euro 203 million (2008: euro 21 million). The sharp increase in the effective tax rate was due to the lower level of tax-exempt income and partly to the tax expense incurred for prior years in conjunction with a tax field audit at the level of BMW AG, mostly relating to intragroup transfer pricing arrangements. The

BMW Group Revenues by region

in euro million



	05	06	07	08	09
Rest of Europe	12,141	13,226	16,450	15,780	**12,911**
North America	10,957	11,779	12,161	12,461	**11,724**
Germany	11,001	10,601	11,918	10,739	**11,436**
Asia / Oceania	5,538	6,200	7,353	7,523	**8,495**
United Kingdom	5,125	5,214	5,945	4,913	**4,078**
Other markets	1,894	1,979	2,191	1,781	**2,037**
Total	**46,656**	**48,999**	**56,018**	**53,197**	**50,681**

Group net profit for the year decreased to euro 210 million (– 36.4 %).

Dividend maintained at previous year's level

Despite the adverse economic factors affecting earnings generated in 2009, the Board of Management and the Supervisory Board will propose to shareholders at the Annual General Meeting that the unappropriated profit available for distribution at the level of BMW AG, amounting to euro 197 million, be used to pay an unchanged dividend of euro 0.30 for each share of common stock and an unchanged dividend of euro 0.32 for each share of preferred stock. The distribution rate for 2009 would then be 96.6 % (2008: 60.8 %).

Capital expenditure reduced on targeted basis

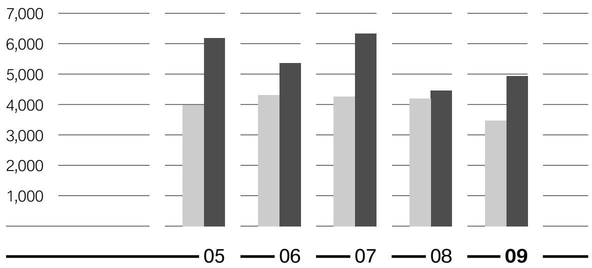
At euro 3,471 million, capital expenditure in 2009 was reduced by comparison to the previous year (2008: euro 4,204 million / – 17.4 %), with the main focus on product investments for new model start-ups (such as the new BMW 5 Series, the 5 Series Gran Turismo, the X1, the MINI Convertible and the Rolls-Royce Ghost) and on infrastructure investments.

In 2009 we invested euro 2,384 million in property, plant and equipment and other intangible assets (2008: euro 2,980 million / – 20.0 %). In addition, development expenditure of euro 1,087 million was recognised as assets (2008: euro 1,224 million / – 11.2 %). The percentage of development costs capitalised rose to 44.4 % (2008: 42.7 %).

The capital expenditure ratio (capital expenditure / Group revenue) fell to 6.8 % in 2009 (2008: 7.9 %) due to more efficient use of capital. Despite our investment in innovative technologies, the ratio was below 7 % of Group revenues and therefore within the target range set in conjunction with Strategy Number ONE.

BMW Group Capital expenditure and operating cash flow

in euro million



	05	06	07	08	09
Capital expenditure	3,993	4,313	4,267	4,204	**3,471**
Operating cash flow*	6,184	5,373	6,246	4,471	**4,921**

* reported in the cash flow statement up to 2006 as cash inflow from operating activities of Industrial Operations and from 2007 as cash inflow from operating activities of the Automobiles segment

End of worldwide recession reached

The year 2009 was dominated by the worst economic crisis seen for decades. Global economic output decreased for the first time since the Second World War. The property and financial crisis that started in the USA in 2007 developed into a crisis of the real economy over the winter period 2008/09, encompassing practically all countries and business sectors. The lowest point of this global recession came during the first quarter 2009. Falling property prices, the virtual collapse of the credit markets, a massive drop in prices on the share and commodity markets and a drastic slump in global trading volumes cast their shadows over the economic landscape until well into the second quarter 2009. The slump in the world economy was only halted during the second quarter 2009 by the global switch to expansionary money and fiscal policies. Share and commodity prices have recovered strongly from their low points in the first quarter. Risk spreads in the credit markets narrowed somewhat, although nowhere near the levels seen prior to the crisis. Most countries again began reporting positive growth rates during the second half of 2009.

The crisis favoured an eastward shift in regional economic strength: China recorded growth of approximately 8.7 % in gross domestic product (GDP) even in the year of crisis and although the global economy was contracting. China's state-financed economic stimulus programmes had a stabilising effect on the domestic economy as a whole as well as on the commodity, investment and consumer goods markets.

Unlike the benefits felt from consumer spending in China, US consumers did not provide a similar impetus in 2009. The 2.4 % drop in GDP in the USA was largely attributable to weak consumer spending. With the unemployment rate doubling to more than 10 % since the beginning of the crisis and with many private households suffering under the burden of high debt, falling residential property prices and deteriorating credit conditions, there was a definite lack of willingness to spend.

The euro zone was even more negatively affected by the crisis in 2009 and recorded a 4.0 % downturn in economic output. The drastic slump in global trade over the 2008/09 winter period took a particularly heavy toll on export-based economies. Germany registered one of its biggest drops ever, with GDP down by 4.9 % for the year 2009. Unemployment, however, rose less than expected thanks to the implementation of short-time working arrangements. With effect from the second quarter of the year, Germany even found itself leading the upturn within the euro zone. Due to the high proportion of exported investment goods, the German economy benefited particularly strongly from economic stimulus programmes initiated both in Germany and elsewhere. Private spending was boosted by the scrappage bonus scheme, which generated a level of demand not seen in the automotive industry for many years.

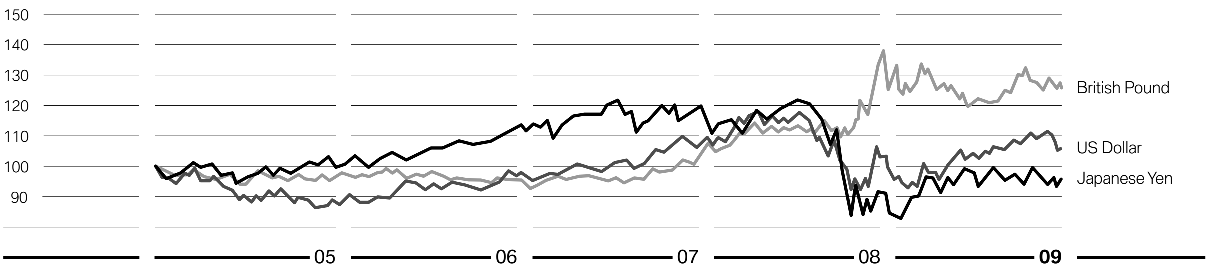
The British economy also performed weakly over the course of 2009, contracting by 4.8 % compared to the previous year. As in the USA, the crisis in the UK was mainly characterised by sharply declining property prices, high levels of private debt, rising unemployment and weak consumer spending. Despite the persistent weakness of the British pound, structural deficiencies in the industrial sector prevented the British economy from rallying as global trade picked up.

Of all the world's major economies, Japan has witnessed the greatest volatility over the course of the economic crisis due to its high dependency on exports. Similar to Germany, there was a dramatic slump in the first quarter of 2009 followed by a period of stabilisation at a relatively early stage on the back of state-funded stimulus programmes and a recovery in demand for exports from the second quarter onwards. Over the year, however, GDP deteriorated by 5.0 %.

After several years of economic boom, the crisis took a heavy toll on most countries in Eastern Europe. The EU countries in that region saw an overall drop of 3.7 % in economic output as international capital was withdrawn. Russia's GDP fell by 7.9 % compared to the previous year, revealing the extent to which the Russian economy is dependent on the international raw material markets. In contrast to Eastern Europe and to past economic crises,

Exchange rates compared to the Euro

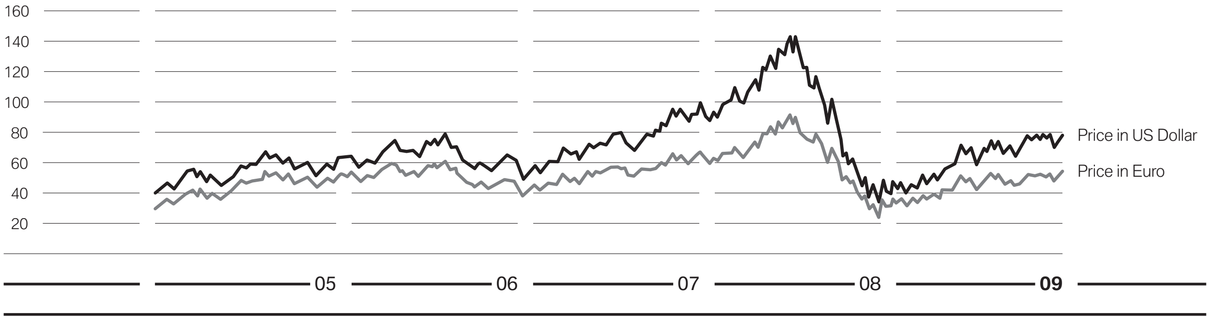
(Index: 31 December 2004 = 100)



Source: Reuters

Oil price trend

Price per barrel of Brent Crude



Source: Reuters

other major emerging economies proved to be surprisingly stable. India came through the global recession successfully with the aid of its own stimulus programme and finished the year with a growth rate of 6.0 %. Brazil managed to keep economic output at a relatively stable level (– 0.3 %).

US dollar and British pound weaker

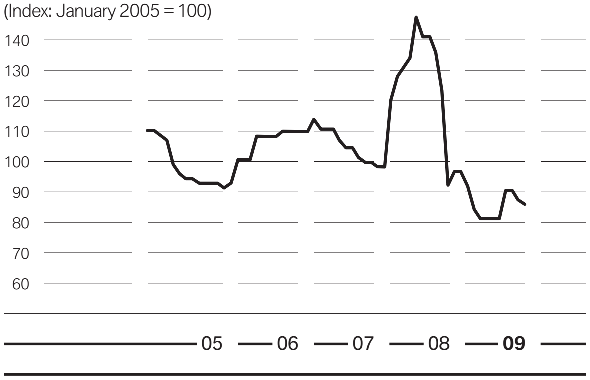
At the beginning of 2009, the worst point of the economic crisis, the US dollar gained sharply with rates of up to US dollar 1.25 to the euro. As a result of the zero-interest-rate policy of the US Reserve Bank and the increased willingness of international investors to take risks, the value of the US dollar deteriorated over the course of the year to as low as US dollar 1.50 to the euro. At the end of the period under report, the US currency closed at US dollar 1.43 to the euro, 2 % below its closing exchange rate one year earlier. The British pound also lost significantly in value during the crisis, hovering at around GBP 0.90 to the euro for most of the year. The Japanese yen rose sharply against the euro during the winter months of 2008 / 09, rising to yen 115 to the euro. By the year-end, however, it had fallen back to yen 133 to the euro. Emerging economy currencies were amongst the strongest in 2009 after having suffered significantly at the end of 2008 due to massive capital outflows. The currencies of countries which export raw materials – such as Brazil and Australia – also increased sharply in value against the euro over the course of 2009.

Raw material prices steadier again

After plummeting by an average of almost two thirds on worldwide markets during the second half of 2008, raw material prices regained more than half of the ground lost between their lowest point in February 2009 and the end of the year. The price of oil almost doubled, rising from US dollar 43 per barrel at the start of the year to US dollar 80 per barrel at the end. Massive injections of speculative capital in the raw materials sector also caused the prices of non-ferrous metals and precious metals to rise steeply.

Steel price trend

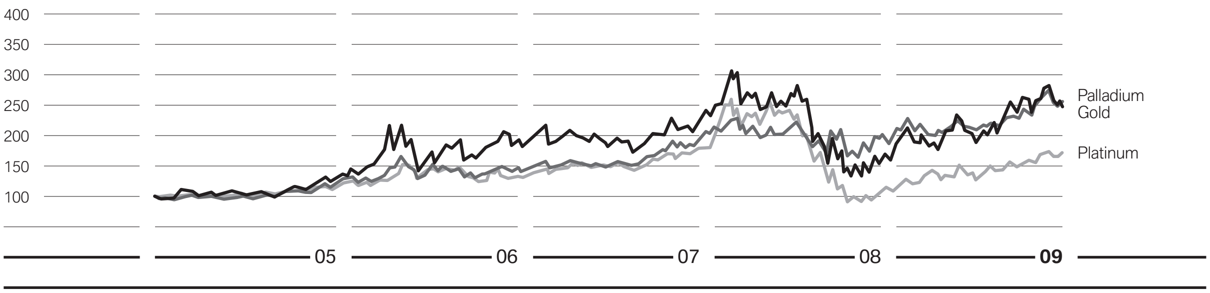
(Index: January 2005 = 100)



Source: Working Group for the Iron and Metal Processing Industry

Precious metals price trend

(Index: 31 December 2004 = 100)



Source: Reuters

Within the real economy, the main factor behind the sharp rise in prices was China's continuing need for raw materials.

Car markets in 2009

Due to the economic crisis, the number of passenger cars and light commercial vehicles sold worldwide fell from 66.2 million units in 2008 to 62.5 million in 2009 (–5.7 %). Whereas the total sales volume in the USA dropped by almost a quarter from 13.2 million units to 10.5 million units in 2009, the number sold in China rose from 8.6 million to 12.6 million. As a result, China replaced the USA as the world's largest vehicle market (passenger cars and light commercial vehicles) for the first time. Amongst other factors, the Chinese car market profited from the halving of the registration tax for small vehicles for a limited period of time.

In the USA, however, the scrappage bonus programme ("cash for clunkers") set up in summer 2009 failed to stop the market as a whole from contracting to its lowest level for many years. The market share of US manufacturers decreased by a further three percentage points to approximately 45 % in 2009, with the insolvencies of General Motors and Chrysler playing a considerable role.

The passenger car market also contracted in the European Union, falling by 2 % to 14.0 million units. Market performance differed greatly from country to country, however, depending on the efficacy of various stimulus programmes in place. In Germany, Europe's largest market, demand from private customers rose sharply. Despite the German economy suffering particularly badly in a European comparison, the number of new registrations in Germany jumped by approximately one quarter to 3.8 million units. The scrappage programme in France boosted domestic passenger car sales to 2.3 million units (+ 11 %) in 2009. By contrast, however, national scrappage bonus programmes put in place in countries where the property and credit markets were directly affected by the global economic crisis failed to compensate for weaker demand. In the UK, for instance, the number of new cars sold fell by 6 % to 2.0 million. In Spain – particularly hard hit by the property crisis – sales were down by a quarter to less than one million units in 2009, meaning that this market had contracted by almost one-half due to the crisis. Eastern European EU countries also registered a slump in passenger car sales (by approximately a quarter), with only 0.9 million units sold altogether.

The Japanese car market was also unable to escape the effects of the international crisis, contracting by a further 9 % to only 4.5 million units despite the introduction of a scrappage bonus programme and tax breaks.

Market performance among the emerging economies varied greatly. Sales in Russia fell by one half to 1.4 million units, whereas the Brazilian car market grew by 9 % to 3.0 million units on the back of a short-term tax reduction for small cars. The car market in India continued to grow, with sales up by 18 % to 2.1 million units.

For the first time in automotive history, at 47 %, sales in the triad of traditional markets – the USA, Europe and Japan – accounted for less than half of car sales worldwide.

Motorcycle markets in 2009

Developments on international motorcycle markets in 2009 were largely shaped by the knock-on effects of the international economic and financial crisis. Worldwide motorcycle sales in the 500 cc plus segment were down by almost one third (–30.3 %) against the previous year. The number sold in Europe fell by 21.9 %, with all countries registering negative rates. While the decreases in France (–9.6 %) and the United Kingdom (–10.3 %) were relatively moderate, market volumes in Spain (–55.2 %), Italy (–21.7 %) and Germany (–16.7 %) were well down on those of the previous year.

The decline in sales in the USA – the largest market for motorcycles in the 500 cc plus segment – was particularly steep at 40.9 %. The Japanese market also failed to reach the previous year's figures (–17.1 %).

The financial services market in 2009

The escalation of the international financial crisis during the winter months of 2008 / 2009 created an all-encompassing sense of uncertainty on the money and capital markets throughout 2009. At the beginning of the year, governments around the world adopted extensive measures in an effort to stabilise the financial markets. In addition, the leading central banks continued the policy, begun in 2008, of reducing interest rates in order to counter worldwide recession. Towards the middle of the year, these measures did indeed begin to have a certain positive impact. In particular, they ensured the supply of liquidity to international money and capital markets, which was also beneficial to the financial services sector. However, developments on the employment market and rising public-sector debt remain risk factors which could jeopardise the situation.

After initially narrowing, credit risk spreads then widened substantially during the early months of 2009 before the situation began to ease on money and capital markets. Spreads then went on to stabilise at much narrower levels during the second half of 2009, without, however, reaching the levels seen before the onset of the crisis.

The leading central banks continued to lower their reference interest rates throughout the reporting period and then kept them at an historically low level. During the year, the US reference rate moved within a range of 0 % to 0.25 %. The European Central Bank reduced its reference interest rate by 1.5 percentage points in four steps to 1.0 %, while the Bank of England lowered its reference interest rate by 1.5 percentage points to 0.5 % in three steps. With certain economies recovering earlier than expected, the central banks of some countries, including Australia and Norway, decided to raise their rates. Despite improved prospects for growth, interest rates within the medium-term maturity segment remained largely at the same historically low level. Interest rate rises were only observed in countries with better economic indicators, such as Australia.

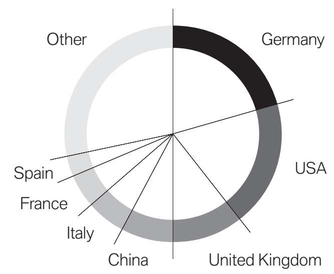
Developments on used car markets varied greatly around the world. The situation in North America and in the United Kingdom stabilised in 2009. In Continental Europe, the impact of the economic crisis on used car markets was not felt until later.

Car sales down on previous year as expected
As predicted, the worldwide economic downturn had a palpable effect on the BMW Group's car sales volumes in 2009. In many countries, sales volume figures only really began to stabilise in the fourth quarter 2009. A total of 1,286,310 vehicles was sold in 2009, 10.4 % down on the previous year, and hence within the 10 to 15 % range predicted earlier in the year. 1,068,770 BMW brand cars were sold worldwide in 2009, 11.1 % fewer than in 2008. The number of MINI brand cars sold fell by 6.8 % to 216,538 units. A total of 1,002 Rolls-Royce brand vehicles was handed over to customers in the course of the year (– 17.3 %).

First signs of recovery in a number of markets
The first signs of stabilisation on international car markets are slowly emerging, most evidently in the last three months of 2009. However, many markets registered a contraction for the year as a whole. In North America we handed over 271,032 BMW, MINI and Rolls-Royce brand cars (– 18.3 %) to customers during the year under report. Sales in the USA in 2009 fell to 242,053 units (– 20.3 %). In Canada, by contrast, we sold 28,979 units, surpassing our previous year's sales volume performance by 2.9 %.

The difficult market conditions also had a negative impact on business in Europe. We sold 761,887 vehicles in this region in 2009, 11.9 % fewer than in the previous year. In Germany, currently our largest single market, we recorded a sales volume of 267,539 units, down slightly (– 4.8 %) on 2008. 137,062 units (– 9.5 %) were sold in the UK in 2009.

BMW Group – key automobile markets 2009
as a percentage of sales volume

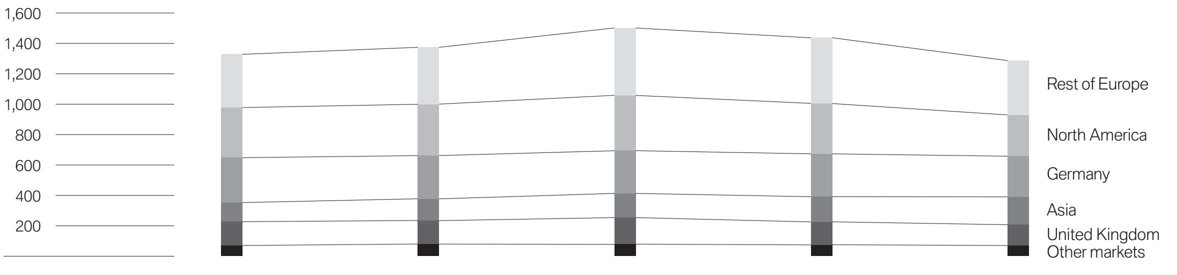


Germany	20.8	Italy	5.9
USA	18.8	France	4.9
United Kingdom	10.7	Spain	3.2
China	7.7	Other	28.0

This included 37,361 units sold in the last three months of the year, an increase of 55.8 % compared to the same period last year. Car sales in Italy totalled 75,679 units (– 16.3 %) in 2009. The car markets in Spain and France did not even recover in the final quarter of the year. As a consequence, the number of cars sold in Spain in 2009 fell by 31.7 % to 40,718 units and the number in France to 63,309 units (– 10.2 %).

Sales volume grew sharply in Asia, with 183,206 units sold in 2009 (+ 10.5 %). The Chinese markets (China, Hong

BMW Group Deliveries of automobiles by region and market
in 1,000 units



	05	06	07	08	09
Rest of Europe	350.8	375.0	443.6	432.2	**357.3**
North America	329.0	337.4	364.0	331.8	**271.0**
Germany	295.9	285.3	280.9	280.9	**267.5**
Asia	125.7	142.2	159.5	165.7	**183.1**
United Kingdom	156.2	154.1	173.8	151.5	**137.1**
Other markets	70.4	80.0	78.9	73.8	**70.3**
Total	**1,328.0**	**1,374.0**	**1,500.7**	**1,435.9**	**1,286.3**

Kong, Taiwan) made a big contribution to this performance. The number of cars sold there rose by 31.1% to 98,960 units. As experienced in many countries, the sales volume achieved in Japan fell by 15.8% to 41,125 units for the full year. Here, too, the market picked up slightly in the final quarter of the year (10,162 units/+2.1%).

BMW brand sales volume below previous year's level
Sales volume performance for the BMW brand was adversely affected by both the generally weak state of the economy and, in part, model life-cycle factors. During 2009, 216,944 units of the BMW 1 Series were handed over to customers, a moderate reduction of 3.6% for the year. Sales of the BMW 3 Series during the year under report fell by 16.3% to 397,103 units. Despite this fact, the BMW 3 Series remained the worldwide leader in its segment. Model life-cycle factors held down sales of the BMW 5 Series (175,983 units/–13.0%) and the BMW 6 Series (8,648 units/–46.9%). 3,052 units of the BMW 5 Series Gran Turismo had been sold by year-end, even though this

Deliveries of BMW automobiles by model variant
in units

	2009	2008	Change in %	Proportion of BMW deliveries 2009 in %
BMW 1 Series				
Three-door	**44,034**	49,559	–11.1	
Five-door	**120,323**	122,666	–1.9	
Coupé	**24,081**	26,304	–8.5	
Convertible	**28,506**	26,566	7.3	
	216,944	**225,095**	**–3.6**	**20.3**
BMW 3 Series				
Sedan	**219,850**	246,231	–10.7	
Touring	**84,601**	93,191	–9.2	
Coupé	**54,852**	79,248	–30.8	
Convertible	**37,800**	55,538	–31.9	
	397,103	**474,208**	**–16.3**	**37.2**
BMW 5 Series				
Sedan	**135,944**	156,825	–13.3	
Touring	**36,987**	45,462	–18.6	
Gran Turismo	**3,052**	–	–	
	175,983	**202,287**	**–13.0**	**16.5**
BMW 6 Series				
Coupé	**4,501**	8,337	–46.0	
Convertible	**4,147**	7,962	–47.9	
	8,648	**16,299**	**–46.9**	**0.8**
BMW 7 Series				
	52,680	**38,835**	**35.7**	**4.9**
BMW X1				
	8,499	**–**	**–**	**0.8**
BMW X3				
	55,634	**84,440**	**–34.1**	**5.2**
BMW X5				
	88,851	**116,489**	**–23.7**	**8.3**
BMW X6				
	41,667	**26,580**	**56.8**	**3.9**
BMW Z4				
	22,761	**18,006**	**26.4**	**2.1**
BMW total	**1,068,770**	**1,202,239**	**–11.1**	**100.0**

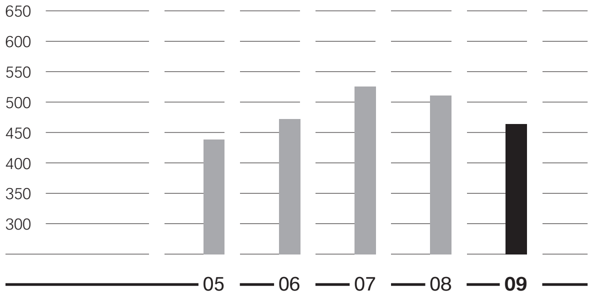
model did not come onto the markets until the end of October 2009. By contrast, there was a sharp increase (+ 35.7 %) in sales volume for the new BMW 7 Series – available worldwide since spring 2009, with 52,680 units sold. As a result of this performance, the new BMW 7 Series became segment leader in both Europe and China.

The BMW X1, which has been available since the end of October 2009, sold remarkably well right through to the end of the year. During this short space of time, 8,499 customers chose to purchase the first compact Sports Activity Vehicle available in the premium segment. Now getting towards the end of its life-cycle, we sold 55,634 units of the BMW X3, a decrease of 34.1 % on the previous year's figure. At 88,851 units, sales of the BMW X5 were also down on the previous year (– 23.7 %). In the case of the BMW X6, sales volume rose by 56.8 % to 41,667 units.

The BMW Z4, launched in May 2009, is enjoying great popularity with the number of cars sold up by 26.4 % to 22,761 units.

Deliveries of BMW diesel automobiles

in 1,000 units and as a percentage of total volume



	05	06	07	08	09
units	438.3	472.7	525.9	511.2	**464.2**
as a percentage of total volume	39	40	41	43	**43**

Proportion of diesel-powered BMW cars remains high

The proportion of diesel-powered BMW brand cars continues to be high (43 %). The proportion in Europe was 71 %, up slightly by one percentage point. BMW diesels were particularly popular in Portugal where they accounted for 95 % of sales. The proportion of diesel-powered BMW brand cars also remained very high in France (93 %), in Italy (91 %) and in Belgium / Luxembourg (90 %). In Germany the proportion rose by two percentage points to 63 %.

MINI brand sales volume slightly down

The BMW Group sold 216,538 MINI brand cars worldwide in 2009 (– 6.8 %). The new MINI Convertible, which has been on the markets since spring 2009, recorded sales of 28,303 units, an increase of 22.0 % over the previous year. At 150,043 units, the total number of MINI cars sold fell 7.5 % short of the previous year. The MINI Clubman recorded a sales volume of 38,192 units (– 18.9 %).

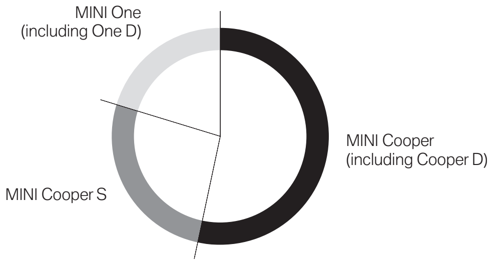
Deliveries of MINI automobiles by model variant

in units

	2009	2008	Change in %	Proportion of MINI deliveries 2009 in %
MINI				
One	**41,180**	27,154	51.7	
Cooper	**75,213**	91,695	–18.0	
Cooper S	**33,650**	43,286	–22.3	
	150,043	**162,135**	**–7.5**	**69.3**
MINI Convertible				
One	**186**	4,100	–95.5	
Cooper	**16,565**	11,706	41.5	
Cooper S	**11,552**	7,402	56.1	
	28,303	**23,208**	**22.0**	**13.1**
MINI Clubman				
One	**2,291**	–	–	
Cooper	**24,265**	31,741	–23.6	
Cooper S	**11,636**	15,341	–24.2	
	38,192	**47,082**	**–18.9**	**17.6**
MINI total	**216,538**	**232,425**	**–6.8**	**100.0**

MINI brand cars in 2009 – analysis by model variant

as a percentage of total MINI brand sales volume



MINI Cooper (including Cooper D)	53.6	MINI Cooper S	26.2
		MINI One (including One D)	20.2

In 2009 the MINI brand continued to generate a very high-value product mix in terms of engine variants sold. More than one half of customers (53.6 %) opted for the MINI Cooper, with 26.2 % selecting the MINI Cooper S and 20.2 % the MINI One.

Rolls-Royce remains segment leader

Despite the lower sales volume recorded by Rolls-Royce Motor Cars in 2009, the brand once again underlined the leading role it plays in its segment. In total, we handed over 1,002 Rolls-Royce brand cars to customers in 2009 (–17.3 %). The new model, the Ghost, which only became available in December, achieved a sales volume of 167 units within a very short time.

Car production volumes adjusted flexibly to match lower demand

Production volumes were reduced at an early stage in line with falling demand. In total, 1,258,417 BMW, MINI and Rolls-Royce brand cars came off the production lines in 2009 (–12.6 %). The BMW brand accounted for 1,043,829 units (–13.3 %). A total of 213,670 MINI brand cars left the Oxford plant in England, 9.1 % fewer than in the previous year. 918 Rolls-Royce brand cars were manufactured during the year under report (–35.2 %).

Production network displays great flexibility

Our production network proved its underlying strength during a difficult year. Efficiency and flexibility were both further improved despite the difficult business conditions. With nine product start-ups successfully executed and a whole range of investments made at the plants in 2009 at a cost in excess of euro one billion, we continued to lay the foundation for further rises in productivity. Instruments such as flexible working hours and shift models made it possible to adjust production schedules at short notice.

At the BMW plant in Munich, we reacted flexibly to fluctuations in demand on the automobile markets in 2009 with non-production days during the first half of the year and additional shifts in the second. It was not necessary therefore to introduce short-time working arrangements for car production at the Munich site. Overall, in fact, we produced more cars than in the previous year. With more than 24,000 units manufactured in September 2009, the Munich plant recorded its best-ever monthly production volume figure in its almost 90 years of existence.

In November 2009, the 5,555,555th BMW 5 Series came off the production lines at our Dingolfing plant and was donated to the Bavarian Forest National Park. During the year under report, series production commenced at the Dingolfing plant for a total of 23 new models and engine variants (BMW 7 Series and 5 Series Gran Turismo) and preparations were made for the new generation of the BMW 5 Series. We also invested euro 50 million at the Dingolfing site on two new sheet steel presses for automotive bodywork. This involves the first-time use of innovative hot stamping technology in the automobile industry. This

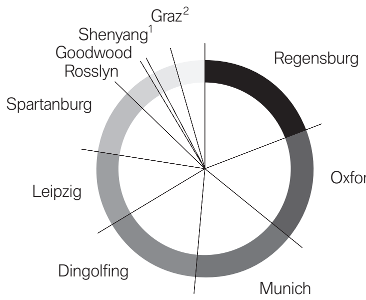
Deliveries of Rolls-Royce automobiles by model variant

in units

	2009	2008	Change in %
Rolls-Royce			
Phantom (including Phantom Extended Wheelbase)	**376**	644	–41.6
Drophead Coupé	**261**	431	–39.4
Coupé	**198**	137	44.5
Ghost	**167**	–	–
Rolls-Royce total	**1,002**	**1,212**	**–17.3**

Automobile production of the BMW Group by plant in 2009

in 1,000 units



Regensburg	250.5	Spartanburg	123.0
Oxford	213.7	Rosslyn	46.2
Munich	203.9	Goodwood	0.9
Dingolfing	194.7	Shenyang[1]	36.0
Leipzig	143.5	Graz (Magna Steyr)[2]	46.0

[1] Joint venture
[2] Contract production

new technique allows the production of high-strength, low-weight body panels.

The new BMW Z4 came off the production lines at the Regensburg plant for the first time in February 2009. With the production of future models in mind, we invested a total of euro 130 million from 2007 to 2009 in expanding this plant for BMW Z4 production. A further euro 84 million has been invested to expand the pressing plant. The Regensburg site now has the world's first servo drive cutting press and is able to cut high-strength and ultra high-strength steel directly from coils and pre-stamp it into sheet metal blanks for pressing. In future, nearly all of the pressed parts required will be manufactured on-site and go directly into bodywork production, enabling annual savings of some two million truck-kilometres and 1,600 tons of CO_2 emissions. We also plan to invest a further euro 300 million in car body construction and assembly during the coming years.

We were able to avoid having to resort to short-time working arrangements at the BMW plant in Leipzig during the year under report by switching to one-shift operations and utilising the flexibility of working-time accounts at an early stage. We returned to two-shift operations in summer 2009 with the production start-up of the new BMW X1. Additional employees from other plants helped to cope with capacity peaks. The new pressing plant and new production facilities for doors and front and rear hatches was commissioned in September 2009. Overall, we invested approximately euro 100 million in the plant.

The switch to a new, environment-friendly production process was initiated at our light-metal foundry at the Landshut plant in 2009. In 2010 it will then become the world's first emission-free foundry in which sand cores will be used as the basis for casting. Instead of using conventional, organic binding agents, processes in the future will involve the use of particularly eco-compatible and inorganic binding agents which create practically no environmentally harmful emissions. Using these innovative production techniques, the light-metal foundry will be able to reduce emissions from combustion residues by 98 %. This not only protects the environment; the new techniques also generate commercial and work-related benefits. Amongst other things, our employees are able to work under significantly improved working conditions.

The new BMW 6-cylinder petrol engine featuring TwinPower Turbo Technology was produced for the first time in 2009 at our engine factory in Steyr, Austria. This engine is destined for use in the new BMW 5 Series Gran Turismo. Production of the new BMW 6-cylinder diesel engine equipped with TwinPower Turbo Technology was also commenced. This engine, which powers the new BMW 740d, has an exceptionally low level of fuel consumption (only 6.9 litres / 100 km) for its category. We have also sharply reduced the volume of electricity consumed at the Steyr plant thanks to our rigorous energy management strategy. The quantity of electricity bought in for the plant in 2009 was 26 % lower than in 2006. The amount thus saved would be sufficient to provide electricity to approximately 15,000 households for one year.

In May 2009, celebrations were held at the MINI plant in Oxford to mark fifty years of the MINI brand. More than 1.5 million units of the new MINI have left the plant since production began in 2001. We also announced in September that two further models would be produced at the Oxford plant.

The 500,000th engine destined for a MINI left our Hams Hall plant in August 2009. In total, more than 360,000 engines were produced for BMW and MINI brand cars during the reporting period. More than two million engines have been produced at Hams Hall since production was taken up in 2001.

One of the main focuses of activities at the Goodwood plant in England in 2009 was the start-up of production of the new Rolls-Royce Ghost. The first customers took delivery of their Ghosts just before the end of 2009. Due to strong demand, the new model will continue to have an important impact on activities at Goodwood in 2010. The Phantom nevertheless remains the brand's key model.

In October 2009 we announced plans to invest the equivalent of more than euro 200 million in the BMW Rosslyn plant in South Africa prior to introducing the next generation of the BMW 3 Series.

In the course of 2009 we completed the construction of new assembly facilities at our plant in Spartanburg, USA, which has now been in operation for 15 years. The paint shop was also expanded and car body construction facilities renovated. These investments were made primarily as part of a set of measures prior to the start-up for the new generation of the BMW X3. Production of the M variants of the BMW X5 and X6 as well as the BMW ActiveHybrid X6 was also commenced during the year. 60 % of the energy requirements for the plant were provided by methane gas collected from a local waste disposal site, enabling some 59,000 tons of CO_2 emissions to be avoided each year.

Together with our joint venture partner, Brilliance China Automotive Holdings Limited, we announced in November 2009 that we will be constructing a second production plant at the Shenyang site. The total amount to be invested is euro 560 million. Construction is to commence in 2010 and the new plant should start production activities in 2012.

Motorcycle sales down on previous year

The number of BMW motorcycles sold in 2009 fell to 87,306 units worldwide (– 14.1 %) in a difficult market environment. Despite the adverse conditions, the Motorcycles segment was nevertheless able to improve its position and gain market share on all fronts, reflecting the fact that the drop in sales volume of BMW motorcycles was much less pronounced than the overall contraction of the markets in which we operate. A major contribution to this performance came from the K 1300 R, K 1300 S and K 1300 GT models, which have been available to customers since February, and from the F 800 R, on sale since May 2009.

Lower sales volumes registered on most markets

In total, 60,178 BMW motorcycles were handed over to customers in Europe in 2009, a decrease of 16.3 %. In Germany, currently the largest single market for BMW motorcycles, we were able to maintain market leadership with 15,375 units sold (– 17.2 %). Sales in France (7,014 units / – 14.6 %), Italy (13,162 units / – 12.5 %) and Spain (6,457 units / – 36.4 %) were all down on the previous year. In the United Kingdom, however, sales increased by 4.3 % to 5,859 units despite a generally contracting market.

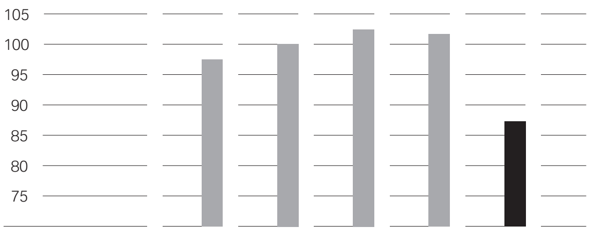
The number of motorcycles sold in 2009 fell by 20.9 % to 9,191 units in the USA and by 6.3 % to 2,825 units in Japan.

Model range expanded

The expansion of the model range in 2009 helped to cushion the impact of adverse business conditions for the Motorcycles segment. The K 1300 R, K 1300 S and K 1300 GT models were shipped to dealers for the first time in February 2009. The F 800 R and the special R 1200 GS, R 1200 R and R 1200 RT models (launched to coincide with the 15th anniversary of four-valve boxer

BMW motorcycles delivered

in 1,000 units

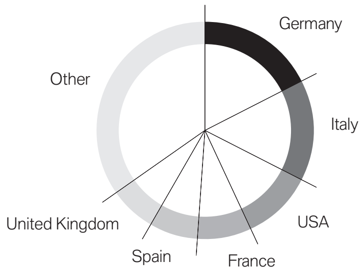


	05	06	07	08	**09***
	97.5	100.1	102.5	101.7	**87.3**

* excluding Husqvarna Motorcycles (13,052 motorcycles)

BMW Group – key motorcycle markets 2009

as a percentage of sales volume

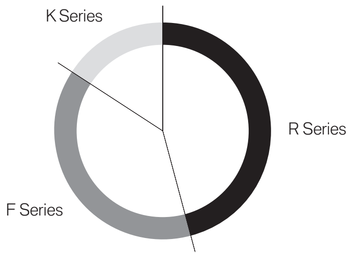


Germany	17.6	Spain	7.4
Italy	15.1	United Kingdom	6.7
USA	10.5	Other	34.7
France	8.0		

engines) followed in the period from May onwards. The S 1000 RR (based on the racing version) was launched in December. A technical update of the R 1200 GS and a model revision of the R 1200 RT were presented at the International Motorcycle Exhibition (EICMA) in Milan. A BMW motorcycle with a six-cylinder engine – the Concept 6 – was also unveiled for the first time. This concept study shows that a straight six-cylinder engine can be highly dynamic thanks to state-of-the-art design and engineering methods. The K model range will be expanded in the foreseeable future by the addition of the new BMW six-cylinder version. The first series production model will also be an innovative and luxurious BMW touring bike.

BMW motorcycles in 2009 – analysis by series

as a percentage of sales volume



R Series	45.9	K Series	15.7
F Series	38.4		

Motorcycle production selectively reduced in response to drop in demand

We also selectively adapted motorcycle production volumes in 2009 to match the sharp decline in demand. In total, 82,631 motorcycles (– 20.7 %) were manufactured over the course of the year. During the year under report, our Berlin plant celebrated its 40th year as a production site for BMW motorcycles. During this period almost 1.9 million BMW motorcycles came off the production lines. The one-millionth BMW motorcycle equipped with ABS left the Spandau plant in summer 2009. Twenty-one years ago we were the first motorcycle manufacturer worldwide to equip motorcycles with ABS anti-blocking technology, thus setting an important milestone for active motorcycling safety at that time.

Financial services business continues to stabilise
The knock-on effects of the worldwide economic and financial crisis continued to be felt throughout the financial year 2009. The situation remains tense on used car markets, particularly in Europe. Bad debt risk levels continue to be higher than normal. Despite this difficult situation, our financial services business continued to stabilise.

Compared to 31 December 2008, the segment's business volume in balance sheet terms increased by 0.9% to euro 61,202 million. A total of 3,085,946 lease and financing contracts was in place with dealers and retail customers at the end of the reporting period, 1.8% more than one year earlier.

The slight recovery on the used car markets in the USA and the UK had a stabilising impact on residual value levels. The situation remained difficult in Continental Europe. Credit risk remained high in the face of difficult economic conditions in 2009. The loss ratio incurred on the segment's total credit portfolio was 0.84% and therefore 25 basis points higher than in the previous year (2008: 0.59%). Numerous measures – including stricter receivables management, revised credit-decision processes with more restrictive rules for purchasing receivables and higher levels of collateral – were implemented as part of the process of actively managing credit risk exposures. The interest rate risk is managed using a risk-return approach and measured using value at risk (VaR) techniques. The VaR for the Financial Services segment increased to euro 78.6 million at the end of 2009 compared to euro 51.0 million at the end of 2008.

Awards underline high quality of service
Our financial services line of business won further awards in 2009 from the internationally renowned market research institute J. D. Power and Associates. In the Dealer Financing Satisfaction Study[SM] published in the USA, our financial services operations came first for the sixth time in succession in the category "Leasing". Top marks were also received in other categories. In Canada we came first amongst leading credit providers in the area of dealer satisfaction. These awards underline once again the high quality of our financial services operations and the focus placed on providing a high level of service.

"EU passport" project started
The decision was taken in 2009 to convert previous separate legal entities within the Financial Services segment into branches of BMW Bank, with the primary aim of further improving the allocation of segment liquidity and equity. This became feasible following the introduction of the so-called "EU passport" which allows banks to set up branches in European countries outside Germany under a German banking licence. The BMW Bank had previously taken the EU passport route to set up a branch in Portugal. The financial services company in Spain was converted into a BMW Bank branch during the financial year 2009. Measures are currently being drawn up to integrate further entities.

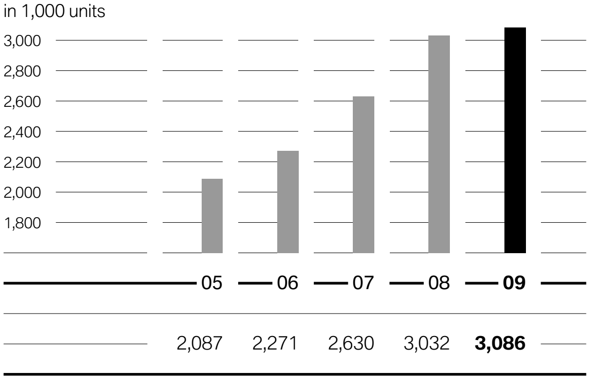
The establishment of a single bank throughout the EU will enable us to expand deposit business and, in the medium term, to create the basis for open-market transactions. This will be a key factor in refinancing our financial services business more efficiently and flexibly in the future.

Regional presence expanded
We continued to pursue our strategy of targeted regional expansion during the financial year 2009 with the aim of opening up further opportunities for growth in Asia. In March 2009 for instance, a separate entity for financial services was established in Singapore. In future, cooperation arrangements with local insurance companies will provide an outlet for insurance products in Egypt, Cyprus and Croatia.

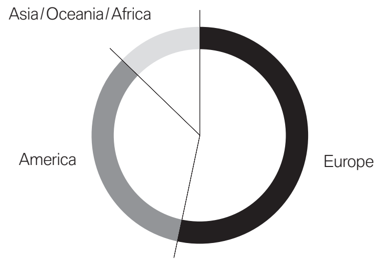
Decline in volume of new business
The unfavourable conditions prevailing on international car markets resulted in a lower volume of new financing and lease business in 2009. In total, 1,015,833 new contracts were concluded with retail customers, 15.2% down on the previous year's figure. The number of new leasing contracts decreased by 26.1% while the number of credit contracts in the field of new retail customer business fell by 9.5%. The creditworthiness of our customers, however, remained at a high level.

Lease contracts accounted for 29.8% of total new business, 4.4 percentage points lower than in the previous year, reflecting a targeted change in the proportion of new customer business towards credit financing. Credit financing contracts accounted for 70.2% of new business. 49.0%

Contract portfolio of BMW Group Financial Services
in 1,000 units



Contract portfolio retail customer financing of BMW Group Financial Services 2009
as a percentage by region



Europe	53.4	Asia / Oceania / Africa	12.7
America	33.9		

of new cars were leased or financed by the Financial Services segment, an increase of 0.5 percentage points compared to the previous year.

In the used car financing line of business, 312,960 new contracts for BMW and MINI brand cars were signed during the year under report, 6.6 % more than in 2008.

The total volume of all new credit and leasing contracts concluded with retail customers during the period under report amounted to euro 24,709 million (– 15.8 %). However, due to delayed effects, the decline in new business has not yet begun to affect the overall size of the portfolio. The total number of retail customer contracts under management increased by 2.0 % to 2,840,530 units, with growth attributable to Europe and the Americas. The number of retail customer contracts in Europe edged up by 0.7 %. Growth of 5.1 % was registered in the Americas region, whereas Asia / Oceania / Africa was roughly in line with the previous year (– 0.5 %).

Dealer financing up on previous year
The Financial Services segment offers inventories, real estate and equipment financing products for dealers, thus ensuring that it remains a key partner for dealerships, particularly in difficult economic times. The total volume of dealer financing contracts managed by the Financial Services segment at the end of 2009 totalled euro 9,429 million, 6.1 % up on the previous year. 245,416 dealer financing contracts were in place at 31 December 2009 (– 0.4 %).

Fleet business remains stable, multi-brand financing down
The BMW Group's international brand-neutral fleet business operates in the fields of financing, full-service leasing and fleet management, offering its services under the name "Alphabet". Fleet business remained stable in 2009 despite the difficult economic situation. At 31 December 2009, 14 fleet entities managed a portfolio of 326,452 units worldwide, a 1.1 % increase in the contract portfolio. Within the multi-brand financing line of business, credit financing, leasing and other products were marketed to retail customers via dealerships in 21 markets under the brand name "Alphera". With the portfolio continuing to grow profitably, a more restrictive credit approval policy resulted in a 51.0 % fall in the number of new contracts. A total of 84,463 new contracts was signed during the year under report. At the end of the reporting period, 312,687 contracts were under management (+ 0.7 %).

Sharp rise in volume of deposits
The Financial Services segment's deposit volume worldwide increased to euro 9,933 million due to the attractive conditions offered. This represented an increase of 21.0 %. At the end of the reporting period we were managing 27,000 securities custodian accounts (– 14.8 %).

It was not possible to maintain credit card business at the previous year's level. The managed portfolio fell by 16.9 % to 295,334 BMW and MINI credit cards.

Continued growth in the area of insurance business
As attractive add-ons to lease and credit contracts we also offer customers in more than 30 markets a wide range of insurance products relating to individual mobility. Demand for these products and in particular for package solutions in combination with vehicle financing remained strong throughout the period under report. The number of new insurance contracts signed in 2009 rose by 18.3 % to 584,119 units. The insurance contract portfolio grew by 21.5 % compared to the previous year, increasing to 1,393,480 contracts at 31 December 2009.

Size of workforce reduced

The size of the workforce decreased over the course of 2009 to stand at 96,230 employees at 31 December 2009. The reduction of 3,811 employees (–3.8%) was due to natural employee fluctuation, pre-retirement part-time working arrangements and voluntary employment contract termination agreements. Nonetheless, in addition to taking on more than 1,100 new apprentices, we also recruited staff again on a targeted basis.

Apprentice numbers remain high

A total of 1,118 young people started their apprenticeships with us at the beginning of the training year. 263 of these are pursuing dual vocational training courses at the end of which they will be qualified to attend a university. The number of apprentices has remained at a consistently high level for several years. The BMW Group employed 3,915 apprentices at 31 December 2009, 4.6% less than one year earlier. The apprenticeship ratio in Germany (i.e. the ratio of apprentices to the total workforce) fell by 0.1 of a percentage point to 4.9%. Since the beginning of 2009, apprentices who have completed their vocational training with us have also been given the opportunity to start their careers in Shenyang, China. We also offer highly attractive introductory programmes.

Basic and further training tailored to requirements

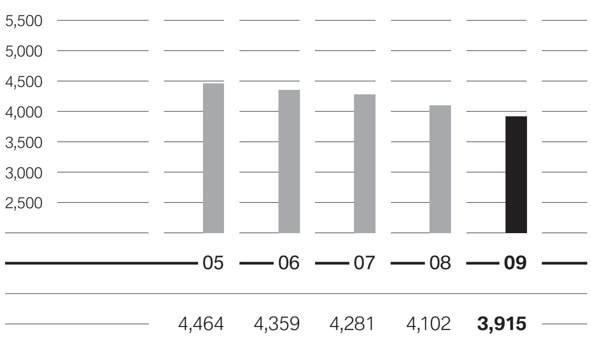
As a premium provider, we attach great importance to both the basic and the further training of our workforce. The creation of a training academy clearly demonstrates our commitment to training and education within the company. Training opportunities are made available to our German and British employees at the academy. Basic and further training courses are tailored to suit current requirements and implemented with specific objectives in mind. In the face of difficult business conditions, further training activities in 2009 were focused on selected target groups and specific priority topics. Expenditure on basic and further training totalled euro 143 million in the financial year 2009 (–7.1%).

Attractiveness as employer confirmed

We have long been aware of the strategic importance of being an attractive employer. Numerous measures have been put in place to ensure that the BMW Group is regarded as an employer of the highest repute. To this end, we focus on two areas of activity. Firstly, we regularly review our programmes for new recruits and modify them to meet changing requirements. The BMW Group Graduate Programme has been developed in this context; it is an internationally oriented trainee programme for university graduates and applicants with some work experience. The structure of the programme and the guidance offered by mentors are designed to ensure that our highly qualified recruits are given the most appropriate training. Another new development is the SpeedUp programme, which is due to start in autumn 2010. This course, which ends with a Bachelor qualification, includes more than twelve months of practical experience in Germany and abroad as well as one term of study abroad. In addition to the programmes offered for new recruits, university graduates are also given the option of joining the BMW Group directly.

Secondly, we regularly assess how relevant target groups (students, graduates, new entrants) rate us as an employer.

BMW Group Apprentices at 31 December

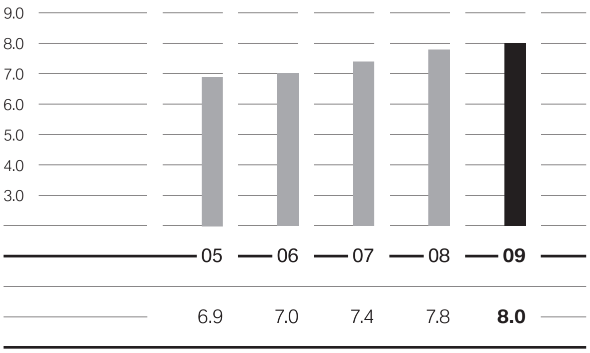


BMW Group Employees

	31.12.2009	31.12.2008	Change in %
Automobiles	**89,457**	92,924	–3.7
Motorcycles	**2,796**	2,917	–4.1
Financial Services	**3,882**	4,077	–4.8
Other	**95**	123	–22.8
BMW Group	**96,230**	**100,041**	**–3.8**

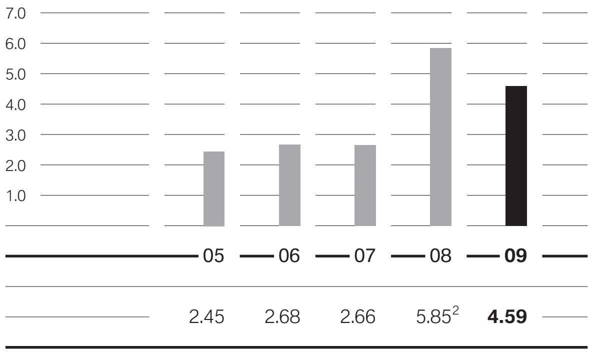
Share of women in management positions at BMW AG

in %



Employee fluctuation ratio BMW AG[1]

as a percentage of workforce



[1] Number of employees on unlimited employment contracts leaving the company
[2] after implementation of previously reported measures to reduce the size of the workforce

The result is extremely positive and once again we were nominated as one of the most attractive employers in 2009. This conclusion is based on numerous studies and ranking tables (including Trendence and Universum). According to these, young academics studying in the fields of economics and engineering sciences voted us among the most popular employers. We were the highest placed German company in Universum's worldwide ranking table, coming fourth in the list selected by engineers. This is a further confirmation of our excellent reputation amongst students and young people about to embark on careers.

Encouraging women to join our company
Women are still under-represented at BMW AG, whether as apprentices (23.0 %), works students, employees working towards diplomas and doctorates (27.8 %) or in management positions (8.0 %). Nevertheless, the number of women in management positions at BMW AG is 52 % higher than it was six years ago. The total proportion of women working for BMW AG currently stands at 13.1 %. Our aim is to encourage more women to join the company and support them on their way from the training stage into management positions. We therefore make a point of increasing the opportunities for women with the aid of various mentoring programmes and internal networks.

Safety at work in line with international standards
A safe working environment is one of the basic preconditions for a healthy workforce. Health and safety-at-work management systems that comply with international standards are in place at twelve of our 24 production sites. Similar systems that comply with national standards are in place at a further four sites. Approximately 80 % of our employees are in workplaces covered by certified management systems. More locations will follow suit in 2010.

The accident rate for the BMW Group in 2009 was 3.1 accidents per one million working hours (2008: 2.7), again lower than the average for the sector as a whole.

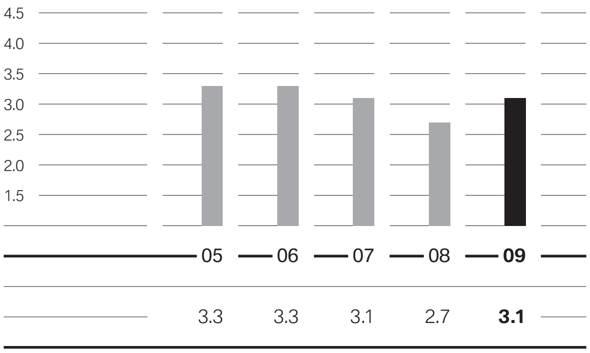
"Today for Tomorrow" project – seeing demographic change as an opportunity
The BMW Group is consciously preparing itself for the coming changes in age structure, particularly in industrialised countries. Maintaining and furthering the performance of our employees is seen as a crucial factor for success. With its holistic approach and emphasis on preventative measures, our "Today for Tomorrow" project is intended to create the conditions necessary for maintaining a stable, productive workforce in the future.

Designing competitive remuneration systems
Maintaining a competitive level of personnel costs plays a major role in the success of the BMW Group. This is not simply a one-sided matter of focusing on cost; it is equally important to achieve greater efficiency by improving productivity. The high degree of motivation amongst employees and the positive corporate approach towards staff are maintained and underlined by a combination of rewards determined individually on the basis of performance and success. Flexible and individually designed working time models represent a further important aspect. Remuneration, working time rules and other benefits are reviewed regularly and, when necessary, adjusted in close cooperation with employee representatives.

Commitment to the new understanding of management leadership
Implementing the Strategy Number ONE also places new demands on our approach to leadership within the organisation. A key task for managers is to make staff aware that changes are omnipresent and that management must deal

Accident frequency at BMW Group

per one million hours worked



with these changes. By taking this approach, employees are better able to understand, support and proactively facilitate change.

Our management team is highly professional and focused on results. Defining targets clearly and taking a process-based approach are firmly embedded in our management culture. In these challenging times it is a special responsibility of each manager to provide guidance to, and instil confidence in, the workforce. Staff will only be open to change and motivated to work at their best, if management can generate a sense of passion and enthusiasm for the tasks ahead.

Thus, in addition to traditional managerial qualities, leadership is also called for. The Board of Management has impressed the importance of this understanding of excellent leadership throughout all levels of management in a "top-down" process and made it a key element both in the evaluation process and the set of skills that managers are expected to have. This process is being continuously improved. We are convinced that we are in an optimal position with our management team to accomplish the targets laid down in the Strategy Number ONE.

Remuneration systems

We also wish to see sustainability reflected in our remuneration systems. The BMW Group depends on the performance of highly motivated employees for whom hard work and commitment are the norm. Based on this understanding, annual pay not only serves as an incentive, it is also our way of showing our appreciation for the work performed by each and every employee.

The remuneration system practiced at the BMW Group is based on the following underlying principles:

- Fairness, transparency and understandability.
- Continuity through all levels of corporate hierarchy, reflected in a well-balanced salary progression.
- Encouraging a performance-oriented corporate culture by a targeted combination of fixed and variable remuneration components.
- Key performers can be retained and potential employees attracted to the BMW Group.

The remuneration system is based on a number of components. Each BMW Group employee receives a fixed salary consisting of 12 monthly payments, complemented by additional components according to local conditions. This fixed salary is reviewed once a year and adjusted as appropriate.

In addition, staff and managers receive variable salary components designed to encourage them to participate in the Group's success and reward personal performance.

Corporate success is the reflection of the Group's performance as a whole. This, in turn, is rewarded by participating staff and managers in the Group's success through the payment of variable components. The level of these components does not depend on individual performance but solely on the results achieved by the Group as a whole. Working in close cooperation with the General Works Council, it is now ensured that this remuneration component is measured using a standardised methodology across all hierarchies within BMW AG. For this reason the system previously used to calculate the remuneration of Board of Management members as well as middle and senior management will also be applied from 1 January 2010 onwards to tariff employees. The key indicators used to determine variable remuneration components, which are dependent on the Group's success, are the Group's post-tax return on sales, Group net profit and the dividend paid on common stock.

The recognition of personal commitment is also taken into account by means of appropriate components in the remuneration of employees, managers and Board of Management members. This is taken into account in tariff-based remuneration in the form of performance bonuses. From the middle management level upwards, this part of the remuneration depends on the extent to which targets, individually agreed upon with each manager, are achieved. As well as key business performance indicators, the successful involvement in areas aimed at securing the Group's future also play an important role. Examples of this are achievements made in the area of personnel development and behavioural aspects in the implementation of corporate strategies: importance is attached not only on achieving targets but also on the way in which they are achieved. A binding evaluation instrument is in place for all non-tariff-remunerated employees, based on the Group's core principles.

The two variable components of remuneration are added and weighted similarly in terms of the target structure. Overall, the remuneration system described above will – depending of future market developments – help us to achieve our long-term corporate objectives and successfully implement the Strategy Number ONE.

The proportion of variable remuneration to total remuneration increases commensurate to the position within the corporate hierarchy. The BMW Group differs from its competitors by setting store on a higher proportion of variable payments in its remuneration system. Thus in 2009 the annual income of a tariff-paid employee fell by the amount of the variable component (approximately 10 %) due to the sharp drop in operating profit, whereas that of a head of division fell by approximately one third.

In this age of demographic change, company pensions are becoming an increasingly important aspect of a person's remuneration package. The BMW Group offers its staff and managers attractive old-age pension models tailored to suit the structures existing on the various local markets. The BMW AG company pension scheme for middle and upper management was restructured during the year under report. The new scheme is based on a defined contribution system with a guaranteed minimum return that provides the individual with a high degree of flexibility upon reaching retirement age. Under the new system, pension costs are significantly easier to predict. The new pension scheme is appropriate both for the current situation and for the future.

Depending on local requirements and the individual's grade, the BMW Group also offers its employees additional benefits such as cars at special conditions, a group accident insurance for managers in Germany and additional health insurance benefits.

The remuneration philosophy described in this section, based on a set of defined principles and structures, is an essential contribution towards achieving sustainable human resource policies. The new system has found broad acceptance and appreciation among staff and managers alike. On the one hand, they firmly believe in the long-term success of the BMW Group. On the other, there is a definite consensus of opinion that it is reasonable and necessary to base a part of remuneration on the company's success.

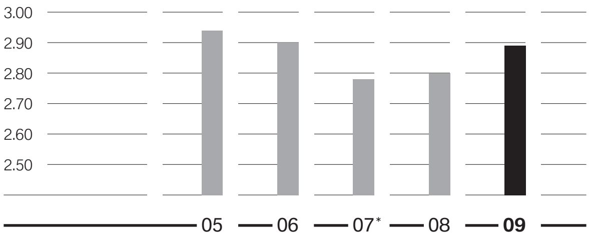
Implementation of instruments to increase flexibility
In view of the difficult economic conditions in 2009 we implemented a series of measures to increase flexibility, thus adapting vehicle production to the situation swiftly and in a timely manner. Good examples of this, in close coordination with employee representatives, were the use of employee time accounts and the flexible deployment of employees within the production network. Fluctuating production volumes were also managed flexibly by means of temporary short-time working arrangements at specific sites.

Further progress made with sustainability strategy
During the first half of 2009 we made further progress in developing our sustainability strategy. The Group's sustainability strategy is directly derived from the Strategy Number ONE and applies across all board divisions worldwide. The primary objective is to instil sustainability in each and every link of the value-added chain and its underlying processes. In order to implement this sustainability strategy we have established a set of core principles and defined fields of action. These include the continued expansion of our efficient drive train technologies and the implementation of concepts for sustainable mobility in metropolitan areas. At production level, we will continue to cut down on the volume of resources used and reduce the impact that production processes have on the environment. As an attractive employer, we want to motivate and increase the sense of satisfaction felt by our employees, while at the same time preparing our specialists and managers for future challenges. We are also endeavouring to embed our ecological and social requirements at all points along the supply chain. As an integral part of society, we are committed to solving challenging social issues with the ultimate aim of making a proactive contribution towards shaping the overall conditions under which we operate. Using a so-called "environmental radar" that includes ecological and social criteria, engaging in dialogue with stakeholders, taking sustainability into account in all decisions and keeping a tight watch over the whole of the value-added chain are key elements of sustainability management.

Corporate sustainability measured in balanced scorecard terms (at Group level) was first included as a formal corporate objective at the beginning of 2009. Detailed targets are then derived for each of the divisions within the Group. Nowadays, every project must be measured in terms of corporate sustainability. This involves measuring the consumption of resources and emission levels as well as the social and socio-political consequences of the various solutions at hand. As part of the process of improving the way in which we measure and manage our corporate sustainability activities and taking account more of strategic impulses, we continued to expand our sustainability organisation in 2009. The newly established Sustainability Circle, consisting of one representative from each division, is responsible for implementing sustainability activities across the Group. The Circle is headed by the Group Representative for Sustainability and Environmental Protection. The Sustainability Board, composed of the entire Board of Management, was set up in summer 2009 and is responsible for setting the strategic course with respect to corporate sustainability.

Clear guidelines for clean production
In keeping with our "clean production" approach, we design our production processes worldwide with the goal of keeping the environmental impact as low as possible and totally eliminating it in the ideal case. The measurable values of energy and water consumption, process wastewater, solvent emissions and waste for disposal – expressed in terms of "waste per vehicle produced" – are integral components of the groupwide target system and are managed accordingly. CO_2 emissions per vehicle produced are also measured as a factor of the amount of energy consumed and the energy mix used. Our objectives are clear: by the year 2012 resource consumption and emission levels are to be reduced by 30 % compared to 2006 levels. Using a so-called Environmental Efficiency Figure (EEF) as indicator, reductions in resource consumption and emission levels will be measured from all available perspectives. The EEF for 2009 shows that resource

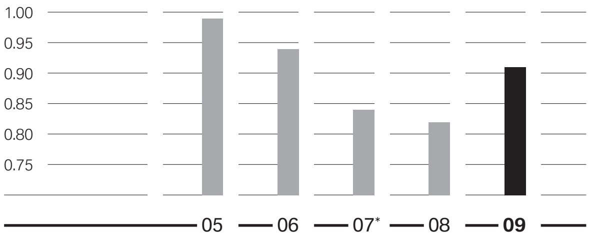
Energy consumed per vehicle produced
in MWh / vehicle



05	06	07*	08	**09**
2.94	2.90	2.78	2.80	**2.89**

* Basis for data expanded in 2007 from ten to 17 locations. Until 2006: Munich, Dingolfing, Landshut, Regensburg, Leipzig, Steyr, Rosslyn, Spartanburg, Hams Hall, Oxford. Since 2007: Berlin (brake disc production), Eisenach, Swindon, Goodwood, Rayong (assembly), Chennai (assembly) and BMW Brilliance in Shenyang.

CO_2 emissions per vehicle produced
in t / vehicle



05	06	07*	08	**09**
0.99	0.94	0.84	0.82	**0.91**

* Basis for data expanded in 2007 from ten to 17 locations. Until 2006: Munich, Dingolfing, Landshut, Regensburg, Leipzig, Steyr, Rosslyn, Spartanburg, Hams Hall, Oxford. Since 2007: Berlin (brake disc production), Eisenach, Swindon, Goodwood, Rayong (assembly), Chennai (assembly) and BMW Brilliance in Shenyang.

efficiency was raised by a further 8 percentage points during the 12-month period under report.

Greater resource conservation in production
Groupwide activities undertaken to raise energy efficiency, coupled with the effect of lower production volumes (–181,501 automobiles / –12.6 %), resulted in 400,000 MWh less energy being required in 2009 than in the previous year. Energy-saving measures included optimised operating times for technical equipment, increased efficiency of ventilation systems and improved light management. These measures saved approximately euro 9 million in 2009. Energy consumption per vehicle produced, however, rose slightly to 2.89 MWh (2008: 2.80 MWh), partly due to the fact that despite the reduced production volume in 2009 energy is still required, even in production-free times. Secondly, production start-ups for new models such as the BMW 5 Series Gran Turismo and the BMW X1 as well as extensive construction work (for instance at the US plant in Spartanburg), temporarily required two production lines to be operated simultaneously and additional energy-intensive work to be carried out during production downtimes. However, the newly constructed and more efficient paint shops and assembly lines at the Spartanburg plant will help reduce resource consumption from 2010 onwards. In line with the slight rise in energy consumption, CO_2 emissions per vehicle produced also rose to 0.91 tons of CO_2 in 2009 (2008: 0.82 tons). In 2009 we did not, however, need to make full use of the CO_2 emissions allowances allocated to us within the European Emissions Trading System.

The Spartanburg plant in the US covers a large part of its energy needs (electricity and heat) by using methane gas collected at a nearby landfill site. In 2009 approximately euro 8.6 million was spent on expanding the capacity and improving the efficiency of this system. Despite the expansion of the plant, this investment enables more than 60 % of the plant's total energy requirements to be covered by methane gas. Savings in the Spartanburg region will increase from a current figure of 59,000 tons of CO_2 p. a. to approximately 92,000 tons in 2010. This innovative project enables the plant to save approximately euro 5 million p. a. in energy costs.

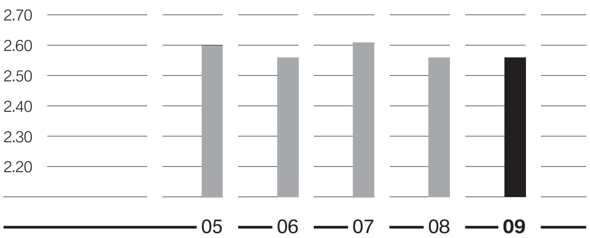
Total water consumption for production was reduced by 460,000 m^3 in 2009. At 2.56 m^3 per vehicle produced, we again achieved the previous year's low value. Process wastewater was reduced from 0.64 m^3 per vehicle (2008) to 0.62 m^3 (2009). Similar to energy consumption, we are continually working on ways of reducing water consumption and the amount of process wastewater consumed during production downtimes.

The amount of non-recyclable production waste sank by over 28 % in 2009. The amount of waste for disposal per vehicle produced decreased from 14.84 kg in 2008 to 10.63 kg in 2009. We achieved these improvements partly by using new recycling processes and also by enhancing the quality of waste separation in the production area.

We also reduced the amount of solvent used by almost 10 % in 2009. Solvent emissions (VOC) per vehicle produced currently stand at 1.77 kg (2008: 1.96 kg). The increased bundling of car bodies of the same colour in the painting process made it possible to reduce the amount of solvent needed for rinsing and cleaning painting equipment. We were also able to further reduce the solvent concentration used in cleaning solutions.

A further reduction in surface protection for new cars also contributed to lower emissions during the year under report. In 2009, some 91 % of new cars were delivered without surface protection such as wax, adhesive films or protective sheaths (2008: 82 %).

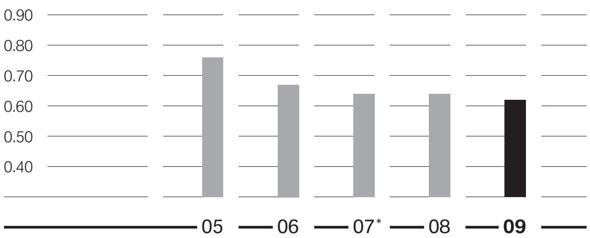
Water consumption* per vehicle produced
in m^3/vehicle



05	06	07	08	09
2.60	2.56	2.61	2.56	**2.56**

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

Process wastewater per vehicle produced
in m^3/vehicle



05	06	07*	08	09
0.76	0.67	0.64	0.64	**0.62**

* Basis for data expanded in 2007 from ten to 17 locations. Until 2006: Munich, Dingolfing, Landshut, Regensburg, Leipzig, Steyr, Rosslyn, Spartanburg, Hams Hall, Oxford. Since 2007: Berlin (brake disc production), Eisenach, Swindon, Goodwood, Rayong (assembly), Chennai (assembly) and BMW Brilliance in Shenyang.

Waste for disposal* per vehicle produced

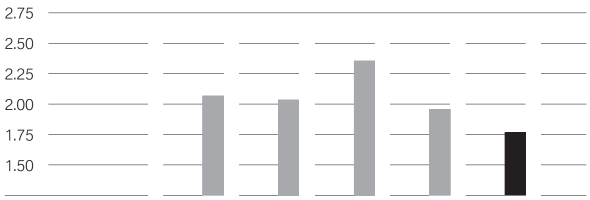
in kg / vehicle

07	08	09
16.17	14.84	**10.63**

* "Waste for disposal per vehicle produced" became a performance indicator in 2007 and has been reported since then.

Volatile organic compounds (VOC) per vehicle produced

in kg / vehicle



05	06	07*	08	09
2.07	2.04	2.36	1.96	**1.77**

* Basis for data expanded in 2007 from ten to 17 locations. Until 2006: Munich, Dingolfing, Landshut, Regensburg, Leipzig, Steyr, Rosslyn, Spartanburg, Hams Hall, Oxford. Since 2007: Berlin (brake disc production), Eisenach, Swindon, Goodwood, Rayong (assembly), Chennai (assembly) and BMW Brilliance in Shenyang.

Eco-friendly transportation solutions

In 2009 we continued to work on ways of reducing the environmental impact of the logistics process. Efficiency was raised by optimising transport networks, including the increased capacity utilisation of the various modes of transport. Shifts in sales volume by region, however, resulted in changes in the proportion of goods transported by each mode. At 0.2 %, the percentage of goods transported by air remained very low during the year under report (2008: 0.1 %). The decline in sales volumes in the USA and Japan slightly reduced the percentage of goods transported by sea to 78.0 % (2008: 79.1 %). The proportion of goods transported by rail fell slightly (by 0.3 percentage points) to 6.0 % in 2009. The percentage of goods transported by road rose to 15.8 % (2008: 14.5 %) due to the small sales volume increase in Germany.

Sales volume performance is also reflected in the distribution of transportation methods for our new cars: overall, 47.0 % of newly produced cars left the Group's plants by rail, 3.3 percentage points less than in the previous year.

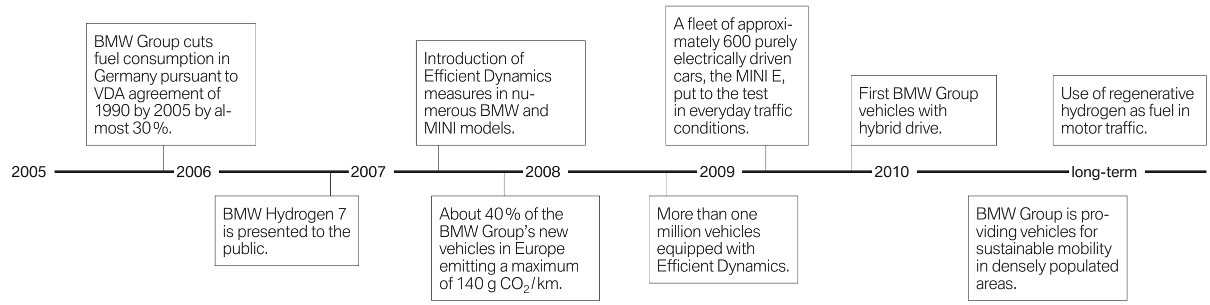
Leader in CO_2 reduction with Efficient Dynamics

At an early stage we adopted a development strategy that is now resulting in tangible benefits for the climate, resources and customers alike. The centrepiece of these activities is our Efficient Dynamics technology package. Efficient Dynamics innovations have been introduced step by step to all series models since March 2007, automatically generating benefits with each unit sold. These include:

– optimised engine and drive train engineering (e. g. petrol engines featuring High Precision Injection as well as particularly efficient diesel engines)
– lightweight construction and improved aerodynamics (e. g. through the intelligent use of aluminium and high-tensile steels)
– energy management (e. g. Brake Energy Regeneration and the Auto Start Stop function)

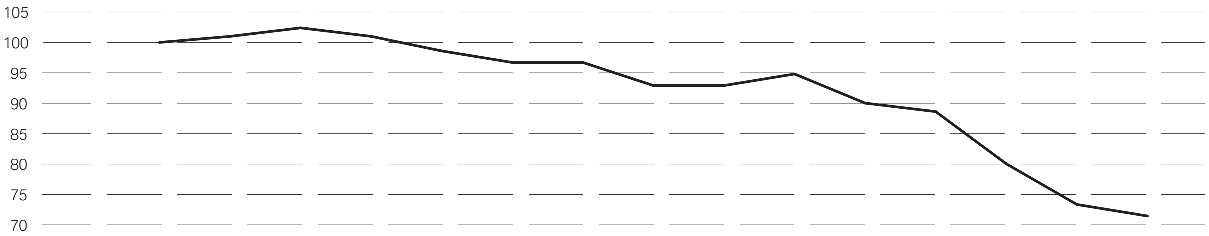
Our main guiding principles throughout are: greater dynamism, reduced fuel consumption and lower emissions. These developments have enabled us to reduce the CO_2

Roadmap of the BMW Group for sustainable mobility



Development of CO_2 emissions of BMW Group cars in Europe

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



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

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

emissions of new cars in Europe (EU-15) by almost 27 % between 1995 and 2008, thereby more than fulfilling the commitment given by the European automotive industry to reduce average CO_2 emissions for new fleets of cars by 25 % between 1995 and 2008 (ACEA self-commitment).

In 2009 our fleet in Germany recorded an average fuel consumption of 5.9 litres of diesel / 100 km, 6.5 litres of petrol / 100 km and average emissions of 156 g / km of CO_2, thus confirming our leading role in the premium segment in Germany. We also lead the field amongst European manufacturers with CO_2 emissions of approximately 150 g / km*. The progress made is also appreciated by our customers. Efficient Dynamics has given us a competitive edge, particularly in markets subject to CO_2-based vehicle tax regulations. The cost of running our cars in these markets is significantly lower than those of the competition. Pre-owned cars equipped with Efficient Dynamics also command higher residual prices.

Our success in reducing fuel consumption is the result of our wide-ranging goal of achieving lower CO_2 emissions. This goal embraces the following statements:

– All vehicles manufactured by the BMW Group are segment leaders in terms of the combination of efficiency and dynamics.
– Efficient Dynamics technologies are a standard feature of all vehicles.
– The BMW Group pursues a policy of fulfilling all emission-related legislation. Making compensation payments instead of investing in the future does not constitute a sustainable option capable of encouraging the development of emission-reducing technologies for the benefit of the customer and the environment.

* 150 g / km internal calculation (EU-27)

In addition to the above points we have also set ourselves a long-term reduction target: from 2008 to 2020 the CO_2 emissions of our cars are to be reduced by at least another 25 %. In order to achieve this target and to move even closer to sustainable mobility, we are proceeding in a three-step strategy:

1. We will continue to develop our Efficient Dynamics technology package with great determination.
2. In the medium term we will achieve greater fuel economy through electrifying the drive train and developing hybrid solutions.
3. In the long term, we are committed to electromobility and the use of regeneratively produced hydrogen.

The next steps

With the BMW Vision EfficientDynamics we presented a concept car at the IAA 2009 that is powered by a three-cylinder turbo diesel engine and two electric motors. With total system output of 262 kW / 356 hp, the fuel consumption according to the EU test cycle registered a mere 3.76 l / 100 km and CO_2 emissions of only 99 g / km.

Environmentally friendly automotive technologies

We are constantly working on reducing the environmental impact of our vehicle fleet by adopting a broad range of further innovations designed to reduce the levels of carbon dioxide (CO_2) and nitrogen oxide (NO_x) as well as noise produced by our fleet of cars to an absolute minimum. In autumn 2009 we already had 90 models that fulfilled the Euro-5 standard governing NO_x emissions. This standard will be compulsory for all cars from September 2010 onwards. The introduction of the Euro-6 standard in 2014 will further limit the emission levels allowed for diesel-powered passenger cars. In September 2008 the BMW 330d with optional BMW BluePerformance technology became the first car to comply with the Euro-6 exhaust emission standard. In 2009, the BMW 730d and the BMW 530d as well as the BMW 320d (2010 model year onwards) became the next diesel models to feature optional BluePerformance technology.

Groundbreaking BMW hybrid technology
The first hybrid series cars to be manufactured by the BMW Group, the BMW ActiveHybrid X6 and the BMW ActiveHybrid 7, were presented at the IAA in Frankfurt in autumn 2009. These cars combine the advantages of electric motors with those of combustion engines. This technology therefore enables fuel savings of up to 20 % compared to cars powered by conventional combustion engines. In future the BMW Group will be able to provide its customers with a comprehensive hybrid module system that provides the most suitable hybrid solution for each particular model.

Field testing for electromobility
Project i, originally aimed at the further development of alternative drive train systems, was set up in 2007 in conjunction with our Strategy Number ONE. However, this project does not only focus on these systems. Project i thinks several steps ahead – new types of composite material, new car concepts as well as alternative mobility concepts are equally important. Project i embodies a far-reaching initiative to develop completely new vehicle concepts. We are not only working on electrically driven cars, but also on concepts designed to significantly reduce the environmental impact of the car all the way along the value-added chain. In an initial step, approximately 600 fully electrically driven MINI cars were built for a large-scale trial and handed over to both private and business customers in the USA, the UK and Germany. The cars are powered by a 150-kW electric motor fed by highly efficient lithium-ion batteries. The MINI E can reach a top speed of 152 km / h. The energy storage system enables the car to cover up to 250 kilometres and can be recharged within 2.5 hours using its own charging device. That makes us one of the first manufacturers to have handed over electric cars served by lithium-ion technology for wide-scale use on public roads. Field testing in New York, Los Angeles, London, Berlin and Munich is providing us with important knowledge with respect to everyday use of this technology and helping us in our efforts to further develop the concept of electromobility. We are also making this information available to scientists and policymakers with the aim of creating an efficient and environmentally friendly infrastructure for electromobility. On the basis of the knowledge gained, we will be launching a series-built electrically driven car on the market sometime during the first half of the current decade.

Around four million kilometres driven with hydrogen in the tank
The drive train technology used in the hydrogen-powered BMW Hydrogen 7 is groundbreaking. Hydrogen is practically carbon-neutral when burnt and emission-free. An initial small-scale series of 100 cars has covered some four million kilometres worldwide since 2007. These tests go to prove the suitability of our hydrogen-powered cars for both series production and everyday use. Regardless of this fact, we continue to work on optimising various system components (for instance on systems suitable for storing hydrogen).

Communicating sustainability
Our sustainability activities were accompanied during the reporting period by a communication initiative. At events such as the ZEIT Conference at the IAA and the World Climate Summit in Copenhagen, we took the opportunity to elucidate our position as the world’s most sustainable car manufacturer, including discussions held with opinion leaders. Our print campaign “What’s Next?”, mostly appearing in German leading media, also helped to highlight to the general public the lead we are taking in this area.

Research and development expenditure reduced
The research and development expenditure ratio decreased by 0.6 percentage points in 2009 to 4.8 %, with total research and development expenditure reduced by 14.5 % to euro 2,448 million.

During the year under report we employed approximately 8,900 people throughout our research and innovation network at eleven locations in five countries. We underlined our innovative strength again in 2009 with a portfolio of approximately 60,000 patents and other industrial property rights, including more than 800 new applications and extensions added in 2009.

Detailed disclosures on research and development work performed are provided in the notes to the Group Financial Statements (Note 9 —).

Ongoing improvements to Efficient Dynamics package
The BMW Group continued to lead the field in the reduction of CO_2 emissions in 2009. This fact was again confirmed by the German Federal Motor Transport Authority (KBA). The latest KBA statistics show average CO_2 emission levels of 156 g / km for BMW and MINI brand cars newly registered in Germany in 2009. We are therefore lower than some European volume manufacturers despite the far greater engine performance of our cars and on a par with numerous car manufacturers whose product portfolios include a relatively high proportion of small and supermini cars.

We are constantly working on ways of extending that lead en route to our goal of sustainable mobility. At the International Motor Show (IAA) in Frankfurt we presented a concept vehicle, the BMW Vision EfficientDynamics, in which the Efficient Dynamics innovation package has been developed to new levels and combined with the typical sporting flair of a BMW. The car is powered by a new three-cylinder turbo diesel engine and two innovative electric motors mounted on the axles. It can be driven fully electrically, exclusively with the power of the turbo diesel engine or with an infinitely variable combination of all three power sources. This highly innovative concept car is renewed proof of our expertise in developing new ideas. In this vehicle, for example, the electric motor at the rear axle acts as a generator during acceleration or when braking and transmits the electricity to the vehicle's internal lithium-polymer battery. The recovery of braking energy – a principle incorporated in the latest BMW models – can therefore be realised with far greater efficiency.

Lightweight construction is an important aspect of the BMW Vision EfficientDynamics concept car. The chassis is built solely of aluminium, while the roof and the outer skin of the large doors consist almost entirely of a special type of polycarbonate glass. The car therefore only weighs approximately 1,400 kilograms.

In order to optimise the aerodynamics of the car as a whole and to keep rolling resistance to an absolute minimum, the BMW Vision EfficientDynamics is equipped with tyres and rims of unusual dimensions for a sports car. Furthermore, the integrated blade profile of the wheel rims improves overall aerodynamics. This package of improvements to the aerodynamics of the car results in very low air resistance values (c_x of 0.22).

Propulsion and aerodynamics are the most obvious areas in which the concept car presents a small glimpse of the direction in which the Efficient Dynamics development strategy is heading. A further aim is to limit the energy loss that still exists in even the most efficient combustion engines at as many points as possible. For this reason, the exhaust system of the BMW Vision EfficientDynamics is equipped with an integrated water-cooled thermoelectric generator which converts a considerable amount of the heat energy contained in the exhaust fumes into electricity.

The networking of the various system components on board the concept car has made it possible to integrate a forward-thinking energy and heat management system. The on-board computer can, among other things, create a forecast of the driving situation for the road immediately ahead. If, for instance, the driver is about to leave a rural road to enter a motorway, the temperatures of the coolant and oil are reduced in advance in order to provide greater engine performance. During city driving, however, the temperature of the coolant and engine oil is raised because no high loads are anticipated that would require particular cooling. This results in lower internal engine friction and thus greater efficiency.

State-of-the-art wind canal technology for realistic measurements
The aerodynamics of a car have a direct impact on both its fuel consumption and its emission values. As an essential component in the continued development of the Efficient Dynamics system, we opened the new aerodynamics testing centre (AVZ) in June 2009. The centre accommodates two wind canals, one of which is used to analyse various original-sized vehicles while the other is mainly designed for testing models. The BMW Group has invested approximately euro 170 million in the construction and equipping of the aerodynamics testing centre. As a result, we now have the world's most modern centre of its kind in the field of automotive construction.

The advantage of the AVZ is that car models can be analysed in numerous realistic situations at a very early stage in their development. One of the first innovations that can be further developed using the new methods of analysis available at the AVZ is the so-called "air curtain", a measure designed to reduce air resistance around the wheel housings and wheels. In future, any knowledge gained can be integrated in the development process far more quickly, thus contributing effectively towards improving the aerodynamics of new models.

BMW Group invests in research for the future of road safety

Research staff from the BMW Group – working in cooperation with Continental Safety Engineering International GmbH, the Fraunhofer Institute for Integrated Circuits, the Technical University of Munich's ultra-high-frequency technology department and ZENTEC GmbH – have been investigating the potential of so-called Car2X communication as part of the three-year AMULETT research project promoted by the Bavarian Ministry of Economic Affairs, Infrastructure, Transport and Technology. The research project, which was concluded in 2009, was aimed at raising safety standards for pedestrians. Vehicles exchange data by radio with an active RFID-like element (Radio Frequency Identification). In future, this element could, for example, be integrated in a schoolbag or handbag. This technology allows individuals to be localised and identified as endangered road users, something the motorist would not normally be aware of in a dangerous situation. The driver is only actually warned (for instance via the head-up display) in the event of real danger. If an accident cannot be avoided in the normal reaction time of the driver, the system automatically actuates the car's brakes in order to at least minimise the consequences of the accident.

AMULETT has proved that the concepts devised are technically feasible. Since September 2009, the project has been continued in the form of the Ko-FAS (Cooperative Vehicle Safety) project, which is being promoted by the Federal Ministry of Economics and Technology. The aim of the project continues to be a significant increase in road safety and hence a reduction in traffic accidents and road casualties. The idea is to achieve this by enabling the vehicle to reliably identify the driving environment, analyse situations comprehensively on the basis of accurate measurements that help to assess the risk of collision and subsequently trigger appropriate preventive measures. BMW Forschung und Technik GmbH is heading two of the three Ko-FAS sub-projects.

Numerous other projects carried out by the BMW Group's research and technology experts have meanwhile found their way into series production cars. The parking assistant or the innovative iDrive operating concept are just two such examples.

Numerous awards underpin innovative strength of the BMW Group

Again in 2009, we received numerous awards in recognition of our ability to innovate. In January the Federal Minister of Transport, Construction and Urban Development awarded the BMW Group its special prize for innovation for the MINI E at the "Auto der Vernunft" ceremony. The prize was awarded in recognition of the BMW Group's particular consideration of ecological and economic aspects. The "ÖkoGlobe 2009" also went to the MINI E. This award is presented by various organisations, including the University of Duisburg-Essen, for outstanding innovations in the field of sustainable mobility.

The BMW Group again underlined its position as leading engine manufacturer with victories in three different categories at the International Engine of the Year Award. In the most prestigious engine competition worldwide, the V8 engine (in the BMW M3), the straight six-cylinder engine featuring twin turbo technology (in the BMW 3 Series, 1 Series and the BMW X6) and the four-cylinder twin-scroll turbo engine (in the MINI Cooper S) all achieved top places in their relevant cubic capacity categories. The BMW Group has already won more than 40 trophies in the eleven competitions held since 1999. The continuing success in internationally prestigious engine competitions is impressive proof of the BMW Group's unique expertise in the field of drive train development.

Coinciding with its successful launch, the BMW X1 won the "TOPAuto 2010" award of the MID (Motor-Informations-Dienst) engine information service. Over 150 motoring journalists from Germany, Austria and Switzerland took part in the voting. The BMW Vision EfficientDynamics was also voted concept car of the year.

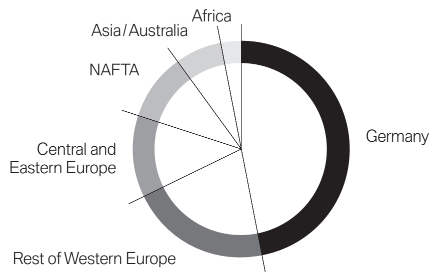
Further improvements in profitability along the value-added chain
Our main focus with regard to the purchasing and supplier network in 2009 was to continue the previous year's initiative of creating the most efficient value-added chain in the automotive industry.

Working closely with our suppliers, we made further progress in reducing the cost of materials for vehicle projects both in the development and series production stages. Particular attention was paid to maintaining the high level of quality expected by our customers. The purchasing department was supported in this process by the development team, particularly in its consistent application of modular solutions. The increased use of standardised components enables both time and costs to be reduced across all models. Important milestones were therefore set in 2009 with regards to the future purchasing arrangements for the BMW 1 and 3 Series successor models.

Parts supply assured despite difficult market environment
The consequences of the worldwide financial and economic crisis particularly affected the automotive supply industry during the year under report. Declining production volumes coupled with simultaneously decreasing liquidity levels and rising financing costs had a significant impact on the financial stability of the supplier market, resulting in a greater incidence of crisis situations among suppliers at a national and international level. However, a consistent strategy of risk and intervention management enabled the various crises to be successfully mastered without having a lasting detrimental effect on supply security or car production quality.

Increasing internationalisation of the purchasing network
We continued to expand our international purchasing network with great determination in 2009. By concentrating on the Asian and NAFTA regions for new purchase volumes, we were able to make optimal use of cost advantages, while also expanding the scope of so-called "natural hedging" – the strategy of purchasing in foreign currencies to minimise exchange risks. With this in mind, regional experts with a good understanding of purchasing, quality and logistics issues analyse the various procurement markets and suppliers in close cooperation with centralised management functions. This strategy will enable us to achieve cost and currency benefits on purchases for future models. The basis for this was laid in 2009 with the selection of suppliers for the BMW 1 Series and 3 Series models.

Regional mix of BMW Group purchase volumes 2009
in %, basis: production material



Germany	47	NAFTA	10
Rest of Western Europe	21	Asia / Australia	7
Central and Eastern Europe	12	Africa	3

Future natural hedging volumes are also increased by placing multi-currency orders (i.e. purchasing individual components in varying currency proportions) – a practise we have employed since 2009.

Innovation and technology leadership of BMW in-house component production maintained
In the fields of bodywork and interiors, our components plant in Landshut again demonstrated its innovative and technological leadership. At the European SPE Automotive Division Award competition held in 2009, the International Plastics Society presented the highest awards in the categories "Exterior" and "Interior" to the BMW Group.

Our light metal foundry also confirmed its technological leadership. We will be commissioning the world's first odourless foundry at our Landshut plant in 2010. The use of environmentally sustainable binding agents will enable us to reduce emissions from combustion residues by 98 %.

Greater emphasis on sustainability and innovation in supplier market
Our stringent requirements for ecological and social standards are increasingly being applied along the value-added chains within the supplier network. Suppliers and their partners must provide detailed proof of their compliance with the required standards for sustainability in order to take part in the tendering procedure. As part of the selection process, our experts check whether prospective suppliers are complying with the required standards.

The establishment of a joint venture with the SGL Group in autumn 2009 was an important step in gaining access to innovations in the field of lightweight construction. This joint venture has been set up to manufacture carbon fibre and textile semi-finished products for use in automotive construction. A primary selection criterion in this case was our requirement for the use of environmentally friendly sources of energy in both the production and the recycling of carbon fibres.

We have also started working with SB Limotive, a joint venture of Bosch and Samsung SDI, thus forming alliances with two further world market leaders in the field of electromobility. As supplier of the battery cells that are to power our future project, the “Megacity Vehicle”, SB Limotive offers state-of-the-art technology, bringing together German automotive expertise and Korean battery-making know-how.

Further additions to model range

In 2009 we added numerous new models to the existing range. Furthermore, we also presented concept studies for the BMW and MINI brands.

After initially introducing the new BMW 7 Series in selected markets at the end of 2008, the model was subsequently launched worldwide at the beginning of 2009. Towards the end of the reporting period we also presented a four-wheel-drive version of the BMW 7 Series. The M versions of the BMW X5 and X6 were launched in autumn. The BMW 5 Series Gran Turismo and the BMW X1 celebrated their world debuts at the International Motor Show (IAA) in September and have been available to customers in Europe since October. We also showcased the BMW ActiveHybrid X6 and the BMW ActiveHybrid 7 at the IAA. The BMW ActiveHybrid X6 first became available in selected markets at the end of 2009 and the first delivery of the BMW ActiveHybrid 7 will take place in spring 2010. The low-fuel-consumption BMW 320d Efficient Dynamics Edition was also presented to the public at the IAA and will be available to customers from the beginning of 2010.

The new MINI convertible models in the Cooper, Cooper S and John Cooper Works versions have been on the market since the middle of 2009. We also celebrated the 50th birthday of the MINI brand with the launching of some special limited editions: the MINI 50 Mayfair and the MINI 50 Camden. We now also offer diesel-driven versions of the MINI One Clubman and the MINI One as entry-level models.

A new model was also added to the Rolls-Royce brand: the Ghost made its world debut at the IAA, and has been available to customers in selected markets since the end of 2009.

We additionally presented two MINI brand concept cars at the IAA: the MINI Coupé Concept and the MINI Roadster Concept. The MINI Countryman is also due to be launched in 2010.

Formula One involvement ended

Fully in line with the new direction taken in conjunction with the Strategy Number ONE, we decided not to extend our involvement in Formula One beyond the end of the 2009 season. The resources freed up by this move will flow in particular into developing new and innovative drivetrain technologies. The BMW Group remains active in the area of touring car racing and continues to support young talented drivers in Formula BMW. We also remain committed to customer sport with series production cars.

Technological leadership demonstrated at the IAA
We also demonstrated our innovative strength and technological leadership during the IAA with the presentation of various concept cars. The BMW Vision EfficientDynamics for instance enabled us to prove that cars can be sporty and still display high fuel economy at the same time. The BMW Vision EfficientDynamics combines the potential benefits of BMW's ActiveHybrid technology with the innovative strength of our Efficient Dynamics technology package. The car is powered by a newly developed three-cylinder turbo diesel engine and two innovative electric motors mounted on the axles. Fuel consumption is 3.76 l/100 km and CO_2 emissions of only 99 g/km.

We are also exploring ways of efficiently utilising waste heat by means of a thermoelectric generator (TEG). The TEG generates electrical energy from the exhaust system, exploiting the difference in temperature between the hot exhaust pipe and the coolant, which can, for instance, be used to power the car's on-board electrical system.

Innovative exhibition stand concept at the IAA
We presented all three of the BMW Group's brands under one roof for the first time at the IAA in Frankfurt.

The underlying theme emphasised for the BMW brand was the sheer joy of driving. The new exhibition concept, which included a 280-metre-long track, enabled us to give a demonstration of our cars in real driving situations for the first time. The main focus was on enabling potential customers to sense the "BMW brand atmosphere" and to experience the values of joy, efficiency and dynamism that are inseparably associated with the BMW brand.

The 50th birthday celebrations were the highlight of the MINI brand's appearance at the IAA. The "birthday studio" formed the centrepiece of the exhibition, where a documentary portraying 50 years of the MINI was shown: a film spanning the history of the MINI from 1959 to 2009. We were able to demonstrate the diversity of the MINI brand, from the original Morris Mini Minor of 1959 to the anniversary models and finally the concept studies.

The world debut of the Rolls-Royce Ghost was the main focus of Rolls-Royce's appearance at the IAA. The exhibition stand was designed to give the impression of an open building complete with daylight ceiling in which the brand's range of models was presented. The space used to exhibit vehicles was surrounded with a glass surface, with the publicly accessible Rolls-Royce plaza immediately in front of it.

BMW marketing communication realigned
Marketing communication for the BMW brand has been realigned to take greater account of the increasing diversity of advertising media and the changing ways in which various media are now being used. The BMW brand's core message of "joy" will play a greater role in our worldwide marketing communication strategy in future. The Efficient Dynamics package and the design of our cars are also being increasingly emphasised. Focusing on these central messages on a worldwide basis will help to strengthen the brand's strong market position. The prelude to the re-aligned strategy was "The Story of Joy" campaign initiated in Germany in June 2009, which has meanwhile been extended to cover additional markets. Initial market research results show that the new campaign's messages are being well received and enriching the image of the BMW brand.

The MINI turns 50
In May 2009, 25,000 avid fans from 40 countries celebrated the 50th birthday of the MINI. Over 10,000 MINI enthusiasts congregated at Silverstone, not far from the Oxford plant where the MINI is produced today. We presented a special limited edition car to celebrate the 50th anniversary of the first Formula One victory of the John Cooper team: the MINI John Cooper Works World Championship 50 "Character".

New trends in sales network
With approximately 3,000 BMW, 1,300 MINI and 80 Rolls-Royce dealerships, the worldwide sales network of the BMW Group's three brands remained unchanged during the year under report. Although we slightly reduced the number of dealerships in the established markets, the BMW Group's trade organisation in emerging markets such as China and Russia was expanded further. We successfully met the challenges presented by the impact of the financial crisis with a set of targeted measures aimed at strengthening the dealership network. The number of customer service centres (Sales and Services) therefore remained at a high level.

The main focus of our global retail activities became increasingly directed towards the main cities of the world. Altogether, consolidation at some international locations resulted in a slight reduction in the total number of branches.

Sales organisation further strengthened
During the year under report we continued to promote projects – some of them initiated in 2008 in conjunction with the Strategy Number ONE – designed to strengthen the sales organisation and improve the BMW Group's customer orientation. In this context, we created a worldwide programme to enable dealers to hone their skills. The programme focuses on individuals and serves as a good way of highlighting potential areas for improvement. It has been very well received by the sales organisation and met with considerable success in a short space of time. The success of this initiative has led us to introduce the project

in 2010 in other markets too. Approximately 750 dealers in 15 countries will have participated in this programme by the end of 2010.

Customer service and accessories business expanded

Customer service and the sale of accessories make an important contribution to business, particularly for the dealerships. In view of the growing number of our vehicles on the roads, both lines of business are stability factors in a volatile market environment. In conjunction with the Strategy Number ONE, we carried out numerous projects in 2009 aimed at expanding these lines of business.

The sale of BMW and MINI parts, accessories and services represents an important source of earnings. The accessories line of business was accordingly realigned in 2009. One of the measures taken was to include the marketing of accessories in the process of selling new cars. Selected products designed for special models can now also be ordered directly ex works. In addition, the range of products was revised and streamlined. This has put us in an even better position to provide new market-compatible and sustainable products to our customers.

Volatile year on the stock markets ends with strong gains
At the beginning of 2009 the situation was dominated by the worldwide financial and economic crisis. The leading stock market indices recorded their lowest levels for the year as negative expectations prevailed. However, helped by economic stimulus programmes and hopes of a rapid recovery for the global economy, the world's stock markets recovered well over the course of the year.

In 2009 the German stock index, the DAX, moved away from its year's low of 3,588.89 points and, after a great deal of volatility, closed the year at 5,957.43 points. Compared to the end of 2008, the DAX therefore gained 1,147.23 points or approximately one quarter in value during the year under report. The increase against the year's low in March was as much as 66 %. Due to one exceptional factor, the Prime Automobile sector index did not perform as well as the DAX. It closed on the final day of trading in 2009 at 542.78 points, only 6.8 % higher than at the end of the previous year. The Dow Jones EURO STOXX 50 ended the stock market year 2009 with a gain of 21.0 %.

BMW stock performed well during the reporting period. BMW common stock closed the year at a price of euro 31.80 and hence 47.2 % higher than one year earlier. BMW preferred stock performed even better and gained 66 % compared to the previous year's closing price, finishing at euro 23.00 on the last day of trading.

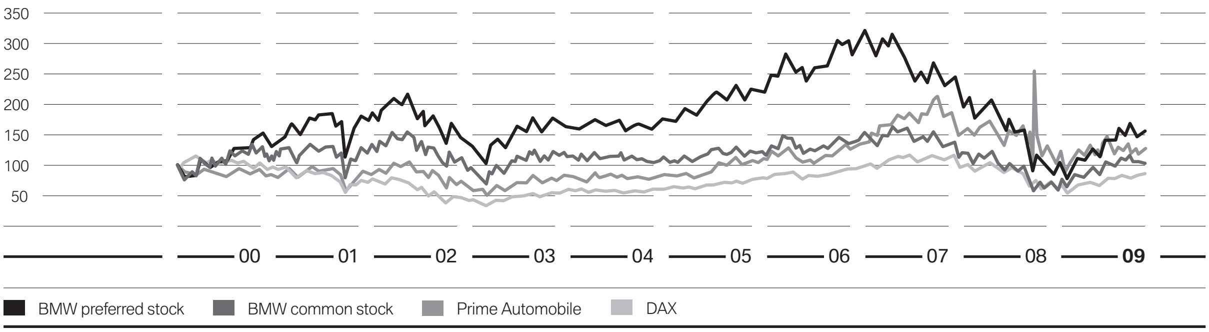
Authorisation to buy back shares of common stock extended
BMW AG purchased treasury shares in 2005 and 2006 and withdrew them from circulation. At the Annual General Meeting on 14 May 2009 the Board of Management was again authorised to acquire treasury shares via the stock exchange, up to a maximum of 10 % of the share capital in place at the date of the resolution and to withdraw these shares from circulation without any further resolution by the Annual General Meeting. At the same time, the authorisation from 8 May 2008 to acquire treasury shares was rescinded. The authorisation from 14 May 2009 is valid until 12 November 2010. There are no current plans to exercise the authorisation. The option of a share buy-back does, however, remain open to BMW AG.

Employee share scheme
BMW AG has allowed its employees to participate in its success for more than 30 years. Since 1989 this participation has taken the form of an employee share scheme. In total, 831,425 shares of preferred stock were issued to employees in 2009 in conjunction with this scheme.

362,225 of these came from the buy-back of shares of preferred shares in 2008. In addition to this – and in accordance with a resolution taken by the Board of Management on 24 November 2009 with the approval by the Supervisory Board – the share capital was increased by euro 469,200 from euro 654,191,358 to euro 654,660,558 by the issue of 469,200 new non-voting shares of preferred stock. This increase was executed on the basis of Authorised Capital 2009 in Article 4 (5) of the Articles of Incorporation. The new shares of preferred stock carry the same rights as existing shares of preferred stock and were issued to enable employees to obtain an equity participation in the company.

Debt instruments successfully issued under difficult conditions
The international debt capital market was very much dominated by the knock-on effects of the worldwide financial

Development of BMW stock compared to stock exchange indices
(Index: 30. 12. 1999 = 100)



crisis at the start of 2009. After considerable upheavals, however, the market recovered during the first half of 2009 and remained stable throughout the remainder of the year. The BMW Group was again active on the markets in 2009 as an issuer of bonds, notes and ABS instruments in order to refinance its financial services activities.

During 2009 the BMW Group successfully issued three euro benchmark bonds and increased the volume of two existing euro benchmark bonds, raising in total more than euro 5 billion on European capital markets. The BMW Group also issued bonds denominated in US dollars, British pounds and Australian dollars with a total volume of approximately euro 760 million. Private placements in various currencies raised a total of euro 3.8 billion.

Despite the difficult environment for capital market activities, we were once again able to demonstrate our ability to obtain funds by issuing ABS instruments. Amounts securitised included US dollar 2.55 billion in the USA, yen 25 billion in Japan and Australian dollar 350 million in Australia. ABS instruments for Canadian dollar 400 million and South African rand 800 million were also successfully placed.

As in previous years, issues were highly sought after both by institutional and private investors, thanks to our good creditworthiness and continuous communication with the capital markets.

Capital markets acknowledge sustainability as value driver

We continued to communicate intensively with the capital markets on the subject of Socially Responsible Investment (SRI). The exchange of ideas with sustainability investors and analysts was continued successfully in discussions

BMW stock

	2009	2008	2007	2006	2005
Common stock					
Number of shares in 1,000	**601,995**	601,995	601,995	601,995	622,228
Shares bought back at the reporting date	**–**	–	–	–	13,488
Stock exchange price in euro[1]					
Year-end closing price	**31.80**	21.61	42.35	43.51	37.05
High	**35.94**	42.73	50.73	46.47	39.97
Low	**17.61**	17.04	39.81	35.52	32.04
Preferred stock					
Number of shares in 1,000	**52,665**	52,196	52,196	52,196	52,196
Shares bought back at the reporting date	**–**	363	–	–	–
Stock exchange price in euro[1]					
Year-end closing price	**23.00**	13.86	36.30	43.52	33.00
High	**24.79**	36.51	47.52	45.91	33.98
Low	**11.05**	13.00	33.64	31.80	24.48
Key data per share in euro					
Dividend					
Common stock	**0.30**[2]	0.30	1.06	0.70	0.64
Preferred stock	**0.32**[2]	0.32	1.08	0.72	0.66
Earnings per share of common stock[3]	**0.31**	0.49	4.78	4.38	3.33
Earnings per share of preferred stock[4]	**0.33**	0.51	4.80	4.40	3.35
Cash flow[5]	**7.53**	6.84	9.70	8.21	9.17
Equity	**30.42**	30.99	33.24	29.24	25.17

[1] Xetra closing prices
[2] proposed by management
[3] annual average weighted amount
[4] stock weighted according to dividend entitlements
[5] calculated on the basis of operating cash flow: up to 2006 as cash inflow from operating activities of Industrial Operations and from 2007 as cash inflow from operating activities of the Automobiles segment

held at the IAA in Frankfurt and expanded by the addition of a stakeholder roundtable in Munich.

At the beginning of September 2009 the BMW Group once again received the accolade of being industry leader in the Dow Jones Sustainability Index. We have now been the most sustainable car manufacturer in the world for the fifth time in succession. The BMW Group is the only enterprise in the automotive sector to have been represented continuously in this important group of sustainability indices since their creation in 1999.

At the end of September 2009 the BMW Group was included in the Carbon Disclosure Leadership Index, thus confirming from the perspective of the Carbon Disclosure Project (CDP) – a joint initiative of 475 investors with global operations – that we are making an exemplary contribution to climate protection.

During the winter of 2009, Sustainalytics assessed the sustainability performance of all DAX 30® companies. Scoring 74.3 out of a possible 100 points, the BMW Group received the best mark for sustainability. Important areas in which we excel were identified as the environmental and social standards set for suppliers, sound personnel and social policies for the workforce and a high level of commitment to the wider community. Sustainalytics is an independent, innovative provider of “Responsible Investment Services” and is one of the market leaders in Europe and North America.

The BMW Group also won awards in 2009 for its Sustainable Value Report 2008. The BMW Group Sustainable Value Report 2008 was deemed to be one of the three best sustainability reports of the 150 largest companies in Germany and the best one in the automotive sector. The BMW Group made an impression on the jury in its Sustainable Value Report, particularly in its pursuit of sustainability strategies and the way it has embedded the idea of sustainability at all levels of the business. The competition for the best sustainability reports is promoted by the Federal Ministry of Labour and Social Affairs and by the Council for Sustainable Development.

Disclosures pursuant to § 289 (4) HGB and § 315 (4) HGB and Explanatory Report

Pursuant to Article 4 (1) of the Articles of Incorporation, BMW AG's share capital totalling euro 654,660,558 is sub-divided into 601,995,196 shares of common stock and 52,665,362 non-voting shares of preferred stock, each with a par value of euro 1. In accordance with a resolution taken by the Board of Management on 24 November 2009 and with the approval of the Supervisory Board, the share capital was increased by euro 469,200 from euro 654,191,358 to euro 654,660,558 by the issue of 469,200 new non-voting shares of preferred stock. This increase was executed on the basis of Authorised Capital 2009 in Article 4 (5) of the Articles of Incorporation. The new shares were issued to employees in conjunction with the existing employee share scheme. The Company's shares are issued to bearer. The rights and duties of shareholders derive from the German Stock Corporation Act (AktG) in conjunction with the Company's Articles of Incorporation, the full text of which is available at www.bmwgroup.com. The voting power attached to each share corresponds to its par value. Each euro 1 of par value of share capital represented in a vote entitles the holder to one vote (Article 18 (1) of the Articles of Incorporation). The Company's shares of preferred stock are non-voting pursuant to § 139 AktG et seq., i.e. they only confer voting rights in exceptional cases stipulated by law such as when the preference amount has not been paid or has not been fully paid within one year or the arrears have not been paid within the subsequent year. With the exception of voting rights, holders of shares of preferred stock are entitled to the same rights as holders of shares of common stock. Article 24 of the Articles of Incorporation confers preferential treatment to the non-voting shares of preferred stock with regard to the appropriation of the Company's unappropriated profit. Accordingly, the unappropriated profit is required to be appropriated in the following order:

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

The right of shareholders to have their shares evidenced in writing is excluded.

Shareholders are only entitled to participate at the Annual General Meeting and exercise their voting rights if, prior to the meeting, they have given written notice (in the form prescribed by § 126b of the German Civil Code), either in German or English, of their intention to participate. Shareholders are also required to provide evidence of their entitlement to participate and exercise their voting rights at the Annual General Meeting. For this purpose, documentary evidence of the shareholding, issued by the custodian bank (in the written form prescribed by § 126 b BGB), in either German or English, is required. Voting rights may also be exercised by proxy. The chairperson may determine a reasonable time limit for shareholders to exercise their right to raise questions and speak (Article 19 (2) of the Articles of Association).

When the Company issues shares to employees in conjunction with its employee share scheme, the shares are subject to a company-imposed vesting period of four years, measured from the beginning of the calendar year in which the shares are issued. During this time the shares may not be sold. The shares issued in conjunction with the employee share scheme are shares of non-voting preferred stock which are transferred solely and directly to employees. Like all other shareholders, employees exercise their control rights over these shares on the basis of relevant legal provisions and the Company's Articles of Incorporation.

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

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

* based on voluntary balance notifications provided by the listed shareholders at 31 December 2008

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

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

Appointments and revocation of appointments of members of the Board of Management are based on the rules contained in §84 et seq. of the German Stock Corporation Act (AktG) in conjunction with Article 31 of the German Co-Determination Act (MitbestG). In accordance with Article 7 of the Articles of Incorporation, the Board of Management consists of two or more members. The Supervisory Board determines the number of the members of the Board of Management. It is responsible for appointing members to the Board of Management and for revoking appointments. It also designates one of the members as the Chairman.

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

In accordance with the resolution passed at the Annual General Meeting on 14 May 2009, the Board of Management is authorised, up to 12 November 2010 and subject to the price limits stipulated in the resolution, to acquire shares of common and / or non-voting preferred stock via the stock exchange, up to a maximum of 10 % of the share capital in place at the date of the resolution. The Board of Management is also authorised to cancel the shares of common / non-voting preferred stock acquired on the basis of the above-mentioned authorisation or previously acquired shares of common / non-voting preferred stock without further resolution at the Annual General Meeting and to offer and transfer shares of non-voting preferred stock to persons employed by BMW AG or one of its affiliated companies for an amount of up to euro 2,000,000 of share capital. The subscription right of existing shareholders to the new shares of preferred stock used for the purpose stated above is excluded. Furthermore, the Board of Management is authorised to buy back shares and sell bought-back shares in situations specified in Article 71 AktG, e. g. to avert serious and imminent damage to the Company. In accordance with Article 4 (5) of the Articles of Incorporation, the Board of Management is authorised – with the approval of the Supervisory Board – to increase BMW AG's share capital during the period until 13 May 2014 by up to euro 4,530,800 for the purposes of an employee share scheme by issuing new non-voting shares of preferred stock, which carry the same rights as existing non-voting preferred stock, in return for cash contributions (Authorised Capital 2009). Existing shareholders may not subscribe to the new shares. There is no conditional capital at the reporting date.

The BMW AG is party to the following major agreements which contain provisions for the event of a change in control or the acquisition of control as a result of a takeover offer:

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

- Framework agreements are in place with financial institutions and banks (ISDA Master Agreements) with respect to trading activities with derivative financial instruments. Each of these agreements includes an extraordinary right of termination which triggers the immediate settlement of all current transactions in the event that the creditworthiness of the party involved is materially weaker following a direct or indirect acquisition of beneficially owned equity capital which confers the power to elect a majority of the Supervisory Board of a contractual party or any other ownership interest that enables the acquirer to exercise control over a contractual party or which constitutes a merger or a transfer of net assets.
- Loan agreements in place with the European Investment Bank (EIB) entitle the EIB to request early repayment of the loan in the event of an imminent or actual change in control at the level of the guarantor, BMW AG, if the EIB has reason to assume – after the change of control has taken place or 30 days after it has requested to discuss the situation – that the change in control could have a significant adverse impact, or if – as stated in one of the contracts – the borrower refuses to hold such discussions.
- BMW AG is party to an agreement with SGL Carbon SE, Wiesbaden, relating to the joint ventures SGL Automotive Carbon Fibers LLC, Delaware, USA and SGL Automotive Carbon Fibers GmbH & Co. KG, Munich. The agreement includes call and put rights in case – directly or indirectly – 50 % or more of the voting rights relating to the relevant other shareholder of the joint ventures is acquired by a third party, or if 25 % of such voting rights is acquired by a third party if that third party is a competitor of the party that has not been affected by the acquisition of the voting rights. In the event of such acquisitions of voting rights by a third party, the non-affected shareholder has the right to purchase the shares of the joint ventures from the affected shareholder or to require the affected party to acquire the other shareholder's shares.

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

Group Internal Management System

Our financial management system is oriented towards the BMW Group's strategic objectives, measured primarily in terms of profitability and long-term growth in value. One of the prime criteria determining decisions made at project, segment and group levels is the coherent management of capital employed. The rates of return set for the Automobiles, Motorcycles and Financial Services segments all stem from this objective. The Automobiles and Motorcycles segments are managed on the basis of specific product projects on the one hand and process and infrastructure projects on the other. The credit and lease portfolios of the Financial Services segment are managed primarily from a cash flow and risk perspective.

Minimum rates of return as basis for value-based management

The cornerstone of the value-added management of the BMW Group is the entity-specific minimum rate of return, derived from capital market data, and based on the weighted average cost of capital (WACC) as follows:

$$\text{WACC} = \frac{\text{Cost of equity capital x fair value of equity capital}}{\text{Fair value of equity and debt capital}} + \frac{\text{Cost of debt capital x fair value of debt capital}}{\text{Fair value of total capital}}$$

The cost of equity capital is measured using the Capital Asset Pricing Model (CAPM). The cost of debt capital is based partly on the average interest rate paid for long-term external debt and partly on the interest rate applicable for pension obligations.

Value management in the context of project control

Strategic priorities set at a functional level are based on segment-specific strategies and on the project decisions reached in accordance with those strategies. The close link between segment-specific strategies and project objectives ensures that the project development process remains effective. Once a positive decision has been reached for a particular project, it is managed over time using a value-based approach. Projects are monitored continuously and resources reallocated according to requirements.

The project decision and related project selection are important aspects of our value-based management approach. Project decisions are taken on the basis of rates of return and net present values (NPVs), supplemented by a standardised approach to assessing opportunities and risks. This involves computing the present value of cash flows and the internal project rate of return (or model rate of return in the case of vehicle projects) expected to be generated by a project decision and comparing the results with competitive market values.

Accordingly, the amount a project will contribute to the total value of the segment can be measured when the project decision is taken. Targets and performance are controlled using project-related target NPVs and individual cash-flow-related parameters which have an impact on the targeted rates of return.

Return on capital used to measure value on a periodic basis

General business conditions relevant for periodic planning have a bearing on how individual product projects and the product programme as a whole are managed. It is important that period-specific targets are also monitored and managed on a long-term basis. This helps to ensure that

Capital employed by BMW Group
in euro million

	2009	2008
Group equity	**20,031**	21,766
+ Financial liabilities	**4,658**	2,832
+ Pension provisions	**3,234**	3,717
Capital employed	**27,923**	**28,315**

Return on Capital Employed

	Earnings for ROCE purposes in euro million		Capital employed in euro million		Return on capital employed in %	
	2009	2008	2009	2008	2009	2008
BMW Group	**922**	639	**27,923**	28,315	**3.3**	2.3
Automobiles	**–265**	690	**13,143**	14,056	**–**	4.9
Motorcycles	**19**	60	**405**	432	**4.7**	13.9

Capital employed by Automobiles segment
in euro million

	2009	2008
Operational assets	27,659	28,867
less: Non-interest bearing liabilities	14,516	14,811
Capital employed	**13,143**	**14,056**

the BMW Group's earnings performance can develop at a steady pace. Periodic performance is managed in the context of defined accounting policies and external financial reporting requirements. We primarily use profit before tax and segment-specific rates of return as the key indicator figures in managing operating performance by reporting period.

Capital efficiency is measured within the BMW Group on the basis of the return on capital employed (ROCE). This key indicator shows the amount of capital employed across all lines of business, thus reflecting the overall Group performance. In line with the method applied at Group level, the return on capital employed is also the primary performance indicator used by the Automobiles and Motorcycles segments. In contrast, the performance of the Financial Services segment is measured on the basis of the return on equity (ROE). The ROE performance indicator is important for the value-based management of the Financial Services segment because it focuses on equity as a resource with limited availability and puts the efficient utilisation of capital at the forefront.

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

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

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

Group ROCE is measured by dividing earnings for ROCE purposes by the average amount of capital employed. Capital employed is measured at Group level by reference to the equity and liabilities side of the balance sheet and comprises Group equity, pension provisions and the financial liabilities of the Automobiles and Motorcycles segments. The average level of capital employed for a particular year is measured as the average capital employed at the beginning of the year, at quarter-ends and at the end of the year. In line with the computation of employed capital, earnings for ROCE purposes is defined as profit before interest expense incurred in conjunction with the pension provision and the financial liabilities of the Automobiles and Motorcycles segments (profit before interest expense and taxes).

The ROCE of the Automobiles and Motorcycles segments is measured as the ratio of the profit before financial result and the average level of capital employed. The latter comprises all current and non-current operational assets after deducting liabilities not subject to interest, e.g. trade payables. Based on the cost of capital as a minimum rate of return and comparisons with competitive market values, the target ROCE for the Automobiles and Motorcycles segments has been set at a minimum of 26 %.

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

Long-term creation of value

The overall target set for earnings is continuous growth; the minimum rate of return required for each line of business is used as the relevant parameter. These periodic targets are supplementary to project and programme targets. For all project decisions reached, the impact of cash flows on the model rate of return as well as the impact on periodic earnings over the long term are documented. The fact that the performance indicators also take account of periodic financial reporting requirements ensures consistency within the target and management model. This

Return on Equity

	Profit before tax in euro million		Equity in euro million		Return on equity in %	
	2009	2008	2009	2008	2009	2008
Financial Services	365	–292	3,978	4,013	9.2	–

Key performance indicators

in %

	2009	2008	2007	2006*	2005*
Return on Capital Employed					
BMW Group	**3.3**	2.3	15.3	16.7	15.1
Automobiles	**–**	4.9	24.7	21.7	23.2
Motorcycles	**4.7**	13.9	18.0	17.7	17.8
Return on Equity					
Financial Services	**9.2**	–	18.1	17.6	16.9

* Capital employed calculated on year-end basis

approach allows an analysis of the effect of each project-based decision on earnings and rates of return. Multi-project planning data resulting from these procedures allows on-going comparison between dynamic multi-period targets and periodic performance.

Earnings Performance

The BMW Group's performance in the financial year 2009 was dampened by the impact of the international economic and financial crisis. In addition to sales volume decreases on major markets, reported figures were also adversely affected by an intense level of competition and some model life-cycle factors.

The BMW Group recorded a net profit of euro 210 million for the financial year 2009 (2008: euro 330 million). The post-tax return on sales was 0.4 % (2008: 0.6 %). Earnings per share of common and preferred stock were euro 0.31 and euro 0.33 respectively (2008: euro 0.49 and euro 0.51 respectively).

Group revenues fell by 4.7 % compared to the previous year. Adjusted for exchange rate factors, revenues would have decreased by 5.1 %. Revenues from the sale of BMW, MINI and Rolls-Royce brand cars fell by 6.0 %, reflecting the sales volume performance. Motorcycles business revenues were 13.3 % down on the previous year.

Group Income Statement

in euro million

	2009	2008
Revenues	**50,681**	53,197
Cost of sales*	**–45,356**	–47,148
Gross profit	**5,325**	**6,049**
Sales and administrative costs	**–5,040**	–5,369
Other operating income	**808**	1,428
Other operating expenses	**–804**	–1,187
Profit before financial result	**289**	**921**
Result from equity accounted investments	**36**	26
Interest and similar income	**856**	685
Interest and similar expenses	**–1,014**	–930
Other financial result	**246**	–351
Financial result	**124**	–570
Profit before tax	**413**	**351**
Income taxes	**–203**	–21
Net profit	**210**	**330**

* after reclassification of research and development costs to cost of sales

Revenues generated with financial services activities edged up by 0.4 %. Revenues attributable to "Other Entities" amounted to euro 1 million. The corresponding figure in 2008 amounted to euro 146 million and related primarily to the Cirquent Group.

Revenues generated in the Africa, Asia and Oceania regions grew in total by 16.0 %. This includes the impact of a 46.2 % leap in sales revenue in China.

While revenues in Germany rose by 6.5 %, they fell throughout the rest of Europe by 17.9 % and in the Americas region by 6.5 %. Group cost of sales totalled euro 45,356 million (2008: euro 47,148 million) and fell therefore by 3.8 %. Although fixed costs were lowered, it was not possible to compensate fully for the decrease in revenues. Negative currency and model life-cycle factors had the opposite effect on cost of sales. The gross profit in absolute terms decreased by 12.0 % to euro 5,325 million and the gross profit margin was 10.5 % (2008: 11.4 %). The gross profit margin recorded by the Automobiles segment was 9.4 % (2008: 10.8 %) and that of the Motorcycles segment was 13.5 % (2008: 16.7 %). With effect from the beginning of the financial year 2009, research and development costs are reported as cost of sales. Research and development costs were reduced by 8.4 % to euro 2,587 million. This corresponded to 5.1 % (2008: 5.3 %) of revenues. Research and development costs include amortisation of capitalised development costs amounting to euro 1,226 million (2008: euro 1,185 million). Total research and development costs amounted to euro 2,448 million (2008: euro 2,864 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. The research and development expenditure ratio for 2009 was 4.8 % (2008: 5.4 %).

Sales and administrative costs fell by 6.1 % compared to the previous year. They represented 9.9 % of revenues, and were therefore 0.2 percentage points lower on a year-to-year comparison.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in sales and administrative costs amounted in total to euro 3,600 million (2008: euro 3,670 million).

The positive net amount from other operating income and expenses decreased by euro 237 million due to the higher level of income from the reversal of provisions recorded in the previous year.

Due to the adverse factors referred to above, the profit before financial result decreased by euro 632 million to euro 289 million.

The financial result improved by euro 694 million, turning from net financial expenses of euro 570 million in 2008 to net financial income of euro 124 million in 2009. Euro 597 million of the improvement relates to the item "Other financial result". The main reasons for this development were higher positive fair values of stand-alone interest-rate derivatives (up in line with changed interest-rate structure curves) and higher positive fair values of commodities derivatives. Income from investments was up by euro 4 million. At the same time, the net interest result improved by euro 87 million, mainly as a result of lower write-downs on marketable securities. The result from investments accounted for using the equity method improved by euro 10 million to euro 36 million. This includes the Group's share of the result of BMW Brilliance Automotive Ltd., Shenyang, and that of the Cirquent Group.

Including the impact of the changes in financial result described above, the Group pre-tax profit went up by 17.7 % to euro 413 million. The pre-tax return on sales was 0.8 % (2008: 0.7 %).

The Group net profit was euro 120 million or 36.4 % down on the previous year. The sharp increase in the effective tax rate was partly due to the lower level of tax-exempt income. In addition, tax expenses incurred for prior years in conjunction with a tax field audit at the level of BMW AG, mostly relating to intragroup transfer pricing arrangements, had an impact. Corresponding reimbursement claims at the level of foreign subsidiaries did not fully offset the tax expense incurred due to differences in tax rates in the tax jurisdictions involved.

The Automobiles segment recorded a 10.4 % decrease in sales volume and a 10.3 % decrease in revenues. Due to the adverse factors described above, the segment result fell by euro 906 million, turning into a loss of euro 588 million.

Revenues of the Motorcycles segment fell by 13.1 % while the number of units sold was down by 14.1 %. Difficult business conditions caused the segment profit to drop by 78.4 % to euro 11 million.

Financial Services segment revenues edged up by 0.5 % to euro 15,798 million. The segment result improved by euro 657 million to become a profit of euro 365 mil-

Revenues by segment
in euro million

	2009	2008
Automobiles	**43,737**	48,782
Motorcycles	**1,069**	1,230
Financial Services	**15,798**	15,725
Other Entities	**3**	191
Eliminations	**–9,926**	–12,731
Group	**50,681**	**53,197**

Profit / loss before tax by segment
in euro million

	2009	2008
Automobiles	**–588**	318
Motorcycles	**11**	51
Financial Services	**365**	–292
Other Entities	**51**	295
Eliminations	**574**	–21
Group	**413**	**351**

lion, mainly reflecting the lower level of expense for risk provision.

The segment profit for the Other Entities segment was euro 51 million (2008: euro 295 million). The decrease here was mainly due to higher income from the reversal of provisions in the previous year and a gain on the partial sale of the Cirquent Group, also recognised in the previous year.

The result from inter-segment eliminations improved to a positive amount of euro 574 million (2008: negative amount of euro 21 million), mainly as a result of the lower volume of new leasing business.

Financial Position

The cash flow statements of the BMW Group and the Automobiles and Financial Services segments show the sources and applications of cash flows for the financial years 2008 and 2009, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount disclosed in the balance sheet.

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

Operating activities of the BMW Group generated a positive cash flow of euro 10,271 million in 2009, a decrease of euro 601 million or 5.5 % compared to the previous year. Changes in working capital and other operating assets and liabilities during 2009 generated a cash inflow of euro 908 million (2008: euro 411 million). The increase was more than offset by the decrease in depreciation and write-downs on leased products (down by euro 1,287 million to euro 5,476 million).

The cash outflow for investing activities amounted to euro 11,328 million and was therefore euro 7,324 million lower than in 2008. Capital expenditure for intangible assets and property, plant and equipment resulted in the cash outflow for investing activities decreasing by euro 733 million on a year-on-year comparison. The cash outflow for the net investment in leased products and receivables from sales financing decreased by euro 8,692 million to euro 5,700 million as a result of the lower level of new business and the fact that an exceptional item in the previous year was not repeated (buy-back in 2008 of previously off-balance-sheet vehicle portfolio of a leasing company).

Financing activities generated a cash inflow of euro 1,352 million in 2009 (2008: euro 12,904 million). Cash inflows from the issue of bonds totalled euro 9,762 million (2008: euro 9,959 million), and euro 6,440 million (2008: euro 5,080 million) was used to repay bonds. The dividend payment for the financial year 2009 amounted to euro 197 million. The cash outflow for other financial liabilities and Commercial Paper was euro 1,562 million (2008: cash inflow of euro 9,041 million).

90.7 % (2008: 58.3 %) of the cash outflow for investing activities was covered by the cash inflow from operating activities. The cash flow statement for the Automobiles segment shows that the cash inflow from operating activities fell short of the cash outflow for investing activities by euro 754 million (2008: euro 81 million). Adjusted for purchases of marketable securities amounting to euro 2,210 million (mainly in connection with the further externalisation of pension obligations), there would have been a surplus of euro 1,456 million or 142.0 %. Due to the

Change in cash and cash equivalents

Cash and cash equivalents 31.12.2008	Cash inflow from operating activities	Cash outflow from investing activities	Cash inflow from financing activities	Currency translation, changes in Group composition	Cash and cash equivalents 31.12.2009
7,454	**+10,271**	**–11,328**	**+1,352**	**+18**	**7,767**

lower level of investment in leased products and receivables from sales financing, the cash flow statement of the Financial Services segment shows coverage of 115.8% (2008: shortfall of 39.4%).

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group amounting to a net positive amount of euro 18 million (2008: net negative amount of euro 63 million), the various cash flows resulted in an increase in cash and cash equivalents of euro 313 million (2008: euro 5,061 million).

Net financial assets of the Automobiles segment comprise the following:

in euro million	**31.12.2009**	31.12.2008
Cash and cash equivalents	**4,331**	5,073
Marketable securities and investment funds	**1,129**	557
Intragroup net financial receivables	**8,272**	8,185
Financial assets	**13,732**	**13,815**
Less: external financial liabilities*	**–4,770**	–4,769
Net financial assets	**8,962**	**9,046**

* excluding derivative financial instruments

Net Assets Position

The Group balance sheet total increased by euro 867 million (+ 0.9 %) to euro 101,953 million compared to 31 December 2008. Adjusted for changes in exchange rates, the balance sheet total would have decreased by 0.9 %.

The main factors behind the increase on the assets side were the increased level of receivables from sales financing (+ 6.6 %), other assets (+ 24.9 %) and deferred taxes (+ 46.2 %). Leased products (– 7.9 %) and inventories (– 10.1 %) decreased. On the equity and liabilities side of the balance sheet, the increase was due to the increase in financial liabilities (+ 1.6 %) and trade payables (+ 21.9 %). There were decreases in pension provisions (– 10.3 %) and equity (– 1.8 %).

At euro 5,379 million, intangible assets were euro 262 million lower than at the end of the previous reporting period. Within intangible assets, capitalised development costs went down by 2.7 % to euro 4,934 million. Development costs recognised as assets during the year under report amounted to euro 1,087 million (– 11.2 %), equivalent to a capitalisation ratio of 44.4 % (2008: 42.7 %). The lower level of additions to capitalised development costs in 2009 was attributable cost and process efficiencies during the series development phase. The corresponding amortisation expense was euro 1,226 million (2008: euro 1,185 million).

The carrying amount of property, plant and equipment increased slightly by 0.8 % to euro 11,385 million. Capital expenditure of euro 2,334 million was 18.5 % lower than in the previous year. The main focus was on product investments for production start-ups and infrastructure improvements. Depreciation on property, plant and equipment totalled euro 2,260 million (– 4.8 %). Balances brought forward for subsidiaries being consolidated for the first time amounted to euro 48 million. Total capital expenditure as a percentage of revenues was 6.8 % (2008: 7.9 %).

Leased products decreased by euro 1,551 million or 7.9 %. Excluding the effect of exchange rate fluctuations, leased products would have decreased by 7.7 %. The decrease was attributable to the lower volume of new lease business in 2009 and the impact of an exceptional item in 2008.

The carrying amount of other investments decreased by 28.0 % to euro 232 million, mainly reflecting the sale of the BMW Sauber Group and the first-time inclusion of previously unconsolidated subsidiaries.

Receivables from sales financing were up by 6.6 % to euro 40,594 million due to higher business volumes. Of this amount, retail customer and dealer financing accounted for euro 31,971 million (+ 8.5 %) and finance leases accounted for euro 8,623 million (+ 0.3 %).

Inventories decreased by euro 735 million or 10.1 % to euro 6,555 million as a result of the higher sales volume in the fourth quarter 2009 and lower inventories of goods for resale and work in progress.

Trade receivables were 19.4 % lower than at 31 December 2008.

Financial assets decreased by 7.4 % to euro 4,734 million mainly as a result of the expiry in 2009 of currency derivatives with positive fair values.

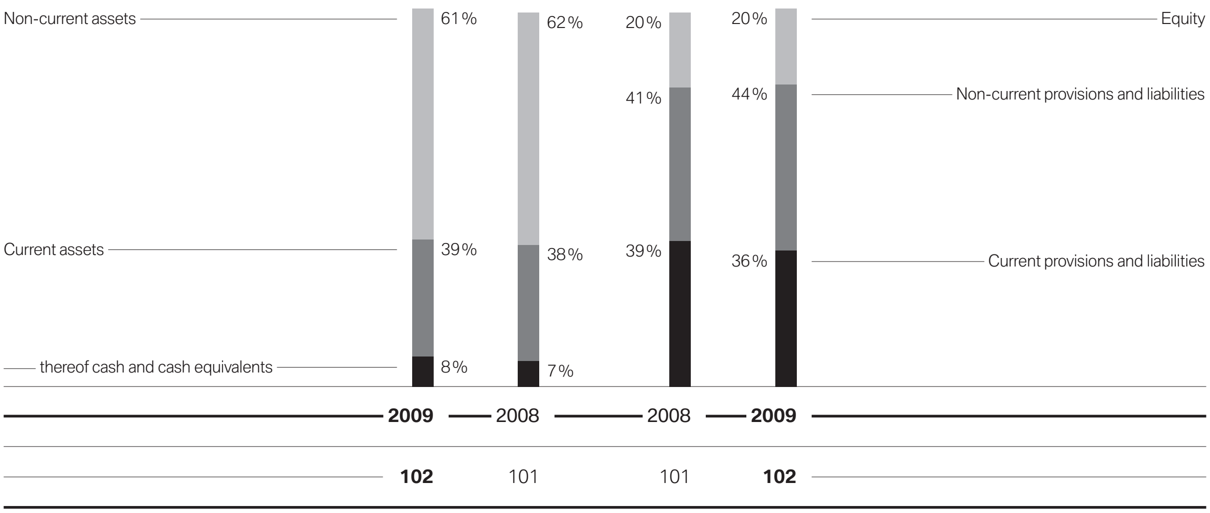
Liquid funds increased by 16.1 % to euro 9,415 million. Within that item, marketable securities and investment fund shares rose by euro 995 million. Liquid funds comprise cash and cash equivalents as well as marketable securities and investment fund shares (the last two items reported as financial assets).

Cash and cash equivalents went up by euro 313 million to euro 7,767 million.

On the equity and liabilities side of the balance sheet, equity decreased by euro 358 million to euro 19,915 million. This was primarily a result of the payment of the dividend (euro 197 million), actuarial losses on pension obligations due to lower interest rates and a changed assumption for future inflation rates, totalling euro 1,198 million. Group equity increased due to translation differences (+ euro 318 million), the fair value measurement of derivative financial instruments (+ euro 295 million), the fair value measurement of marketable securities (+ euro 4 million) and the net profit for the period (+ euro 210 million). Deferred taxes on fair value gains and losses recognised directly in equity increased equity by euro 190 million. Treasury shares (preferred stock) held at the end of the previous financial year were issued to employees in 2009 in conjunction with an employee share scheme, increasing equity by euro 10 million. In addition, the Authorised Capital created at the Annual General Meeting held on 14 May 2009 was partially used during the financial year under report to issue shares of preferred stock to employees, increasing subscribed capital by euro 1 million. An amount of euro 10 million was transferred to capital reserves in conjunction with this share capital increase. Other items reduced equity by euro 1 million.

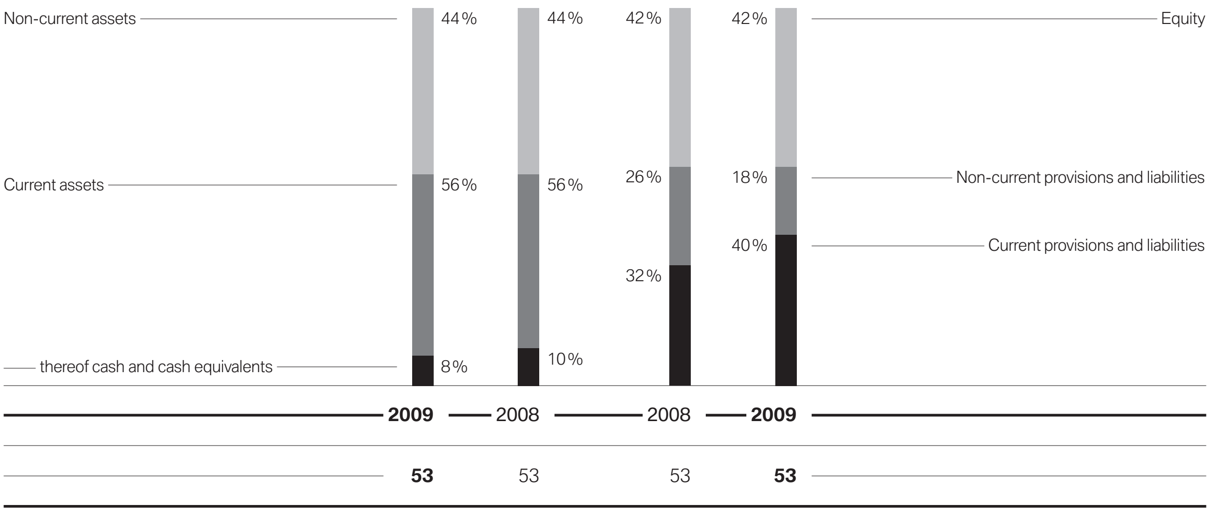
Balance sheet structure – Group

in euro billion



Balance sheet structure – Automobiles segment

in euro billion



The equity ratio of the BMW Group fell overall by 0.6 percentage points to 19.5 %. The equity ratio of the Automobiles segment was 41.7 % (2008: 42.3 %) and that of the Financial Services segment was 6.0 % (2008: 5.4 %).

Pension provisions went down by 10.3 % to euro 2,972 million. In the case of pension plans with fund assets, the fair value of fund assets is offset against the defined benefit obligation. The decrease was mainly due to the transfer of pension obligations to BMW Trust e.V., Munich, in conjunction with a Contractual Trust Arrangement (CTA). This was only partly offset by the increase in pension provisions caused by lower interest rates and a changed assumption for future inflation rates.

Other provisions went down by 2.4 % to euro 4,764 million, primarily reflecting lower personnel-related obligations.

Financial liabilities increased by 1.6 % to euro 61,325 million, mainly in conjunction with the refinancing of financial services business. Within financial liabilities, bonds increased by 11.8 % to euro 27,017 million and deposit liabilities (from banking) rose by 21.0 % to euro 9,933 million. Working in the opposite direction, liabilities to banks decreased by 17.7 % to euro 9,174 million and asset-backed-financing liabilities were down by 10.2 % to euro 7,812 million.

Trade payables amounted to euro 3,122 million and were thus 21.9 % higher than one year earlier.

Other liabilities decreased by euro 31 million to euro 6,250 million at 31 December 2009.

Overall, thanks to the measures implemented, the BMW Group succeeded in limiting the negative impact of the economic and financial crisis on its earnings, financial and net assets position.

Compensation Report

The compensation of the Board of Management comprises a fixed and a variable component. In addition, benefits are also payable at the end of members' mandates, primarily in the form of pension benefits. Further details, including an analysis of remuneration by individual, are disclosed in the Compensation Report which can be found in the Corporate Governance section of the Annual Report on page 151 et seq. The Compensation Report is a subsection of the Management Report.

Subsequent Events Report

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

Value Added Statement

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

Net value added by the BMW Group in 2009 decreased by 0.3 % to euro 10,441 million. Lower cost of materials and depreciation / amortisation expense could not fully offset the impact of lower revenues and higher other expenses.

The bulk of the net value added (61.2 %) is applied to employees. The amount applied to providers of finance increased to 31.1 % mainly as a result of the higher funding volume required for financial services business. The government / public sector (including deferred tax expense) accounted for 5.7 %. The proportion of net value added applied to shareholders, at 1.9 %, was similar to the previous year's level.

BMW Group Value added statement

	2009 in euro million	2009 in %	2008 in euro million	2008 in %	Change in %
Work performed					
Revenues	**50,681**	**97.5**	53,197	98.1	
Financial income and expenses	**488**	**0.9**	–410	–0.7	
Other income	**808**	**1.6**	1,428	2.6	
Total output	**51,977**	**100.0**	**54,215**	**100.0**	**–4.1**
Cost of materials	**27,399**	**52.7**	30,648	56.5	
Other expenses*	**6,845**	**13.2**	5,447	10.1	
Bought-in costs	**34,244**	**65.9**	**36,095**	**66.6**	**–5.1**
Gross value added	**17,733**	**34.1**	**18,120**	**33.4**	–2.1
Depreciation and amortisation	**7,292**	**14.0**	7,651	14.1	
Net value added	**10,441**	**20.1**	**10,469**	**19.3**	**–0.3**
Applied to					
Employees	**6,395**	**61.2**	6,781	64.8	–5.7
Providers of finance	**3,243**	**31.1**	2,823	27.0	14.9
Government/public sector	**593**	**5.7**	535	5.1	10.8
Shareholders	**197**	**1.9**	197	1.9	–
Group	**7**	**0.1**	127	1.2	–94.5
Minority interest	**6**	**–**	6	–	–
Net value added	**10,441**	**100.0**	**10,469**	**100.0**	**–0.3**

* including expenses incurred to downsize the workforce

BMW Group Value added 2009

in %

Net value added	20.1	Depreciation and amortisation	14.0
Cost of materials	52.7	Other expenses	13.2

Key Performance Figures

		2009	2008
Gross margin*	%	**10.5**	11.4
EBITDA margin	%	**7.7**	8.6
EBIT margin	%	**0.6**	1.7
Pre-tax return on sales	%	**0.8**	0.7
Post-tax return on sales	%	**0.4**	0.6
Pre-tax return on equity	%	**2.0**	1.6
Post-tax return on equity	%	**1.0**	1.5
Equity ratio – Group	%	**19.5**	20.1
Automobiles	%	**41.7**	42.3
Financial Services	%	**6.0**	5.4
Coverage of intangible assets, property, plant and equipment by equity	%	**118.8**	119.7
Return on capital employed			
Group	%	**3.3**	2.3
Automobiles	%	**–**	4.9
Motorcycles	%	**4.7**	13.9
Return on equity			
Financial Services	%	**9.2**	–
Cash inflow from operating activities	euro million	**10,271**	10,872
Cash outflow from investing activities	euro million	**11,328**	18,652
Coverage of cash outflow from investing activities by cash inflow from operating activities	%	**90.7**	58.3
Net financial assets Automobiles segment	euro million	**8,962**	9,046

* after reclassification of research and development costs to cost of sales

Comments on Financial Statements of BMW AG

Whereas the Group Financial Statements are drawn up in accordance with IFRSs issued by the IASB, the financial statements of BMW AG are drawn up in accordance with the provisions of the German Commercial Code (HGB). Where it is permitted and considered sensible, the principles and policies of IFRSs are also applied in the individual company financial statements. The pension provision in the individual company financial statements, for example, is also determined in accordance with IAS 19 and the full defined benefit obligation recognised. In numerous other cases, however, the accounting principles and policies in the individual company financial statements of BMW AG differ from those applied in the Group Financial Statements. The main differences relate to the recognition of intangible assets, depreciation and amortisation methods, the measurement of inventories and provisions as well as the treatment of financial instruments.

BMW AG develops, manufactures and sells cars and motorcycles manufactured by itself and foreign subsidiaries. These vehicles are sold through the Company's own branches, independent dealers, subsidiaries and importers. The number of cars manufactured at German and foreign plants in 2009 decreased by 12.6 % to 1,258,417 units. The workforce of BMW AG decreased by 1,373 to 70,223 employees at 31 December 2009, due primarily to natural employee fluctuation, pre-retirement part-time working arrangements and voluntary employment contract termination agreements.

Consumer reluctance to spend in the face of the current financial crisis as well as model life-cycle factors caused a reduction in the number of cars sold by BMW AG. As a consequence, revenues fell by 14.3% in 2009. Sales to group sales companies accounted for euro 26.6 billion or approximately 70.0 % of the total revenues of euro 38.0 billion. The decrease in cost of sales was slightly less pronounced than the decrease in revenues. Gross profit fell by euro 1.2 billion (–18.2%) and amounted to euro 5.3 billion.

The decrease in other operating expenses had a positive effect on the profit from ordinary activities which increased from euro 395 million to euro 605 million.

Adverse currency factors relating to the US dollar and Japanese yen as well as continued intense competition on the automobile markets had a negative impact on BMW AG's earnings.

A tax expense was recognised in the financial year 2009 in conjunction with a tax field audit covering prior years. The back-taxes were primarily related to the issue of intragroup pricing arrangements. The resulting threat of a double taxation charge at Group level is being avoided primarily by initiating bilateral appeal proceedings.

Capital expenditure on intangible assets and property, plant and equipment amounted to euro 1,667 million (2008: euro 2,064 million). The 19.2 % decrease was primarily due to the lower level of infrastructure investments. Depreciation and amortisation amounted to euro 1,505 million.

In order to secure obligations resulting from pre-retirement part-time work arrangements and a part of the Company's pension obligations, an amount of euro 3,088 million was transferred to BMW Trust e.V., Munich, in conjunction with a Contractual Trust Arrangement (CTA).

Equity rose by euro 16 million to euro 5,354 million. The existing authorisation to acquire treasury shares was not exercised during the financial year 2009. 362,225 of the 363,130 shares of preferred stock held as treasury shares were used for the employee share scheme; the remaining 905 shares were sold on the capital market. The equity ratio fell from 22.9% to 21.7%. Long-term external capital (registered profit-sharing certificates, pension provisions, the liability to the BMW Unterstützungsvereins e.V. and liabilities due after one year) decreased by 23.4 % to euro 4,638 million, reflecting the fact that some loan liabilities fall due for payment in 2010. In view of the turmoil on the financial markets, funds were shifted into money market funds in order to secure the liquidity position of BMW AG.

The Financial Reporting Modernisation Act (BilMoG) will be applied with effect from the beginning of the financial year 2010.

BMW AG Balance Sheet at 31 December

in euro million

	2009	2008
Assets		
Intangible assets	**145**	143
Property, plant and equipment	**5,536**	5,404
Investments	**1,303**	1,096
Tangible, intangible and investment assets	**6,984**	**6,643**
Inventories	**2,620**	2,586
Trade receivables	**690**	982
Receivables from subsidiaries	**6,197**	6,098
Other receivables and other assets	**882**	623
Marketable securities	**4,987**	2,360
Cash and cash equivalents	**2,195**	3,970
Current assets	**17,571**	**16,619**
Prepayments	**92**	54
Total assets	**24,647**	**23,316**
Equity and liabilities		
Subscribed capital	**655**	654
Capital reserves	**2,001**	1,991
Revenue reserves	**2,501**	2,496
Unappropriated profit available for distribution	**197**	197
Equity	**5,354**	**5,338**
Registered profit-sharing certificates	**34**	34
Special untaxed reserves	**–**	13
Pension provisions	**4,586**	3,791
Other provisions	**6,323**	6,142
Provisions	**10,909**	**9,933**
Liabilities to banks	**2,488**	3,049
Trade payables	**1,548**	1,276
Liabilities to subsidiaries	**2,409**	2,311
Other liabilities	**1,902**	1,338
Liabilities	**8,347**	**7,974**
Deferred income	**3**	24
Total equity and liabilities	**24,647**	**23,316**

BMW AG Income Statement

in euro million

	2009	2008
Revenues	**37,980**	44,313
Cost of sales	**–32,679**	–37,833
Gross profit	**5,301**	**6,480**
Sales costs	**–3,105**	–3,085
Administrative costs	**–1,379**	–1,366
Research and development costs	**–2,451**	–2,646
Other operating income and expenses	**1,243**	–641
Result on investments	**1,084**	1,807
Financial result	**–88**	–154
Profit from ordinary activities	**605**	**395**
Income taxes	**–393**	3
Other taxes	**–10**	–14
Net profit	**202**	**384**
Transfer to revenue reserves	**–5**	–187
Unappropriated profit available for distribution	**197**	**197**

Revenues from the sale of vehicles to car rental companies are not recognised when there is an obligation to take back the vehicles. In accordance with the draft financial reporting pronouncement "Specific Issues relating to the Transfer of Beneficial Ownership and Profit Realisation in accordance with HGB" (IDW ERS HFA 13 revised version dated 29 November 2006) issued by the German Institute of Public Accountants (IDW), vehicles remain on the balance sheet, measured at amortised cost, because, on the basis of the criteria set out in the pronouncement, beneficial ownership has not been transferred to the car rental companies.

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, has issued an unqualified audit opinion on the financial statements of BMW AG, of which the balance sheet and the income statement are presented here. The BMW AG financial statements for the financial year 2009 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. These financial statements are available from BMW AG, 80788 Munich, Germany.

Internal Control System

The internal control system of the BMW Group is aimed at ensuring the effectiveness of operations. It makes an important contribution towards ensuring compliance with the BMW Group's applicable laws as well as providing assurance on the propriety and reliability of internal and external financial reporting. It is therefore a significant factor in the management of process risks.

The principal features of the internal control system, as far as they relate to individual entity and Group financial reporting processes, are described below. The risk management system is an integral part of the internal control system and is therefore not referred to in this section.

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

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

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

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

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

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

Risk management in the BMW Group
As a globally operating organisation, the BMW Group is exposed to a variety of risks, arising in part from the increasing internationalisation of business activities and ever-greater competition. Price fluctuations on the global currency, money, capital and commodities markets as well as shorter innovation cycles result in increasing complexity, all of which place great demands on enterprises with international operations.

The international financial and economic crisis and its knock-on effects have shown quite clearly, particularly during the financial year 2009, that effective and efficient risk management is an essential aspect of safeguarding the going-concern status of the Group in the long term on the one side and help us to achieve our business objectives on the other. Consciously taking calculated risks and making full use of the opportunities relating to them has long been the basis for our corporate success.

As part of the risk reporting system, the Board of Management and the Supervisory Board are regularly informed about risks which could have a significant impact on business performance. Risk reporting within the BMW Group is based on an integrated risk management approach. Business decisions are reached after consideration of in-depth project analyses which show both potential risks and potential opportunities. In addition, as part of long-term planning, annual budget and short-term forecasts, the risks and opportunities attached to specific business activities are evaluated and used as the basis for implementing measures to mitigate risks and achieve targets. The risk management process is applied throughout the Group and comprises the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risks. Our risk management system comprises a wide range of organisational and methodological components that are all finely tuned to each other. The system's decentralised structure also encourages a balanced approach to risks at all organisational levels.

The Group reporting system provides decision makers with comprehensive, up-to-date information on performance against targets and on new developments with regard to the market and competitors. Critical success factors are monitored continuously to ensure that unfavourable developments are identified at an early stage to enable appropriate counter measures to be taken and business opportunities exploited accordingly.

We see risk management 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.

Overall risk management within the BMW Group is managed centrally and reviewed for appropriateness and effectiveness by the Group's internal audit department. In addition, knowledge gained from external audits also provides a good basis for further improvements.

At present, no risks have been identified which could threaten the going concern status of the BMW Group or which could have a materially adverse impact on the net assets, financial position or results of operations of the Group. However, risks can never be entirely ruled out.

The main aspects of risk management activities are described below. Additional comments on risks in conjunction with financial instruments are provided in Note 39 — of the Group Financial Statements.

Risks relating to the general economic environment
As a globally operating enterprise, the BMW Group is affected by economic conditions worldwide. The international economic crisis and its impact on financial, goods and services markets had a significant bearing on Group revenues and earnings in 2009. The sale of vehicles outside the European Currency Union gives rise to currency exposures, in particular with regard to the US dollar, the Japanese yen, the British pound and the Chinese renminbi. These four currencies accounted for approximately two thirds of our total foreign currency exposure in 2009. Cash-flow-at-risk models and scenario analyses are used to measure exchange rate risks. These instruments also serve as part of the process of currency management for the purpose of taking business decisions.

We manage currency risks both at a strategic and at an operating level. At a strategic level (medium and long term), foreign exchange risks are managed by natural hedging, in other words by increasing the volume of purchases denominated in foreign currency or increasing the volume of local production. For operating purposes (short and medium term), currency risks are hedged on the financial markets. Hedging transactions are entered into only with financial partners with a good credit standing. The ongoing financial crisis has, however, resulted in a deterioration in the creditworthiness of many financial institutions and set in motion a process of consolidation within the banking sector. We take account of these circumstances by adjusting counterparty limits as appropriate and by applying strict counterparty risk management procedures. The nature and scope of such measures are set out in Group guidelines.

We also reduce currency risk by refinancing credit and lease business as a general rule in the currency of the relevant market.

Interest-rate risks are managed by employing derivative financial instruments. Interest-rate risks are measured and limited both at country and Group level on the basis of a value-at-risk approach. The risk-return ratio is also measured regularly using simulated computations in conjunction with a present-value-based interest rate management system. Sensitivity analyses, which contain stress scenarios and show the potential impact of interest-rate changes on earnings, are also used as tools to manage interest-rate risks.

The deposit business operated by the Financial Services segment, credit lines with various banks and the use of other financing instruments ensure that sufficient liquid funds are available to the Group. The finely tuned use of a wide range of capital market instruments has proven its worth, particularly in the midst of the difficult business environment caused by the banking and financial crisis. Liquidity risk is continuously monitored at a separate entity level. A cash flow requirements and sourcing forecast system is also implemented throughout the Group to document and manage liquidity risk.

Most of the Financial Services segment's credit and lease business is refinanced on the capital markets. Compared to previous years, when the BMW Group was able to benefit from first-class short-term ratings issued by Moody's and Standard & Poor's (S & P), we were not fully able to extricate ourselves from the difficulties facing the automotive sector in the wake of the financial and economic crisis. On 5 November 2008, S & P issued a long-term rating of A with stable outlook (previously A+ with stable outlook) and changed the outlook from stable to negative on 27 February 2009. In the face of unfavourable macro-economic conditions and persisting doubts about whether the principal sales markets would recover quickly, BMW AG's long-term rating was downgraded on 13 November 2009 to A– with negative outlook. In conjunction with this downgrade, S & P also changed its short-term rating to A-2. After putting BMW AG's rating to "under review for possible downgrade" on 18 February 2009, Moody's changed its long-term rating on 3 April 2009 to A3 with negative outlook (previously A2 with stable outlook) and downgraded BMW AG's short-term rating from P-1 to P-2.

With ratings of A– (S & P) and A3 (Moody's), the agencies continued to confirm BMW AG's solid creditworthiness for financial liabilities with a term of more than one year. If challenges remain persistent or if the economy takes another downturn, there is a risk that ratings for the whole of the automotive sector deteriorate again.

Irrespective of the above developments, securities issued by BMW Group entities continue to enjoy a level of creditworthiness that is comparatively high for the automotive sector. Access to the capital markets remains good, with a diversified range of refinancing opportunities available to us. After deteriorating during the second half of 2008 in response to the financial crisis, refinancing conditions eased in terms of credit spreads in 2009, enabling us to raise debt capital at better conditions.

Changes on the international raw materials markets also have an impact on the business development of the BMW Group. In order to safeguard the supply of production materials and to minimise the cost risk, all relevant commodities markets are closely monitored. The economic crisis and the related slump in demand on raw materials markets enabled us to benefit from more favourable raw materials price levels in 2009. We used the situation on the market to hedge the price of precious metals (such as platinum, palladium and rhodium) and of non-ferrous metals for the current and future years using derivative instruments. Changes in the price of crude oil, which is an important basic material in the manufacture of components, have an indirect impact on our production costs.

Moreover, the price of crude oil also directly influences the purchasing behaviour of drivers when fuel prices change.

An escalation of political tensions and / or terrorist activities, natural catastrophes or possible pandemics could all have a negative impact on the economic situation, the international capital markets and hence the business performance of the BMW Group.

Sector risks
The future price of fuel – influenced both by market factors and governmental fiscal policies – as well as increasingly stringent requirements to reduce vehicle fuel consumption and emissions remain the main challenges for our engine and product development activities. Our Efficient Dynamics concept is generating visible benefits in terms of cutting consumption and emissions.

Requirements over the medium and long term have been put in place in Europe, North America, Japan, China and other countries with respect to vehicle fuel consumption and CO_2 emissions. Europe has set a target of achieving an average of 130 g / km for all new vehicles by 2015. EU regulations set targets for CO_2 emissions based on vehicle weight. For our product range, a target of below 140 g / km has been derived on the basis of the new rules. A new regulation for fuel consumption and CO_2 emissions is currently being discussed in the USA for the model years 2012 to 2016. Starting with a step-by-step reduction in model year 2012, the new vehicle fleets of all manufacturers are expected to come down to an average value of 250 g of CO_2 per mile (equivalent to 155 g / km CO_2) in model year 2016. The Japanese government has also set ambitious consumption targets, including statutory regulations for 2010 and 2015. The government in China is currently discussing the possibility of introducing consumption requirements – planned to come into force in 2012 – that are more stringent than the current ones.

We are addressing these challenges by putting our technological expertise and innovative strength to best use, working with determination to reduce the CO_2 emissions of our vehicles. The need to reduce consumption and emissions is fully integrated in our product innovation process. We are therefore working with the interplay of energy management, aerodynamics, lightweight construction, drive performance and CO_2 emissions. The Efficient Dynamics concept was adopted at an early stage: A combination of highly efficient engines, improved aerodynamics, lightweight construction and energy management reduces the average fuel consumption and emissions of the vehicle fleet. In the medium term, the BMW Group is working on achieving additional fuel economy by a wide range of measures from electrification of the drivetrain through to hybrid solutions. Solutions for sustainable mobility in densely populated areas are also being worked on. As one example, large-scale field trials are currently being carried out with the MINI E in the USA, the UK and Germany. The practical experience gained from these trials will be incorporated in the further development of electric vehicles. The use of hydrogen gained from various renewable sources to power engines remains an important component of our strategy for sustainable mobility.

New and generally more stringent regulations that have already been made law have found their way into the BMW Group's Efficient Dynamics strategy. There is a risk that these statutory regulations will be further tightened.

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

An evaluation of technical competence and financial strength is taken into account as part of the process of selecting suppliers. Before a contractual relationship comes into being, supplier relationship management procedures – which also cover social and ecological aspects – help to reduce risk exposure.

Close cooperation between manufacturers and suppliers is usual in the automotive sector and whilst this provides economic benefits, it also creates a degree of mutual dependence. Partly reflecting increasing consolidation within the automotive supply industry, certain suppliers have become extremely important for the BMW Group. Delivery delays, delivery cancellations, strikes or poor quality can lead to production stoppages and thus have a negative impact on profitability. The prevailing adverse business climate is also affecting the supply industry. Revenue contraction in the automotive sector clearly has an impact on the earnings of suppliers. The availability of capital is becoming increasingly critical for suppliers with high levels of debt. In cooperation with other car manufacturers, we maintain close contact with our suppliers in order to identify problems as early as possible and find appropriate solutions. Despite the fact that a number of suppliers filed for insolvency, this did not result in any significant loss of production for us.

Risks relating to the provision of financial services
As a result of the worldwide recession, the risk profile has also changed in the important area of financial services. Risks are identified, measured, monitored, evaluated and managed on the basis of recognised standards and regulations that generally apply worldwide in this line of business. A global Risk Committee, which serves as the highest decision-making body within the Financial Services segment, is in place to decide upon the overall strategy. It also approves internal guidelines and process descriptions that are required to be followed internationally.

The main categories of risk relating to the provision of financial services are credit risk, residual value risk, interest rate risk, liquidity risk and operating risks. Internal methodologies and techniques that comply with national and international standards and regulatory requirements such as Basel II have been developed to measure credit, residual value and interest rate risks on the one hand and operational risks on the other. Internal guidelines are also in place to manage liquidity risk and ensure compliance with regulatory requirements.

Credit risks on the retail (leasing, credit financing) and commercial lines of business (dealers, fleet customers, importers) are monitored continuously on the basis of projections and stress tests and measured and evaluated using a value-at-risk approach. Further measures are taken to minimise risk when considered appropriate, including the requirement for customers to provide additional collateral or make higher up-front payments. Various risk methods are used to measure risk, ranging from scoring techniques in the area of retail customer business and the use of credit rating or prudent measurement of collateral in the area of commercial financing business. These methods are documented in guidelines that are required to be applied across the Group.

Close contact with borrowers, a good understanding of the leased or financed vehicles involved and prudent measurement of collateral all help to minimise risk. Local and centralised credit audits are also regularly performed to test compliance with prescribed rules and to check the effectiveness of processes and IT systems. For risk management purposes, the BMW Group reverts to normal good banking practices, such as the use of maximum unsecured risks for each rating category or risk-based up-front payments. Risk criteria such as arrears and bad debt ratios are analysed regularly. The results of these analyses are used as the basis for the proactive management of the credit portfolio, ultimately aimed at improving portfolio quality. The information provided to management along with appropriate recommendations for action serve as the basis for decision-making. Measures implemented in this vein in 2009 therefore partially countered increased credit risk exposures. The credit decision process comprises three phases. Depending on the credit volume applied for and the credit risk rating of the party involved, financing applications for international dealers, importers and fleet customers are presented to the local, regional or global credit committees for approval. The principles of dual control and segregation of duties apply worldwide and are rigorously implemented. In order to minimise risk further, the BMW Group is continuously making efforts to standardise its credit-decision processes and the quality of credit applications as well as to ensure that uniform and transparent rating systems are in place worldwide. Allowances are recognised in the balance sheet to cover identified risks. Any negative impact on the credit risk portfolio is generally reflected in higher payment arrears and bad debts with retail customers or dealers. The drop in sales caused by the international economic crisis has had an adverse impact on the financial situation of the dealer network and increased the risk of insolvency within the dealer organisation. These developments in 2009 necessitated higher risk provisions in the areas of retail customer and dealer financing business.

In the case of vehicles which remain with the Group at the end of a lease (leases and credit financing arrangements with option of return), there is a risk that the originally calculated residual value may not be recovered when the vehicle is sold (residual value risk). The volatility of pre-owned car prices on the major sales markets has intensified as a consequence of the financial crisis, thus increasing the residual value risk. Residual values are calculated uniformly throughout the BMW Group in accordance with mandatory guidelines. The residual values of our vehicles on used car markets are continuously monitored over long periods and future developments projected. External market observations are also used in this context. The overall risk position is measured by comparing forecasted market values and contractual values by model and market. The return ratio for lease vehicles is also computed. The risk of unexpected loss is measured using a value-at-risk approach. The resulting revaluation of the portfolio of vehicles exposed to residual value risks and losses incurred selling pre-owned cars had an additional negative impact on the earnings of the Financial Services and Automobiles segments. Expected risks are covered in the balance sheet either by provisions or by write-downs on the lease vehicles concerned.

The BMW Group strives to mitigate declining residual values by actively managing the life-cycles of current models, optimising reselling processes on international markets and implementing targeted price and volume measures. Residual values in the leasing business are reviewed regularly and adjusted to take account of the latest market conditions and expected future developments.

Interest rate risks are measured initially at country level and then aggregated at Group level. Maximum risk exposures are also initially managed at country level in the form of risk limits. The overall exposure from interest rate risks is managed at Group level.

Operational risks relating to financial services business include the risk of damage caused by inappropriate or failed internal procedures and systems, human error or external factors. The scope of procedures applied in each country to manage operational risks is set out in a Group manual which, amongst other things, addresses the requirements of Basel II. This manual stipulates the rules for identifying and measuring potential risk scenarios and for computing key risk indicators on an ongoing basis. It also sets out the Group's systematic approach to recording losses and the nature of any agreed risk-mitigation measures. Both qualitative and quantitative aspects need to be taken into account in the decision process. The latter is backed up by various system-based solutions, all of which follow the principles of operational risk management, such as segregation of duties, dual control, the documentation of system changes and transparency. In addition, the effectiveness and efficiency of the internal control system are tested regularly.

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

Compliance with the law is one of the basic prerequisites for our success. Current law provides the binding framework for our wide range of activities around the world. The growing international scale of business and the huge number of complex legal regulations increase the risk of laws being broken, simply because they are not known or fully understood. We therefore take all necessary measures to ensure that our management bodies, managers and staff always act in compliance with the law. It is essential for all employees to know and to comply with current legal regulations. The extent of those regulations is set out in corporate guidelines and in the BMW Group's stated set of core principles. However, wrongdoing by individuals can never be entirely ruled out. Our objective is to keep such risks to a minimum and to systematically uncover any cases of corruption, bribery or blackmail. Further information on compliance within the BMW Group is included in the "Compliance Report" on page 158 et seq.

Like all enterprises, we are exposed to the risk of warranty claims. Adequate provisions have been recognised in the balance sheet to cover such claims. Part of the risk, especially where the American market is concerned, has been insured externally up to economically acceptable levels. The high quality of our products, additionally ensured by regular quality audits and ongoing improvement measures, helps to reduce this risk. In comparison with competitors, this can give rise to benefits and opportunities for the BMW Group.

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

Personnel risks
As an attractive employer, we have for many years enjoyed a favourable position in the intense competition for qualified technical and management staff. A high level of employee satisfaction helps to minimise the risk of know-how drift. An international trainee programme will start again in spring 2010, aimed at finding well-trained staff and developing their skills further. A bachelor programme will also be offered that will create a wealth of opportunities for high school leavers who have achieved top marks and for those who have finished their apprenticeships and gone on to qualify to attend a university.

The ageing and shrinking population in Germany will have a lasting impact on the conditions prevailing in the labour, product, services and financial markets. Demographic change will give rise to risks and opportunities which will affect enterprises more and more in the coming years. We see demographic change as one of the main challenges and are taking an active approach to planning for its effect on operations. The focus is on the following areas of action, aimed at creating and retaining a motivated workforce in the long term:

(1) the creation of a working environment for the future,
(2) promotion and maintenance of the workforce's ability to perform with the appropriate set of skills,
(3) appropriate qualifications,
(4) increasing employees' awareness of their responsibility to make personal provisions for their future and
(5) individual employee working life-time models.

Risks relating to pension obligations
The BMW Group's pension obligations to its employees resulting from defined benefit plans are measured on the basis of actuarial reports. In accordance with IAS 19, future pension payments are discounted by reference to market yields on high-quality corporate bonds. These yields are subject to market fluctuation and influence the level of pension obligations. Furthermore, changes in other factors, such as rising inflation rates and longer life expectancies, also have an impact on pension obligations. In the United Kingdom, the USA and a number of other countries, funds intended to cover the pension benefits of our employees are held in pension funds which are kept separate from corporate assets and invested in fixed-income securities (with a high level of creditworthiness), equities, property and other investment classes. In 2009, a further part of the pension obligations arising in Germany has been externalised by transferring assets to the external fund, BMW Trust e. V. The process of externalising pension obligations will be continued in the future.

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

Information and IT risks
We attach great importance to the protection of data, business secrets and innovative development to safeguard against unauthorised access, damage and misuse. The protection of information and data is an integral component of our business processes and based on International Security Standard ISO/IEC 27001. Staff, process design and information technology each play a role in the overall security concept. The requirement to apply uniform standards across the Group is embedded in our core principles and documented in detailed working instructions which require employees to handle information appropriately and ensure that information systems are properly used. Purposeful communication and training measures create a high degree of security awareness on the part of the employees involved. Employees also receive training from the Group's Compliance Organisation to ensure compliance with legal and regulatory requirements.

The technical data protection procedures we use primarily involve process-specific security measures. Standard activities such as virus scanners, firewall systems, access controls at both operating system and application level, internal testing procedures and the regular backing up of data are also employed. A security network is in place groupwide to ensure compliance with security specifications. Regular analyses and rigorous security management ensure high-quality protection. This includes the activities of our Security Operations Center, which is responsible for the security of internal network communications. Protecting BMW Group-specific know-how is also treated as a major issue as far as cooperation arrangements and relationships with partner companies are concerned. We protect our intellectual property by stipulating clear instructions with regard to data protection and the use of information technology. Information underlying key areas of expertise is subject to particularly stringent security measures.

The economic environment in 2010
The general trend towards a global economic upturn is likely to continue. The first positive signs emerged during the second half of 2009. Levels of activity seen before the financial crisis are, however, not to be expected and the trend could be subject to the occasional setback.

Although the US property market stabilised towards the end of 2009, any upswing in this area is likely to be modest. The restructuring of the US banking system also seems likely to drag on indefinitely considering the huge levels of write-downs still being recorded on the mortgage credit market. In previous periods of recovery, US consumer spending acted as an important driving force. In 2010, however, given the high level of debt in private households and the sharp increase in unemployment, it is only likely to have a minor impact on domestic demand. On the other hand, a stronger export performance on the back of a weak US dollar will have a positive effect.

Moderate economic recovery is expected in Europe in 2010. While the German economy would benefit most from a recovery in world trade, consumer spending, which only made a small impact in 2009 despite government support, is only likely to stagnate in 2010. A significant factor here could be rising unemployment figures. The French economy should see an upward trend in 2010, whereas growth in Italy is likely to be weak. Due to the impact of developments on the property and employment markets, Spain will again be the only major European economy to continue contracting in 2010. In the United Kingdom, the ongoing upheavals on the property market and a hike in the value-added tax rate with effect from the beginning of 2010 suggest that any recovery is likely to be modest.

Due to its strong focus on exports, Japan is likely to benefit as world trade picks up again. It will, however, continue to be held back by structural weaknesses in the consumer sector, one of the factors behind many years of deflation. The Japanese economy is predicted to grow roughly in line with the long-term trend rate of 1.3 %.

The main impetus for world economic growth is again likely to come from the emerging markets in 2010. China will continue to create momentum for the global economy. High levels of investment in expanding public infrastructure in previously undeveloped provinces of the country's interior are enabling an increasing percentage of the population to participate in China's economic growth. India's dynamic growth is also expected to continue. The same applies to Brazil, but to a lesser extent. Russia, however, will grow much more slowly in 2010 than in the years prior to the financial crisis.

High volatility expected on currency markets
The US dollar is likely to remain highly volatile in the foreseeable future. The fiscal problems facing a number of countries in the euro zone and anticipation of faster interest rate rises in the USA could have the effect of strengthening the US dollar in 2010. However, the increase in public debt and the widening current account deficit in the USA seem to suggest a weaker US dollar. The British pound is also likely to remain under pressure against the euro in 2010. Its value will probably not win back lost ground until a sustainable economic upturn sets in. The Japanese yen is likely to tread water in 2010. High public debt and the Japanese Reserve Bank's zero interest policy give little reason to suggest that the yen's value will improve. As the worldwide economic recovery gradually gains momentum, the emerging economies can expect their currencies to gain in value against the US dollar and the euro.

Car markets in 2010
With the global economy showing the first signs of a recovery, the international car markets also appear to have bottomed out of the recession. In the light of these developments the car markets can also expect some growth in 2010, albeit in the low single-digit percentage range. However, since the slump experienced over the last two years was so extreme, it will take some considerable time for the world's car markets to return to the levels seen before the start of the crisis. China, the world's largest automotive market, is likely to see its growth rate slow down somewhat in 2010 after several years of strong growth. After the historic slump on the US car market, demand for cars should now begin to pick up again in the USA. The recovery will not, however, be sufficient to surpass China as the world's largest car market.

By contrast, the total market in the European Union is expected to contract in 2010, largely due to lower demand now that the scrappage bonus scheme has come to an end in Germany. Car markets in the United Kingdom, France and Italy are also expected to shrink moderately now that their respective scrappage bonus schemes have been discontinued. In Spain, 2010 should at least see some stabilisation as the overall market has plummeted by half since 2006. Markets in the new EU member countries of Central and Eastern Europe are also expected to stagnate at a low level.

The car scrappage scheme in Japan is due to be discontinued in spring 2010. At best, the market is only likely to see a small improvement over the full year. Continued growth is forecast for the emerging economies of India and Brazil in 2010. In Russia, where demand for cars halved in 2009, the market as a whole is forecast to stabilise following the announcement that a scrappage scheme will be introduced in 2010.

Motorcycle markets in 2010
Despite the first signs of an economic recovery, we do not expect the international motorcycle markets in the 500 cc plus class relevant for the BMW Group to make more than a very modest recovery in 2010. The world market should settle down at a level slightly higher than that of 2009.

The financial services market in 2010
The prospects for slightly improved economic conditions are looking up worldwide. However, a rise in the number of unemployed and the continuing use of short-time working arrangements are dampening consumer spending in major sales markets.

The volatility of the international money and capital markets has noticeably reduced. This, in turn, is resulting in better conditions for providers of financial services. Now that credit spreads have narrowed again, especially in the second half of 2009, fluctuation is expected to be less extreme in 2010.

Future inflation rate expectations are also a cause of uncertainty for the financial services sector. The monetary and fiscal measures adopted in various parts of the world to manage the economic and financial crisis could result in first adjustments to the European Central Bank's reference interest rate during the second half of 2010. The US Reserve Bank is expected to make a similar move at a later stage. Interest rates in the medium-term maturity segment would then change accordingly.

The process of consolidation at dealership level continues unabated. Further bad debt losses in the sector cannot be ruled out for 2010.

It is particularly difficult at present to predict how used car markets will develop, given that influencing factors are working to some extent in opposite directions. However, now that prices for pre-owned cars have stabilised in the USA, Canada and the United Kingdom, the situation is also likely to settle down at a low level in Continental Europe. Taking all factors into consideration, a rapid recovery on international used car markets is unlikely in 2010.

Outlook for the BMW Group in 2010
The first encouraging signs are emerging to suggest that the current economic crisis has passed its lowest point and that the moderate recovery in global economic activity seen in the second half of 2009 should continue. Growth rates are, however, unlikely to reach the levels registered in the years before the outbreak of the financial crisis in the foreseeable future. Temporary setbacks could still arise and it is still too early to assume that the recovery is sustainable. Taking all these factors into account, it is still difficult to make reliable forecasts for 2010.

We have asserted our position well during this crisis-ridden period. We began at an early stage to realign strategies to enable us to meet the challenges created by a slump in demand across key sales markets on the one hand and problems stemming from the volatility of the international financial and commodities markets on the other. At the same time, we have kept on track with the Strategy Number ONE to realign the BMW Group despite the onset of recessionary conditions. We have used the crisis conditions prevailing in 2009 to strengthen the BMW Group by improving efficiency through better use of resources, thereby ensuring that the BMW Group will be able to perform well both in 2010 and beyond. Moreover, the BMW Group continues to enjoy a solid liquidity base.

With effect from the beginning of the financial year 2010, additional momentum for profitable growth will come from our renewed and rejuvenated model range. We also expect to achieve significantly higher sales volumes in China. The US market is likely to make further progress on the road to recovery. The worldwide launch of the BMW X1 and BMW 5 Series Gran Turismo was completed at the beginning of 2010. These two innovative models open up entirely new segments, a unique market selling point in itself. Customers and trade press alike have been extremely positive about the introduction of both models. The Rolls-Royce Ghost will become available worldwide over the course of 2010.

The new BMW 5 Series, one of the most successful models in our range of vehicles, will be launched this spring. The new 5 Series Sedan and the new 5 Series Touring (to be launched before the end of 2010) will both help to boost the competitiveness of our model range. The new model has aroused a great deal of interest. The trade press has written very highly of the new model. The real benefit will be felt from the second half of 2010 onwards, after the BMW 5 Series Sedan has become available worldwide.

We will continue to revitalise our range over the course of 2010 with more worldwide firsts and model revisions. These include the BMW ActiveHybrid 7 and the model revisions of the BMW X5 as well as the BMW 3 Series Convertible and Coupé. The new MINI Countryman is also due to be launched during the current year.

The services and spare parts business is of great strategic importance to us. Putting our worldwide initiatives into action is enabling us to systematically exploit further profitable growth potential in this field.

Rigorous cost management will be continued in 2010 as part of our overall endeavour to improve efficiency and productivity, a key element in the strategic reorientation of the BMW Group. Measures taken to date are already having a marked effect. A good example of this is the new BMW 5 Series, the first major production model to be developed fully in line with our modular strategy. The use of identically constructed parts in all of the main models allows us to derive greater benefit from the significantly higher volumes produced. The new BMW 5 Series therefore signalises the beginning of a new, efficient development strategy. Future BMW, MINI and Rolls-Royce brand models will also be increasingly developed with the use of modular and industrial standards in mind, enabling us to reduce production costs significantly over the coming years. The modular approach fits in entirely with profitability targets set in conjunction with the Strategy Number ONE. Customers also benefit from this approach as many high-value items of equipment and options will no longer be exclusively available to the major series production models.

We have continued to make progress in managing and reducing fixed costs. Stringent working capital management is a further key parameter for managing the business. During the year under report, for instance, we successfully reduced inventory levels, which we will endeavour to continue in the current year. Further improvements in productivity will also bring benefits in 2010.

Whilst continuing to implement measures to bring us closer to the profitability levels targeted in our Strategy Number ONE, our main focus will be on developing new vehicles and technologies for the future. The BMW Vision EfficientDynamics concept car – presented on the world stage for the first time at the International Motor Show (IAA) in Frankfurt in September – includes a whole array of technological innovations developed in conjunction with the Efficient Dynamics measures package. The outcome is a vehicle with the CO_2 emission values of a compact car and the dynamism of a sports car. This concept car sets new standards and is further proof of our outstanding innovative and technological expertise.

We remain committed to the use of state-of-the-art technologies to reduce the fuel consumption and emissions of combustion engines. At an early stage we recognised the pressure being brought to bear within society towards down-sized, more efficient drive systems that can nevertheless deliver powerful performance as well as the trend towards CO_2-emissions-based taxation. We evaluated the impact of these changes on our model range and planned accordingly. With framework conditions becoming clearer, we can now go on to sharpen the innovative edge we have gained through our Efficient Dynamics strategy.

We will continue to invest in the future of the BMW Group and extend our competitive lead. One aspect of this strategy will be to develop alternative drive systems and innovative mobility concepts in line with our forward-looking “project i”. Our MINI E fleet now comprises some 600 test cars. Field trials are currently being performed under real conditions in the USA, the UK and Germany and are helping us gain valuable knowledge with respect to electromobility. The BMW Concept ActiveE, a purely electrically driven concept study based on the BMW 1 Series Coupé, is also demonstrating that electromobility is a real possibility in keeping with the flair of the BMW brand. Based on this concept study, we will be handing over another fleet of electrically powered cars to customers for testing in 2011, enabling us to gain further important knowledge about the use of electrically driven BMW vehicles for everyday purposes. This concept vehicle will also be used to test the electric drivetrain of the Megacity Vehicle at a pre-series stage.

This groundwork is seen as an important factor in our efforts to open up new opportunities in the medium and long term. It will also enable us to fulfil the future needs of customers with our premium products and premium services.

The knock-on impact of the international economic and financial crisis will continue to be felt in 2010. However, emerging signs of stability in certain sales markets should benefit our performance. Ongoing productivity improvement measures will also have a positive impact on earnings. We therefore aim to achieve a Group pre-tax profit (EBT) in 2010 that is significantly higher than in 2009 and which will represent an important step towards achieving the targets set down in our Strategy Number ONE.

If the macroeconomic environment revives in 2011, we expect to achieve another increase in business volumes and a corresponding improvement in earnings. Our renewed and rejuvenated model range will make a major contribution during this period.

Automobiles segment
In the light of a moderate economic recovery and with demand gradually increasing on some major sales markets, we forecast a sales volume growth rate for 2010 in the single-digit range. We are also confident of again being able to assert our strong position as the world's leading premium manufacturer in 2010 by expanding our product range and purposefully strengthening our position on the world's growth markets. The gradual renewal of our vehicle portfolio from 2010 onwards will create additional momentum for sales volume growth, particularly in the second half of the year. We will also benefit from further efficiency improvements and cost reductions. Taking all of these factors into account, we are aiming for an EBIT margin in the low single-digit percentage range for the Automobiles segment.

Motorcycles segment
We entered the supersport bikes segment for the first time in December 2009 with the market launch of the S 1000 RR. We expect this move to create additional impetus for business, helping us to achieve our aim of beating the past year's sales volume figure in 2010. Revenues and earnings will also improve accordingly.

Financial Services segment
The effects of the economic and financial crisis continued to be felt sharply in the Financial Services segment during the year under report. We nevertheless succeeded in stabilising business volumes further by focusing on the key areas of process efficiency and profitability. With this in mind, we will also be taking a close look at the progress being made in our various lines of business and take measures to improve performance in terms of profitability. An additional factor is that confidence in the financial markets is generally picking up again. The current low level of market interest rates is also creating more favourable refinancing conditions.

We expect fair values of pre-owned cars in North America and the United Kingdom to continue stabilising in 2010. We also expect markets in Continental Europe to level out. Given the slow pace of economic recovery in most main sales markets, the bad debt risk situation is unlikely to ease significantly in the field of retail customer and dealer financing. Rising unemployment could also inhibit an upswing. Thus, further bad debt losses cannot be entirely ruled out for 2010.

Alongside the reviving fortunes of the car markets worldwide, we also forecast that earnings will develop positively in the Financial Services segment.

Profitability targets for 2012 confirmed
We will continue with great determination to implement our Strategy Number ONE in 2010. This includes working towards the profitability targets already announced for the year 2012. Based on these strategies, we plan to achieve a return on capital employed (ROCE) of more than 26 % and an EBIT margin of 8 to 10 % in our Automobiles segment. Originally announced in 2007, the Strategy Number ONE is proving to be an appropriate and forward-looking entrepreneurial decision for realigning the BMW Group. By applying a rigorous value-added approach to business, we will succeed in achieving the challenging targets we have set ourselves.

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

Income Statements for Group and Segments

in euro million

	Note	Group		Automobiles	
		2009	2008	**2009**	2008
Revenues	8	**50,681**	53,197	**43,737**	48,782
Cost of sales*	9	**–45,356**	–47,148	**–39,616**	–43,505
Gross profit		**5,325**	6,049	**4,121**	5,277
Sales and administrative costs	10	**–5,040**	–5,369	**–4,329**	–4,572
Other operating income	11	**808**	1,428	**443**	559
Other operating expenses	11	**–804**	–1,187	**–500**	–574
Profit/loss before financial result		**289**	921	**–265**	690
Result from equity accounted investments	12	**36**	26	**42**	25
Interest and similar income	13	**856**	685	**560**	766
Interest and similar expenses	13	**–1,014**	–930	**–1,055**	–1,036
Other financial result	14	**246**	–351	**130**	–127
Financial result		**124**	–570	**–323**	–372
Profit/loss before tax		**413**	351	**–588**	318
Income taxes	15	**–203**	–21	**149**	–92
Net profit/loss		**210**	330	**–439**	226
Attributable to minority interest		**6**	6	**6**	6
Attributable to shareholders of BMW AG		**204**	324	**–445**	220
Earnings per share of common stock in euro	16	**0.31**	0.49		
Earnings per share of preferred stock in euro	16	**0.33**	0.51		

* after reclassification of research and development costs to cost of sales

Statement of Comprehensive Income for Group

in euro million

	Note	**2009**	2008
Net profit		**210**	330
Available-for-sale securities		**4**	–7
Financial instruments used for hedging purposes		**295**	–624
Exchange differences on translating foreign operations		**318**	–807
Actuarial gains/losses relating to defined benefit pension and similar plans		**–1,198**	161
Deferred taxes relating to components of other comprehensive income		**190**	188
Other comprehensive income for the period after tax	18	**–391**	–1,089
Total comprehensive income		**–181**	–759
Total comprehensive income attributable to minority interests		**6**	5
Total comprehensive income attributable to shareholders of BMW AG		**–187**	–764

Motorcycles 2009	Motorcycles 2008	Financial Services 2009	Financial Services 2008	Other Entities 2009	Other Entities 2008	Eliminations 2009	Eliminations 2008	
1,069	1,230	**15,798**	15,725	**3**	191	**–9,926**	–12,731	Revenues
–925	–1,024	**–14,880**	–15,332	**–**	–145	**10,065**	12,858	Cost of sales*
144	**206**	**918**	**393**	**3**	**46**	**139**	**127**	**Gross profit**
–126	–147	**–560**	–583	**–16**	–57	**–9**	–10	Sales and administrative costs
2	3	**41**	31	**352**	891	**–30**	–56	Other operating income
–1	–2	**–44**	–57	**–309**	–607	**50**	53	Other operating expenses
19	**60**	**355**	**–216**	**30**	**273**	**150**	**114**	**Profit/loss before financial result**
–	–	**–**	–	**–6**	1	**–**	–	Result from equity accounted investments
3	1	**3**	2	**1,778**	2,102	**–1,488**	–2,186	Interest and similar income
–11	–10	**–8**	–8	**–1,852**	–1,927	**1,912**	2,051	Interest and similar expenses
–	–	**15**	–70	**101**	–154	**–**	–	Other financial result
–8	**–9**	**10**	**–76**	**21**	**22**	**424**	**–135**	Financial result
11	**51**	**365**	**–292**	**51**	**295**	**574**	**–21**	**Profit/loss before tax**
–3	–14	**–147**	131	**13**	–16	**–215**	–30	Income taxes
8	**37**	**218**	**–161**	**64**	**279**	**359**	**–51**	**Net profit/loss**
–	–	**–**	–	**–**	–	**–**	–	Attributable to minority interest
8	**37**	**218**	**–161**	**64**	**279**	**359**	**–51**	**Attributable to shareholders of BMW AG**
								Earnings per share of common stock in euro
								Earnings per share of preferred stock in euro

BMW Group
Balance Sheets for Group and Segments at 31 December

Assets

in euro million	Note	Group 2009	Group 2008	Automobiles 2009	Automobiles 2008
Intangible assets	20	**5,379**	5,641	**5,230**	5,403
Property, plant and equipment	21	**11,385**	11,292	**11,181**	11,074
Leased products	22	**17,973**	19,524	**187**	268
Investments accounted for using the equity method	23	**137**	111	**114**	82
Other investments	23	**232**	322	**2,678**	2,693
Receivables from sales financing	24	**23,478**	22,192	**–**	–
Financial assets	25	**1,519**	1,808	**475**	238
Deferred tax	26	**1,266**	866	**1,514**	1,346
Other assets	27	**640**	660	**2,114**	2,144
Non-current assets		**62,009**	**62,416**	**23,493**	**23,248**
Inventories	28	**6,555**	7,290	**6,289**	7,005
Trade receivables	29	**1,857**	2,305	**1,608**	2,070
Receivables from sales financing	24	**17,116**	15,871	**–**	–
Financial assets	25	**3,215**	3,306	**1,666**	1,401
Current tax	26	**950**	602	**789**	358
Other assets	27	**2,484**	1,842	**14,863**	14,028
Cash and cash equivalents	30	**7,767**	7,454	**4,331**	5,073
Current assets		**39,944**	**38,670**	**29,546**	**29,935**
Total assets		**101,953**	**101,086**	**53,039**	**53,183**

Equity and liabilities

in euro million	Note	Group 2009	Group 2008	Automobiles 2009	Automobiles 2008
Subscribed capital	31	**655**	654		
Capital reserves	31	**1,921**	1,911		
Revenue reserves	31	**20,426**	20,419		
Accumulated other equity	31	**–3,100**	–2,709		
Treasury shares	31	**–**	–10		
Minority interest	31	**13**	8		
Equity		**19,915**	**20,273**	**22,101**	**22,481**
Pension provisions	32	**2,972**	3,314	**1,652**	2,847
Other provisions	33	**2,706**	2,757	**2,295**	2,412
Deferred tax	34	**2,769**	2,757	**1,694**	1,931
Financial liabilities	35	**34,391**	30,497	**259**	2,685
Other liabilities	36	**2,281**	2,201	**3,401**	3,986
Non-current provisions and liabilities		**45,119**	**41,526**	**9,301**	**13,861**
Other provisions	33	**2,058**	2,125	**1,759**	1,795
Current tax	34	**836**	633	**650**	468
Financial liabilities	35	**26,934**	29,887	**4,736**	2,599
Trade payables	37	**3,122**	2,562	**2,556**	2,029
Other liabilities	36	**3,969**	4,080	**11,936**	9,950
Current provisions and liabilities		**36,919**	**39,287**	**21,637**	**16,841**
Total equity and liabilities		**101,953**	**101,086**	**53,039**	**53,183**

Motorcycles 2009	Motorcycles 2008	Financial Services 2009	Financial Services 2008	Other Entities 2009	Other Entities 2008	Eliminations 2009	Eliminations 2008	**Assets**
39	51	**110**	123	**–**	64	**–**	–	Intangible assets
184	193	**20**	25	**–**	–	**–**	–	Property, plant and equipment
–	–	**20,608**	22,590	**–**	–	**–2,822**	–3,334	Leased products
–	–	**–**	–	**23**	29	**–**	–	Investments accounted for using the equity method
–	–	**8**	25	**5,380**	5,348	**–7,834**	–7,744	Other investments
–	–	**23,478**	22,192	**–**	–	**–**	–	Receivables from sales financing
–	–	**28**	424	**1,186**	1,381	**–170**	–235	Financial assets
–	–	**575**	485	**355**	160	**–1,178**	–1,125	Deferred tax
–	–	**1,375**	1,961	**10,389**	14,055	**–13,238**	–17,500	Other assets
223	**244**	**46,202**	**47,825**	**17,333**	**21,037**	**–25,242**	**–29,938**	**Non-current assets**
258	277	**9**	9	**–**	–	**–1**	–1	Inventories
123	109	**123**	122	**3**	4	**–**	–	Trade receivables
–	–	**17,116**	15,871	**–**	–	**–**	–	Receivables from sales financing
–	–	**924**	839	**916**	1,481	**–291**	–415	Financial assets
–	–	**28**	39	**133**	205	**–**	–	Current tax
–	–	**4,071**	3,034	**27,179**	21,109	**–43,629**	–36,329	Other assets
–	–	**2,803**	2,053	**633**	328	**–**	–	Cash and cash equivalents
381	**386**	**25,074**	**21,967**	**28,864**	**23,127**	**–43,921**	**–36,745**	**Current assets**
604	**630**	**71,276**	**69,792**	**46,197**	**44,164**	**–69,163**	**–66,683**	**Total assets**

Motorcycles 2009	Motorcycles 2008	Financial Services 2009	Financial Services 2008	Other Entities 2009	Other Entities 2008	Eliminations 2009	Eliminations 2008	**Equity and liabilities**
								Subscribed capital
								Capital reserves
								Revenue reserves
								Accumulated other equity
								Treasury shares
								Minority interest
–	**–**	**4,268**	**3,752**	**4,118**	**4,883**	**–10,572**	**–10,843**	**Equity**
74	122	**24**	28	**1,222**	317	**–**	–	Pension provisions
68	63	**311**	252	**32**	30	**–**	–	Other provisions
2	2	**3,191**	3,096	**9**	18	**–2,127**	–2,290	Deferred tax
–	–	**10,848**	10,030	**23,454**	18,018	**–170**	–236	Financial liabilities
257	252	**10,455**	14,128	**133**	586	**–11,965**	–16,751	Other liabilities
401	**439**	**24,829**	**27,534**	**24,850**	**18,969**	**–14,262**	**–19,277**	**Non-current provisions and liabilities**
21	21	**274**	311	**1**	2	**3**	–4	Other provisions
–	–	**85**	105	**101**	60	**–**	–	Current tax
–	–	**13,673**	15,207	**8,816**	12,495	**–291**	–414	Financial liabilities
167	160	**385**	364	**14**	9	**–**	–	Trade payables
15	10	**27,762**	22,519	**8,297**	7,746	**–44,041**	–36,145	Other liabilities
203	**191**	**42,179**	**38,506**	**17,229**	**20,312**	**–44,329**	**–36,563**	**Current provisions and liabilities**
604	**630**	**71,276**	**69,792**	**46,197**	**44,164**	**–69,163**	**–66,683**	**Total equity and liabilities**

BMW Group
Cash Flow Statements for Group and Segments

in euro million	Note	Group 2009	Group 2008[1]
Net profit/loss		**210**	330
Reconciliation between net profit/loss and cash inflow from operating activities			
Current tax		**338**	75
Other interest and similar income/expenses		**–113**	–169
Depreciation of leased products		**5,476**	6,763
Depreciation and amortisation of tangible, intangible and investment assets		**3,603**	3,676
Change in provisions		**1**	–332
Change in deferred taxes		**–95**	–51
Other non-cash income and expense items		**17**	424
Gain/loss on disposal of non-current assets and marketable securities		**–35**	–21
Result from equity accounted investments		**–36**	–26
Changes in working capital			
Change in inventories		**855**	37
Change in trade receivables		**506**	385
Change in trade payables		**441**	–972
Change in current other operating assets and liabilities		**129**	–548
Change in non-current other operating assets and liabilities		**–1,023**	1,509
Income taxes paid		**–349**	–448
Interest received		**346**	240
Cash inflow from operating activities	40	**10,271**	**10,872**
Investment in intangible assets and property, plant and equipment		**–3,471**	–4,204
Proceeds from the disposal of intangible assets and property, plant and equipment		**169**	177
Expenditure for investments		**–53**	–142
Proceeds from the disposal of investments		**15**	2
Investment in leased products		**–10,433**	–15,164
Disposals of leased products		**6,515**	5,840
Additions to receivables from sales financing		**–49,629**	–61,630
Payments received on receivables from sales financing		**47,847**	56,562
Cash payments for the purchase of marketable securities		**–2,908**	–5,392
Cash proceeds from the sale of marketable securities		**620**	5,299
Cash outflow from investing activities	40	**–11,328**	**–18,652**
Issue/Buy-back of treasury shares		**6**	–10
Payments into equity		**7**	–
Payment of dividend for the previous year		**–197**	–694
Interest paid		**–224**	–312
Proceeds from the issue of bonds		**9,762**	9,959
Repayment of bonds		**–6,440**	–5,080
Internal financing		**–**	–
Change in other financial liabilities		**–1,307**	9,050
Change in commercial paper		**–255**	–9
Cash inflow/outflow from financing activities	40	**1,352**	**12,904**
Effect of exchange rate and changes in composition of Group on cash and cash equivalents	40	**18**	**–63**
Change in cash and cash equivalents		**313**	**5,061**
Cash and cash equivalents as at 1 January		**7,454**	2,393
Cash and cash equivalents as at 31 December	40	**7,767**	**7,454**

[1] Previous year's figures adjusted as a result of a change in presentation of other operating assets and liabilities
[2] Interest relating to financial services business is classified as revenues/cost of sales.

Automobiles		Financial Services		
2009	2008[1]	**2009**	2008[1]	
–439	226	**218**	–161	Net profit/loss
				Reconciliation between net profit/loss and cash inflow from operating activities
251	379	**152**	–294	Current tax
255	–113	**4**[2]	5[2]	Other interest and similar income/expenses
7	6	**5,732**	6,591	Depreciation of leased products
3,502	3,567	**25**	26	Depreciation and amortisation of tangible, intangible and investment assets
42	–515	**93**	62	Change in provisions
–448	–213	**69**	192	Change in deferred taxes
–170	94	**307**	163	Other non-cash income and expense items
–29	–22	**1**	1	Gain/loss on disposal of non-current assets and marketable securities
–43	–25	**–**	–	Result from equity accounted investments
				Changes in working capital
871	9	**–**	1	Change in inventories
513	401	**–**	–47	Change in trade receivables
422	–746	**6**	–227	Change in trade payables
335	1,853	**–438**	60	Change in current other operating assets and liabilities
–121	–340	**747**	–695	Change in non-current other operating assets and liabilities
–369	–281	**–99**	–74	Income taxes paid
342	191	**–**[2]	–[2]	Interest received
4,921	**4,471**	**6,817**	**5,603**	**Cash inflow from operating activities**
–3,409	–4,114	**–10**	–31	Investment in intangible assets and property, plant and equipment
98	177	**2**	–	Proceeds from the disposal of intangible assets and property, plant and equipment
–261	–319	**–**	–	Expenditure for investments
33	2	**–**	–	Proceeds from the disposal of investments
–197	–353	**–10,236**	–14,811	Investment in leased products
271	333	**6,215**	5,507	Disposals of leased products
–	–	**–49,629**	–61,630	Additions to receivables from sales financing
–	–	**47,847**	56,562	Payments received on receivables from sales financing
–2,787	–5,317	**–121**	–75	Cash payments for the purchase of marketable securities
577	5,039	**43**	260	Cash proceeds from the sale of marketable securities
–5,675	**–4,552**	**–5,889**	**–14,218**	**Cash outflow from investing activities**
6	–10	**–**	–	Issue/Buy-back of treasury shares
7	–	**–**	–	Payments into equity
–197	–694	**–**	–	Payment of dividend for the previous year
–76	–127	**–**[2]	–[2]	Interest paid
–	–	**658**	1,129	Proceeds from the issue of bonds
–	–	**–1,230**	–1,412	Repayment of bonds
180	2,786	**722**	3,768	Internal financing
–874	2,858	**–351**	6,405	Change in other financial liabilities
964	–868	**–**	–	Change in commercial paper
10	**3,945**	**–201**	**9,890**	**Cash inflow/outflow from financing activities**
2	**–40**	**23**	**–11**	**Effect of exchange rate and changes in composition of Group on cash and cash equivalents**
–742	**3,824**	**750**	**1,264**	**Change in cash and cash equivalents**
5,073	1,249	**2,053**	789	Cash and cash equivalents as at 1 January
4,331	**5,073**	**2,803**	**2,053**	**Cash and cash equivalents as at 31 December**

BMW Group
Group Statement of Changes in Equity

in euro million	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity: Translation differences	Accumulated other equity: Securities	Accumulated other equity: Derivative financial instruments	Accumulated other equity: Pension obligations	Treasury shares	Minority interest	Total
31 December 2007	**654**	**1,911**	**20,789**	**–1,259**	**35**	**438**	**–835**	**–**	**11**	**21,744**
Acquisition of treasury shares	–	–	–	–	–	–	–	–10	–	**–10**
Dividends paid	–	–	–694	–	–	–	–	–	–	**–694**
Comprehensive income 31 December 2008	–	–	324	–806	–18	–393	129	–	5	**–759**
Other Changes	–	–	–	–	–	–	–	–	–8	**–8**
31 December 2008	**654**	**1,911**	**20,419**	**–2,065**	**17**	**45**	**–706**	**–10**	**8**	**20,273**
Issue of treasury shares	–	–	–	–	–	–	–	10	–	**10**
Subscribed share capital increase out of authorised capital	1	–	–	–	–	–	–	–	–	**1**
Premium arising on capital increase relating to preferred stock	–	10	–	–	–	–	–	–	–	**10**
Dividends paid	–	–	–197	–	–	–	–	–	–	**–197**
Comprehensive income 31 December 2009	–	–	204	318	3	164	–876	–	6	**–181**
Other Changes	–	–	–	–	–	–	–	–	–1	**–1**
31 December 2009	**655**	**1,921**	**20,426**	**–1,747**	**20**	**209**	**–1,582**	**–**	**13**	**19,915**

BMW Group
Notes to the Group Financial Statements
Accounting Principles and Policies

1 — **Basis of preparation**

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft ("BMW Group Financial Statements" or "Group Financial Statements") at 31 December 2009 have been drawn up in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU. The designation "IFRSs" also includes all valid International Accounting Standards (IASs). All Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) mandatory for the financial year 2009 are also applied.

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

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

In order to improve clarity, various items are aggregated in the income statement and balance sheet. These items are disclosed and analysed separately in the notes.

Following adoption of the revised version of IAS 1 (Presentation of Financial Statements), a Statement of Comprehensive Income has been presented at Group level with effect from the first quarter 2009, replacing the previously presented Statement of Income and Expenses Recognised in Equity.

Furthermore, in order to improve comparability, research and development costs have been reported with effect from the beginning of the first quarter 2009 as cost of sales and not, as in the previous year, as a separate item in the income statement. Research and development costs in 2009 totalled euro 2,587 million (2008: euro 2,825 million).

In order to support the sale of its products, the BMW Group provides various financial services – mainly loan and lease financing – to retail customers and to dealers. The inclusion of the financial services activities of the Group therefore has an impact on the Group Financial Statements.

In order to provide a better insight into the net assets, financial position and performance of the BMW Group and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include balance sheets and income statements for the Automobiles, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by statements of cash flows for the Automobiles and Financial Services segments.

Inter-segment transactions – relating primarily to internal sales of products, the provision of funds and the related interest – are eliminated in the "Eliminations" column. Further information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in the explanatory notes to segment information on page 133 et seq.

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well established instrument used by industrial companies. These transactions usually take the form of asset-backed financing transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to "service" the receivables and receives an appropriate fee for these services. In accordance with IAS 27 (Consolidated and Separate Financial Statements) and the interpretation contained in SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group Financial Statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. The balance sheet value of the assets sold at 31 December 2009 totalled euro 7.8 billion (2008: euro 8.7 billion).

In addition to credit financing and leasing contracts, the Financial Services segment also brokers insurance business via cooperation arrangements entered into with local insurance companies. These activities are not material to the BMW Group as a whole.

The Group currency is the euro. All amounts are disclosed in millions of euros (euro million) unless stated otherwise.

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

All consolidated subsidiaries with the exception of BMW India Private Limited, New Delhi, (year-end 31 March 2009) have the same year-end as BMW AG.

The Group Financial Statements, drawn up in accordance with § 315 a HGB, and the Management Report for the financial year 2009 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. Printed copies will also be made available on request. In addition, the Group Financial Statements and the Group Management Report can be downloaded from the BMW Group website at www.bmwgroup.com/ir.

The Board of Management authorised the Group Financial Statements for issue on 19 February 2010.

2 — Consolidated companies

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

The number of subsidiaries, special purpose securities funds and other special purpose trusts included in the Group Financial Statements changed in 2009 as follows:

	Germany	Foreign	**Total**
Included at 31 December 2008	31	153	**184**
Included for the first time in 2009	2	8	**10**
No longer included in 2009	1	12	**13**
Included at 31 December 2009	**32**	**149**	**181**

53 subsidiaries (2008: 54), either dormant or generating a negligible volume of business, are not included. These subsidiaries were not consolidated because the resulting impact on the Group Financial Statements would not influence the economic decisions of users taken on the basis of the financial statements. Non-inclusion of operating subsidiaries reduces total Group revenues by 0.6 % (2008: 1.1 %).

The joint venture BMW Brilliance Automotive Ltd., Shenyang, and the investment in Cirquent GmbH, Munich, are accounted for using the equity method. 15 (2008: 14) participations are not consolidated using the equity method on the grounds of immateriality. They are included in the balance sheet in the line “Other investments”, measured at cost less, where applicable, accumulated impairment losses.

A separate “List of Group Investments” pursuant to § 313 (4) HGB will be submitted to the operator of the electronic version of the German Federal Gazette. This list, along with the “List of Third Party Companies which are not of Minor Importance for the Group”, will also be posted on the BMW Group website at www.bmwgroup.com/ir.

LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Grünwald, LARGUS Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald, BMW Polska Sp. z o. o., Warsaw, BMW India Private Limited, New Delhi, and BMW Extended Services Corporation, Hilliard, were consolidated in the BMW Group Financial Statements for the year ended 31 December 2009 for the first time.

Alphabet Fuhrparkmanagement GmbH, Munich, ceased to be a consolidated company following its merger with LHS Leasing- und Handelsgesellschaft Deutschland mbH, Stuttgart. BMW Lease S. N. C., Guyancourt, and BMW Location S. N. C., Guyancourt, also ceased to be consolidated companies following their merger with BMW Finance S. N. C., Guyancourt. BMW Financial Services Ibérica, E.F.C., S.A., Madrid, was merged with BMW Bank GmbH, Munich, and therefore also ceased to be a consolidated company. The companies Rover South Africa (Pty) Ltd., Cape Town, and Sociedade Anglo-Portugese de Automoveis Sarl, Lisbon, also ceased to be consolidated companies.

LHS Leasing- und Handelsgesellschaft Deutschland mbH, Stuttgart, changed its name to Alphabet Fuhrparkmanagement GmbH, Munich.

The BMW Group reporting entity also changed by comparison to the previous year as a result of the first-time consolidation of five special purpose trusts and the deconsolidation of six special purpose securities funds and one special purpose trust.

The changes are not material because the resulting impact on the Group Financial Statements would not influence the economic decisions of users taken on the basis of the financial statements.

3 — **Business acquisitions**

With effect from 1 January 2009, BMW Anlagen Verwaltungs GmbH, Munich, acquired all of the shares of LARGUS Grundstücks-Verwaltungsgesellschaft, Grünwald, and, indirectly, 94.5 % of the shares of that company's subsidiary, LARGUS Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald. The acquisition of LARGUS Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald, gave rise to a credit difference on consolidation (excess of fair value of acquired net assets over purchase price) of euro 2 million which was recognised as other operating income in the first quarter 2009.

4 — **Consolidation principles**

The equity of subsidiaries is consolidated in accordance with IFRS 3 (Business Combinations). IFRS 3 requires that all business combinations are accounted for using the purchase method with identifiable assets and liabilities acquired measured initially at their fair value. The excess of the Group's interest in the net fair value of the identifiable assets and liabilities acquired over cost is recognised as goodwill and is subjected to a regular review for impairment. Goodwill of euro 91 million which arose prior to 1 January 1995 remains netted against reserves. The companies LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Grünwald, LARGUS Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald, BMW Polska Sp. z o.o., Warsaw, and BMW India Private Limited, New Delhi, were consolidated for the first time with effect from 1 January 2009. The equivalent date for BMW Extended Services Corporation, Hilliard, was 1 October 2009.

Receivables, liabilities, provisions, income and expenses and profits between consolidated companies (intragroup profits) are eliminated on consolidation.

Under the equity method, investments are measured at the BMW Group's share of equity taking account of fair value adjustments on acquisition, based on the Group's shareholding. Any difference between the cost of investment and the Group's share of equity is accounted for in accordance with the purchase method. Investments in other companies are accounted for as a general rule using the equity method when significant influence can be exercised (IAS 28, Investments in Associates). This is normally the case when voting rights of between 20 % and 50 % are held (associated companies).

5 — **Foreign currency translation**

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

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

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

	Closing rate		Average rate	
	31.12.2009	31.12.2008	**2009**	2008
US Dollar	**1.43**	1.40	**1.39**	1.47
British Pound	**0.89**	0.95	**0.89**	0.80
Chinese Renminbi	**9.78**	9.54	**9.52**	10.23
Japanese Yen	**133.17**	126.74	**130.37**	152.29

6 — Accounting principles

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

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods are transferred to the customer, the sales price is agreed or determinable and receipt of payment can be assumed. Revenues are stated net of discounts, allowances, settlement discount and rebates. Revenues also include lease rentals and interest income from financial services.

If the sale of products includes a determinable amount for subsequent services (multiple-component contracts), the related revenues are deferred and recognised as income over the period of the contract. Amounts are normally recognised as income by reference to the pattern of related expenditure.

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

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

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

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

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

Development costs for vehicle and engine projects are capitalised at manufacturing cost, to the extent that costs can be allocated reliably and both technical feasibility and successful marketing are assured. It must also be probable that the development expenditure will generate future economic benefits. Capitalised development costs comprise all expenditure that can be attributed directly to the development process, including development-related overheads. Capitalised development costs are amortised on a systematic basis, following the commencement of production, over the estimated product life which is generally seven years.

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

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

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

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

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

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

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

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

Where Group products are recognised by BMW Group leasing companies as leased assets under operating leases, they are measured at manufacturing cost. All other leased products are measured at acquisition cost. All leased products are depreciated using the straight-line method over the period of the lease to the lower of their imputed residual value or estimated fair value. Residual value provisions are treated as write-downs and offset against leased products on the assets side of the balance sheet.

The recoverability of the carrying amount of intangible assets (including capitalised development costs and goodwill) and property, plant and equipment is tested regularly for impairment in accordance with IAS 36 (Impairment of Assets) on the basis of cash generating units. This relates primarily to capitalised development costs and property, plant and equipment connected with vehicle projects. If there is no indication of impairment during the year, an annual impairment test is carried out at the year-end. An impairment loss is recognised when the recoverable amount (defined as the higher of the asset's net selling price and its value in use) is lower than the carrying amount. The value in use is determined on the basis of a present value computation. If the reason for the previously recognised impairment loss no longer exists, the impairment loss is reversed up to the level of its rolled-forward depreciated or amortised cost.

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

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

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

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

Financial assets are accounted for on the basis of the settlement date. On initial recognition, they are measured at acquisition cost, including transaction costs.

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

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

Loans and receivables which are not held for trading, held-to-maturity financial investments and all financial assets for which published price quotations in an active market are not available and whose fair value cannot be determined reliably, are measured, to the extent that they have a fixed term, at amortised cost, using the effective interest method. When the financial assets do not have a fixed term, they are measured at acquisition cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial gains and losses are recognised, net of deferred tax, directly in equity.

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

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

Financial liabilities are measured on first-time recognition at cost, which is equivalent to the fair value of the consideration given. Transaction costs are included in this initial measurement. Subsequent to initial recognition, liabilities are, with the exception of derivative financial instruments, measured at amortised cost. The BMW Group has no liabilities which are held for trading. Liabilities from finance leases are stated at the present value of the future lease payments and disclosed under other financial liabilities.

The preparation of the Group Financial Statements in accordance with IFRSs requires management to make certain assumptions and estimates that affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. The assumptions and estimates relate principally to the groupwide determination of economic useful lives, the measurement of inventories, the recognition and measurement of provisions and the recoverability of future tax benefits. All assumptions and estimates are based on factors known at the end of the reporting period. They are determined on the basis of the most likely outcome of future business developments. This includes the situation in the automotive sector and the general business environment. Estimates and underlying assumptions are checked regularly. Actual amounts could differ from those assumptions and estimates if business conditions develop differently to the Group's expectations at the end of the reporting period. Where new information comes to light, differences are reflected in the income statement and assumptions changed accordingly. As a result of improvements in use of estimation to measure the manufacturing cost of inventories, an additional expense of euro 174 million was recognised in 2009 in cost of sales.

7 — New financial reporting rules

(a) Financial reporting rules applied for the first time in the financial year 2009

The following Standards and Revised Standards were applied for the first time in the financial year 2009:

Standard / Interpretation		Date of mandatory application	Endorsed by EU at 31.12.2009	Impact on BMW Group
IFRS 1 and IAS 27	Acquisition cost of subsidiaries, joint and associated entities	1.1.2009	Yes	None
IFRS 2	Share-based remuneration: Vesting conditions and cancellations	1.1.2009	Yes	None
IFRS 7	Improved disclosures on financial instruments	1.1.2009	Yes	Significant in principle: extended disclosures on the fair value measurement of financial instruments and on liquidity risks
IAS 1	Presentation of Financial Statements	1.1.2009	Yes	Significant in principle: Change in presentation of financial statements and extended notes disclosures

Standard / Interpretation		Date of mandatory application	Endorsed by EU at 31.12.2009	Impact on BMW Group
IAS 23	Borrowing Costs	1.1.2009	Yes	Significant in principle: Increase in amount recognised in the balance sheet for qualifying asset
IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation	1.1.2009	Yes	Insignificant
	Improvements to IFRSs	1.1.2009*	Yes	Insignificant
IFRIC 9 and IAS 39	Reassessment of Embedded Derivatives (in the case of reclassified financial instruments)	1.1.2009	Yes	None
IFRIC 13	Customer Loyalty Programmes	1.1.2009	Yes	None
IFRIC 15	Agreements for the Construction of Real Estate	1.1.2010	Yes	None
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1.1.2010	Yes	None

* Unless otherwise specified, the amendments are effective for annual periods beginning on or after 1 January 2009.

(b) New financial reporting rules issued in the financial year 2009

The following Standards and Interpretations, which had been issued by the IASB by the end of the financial year 2009, but which were not mandatory for the reporting period, have not been applied by the BMW Group in the financial year 2009:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application	Endorsed by EU at 31.12.2009	Expected impact on on BMW Group
IFRS 1	Additional Exceptions for First-time Adopters	23.7.2009	1.1.2010	No	None
IFRS 2	Share-based Payment: Accounting for Cash-settled Share-based Payments within the Group	18.6.2009	1.1.2010	No	None
IFRS 9	Financial instruments	12.11.2009	1.1.2013	No	Significant in principle: Classification and measurement of financial assets could change.
IAS 24	Related Party Disclosures	4.11.2009	1.1.2011	No	Insignificant
IAS 32	Classification of Subscription Rights	8.10.2009	1.1.2011	Yes	None
	IFRS for Small and Medium Sized-entities	9.7.2009	9.7.2009	No	None
	Improvements to IFRSs	16.4.2009	1.1.2010*	No	Insignificant
IFRIC 14	Upfront-payments in conjunction with Minimum Funding Requirements	26.11.2009	1.1.2011	No	Insignificant
IFRIC 18	Transfers of Assets from Customers	29.1.2009	1.1.2010	Yes	None
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	26.11.2009	1.1.2011	No	None

* Unless otherwise specified, the amendments are effective for annual periods beginning on or after 1 January 2010.

8 — Revenues

Revenues by activity comprise the following:

in euro million	2009	2008
Sales of products and related goods	**36,126**	38,652
Income from lease instalments	**5,641**	5,544
Sale of products previously leased to customers	**5,294**	4,997
Interest income on loan financing	**2,582**	2,943
Other income	**1,038**	1,061
Revenues	**50,681**	**53,197**

An analysis of revenues by operating segment and geographical region is shown in the segment information on page 133 et seq.

9 — Cost of sales

Cost of sales comprises:

in euro million	2009	2008*
Manufacturing costs	**24,930**	26,727
Research and development costs	**2,587**	2,825
Warranty expenditure	**996**	990
Cost of sales directly attributable to financial services	**10,092**	9,634
Interest expense relating to financial services business	**2,879**	2,666
Expense for risk provisions and write-downs for financial services business	**1,310**	1,697
Other cost of sales	**2,562**	2,609
Cost of sales	**45,356**	**47,148**

* adjusted as a result of the change in presentation of research and development costs

Cost of sales include euro 14,281 million (2008: euro 13,997 million) relating to financial services business.

Manufacturing costs do not contain any impairment losses on intangible assets and property, plant and equipment (2008: euro 3 million). Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to euro 27 million (2008: euro 23 million).

Total research and development expenditure comprising research costs, development costs not recognised as assets and capitalised development costs were as follows:

in euro million	2009	2008
Research and development costs	**2,587**	2,825
Amortisation	**–1,226**	–1,185
New expenditure for capitalised development costs	**1,087**	1,224
Total research and development expenditure	**2,448**	**2,864**

10 — Sales and administrative costs

Sales costs amounted to euro 3,647 million (2008: euro 4,047 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative costs amounted to euro 1,393 million (2008: euro 1,322 million) and comprised expenses for administration not attributable to development, production or sales functions.

11 — Other operating income and expenses

in euro million	2009	2008
Exchange gains	455	827
Income from the reversal of provisions	84	278
Income from the reversal of impairment losses and write-downs	16	8
Gains on the disposal of assets	84	50
Sundry operating income	169	265
Other operating income	**808**	**1,428**
Exchange losses	482	748
Expense for additions to provisions	78	113
Expenses for impairment losses and write-downs	85	52
Sundry operating expenses	159	274
Other operating expenses	**804**	**1,187**
Other operating income and expenses	**4**	**241**

Other operating income includes public-sector grants of euro 14 million (2008: euro 32 million).

12 — Result from equity accounted investments

The profit from equity accounted investments of euro 36 million (2008: euro 26 million) includes the Group's share of the results of the joint venture BMW Brilliance Automotive Ltd., Shenyang, and the investment in Cirquent GmbH, Munich. In the previous year, the result relating to the investment in Cirquent GmbH, Munich, was only recognised for the final three months of the year.

13 — Net interest result

in euro million	2009	2008
Expected return on plan assets	379	360
Other interest and similar income*	477	325
— thereof from subsidiaries: euro 6 million (2008: euro 10 million)		
Interest and similar income	**856**	**685**
Expense from reversing the discounting of pension obligations	–532	–550
Expense from reversing the discounting of other long-term provisions	–115	–96
Write-downs on marketable securities	–3	–123
Other interest and similar expenses*	–364	–161
— thereof to subsidiaries: euro – million (2008: euro 1 million)		
Interest and similar expenses	**–1,014**	**–930**
Net interest result	**–158**	**–245**

* Interest income and expenses relating to stand-alone derivatives are netted within the net interest result. Interest expenses include net interest expenses of euro 241 million (2008: net interest expenses of euro 102 million) relating to stand-alone derivatives.

14 — Other financial result

in euro million	2009	2008
Income from investments	**4**	4
—— thereof from subsidiaries: euro 4 million (2008: euro 4 million)		
Expense of assuming losses under profit and loss transfer agreements	**–**	–1
—— thereof from subsidiaries: euro – million (2008: euro –1 million)		
Impairment losses on investments in subsidiaries	**–3**	–6
Result on investments	**1**	**–3**
Losses and gains relating to financial instruments	**245**	–348
Sundry other financial result	**245**	**–348**
Other financial result	**246**	**–351**

Sundry other financial result includes in particular gains on stand-alone interest rate derivatives (the fair values of which improved primarily due to changes in interest rate structures) and gains on commodities derivatives.

15 — Income taxes

Taxes on income comprise the following:

in euro million	2009	2008
Current tax expense	**338**	75
Deferred tax expense	**–135**	–54
Income taxes	**203**	**21**

Deferred taxes are recognised on temporary differences between the carrying amount of assets and liabilities for IFRS purposes and their tax bases. Deferred taxes are computed using enacted or planned tax rates which are expected to apply in the relevant national jurisdictions when the amounts are recovered. A uniform corporation tax rate of 15.0% applies in Germany. After taking account of the average multiplier rate (Hebesatz) of 410.0% for municipal trade tax and the solidarity charge of 5.5%, the overall tax rate for BMW companies in Germany is 30.2% (2008: 30.2%). The tax rates for companies outside Germany range from 12.5% (2008: 12.5%) to 46.9% (2008: 46.9%). A valuation allowance is recognised on deferred tax assets when recoverability is uncertain. In determining the level of the valuation allowance, all positive and negative factors concerning the likely existence of sufficient taxable profit in the future are taken into account. These estimates can change depending on the actual course of events.

An analysis of deferred taxes tax assets and liabilities by position at 31 December is shown on the next page:

	Deferred tax assets		Deferred tax liabilities	
in euro million	**2009**	2008	**2009**	2008
Intangible assets	**1**	1	**1,490**	1,541
Property, plant and equipment	**38**	43	**410**	454
Leased products	**443**	573	**4,281**	4,137
Investments	**5**	3	**8**	5
Other current assets	**2,175**	1,796	**3,559**	3,196
Tax loss carryforwards	**1,838**	1,438	**–**	–
Provisions	**1,388**	1,197	**47**	75
Liabilities	**3,316**	2,945	**1,444**	1,296
Consolidations	**1,564**	1,736	**482**	406
	10,768	**9,732**	**11,721**	**11,110**
Valuation allowance	**–550**	–513	**–**	–
Netting	**–8,952**	–8,353	**–8,952**	–8,353
Deferred taxes	**1,266**	**866**	**2,769**	**2,757**
Net			**1,503**	1,891

"Netting" relates to the offset of deferred tax assets and liabilities within individual separate entities or tax groups.

Deferred tax assets on tax losses available for carryforward and on capital losses increased on a net basis. Tax losses available for carryforward, which for the most part can be carried forward without restriction, totalled euro 5.2 billion at the end of the reporting period (2008: euro 3.8 billion). A valuation allowance of euro 31 million (2008: euro 30 million) was recognised in 2009 on deferred tax assets relating to tax losses available for carryforward. Capital losses in the United Kingdom increased in 2009 to euro 1.9 billion (2008: euro 1.7 billion) as a result of exchange rate factors. As in previous years, deferred tax assets recognised on these tax losses – amounting to euro 519 million at the end of the reporting period (2008: euro 483 million) – were fully written down since they can only be utilised against future capital gains. Capital losses are not connected to ongoing business operations. Deferred tax assets were recognised in 2009 for entities which recorded tax losses in either 2009 or 2008. These deferred tax assets exceed deferred tax liabilities by euro 618 million (2008: euro 185 million). Deferred tax assets are recognised on the basis of management's assessment of whether it is probable that the relevant entities will generate sufficient taxable profits against which deductible temporary differences can be offset.

Deferred taxes recognised directly in equity amounted to euro 493 million (2008: euro 303 million), an increase of euro 190 million (2008: euro 188 million) compared to the previous year. The change also includes a euro 12 million (2008: euro 39 million) reduction in deferred taxes arising on foreign currency translation.

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

in euro million	**2009**	2008
Net deferred tax liabilities at 1 January	**1,891**	1,994
Deferred tax expenses recognised through income statement	**–135**	–54
Change in deferred taxes recognised directly in equity	**–202**	–227
Exchange rate impact and other changes*	**–51**	178
Net deferred tax liabilities at 31 December	**1,503**	**1,891**

* including impact of first-time consolidation and deconsolidation

Deferred taxes are not recognised on retained profits of euro 15.9 billion (2008: euro 15.6 billion) of foreign subsidiaries, as it is intended to invest these profits to maintain and expand the business volume of the relevant companies. A computation was not made of the potential impact of income taxes on the grounds of disproportionate expense.

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

The actual tax expense for the financial year 2009 of euro 203 million (2008: euro 21 million) is euro 79 million higher (2008: euro 85 million lower) than the expected tax expense of euro 124 million (2008: euro 106 million) which would theoretically arise if the tax rate of 30.2 % (2008: 30.2 %), applicable for German companies, was applied across the Group. The difference between the expected and actual tax expense is attributable to the following:

in euro million	2009	2008
Expected tax expense	**124**	**106**
Variances due to different tax rates	**38**	24
Tax reductions (–) / tax increases (+) as a result of non-taxable income and non-deductible expenses	**68**	–49
Tax expense (+) / benefits (–) for prior periods	**–26**	–60
Other variances	**–1**	–
Actual tax expense	**203**	**21**

Non-deductible expenses include the impact of non-recoverable withholding taxes. The item "Tax expense (+) / benefits (–) for prior periods" includes tax income resulting from rulings made by the European Court of Justice with regard to German tax legislation. Working in the opposite direction, tax expenses incurred for prior years in conjunction with a tax field audit at the level of BMW AG, mostly relating to intragroup transfer pricing arrangements, also had an impact. The resulting threat of a double taxation charge is being avoided by initiating bilateral appeal proceedings. Corresponding reimbursement claims at the level of foreign subsidiaries did not fully offset the tax expense incurred due to differences in tax rates in the tax jurisdictions involved.

The item "Other variances" includes the impact of the reduction in tax expense as a result of utilising tax losses brought forward for which deferred assets had not previously been recognised and tax credits, also not previously recognised, amounting to euro 3 million (2008: euro 4 million). Moreover, the tax expense was increased by euro 26 million (2008: reduced by euro 9 million) as a result of deferred taxes on previously unrecognised temporary differences. The tax income for the valuation allowance on deferred tax assets relating to tax losses available for carryforward and temporary differences and their reversal amounted to euro 10 million (2008: euro – million).

16 — Earnings per share

		2009	2008
Net profit for the year after minority interest	euro million	**203.6**	324.3
Profit attributable to common stock	euro million	**186.5**	297.9
Profit attributable to preferred stock	euro million	**17.1**	26.4
Average number of common stock shares in circulation	number	**601,995,196**	601,995,196
Average number of preferred stock shares in circulation	number	**51,833,937**	51,296,162
Earnings per share of common stock	euro	**0.31**	0.49
Earnings per share of preferred stock	euro	**0.33**	0.51
Dividend per share of common stock	euro	**0.30**	0.30
Dividend per share of preferred stock	euro	**0.32**	0.32

Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years.

Diluted earnings per share were not applicable in either the current or prior year.

17 — Other disclosures relating to the income statement

The income statement includes personnel costs as follows:

in euro million	2009	2008
Wages and salaries	**5,299**	5,991
Social security, retirement and welfare costs	**1,267**	1,245
— thereof retirement costs: euro 744 million (2008: euro 811 million)		
Personnel costs	**6,566**	**7,236**

Personnel costs include euro 171 million (2008: euro 455 million) of expenditure incurred to reduce the size of the workforce. The average number of employees during the year was:

	2009	2008
Employees	**90,755**	95,699
Apprentices and students gaining work experience	**5,452**	6,034
	96,207	**101,733**

For information regarding the number of employees at the year-end, reference is made to page 27 et seq. in the Group Management Report.

The fee expense recognised in the financial year 2009 for the auditors of the Group Financial Statements, KPMG AG Wirtschaftsprüfungsgesellschaft and its affiliated entities, pursuant to § 314 (1) no. 9 HGB amounted to euro 11 million (2008: euro 7 million) and consists of the following:

in euro million	**2009**	2008
Audit-related services	**4**	3
Tax advisory services	**4**	3
Other services	**3**	1
	11	**7**

The various line items include expenses incurred by BMW AG and its domestic subsidiaries as well as in the United Kingdom, Switzerland, Spain, Belgium, and the Netherlands. The previous year's figure only included fees for the BMW AG and its domestic subsidiaries and in the United Kingdom, Switzerland and Spain.

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Notes to the Statement of Comprehensive Income

18 — Disclosures relating to the statement of total comprehensive income

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

in euro million	2009	2008
Available-for-sale securities		
Gains/losses in the period	**11**	–27
Amounts reclassified to income statement	**–7**	20
	4	**–7**
Financial instruments used for hedging purposes		
Gains/losses in the period	**358**	3
Amounts reclassified to income statement	**–63**	–627
	295	**–624**
Exchange differences on translating foreign operations	**318**	–807
Actuarial gains/losses relating to defined benefit pension and similar plans	**–1,198**	161
Deferred taxes relating to components of other comprehensive income	**190**	188
Other comprehensive income for the period after tax	**–391**	**–1,089**

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

in euro million	2009			2008		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Available-for-sale securities	**4**	**–1**	**3**	–7	–11	–18
Financial instruments used for hedging purposes	**295**	**–131**	**164**	–624	231	–393
Exchange differences on translating foreign operations	**318**	**–**	**318**	–807	–	–807
Actuarial gains/losses relating to defined benefit pension and similar plans	**–1,198**	**322**	**–876**	161	–32	129
Other comprehensive income	**–581**	**190**	**–391**	**–1,277**	**188**	**–1,089**

19 — Analysis of changes in Group tangible, intangible and investment assets 2009

	Acquisition and manufacturing cost					
in euro million	1.1.2009[1]	Translation differences	Additions	Reclassifications	Disposals	**31.12.2009**
Development costs	8,855	–	1,087	–	1,247	**8,695**
Other intangible assets	972	3	50	–	166	**859**
Intangible assets	**9,827**	**3**	**1,137**	**–**	**1,413**	**9,554**
Land, titles to land, buildings, including buildings on third party land	6,939	36	154	287	76	**7,340**
Plant and machinery	21,672	85	1,662	676	1,380	**22,715**
Other facilities, factory and office equipment	2,075	11	77	23	130	**2,056**
Advance payments made and construction in progress	1,121	–4	441	–986	6	**566**
Property, plant and equipment	**31,807**	**128**	**2,334**	**–**	**1,592**	**32,677**
Leased products	**25,407**	**3**	**8,646**	**–**	**9,639**	**24,417**
Investments accounted for using the equity method	**111**	**–**	**41**	**–**	**15**	**137**
Investments in non-consolidated subsidiaries	375	–	38	–	106	**307**
Participations	8	–	–	–	–	**8**
Non-current marketable securities	23	–	–	–	19	**4**
Other investments	**406**	**–**	**38**	**–**	**125**	**319**

[1] including gross balances brought forward for entities consolidated for the first time in the financial year
[2] including assets under construction of euro 418 million

Analysis of changes in Group tangible, intangible and investment assets 2008

	Acquisition and manufacturing cost					
in euro million	1.1.2008[1]	Translation differences	Additions	Reclassifications	Disposals	**31.12.2008**
Development costs	8,479	–	1,224	–	848	**8,855**
Other intangible assets	1,020	–11	115	13	175	**962**
Intangible assets	**9,499**	**–11**	**1,339**	**13**	**1,023**	**9,817**
Land, titles to land, buildings, including buildings on third party land	6,623	–127	255	266	142	**6,875**
Plant and machinery	20,430	–330	1,535	471	440	**21,666**
Other facilities, factory and office equipment	2,062	–22	179	32	182	**2,069**
Advance payments made and construction in progress	1,019	5	896	–782	17	**1,121**
Property, plant and equipment	**30,134**	**–474**	**2,865**	**–13**	**781**	**31,731**
Leased products	**20,860**	**–22**	**12,376**	**–**	**7,807**	**25,407**
Investments accounted for using the equity method	**63**	**–**	**48**	**–**	**–**	**111**
Investments in non-consolidated subsidiaries	261	–1	158	–	43	**375**
Participations	8	–	–	–	–	**8**
Non-current marketable securities	21	–5	7	–	–	**23**
Other investments	**290**	**–6**	**165**	**–**	**43**	**406**

[1] including gross balances brought forward for entities consolidated for the first time in the financial year
[2] including impairment losses of euro 3 million
[3] including assets under construction of euro 727 million

Depreciation and amortisation 1.1.2009[1]	Translation differences	Current year	Disposals	31.12.2009	Carrying amount 31.12.2009	31.12.2008	
3,782	–	1,226	1,247	**3,761**	**4,934**	5,073	Development costs
401	–	114	101	**414**	**445**	568	Other intangible assets
4,183	**–**	**1,340**	**1,348**	**4,175**	**5,379**	**5,641**	**Intangible assets**
2,745	19	213	41	**2,936**	**4,404**	4,157	Land, titles to land, buildings, including buildings on third party land
16,150	58	1,885	1,361	**16,732**	**5,983**	5,518	Plant and machinery
1,574	10	162	123	**1,623**	**433**	497	Other facilities, factory and office equipment
1	–	–	–	**1**	**565**[2]	1,120	Advance payments made and construction in progress
20,470	**87**	**2,260**	**1,525**	**21,292**	**11,385**	**11,292**	**Property, plant and equipment**
5,883	**–5**	**3,689**	**3,123**	**6,444**	**17,973**	**19,524**	**Leased products**
–	**–**	**–**	**–**	**–**	**137**	**111**	**Investments accounted for using the equity method**
79	–	3	–	**82**	**225**	296	Investments in non-consolidated subsidiaries
5	–	–	–	**5**	**3**	3	Participations
–	–	–	–	**–**	**4**	23	Non-current marketable securities
84	**–**	**3**	**–**	**87**	**232**	**322**	**Other investments**

Depreciation and amortisation 1.1.2008[1]	Translation differences	Current year	Disposals	31.12.2008	Carrying amount 31.12.2008	31.12.2007	
3,445	–2	1,185	846	**3,782**	**5,073**	5,034	Development costs
378	–2	110	92	**394**	**568**	636	Other intangible assets
3,823	**–4**	**1,295**	**938**	**4,176**	**5,641**	**5,670**	**Intangible assets**
2,626	–58	202	52	**2,718**	**4,157**	3,945	Land, titles to land, buildings, including buildings on third party land
14,783	–214	2,002	423	**16,148**	**5,518**	5,635	Plant and machinery
1,549	–18	171	130	**1,572**	**497**	510	Other facilities, factory and office equipment
1	–	–	–	**1**	**1,120**[3]	1,018	Advance payments made and construction in progress
18,959	**–290**	**2,375**[2]	**605**	**20,439**	**11,292**	**11,108**	**Property, plant and equipment**
3,847	**28**	**3,975**	**1,967**	**5,883**	**19,524**	**17,013**	**Leased products**
–	**–**	**–**	**–**	**–**	**111**	**63**	**Investments accounted for using the equity method**
76	–	6	3	**79**	**296**	185	Investments in non-consolidated subsidiaries
5	–	–	–	**5**	**3**	3	Participations
–	–	–	–	**–**	**23**	21	Non-current marketable securities
81	**–**	**6**	**3**	**84**	**322**	**209**	**Other investments**

20 — Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects and software. Amortisation on intangible assets is presented in cost of sales, administrative costs and other operating expenses.

In addition, intangible assets include a brand-name right amounting to euro 40 million (2008: euro 37 million) and goodwill with an indefinite useful life of euro 111 million, unchanged from the previous year. The latter comprises goodwill arising on the acquisition of DEKRA SüdLeasing Services GmbH, Stuttgart, and its subsidiaries and on the acquisition of SimeLease (Malaysia) Sdn Bhd, Kuala Lumpur, and its subsidiary SimeCredit (Malaysia) Sdn Bhd, Kuala Lumpur. This item is not presented separately in the BMW Group balance sheet since the amount is not significant in relation to either the balance sheet total or intangible assets.

As in the previous year, there were no reversals of impairment losses on intangible assets.

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

Changes in intangible assets during the year are shown in the analysis of changes in Group tangible, intangible and investment assets on page 98 et seq.

21 — Property, plant and equipment

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

A break-down of the different classes of property, plant and equipment disclosed in the balance sheet and changes during the year are shown in the analysis of changes in Group tangible, intangible and investment assets on page 98 et seq.

Property, plant and equipment include a total of euro 57 million (2008: euro 68 million) relating to operational buildings used by BMW AG as well as leased plant, machinery and other facilities, factory and office equipment used primarily at the Oxford and Hams Hall production plants. Due to the nature of the lease arrangements (finance leases), economic ownership of these assets is attributable to the BMW Group. The leases for buildings, with a carrying amount of euro 48 million (2008: euro 50 million) run for periods up to 2023 at the latest. Some of the leases contain extension and purchase options. The leases for plant and machinery and other facilities, factory and office equipment at the Oxford plant, with a carrying amount of euro 4 million (2008: euro 6 million) at 31 December 2009, run for periods up to 2011 at the latest. For each of the leases, there is a recurring option to extend the leases by one year. A purchase option was not agreed. The lease for plant and machinery and other facilities, factory and office equipment at the Hams Hall production plant, with a carrying amount of euro 1 million (2008: euro 10 million) runs until 2018 and may be extended for one year periods thereafter. A purchase option was not agreed.

Minimum lease payments of the relevant leases are as follows:

in euro million	31.12.2009	31.12.2008
Total of future minimum lease payments		
due within one year	**75**	67
due between one and five years	**166**	202
due later than five years	**117**	157
	358	**426**
Interest portion of the future minimum lease payments		
due within one year	**7**	9
due between one and five years	**25**	27
due later than five years	**36**	49
	68	**85**
Present value of future minimum lease payments		
due within one year	**68**	58
due between one and five years	**141**	175
due later than five years	**81**	108
	290	**341**

22 — **Leased products**

The BMW Group, as lessor, leases out assets (predominantly own products) as part of its financial services business. Minimum lease payments of euro 7,686 million (2008: euro 8,515 million) from non-cancellable operating leases fall due as follows:

in euro million	31.12.2009	31.12.2008
within one year	4,257	4,589
between one and five years	3,428	3,925
later than five years	1	1
Leased products	**7,686**	**8,515**

Contingent rents of euro 39 million (2008: euro 30 million), based principally on the distance driven, were recognised in income. The agreements have, in part, extension and purchase options as well as price escalation clauses.

Changes in leased products during the year are shown in the analysis of changes in Group tangible, intangible and investment assets on page 98 et seq.

23 — **Investments accounted for using the equity method and other investments**

Investments accounted for using the equity method comprise the Group's interests in the joint venture BMW Brilliance Automotive Ltd., Shenyang, and the investment in Cirquent GmbH, Munich. The disclosures relating to the previous year's income statement include the income and expenses of Cirquent GmbH, Munich, after deconsolidation of the Cirquent Group. The aggregated interests of the Group are as follows:

in euro million	31.12.2009	31.12.2008
Disclosures relating to the income statement		
Income	835	627
Expenses	797	603
Disclosures relating to the balance sheet		
Non-current assets	222	139
Current assets	287	234
Equity	164	126
Non-current liabilities	15	31
Current liabilities	330	216

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

Additions to investments in subsidiaries relate mainly to the foundation of BMW Automotive Finance (China) Co., Ltd., Beijing, and BMW Financial Services Singapore Pte Ltd., Singapore.

Disposals of investments in subsidiaries arise as a result of the first-time consolidation of BMW India Private Limited, New Delhi, and BMW Polska Sp. z o.o., Warsaw, as well as the sale of BMW Sauber AG, Hinwil, BMW Sauber Engineering AG, Hinwil, and BMW Sauber Holding AG, Vaduz.

Impairment losses on investments in subsidiaries relate to Westchester BMW, Inc., Wilmington, Del.

A break-down of the different classes of other investments disclosed in the balance sheet and changes during the year are shown in the analysis of changes in Group tangible, intangible and investment assets on page 98 et seq.

24 — Receivables from sales financing

Receivables from sales financing, totalling euro 40,594 million (2008: euro 38,063 million), comprise euro 31,971 million (2008: euro 29,470 million) for credit financing for retail customers and dealers and euro 8,623 million (2008: euro 8,593 million) for finance leases. Finance leases are analysed as follows:

in euro million	31.12.2009	31.12.2008
Gross investment in finance leases		
due within one year	**3,477**	3,315
due between one and five years	**6,269**	6,357
due later than five years	**28**	29
	9,774	**9,701**
Present value of future minimum lease payments		
due within one year	**3,056**	2,932
due between one and five years	**5,542**	5,634
due later than five years	**25**	27
	8,623	**8,593**
Unrealised interest income	**1,151**	**1,108**

Contingent rents recognised as income (generally relating to the distance driven) amounted to euro 3 million (2008: euro 5 million). Write-downs on finance leases amounting to euro 58 million (2008: euro 52 million) were measured and recognised on the basis of specific credit risks. Unguaranteed residual values which will fall to the benefit of the lessor amounted to euro 3 million (2008: euro 1 million).

Receivables from sales financing include euro 23,478 million (2008: euro 22,192 million) with a remaining term of more than one year.

Allowance for impairment and credit risk

in euro million	31.12.2009	31.12.2008
Gross carrying amount	**41,950**	39,116
Allowance for impairment	**–1,356**	–1,053
Net carrying amount	**40,594**	**38,063**

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

2009 in euro million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January	938	115	**1,053**
Allocated / reversed	682	50	**732**
Utilised	–444	–10	**–454**
Exchange rate impact and other changes	19	6	**25**
Balance at 31 December	**1,195**	**161**	**1,356**

2008 in euro million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January*	672	125	**797**
Allocated / reversed	543	10	**553**
Utilised	–262	–14	**–276**
Exchange rate impact and other changes	–15	–6	**–21**
Balance at 31 December	**938**	**115**	**1,053**

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

At the end of the reporting period, impairment allowances of euro 161 million (2008: euro 115 million) were recognised on a group basis on gross receivables from sales financing totalling euro 19,509 million (2008: euro 17,274 million). Impairment allowances of euro 1,195 million (2008: euro 938 million) were recognised at 31 December 2009 on a specific item basis on gross receivables from sales financing totalling euro 10,581 million (2008: euro 7,755 million).

Receivables from sales financing which were not overdue at the end of the reporting period amounted to euro 11,860 million (2008: euro 14,087 million). No impairment losses were recognised for these balances.

The estimated fair value of collateral received for receivables on which impairment losses were recognised totalled euro 15,600 million (2008: euro 14,570 million) at the end of the reporting period. This collateral related primarily to vehicles. The carrying amount of assets held as collateral and taken back as a result of payment default amounted to euro 40 million (2008: euro 44 million).

As at the end of the previous year, there were no receivables from sales financing at the balance sheet date which have been renegotiated and which were otherwise overdue or otherwise required recognition of an impairment loss.

25 Financial assets

Financial assets comprise:

in euro million	**31.12.2009**	31.12.2008
Derivative instruments	**2,433**	3,449
Marketable securities and investment funds	**1,648**	653
Loans to third parties	**23**	13
Credit card receivables	**266**	253
Other	**364**	746
Financial assets	**4,734**	**5,114**
thereof non-current	**1,519**	1,808
thereof current	**3,215**	3,306

The change in the line item “Derivative instruments” relates primarily to the expiry in 2009 of currency derivatives with positive fair values.

The increase in marketable securities and investment funds resulted from investments made in conjunction with liquidity management.

Investment funds are held to secure obligations relating to pre-retirement part-time work arrangements. These funds were transferred in the past to BMW Trust e. V., Munich, as part of a Contractual Trust Arrangement (CTA) and are therefore netted against the corresponding settlement arrears for pre-retirement part-time work arrangements. The amount by which the value of the investment funds exceeds these obligations amounting to euro 28 million (2008: euro 35 million) is reported under other financial assets.

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

in euro million	**31.12.2009**	31.12.2008
Stocks	**–**	32
Fixed income securities	**1,647**	620
Sundry marketable securities	**1**	1
Marketable securities and investment funds	**1,648**	**653**

The contracted maturities of debt securities are as follows:

in euro million	31.12.2009	31.12.2008
Fixed income securities		
due within three months	**302**	–
due later than three months	**1,345**	620
Sundry marketable securities		
due within three months	**–**	1
due later than three months	**1**	–
Debt securities	**1,648**	**621**

Allowance for impairment and credit risk

Receivables relating to credit card business comprise the following:

in euro million	31.12.2009	31.12.2008
Gross carrying amount	**283**	268
Allowance for impairment	**–17**	–15
Net carrying amount	**266**	**253**

Allowances for impairment losses on receivables relating to credit card business developed as following during the year under report:

2009 in euro million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January	15	–	**15**
Allocated/reversed	35	–	**35**
Utilised	–32	–	**–32**
Exchange rate impact and other changes	–1	–	**–1**
Balance at 31 December	**17**	**–**	**17**

2008 in euro million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January	1	6	**7**
Allocated/reversed	28	–5	**23**
Utilised	–15	–1	**–16**
Exchange rate impact and other changes	1	–	**1**
Balance at 31 December	**15**	**–**	**15**

26 — Income tax assets

Income tax assets can be analysed as follows:

31 December 2009 in euro million	Maturity within one year	Maturity later than one year	**Total**
Deferred tax	–	1,266	**1,266**
Current tax	452	498	**950**
Income tax assets	**452**	**1,764**	**2,216**

31 December 2008 in euro million	Maturity within one year	Maturity later than one year	**Total**
Deferred tax	–	866	**866**
Current tax	498	104	**602**
Income tax assets	**498**	**970**	**1,468**

27 — Other assets

Other assets comprise:

in euro million	**31.12.2009**	31.12.2008
Other taxes	**445**	373
Receivables from subsidiaries	**485**	425
Receivables from other companies in which an investment is held	**171**	103
Prepayments	**898**	848
Collateral receivables	**507**	291
Sundry other assets	**618**	462
Other assets	**3,124**	**2,502**
thereof non-current	**640**	660
thereof current	**2,484**	1,842

Receivables from subsidiaries include trade receivables of euro 70 million (2008: euro 139 million) and financial receivables of euro 415 million (2008: euro 286 million). They include euro 145 million (2008: euro 43 million) with a remaining term of more than one year.

Receivables from other companies in which an investment is held are all due within one year.

Prepayments of euro 898 million (2008: euro 848 million) relate mainly to prepaid interest, development costs not eligible for capitalisation as non-current assets, insurance premiums and rent. Prepayments of euro 568 million (2008: euro 483 million) have a maturity of less than one year.

Collateral receivables comprise mainly customary collateral arising on the sale of receivables.

28 — Inventories

Inventories comprise the following:

in euro million	31.12.2009	31.12.2008
Raw materials and supplies	**536**	596
Work in progress, unbilled contracts	**542**	803
Finished goods and goods for resale	**5,477**	5,891
Inventories	**6,555**	**7,290**

At 31 December 2009, inventories measured at their net realisable value amounted to euro 355 million (2008: euro 426 million) and are included in total inventories of euro 6,555 million (2008: euro 7,290 million). Write-downs to net realisable value amounting to euro 58 million (2008: euro 47 million) were recognised in 2009.

29 — Trade receivables

Trade receivables amounting in total to euro 1,857 million (2008: euro 2,305 million) include euro 40 million due later than one year (2008: euro 40 million).

Allowance for impairment and credit risk

in euro million	31.12.2009	31.12.2008
Gross carrying amount	**1,942**	2,373
Allowance for impairment	**–85**	–68
Net carrying amount	**1,857**	**2,305**

Allowances on trade receivables developed as following during the year under report:

2009 in euro million	Allowance for impairment recognised on a specific item basis	 group basis	**Total**
Balance at 1 January*	62	7	**69**
Allocated/reversed	31	3	**34**
Utilised	–17	–2	**–19**
Exchange rate impact and other changes	–	1	**1**
Balance at 31 December	**76**	**9**	**85**

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

2008 in euro million	Allowance for impairment recognised on a specific item basis	 group basis	**Total**
Balance at 1 January	38	7	**45**
Allocated/reversed	32	2	**34**
Utilised	–8	–2	**–10**
Exchange rate impact and other changes	–	–1	**–1**
Balance at 31 December	**62**	**6**	**68**

As at the end of the previous year, there were no trade receivables at the balance sheet date which have been renegotiated and which were otherwise overdue or otherwise required recognition of an impairment loss.

Some trade receivables were overdue for which an impairment loss was not recognised. Overdue balances are analysed into the following time windows:

in euro million	31.12.2009	31.12.2008
1–30 days overdue	**149**	301
31–60 days overdue	**49**	81
61–90 days overdue	**26**	3
91–120 days overdue	**28**	6
More than 120 days overdue	**69**	43
	321	**434**

Receivables that are overdue by between 1 and 30 days do not normally result in bad debt losses since the overdue nature of the receivables is primarily attributable to the timing of receipts around the month-end. In the case of trade receivables, collateral is generally held in the form of vehicles documents and bank guarantees so that the risk of bad debt loss is extremely low.

30 — **Cash and cash equivalents**

Cash and cash equivalents of euro 7,767 million (2008: euro 7,454 million) comprise cash on hand and at bank, all with a maturity of under three months.

31 — **Equity**

Number of shares issued

At 31 December 2009, common stock issued by BMW AG was divided into 601,995,196 shares with a par value of one euro. Preferred stock issued by BMW AG was divided into 52,665,362 shares with a par value of one euro. Unlike the common stock, no voting rights are attached to the preferred stock. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of euro 0.02 per share.

In 2009, 831,425 shares of non-voting preferred stock were sold to employees at a reduced price of euro 15.56 per share in conjunction with an employee share scheme. These shares are entitled to receive dividends with effect from the financial year 2010. 362,225 treasury shares held at the end of the previous year were used in this context: the remaining 905 treasury shares held at the end of the previous year were sold on the capital market. BMW AG did not hold any treasury shares at 31 December 2009.

The Authorised Capital created at the Annual General Meeting on 14 May 2009 amounting to euro 5 million in total was used to issue a further 469,200 shares of preferred stock to employees. As a result, BMW AG's issued share capital increased by euro 0.5 million. The Authorised Capital can be issued up to 13 May 2014 and amounted to euro 4.5 million at the end of the reporting period.

The effect of applying IFRS 2 (Share-Based Payments) to the employee share scheme is not material for the Group.

At the Annual General Meeting of BMW AG on 14 May 2009, the shareholders again authorised the Board of Management to acquire treasury shares via the stock exchange, up to a maximum of 10% of the share capital in place at the date of the resolution and to withdraw those shares from circulation without any further resolution by the Annual General Meeting. At the same time, the authorisation from 8 May 2008 to acquire treasury shares was rescinded. The authorisation from 14 May 2009 is valid until 12 November 2010. The authorisation was not exercised in 2009. It has not yet been decided whether or the extent to which the authorisation will be used in the future.

Capital reserves

Capital reserves include premiums arising from the issue of shares and totalled euro 1,921 million (2008: euro 1,911 million). The change related to the share capital increase following the issue of shares of preferred stock to employees.

Revenues reserves

Revenue reserves comprise the post-acquisition and non-distributed earnings of consolidated companies. In addition, revenue reserves include both positive and negative goodwill arising on the consolidation of Group companies prior to 31 December 1994.

Revenue reserves increased during the year to euro 20,426 million. The figure was increased in 2009 by the amount of the net profit attributable to shareholders of BMW AG (euro 204 million) and was reduced by the payment of the dividend for 2008 (euro 197 million).

The unappropriated profit of BMW AG of euro 197 million for 2009 will be proposed to the Annual General Meeting for distribution. The proposed distribution must be authorised by the shareholders at the Annual General Meeting of BMW AG. It is therefore not recognised as a liability in the Group Financial Statements.

Accumulated other equity

Accumulated other equity consists of all amounts recognised directly in equity resulting from the translation of the financial statements of foreign subsidiaries, the effects of recognising changes in the fair value of derivative financial instruments and marketable securities directly in equity, and actuarial gains and losses relating to defined benefit pension plans and similar obligations. It also includes deferred taxes on items recognised directly in equity.

Minority interests

Equity attributable to minority interests amounted to euro 13 million (2008: euro 8 million). This includes a minority interest of euro 6 million (2008: euro 6 million) in the results for the year.

Capital management disclosures

The BMW Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in the long-term and to provide an adequate return to shareholders.

The BMW Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of the underlying assets.

In order to manage its capital structure, the BMW Group uses various instruments including the amount of dividends paid to shareholders and share buy-backs.

The BMW Group manages the structure of debt capital on the basis of a target debt ratio. An important aspect of the selection of financial instruments is the objective to achieve matching maturities for the Group's financing requirements. In order to reduce non-systematic risk, the BMW Group uses a variety of financial instruments available on the world's capital markets to achieve optimal diversification.

The capital structure at the end of the reporting period was as follows:

in euro million	31.12.2009	31.12.2008
Equity attributable to shareholders of BMW AG	**19,902**	20,275
Proportion of total capital	**24.5%**	25.1%
Non-current financial liabilities	**34,391**	30,497
Current financial liabilities	**26,934**	29,887
Total financial liabilities	**61,325**	60,384
Proportion of total capital	**75.5%**	74.9%
Total capital	**81,227**	**80,659**

Equity attributable to shareholders of BMW AG decreased during the financial year by 0.6 percentage points, mainly as a result of changes in accumulated actuarial gains and losses on pension obligations recognised directly in equity. The increase in the proportion of financial liabilities mainly reflects higher financing requirements for financial services business.

The BMW AG is officially rated by the rating agencies, Standard & Poor's (S&P) and Moody's. In previous years the BMW AG benefited from first-class short-term ratings issued by Moody's and S&P. In 2009, the BMW AG was not fully able to avoid the impact of adverse developments in the automotive sector caused by the financial and economic crisis.

On 5 November 2008 S & P issued a long-term rating of A with stable outlook (previously A+ with stable outlook) and changed the outlook on 27 February 2009 from “stable” to “negative”. In the face of unfavourable micro-economic conditions and persisting doubts about whether the principal markets would recover quickly, BMW AG’s long-term rating was downgraded on 13 November 2009 to A– with negative outlook. In conjunction with this downgrade, S & P also changed its short-term rating to A-2.

After putting BMW AG’s rating to “under review for possible downgrade” on 18 February 2009, Moody’s changed its long-term rating on 3 April 2009 to A3 with negative outlook (previously A2 with stable outlook) and downgraded BMW AG’s short-term rating from P-1 to P-2.

	Moody's	Standard & Poor's
Non-current financial liabilities	A3	A–
Current financial liabilities	P-2	A-2
Outlook	negative	negative

With ratings of A– (S & P) and A3 (Moody’s), the agencies continued to confirm BMW AG’s solid creditworthiness for liabilities with a term of more than one year. The BMW Group continues to have access to competitive re-financing conditions for short-term debt.

32 **Pension provisions**

Pension provisions are recognised as a result of commitments to pay future vested pension benefits and current pensions to present and former employees of the BMW Group and their dependants. Depending on the legal, economic and tax circumstances prevailing in each country, various pension plans are used, based generally on the length of service, final salary and remuneration structure of the employees involved. Due to similarity of nature, the obligations of BMW Group companies in the USA and of BMW (South Africa) (Pty) Ltd., Pretoria, for post-employment medical care are also disclosed as pension provisions. The provision for these pension-like obligations amounts to euro 70 million (2008: euro 66 million) and is measured, similar to pension obligations, in accordance with IAS 19. In the case of post-employment medical care, it is assumed that the costs will increase on a long-term basis by 6 % p. a. (unchanged from the previous year). The expense for medical care costs in the financial year 2009 was euro 7 million (2008: euro 7 million).

Post-employment benefit plans are classified as either defined contribution or defined benefit plans. Under defined contribution plans, an enterprise pays fixed contributions into a separate entity or fund and does not assume any other obligations. The total pension expense for all defined contribution plans of the BMW Group amounted to euro 387 million (2008: euro 412 million). This includes employer contributions paid to state pension insurance schemes amounting to euro 356 million (2008: euro 376 million).

Under defined benefit plans, the enterprise is required to pay the benefits granted to present and past employees. Defined benefit plans may be funded or unfunded, the latter sometimes covered by accounting provisions. Most of the pension commitments of the BMW Group in Germany relate to BMW AG. In 2009 BMW AG transferred a further portion of its pension obligations to BMW Trust e. V., Munich, in conjunction with a Contractual Trust Arrangement (CTA). Obligations not covered by assets held by the fund are covered by pension provisions. The main other countries with funded plans were the UK, the USA, Switzerland, the Netherlands, Belgium and Japan.

Pension obligations are computed on an actuarial basis at the level of the defined benefit obligation. This computation requires the use of estimates. The main assumptions, in addition to life expectancy, depend on the economic situation in each particular country. The following weighted average values are used in the United Kingdom (UK) and in the other countries:

31 December	Germany		United Kingdom		Other	
in %	**2009**	2008	**2009**	2008	**2009**	2008
Discount rate	**5.30**	6.00	**5.40**	6.01	**5.54**	5.44
Salary level trend	**3.25**	3.25	**4.00**	4.01	**3.45**	3.58
Pension level trend	**2.30**	2.25	**3.38**	3.11	**1.96**	1.86

The salary level trend refers to the expected rate of salary increase which is estimated annually depending on inflation and career development of employees within the Group.

In the case of externally funded plans, the defined benefit obligation is offset against plan assets measured at their fair value. Where the plan assets exceed the pension obligations and the enterprise has a right of reimbursement or a right to reduce future contributions, the surplus amount is recognised as an asset in accordance with IAS 19 and presented within other financial assets. In the case of externally funded plans, a liability is recognised under pension provisions where the benefit obligation exceeds fund assets.

Actuarial gains or losses may result from increases or decreases in either the present value of the defined benefit obligation or in the fair value of the plan assets. Causes of actuarial gains or losses include the effect of changes in the measurement parameters, changes in estimates caused by the actual development of risks impacting on pension obligations and differences between the actual and expected return on plan assets. Past service cost arises where a BMW Group company introduces a defined benefit plan or changes the benefits payable under an existing plan.

Based on the measurement principles contained in IAS 19, the following **funding status** applies to the Group's pension plans:

31 December	Germany		United Kingdom		Other		Total	
in euro million	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Present value of pension benefits covered by accounting provisions	**3**	31	**–**	–	**70**	131	**73**	162
Present value of funded pension benefits	**4,616**	3,817	**5,743**	4,403	**499**	406	**10,858**	8,626
Defined benefit obligations	**4,619**	3,848	**5,743**	4,403	**569**	537	**10,931**	8,788
Fair value of plan assets	**3,144**	1,155	**4,487**	4,059	**346**	277	**7,977**	5,491
Net obligation	**1,475**	2,693	**1,256**	344	**223**	260	**2,954**	3,297
Past service cost not yet recognised	**–**	–	**–**	–	**4**	4	**4**	4
Amount not recognised as an asset because of the limit in IAS 19.58	**–**	–	**3**	1	**7**	9	**10**	10
Balance sheet amounts at 31 December	**1,475**	**2,693**	**1,259**	**345**	**234**	**273**	**2,968**	**3,311**
thereof pension provision	**1,475**	2,693	**1,259**	345	**238**	276	**2,972**	3,314
thereof pension assets (–)	**–**	–	**–**	–	**–4**	–3	**–4**	–3

Pension provisions relating to pension plans in other countries amounted to euro 238 million (2008: euro 276 million). This includes euro 168 million (2008: euro 145 million) relating to externally funded plans.

The change in the defined benefit obligations was attributable mainly to changes in the discount rates used in the actuarial computation. Changes in exchange rates, in particular the gain in value of the British pound, had a significant impact on the present value of pension obligations and fund assets.

The **changes in the pension provision** and the pension asset (reimbursement claims or right to reduce future contributions to the funds) as disclosed in the balance sheet can be derived as follows:

	Germany		United Kingdom		Other		Total	
in euro million	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Balance sheet amounts at 1 January	**2,693**	3,849	**345**	647	**273**	127	**3,311**	4,623
Deconsolidation effects	**–**	–4	**–**	4	**–**	–	**–**	–
Expense from pension obligations	**237**	293	**77**	76	**43**	30	**357**	399
Pension payments or transfers to external funds	**–1,746**	–1,471	**–99**	–98	**–58**	–14	**–1,903**	–1,583
Actuarial gains (–) and losses (+) on defined benefit obligations	**522**	–271	**946**	–647	**–4**	–1	**1,464**	–919
Actuarial gains (–) and losses (+) on plan assets	**–234**	278	**–40**	486	**–15**	104	**–289**	868
Employee contributions	**2**	20	**–**	–	**–**	–	**2**	20
Translation differences and other changes	**1**	–1	**30**	–123	**–5**	27	**26**	–97
Balance sheet amounts at 31 December	**1,475**	**2,693**	**1,259**	**345**	**234**	**273**	**2,968**	**3,311**
thereof pension provision	**1,475**	2,693	**1,259**	345	**238**	276	**2,972**	3,314
thereof pension assets (–)	**–**	–	**–**	–	**–4**	–3	**–4**	–3

The defined benefit plans of the BMW Group give rise to an **expense from pension obligations** in the financial year 2009 of euro 357 million (2008: euro 399 million), comprising the following components:

	Germany		United Kingdom		Other		Total	
in euro million	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Current service cost	**103**	117	**52**	59	**33**	31	**188**	207
Expense from reversing the discounting of pension obligations	**228**	209	**275**	316	**29**	25	**532**	550
Past service cost	**–**	–1	**7**	4	**–**	–1	**7**	2
Expected return on plan assets (–)	**–94**	–32	**–257**	–303	**–19**	–25	**–370**	–360
Expense from pension obligations	**237**	**293**	**77**	**76**	**43**	**30**	**357**	**399**

The expense from reversing the discounting of pension obligations and the income from the expected return on plan assets are reported as part of the financial result. All other components of pension expense are included in the relevant income statement under costs by function.

Depending on the risk structure of the pension obligations involved, pension plan assets are invested in various investment classes, the most predominant one being bonds. Other equity instruments, property and alternative investments are also considered. The expected rate of return is derived on the basis of the specific investment strategy applied to each individual pension fund. This is determined on the basis of the rates of return from the individual investment classes taking account of costs and unplanned risks.

This approach resulted in the following expected rates of return on plan assets (disclosed on the basis of weighted averages).

	Germany		United Kingdom		Other	
in %	**2009**	2008	**2009**	2008	**2009**	2008
Expected rate of return on plan assets	**6.12**	5.43	**6.03**	5.93	**6.55**	6.99

Compared to the expected return of euro 370 million (2008: euro 360 million), fund assets actually increased in the financial year 2009 by euro 659 million (2008: decrease in fund assets of euro 508 million). This gave rise to actuarial gains on fund assets of euro 289 million (2008: actuarial losses of euro 868 million). The actuarial gains on fund assets compare with actuarial losses of euro 1,464 million (2008: actuarial gains of euro 919 million) on benefit obligations. These actuarial losses were attributable primarily to lower discount rates and higher inflation rate expectations in Germany and the United Kingdom.

The level of the pension obligations differs depending on the pension system applicable in each country. Since the state pension system in the United Kingdom only provides a basic fixed amount benefit, retirement benefits are largely organised in the form of company pensions and arrangements financed by the individual. The pension benefits in the United Kingdom therefore contain contributions made by the employee.

The net obligation from pension plans in Germany, the United Kingdom and other countries changed as follows:

Germany

	Defined benefit obligation		Plan assets		Net obligation	
in euro million	**2009**	2008	**2009**	2008	**2009**	2008
1 January	**3,848**	3,849	**–1,155**	–	**2,693**	3,849
Deconsolidation effects	**–**	–4	**–**	–	**–**	–4
Expense from pension obligations and expected return on plan assets	**331**	325	**–94**	–32	**237**	293
Payments to external funds	**–**	–	**–1,642**	–1,375	**–1,642**	–1,375
Employee contributions (deferred remuneration retirement scheme)	**27**	49	**–25**	–29	**2**	20
Payments on account and pension payments	**–111**	–99	**7**	3	**–104**	–96
Actuarial gains (–) and losses (+)	**522**	–271	**–234**	278	**288**	7
Translation differences and other changes	**2**	–1	**–1**	–	**1**	–1
31 December	**4,619**	**3,848**	**–3,144**	**–1,155**	**1,475**	**2,693**

United Kingdom

	Defined benefit obligation		Plan assets		Net obligation	
in euro million	**2009**	2008	**2009**	2008	**2009**	2008
1 January	**4,403**	6,327	**–4,059**	–5,686	**344**	641
Deconsolidation effects	**–**	–24	**–**	28	**–**	4
Expense from pension obligations and expected return on plan assets	**334**	379	**–257**	–303	**77**	76
Payments to external funds	**–**	–	**–99**	–98	**–99**	–98
Employee contributions	**1**	13	**–1**	–13	**–**	–
Payments on account and pension payments	**–264**	–285	**264**	285	**–**	–
Actuarial gains (–) and losses (+)	**946**	–647	**–40**	486	**906**	–161
Translation differences and other changes	**323**	–1,360	**–295**	1,242	**28**	–118
31 December	**5,743**	**4,403**	**–4,487**	**–4,059**	**1,256**	**344**

Other

in euro million	Defined benefit obligation 2009	2008	Plan assets 2009	2008	Net obligation 2009	2008
1 January	**537**	455	**–277**	–343	**260**	112
Effects of first-time consolidation	**–**	1	**–**	–	**–**	1
Deconsolidation effects	**–**	–1	**–**	–	**–**	–1
Expense from pension obligations and expected return on plan assets	**62**	55	**–19**	–25	**43**	30
Payments to external funds	**–**	–	**–54**	–8	**–54**	–8
Employee contributions	**2**	1	**–2**	–1	**–**	–
Payments on account and pension payments	**–19**	–17	**15**	11	**–4**	–6
Actuarial gains (–) and losses (+)	**–4**	–1	**–15**	104	**–19**	103
Translation differences and other changes	**–9**	44	**6**	–15	**–3**	29
31 December	**569**	**537**	**–346**	**–277**	**223**	**260**

Plan assets in Germany, the United Kingdom and other countries comprised the following:

Components of plan assets

in euro million	Germany 2009	2008	United Kingdom 2009	2008	Other countries 2009	2008	Total 2009	2008
Equity instruments	**1,020**	379	**823**	642	**165**	151	**2,008**	1,172
Debt securities	**1,835**	641	**2,951**	2,620	**142**	101	**4,928**	3,362
Real estate	**–**	–	**315**	278	**20**	7	**335**	285
Other	**289**	135	**398**	519	**19**	18	**706**	672
31 December	**3,144**	**1,155**	**4,487**	**4,059**	**346**	**277**	**7,977**	**5,491**

A substantial portion of plan assets is invested in debt securities in order to minimise the effect of capital market fluctuations. Other investment classes, such as stocks and shares, serve to generate higher rates of return. This is necessary to cover risks (such as changes in morbidity tables) not taken into account in the actuarial assumptions applied.

The present value of the defined benefit obligations and the fair values of fund assets – as well as the actuarial adjustments made for those two items – have developed as follows over the last five years:

in euro million	2009	2008	2007	2006	2005
Defined benefit obligation	**10,931**	8,788	10,631	11,430	11,237
Fair value of plan assets	**7,977**	5,491	6,029	6,432	6,017
Net obligation	**2,954**	3,297	4,602	4,998	5,220
Actuarial gains (–) and losses (+) on defined benefit obligations	**1,464**	–919	–557	–400	1,131
Actuarial gains (–) and losses (+) on plan assets	**–289**	868	44	–117	–424

Experience adjustments for pension plans are not disclosed since the amounts involved are immaterial. Actuarial gains on fund assets are primarily attributable to experience adjustments.

33 — Other provisions

Other provisions comprise the following items:

in euro million	31.12.2009 Total	31.12.2009 thereof due within one year	31.12.2008 Total	31.12.2008 thereof due within one year
Obligations for personnel and social expenses	**960**	**445**	1,241	603
Obligations for ongoing operational expenses	**2,816**	**1,031**	2,790	1,081
Other obligations	**988**	**582**	851	441
Other provisions	**4,764**	**2,058**	**4,882**	**2,125**

Provisions for obligations for personnel and social expenses comprise mainly performance-related remuneration components, pre-retirement part-time working arrangements and employee long-service awards.

Provisions for obligations for on-going operational expenses comprise primarily warranty obligations.

Provisions for other obligations cover numerous specific risks and obligations of uncertain amount.

Other provisions changed during the year as follows:

in euro million	1.1.2009[1]	Translation differences	Additions	Reversal of discounting	Utilised[2]	Reversed	31.12.2009
Obligations for personnel and social expenses	1,243	3	590	5	–586	–295	**960**
Obligations for ongoing operational expenses	2,792	21	1,151	102	–1,091	–159	**2,816**
Other obligations	867	20	480	8	–248	–139	**988**
Other provisions	**4,902**	**44**	**2,221**	**115**	**–1,925**	**–593**	**4,764**

[1] including entities consolidated for the first time during the financial year
[2] including entities deconsolidated during the financial year

Of the amount shown as reversed, euro 509 million (2008: euro 263 million) are included in costs by function in the income statement.

34 — Income tax liabilities

31 December 2009 in euro million	Maturity within one year	Maturity later than one year	**Total**
Deferred tax	–	2,769	**2,769**
Current tax	595	241	**836**
Income tax liabilities	**595**	**3,010**	**3,605**

31 December 2008 in euro million	Maturity within one year	Maturity later than one year	**Total**
Deferred tax	–	2,757	**2,757**
Current tax	265	368	**633**
Income tax liabilities	**265**	**3,125**	**3,390**

Current tax liabilities of euro 836 million (2008: euro 633 million) comprise euro 197 million (2008: euro 97 million) for taxes payable and euro 639 million (2008: euro 536 million) for tax provisions. In 2009, tax provisions of euro 60 million were reversed (2008: euro 141 million).

35 — Financial liabilities

Financial liabilities include all liabilities of the BMW Group at the relevant balance sheet dates relating to financing activities. Financial liabilities comprise the following:

31 December 2009 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	4,483	18,320	4,214	**27,017**
Liabilities to banks	6,534	1,840	800	**9,174**
Liabilities from customer deposits (banking)	7,212	2,700	21	**9,933**
Commercial paper	5,213	–	–	**5,213**
Asset backed financing transactions	2,086	5,726	–	**7,812**
Derivative instruments	549	532	12	**1,093**
Other	857	145	81	**1,083**
Financial liabilities	**26,934**	**29,263**	**5,128**	**61,325**

31 December 2008 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	6,685	11,787	5,687	**24,159**
Liabilities to banks	6,365	3,879	900	**11,144**
Liabilities from customer deposits (banking)	6,402	1,785	22	**8,209**
Commercial paper	5,471	–	–	**5,471**
Asset backed financing transactions	3,439	5,263	–	**8,702**
Derivative instruments	762	796	63	**1,621**
Other	763	207	108	**1,078**
Financial liabilities	**29,887**	**23,717**	**6,780**	**60,384**

Bonds comprise:

Issuer	Interest	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
BMW Finance N.V., The Hague	variable	JPY 10,000 million	2.0	0.8
	variable	SKK 768 million	3.0	3.0
	variable	EUR 1,733 million	3.8	2.0
	variable	USD 50 million	3.0	0.7
	fixed	AUD 250 million	4.0	7.3
	fixed	EUR 12,666 million	5.3	5.0
	fixed	USD 1,250 million	4.5	4.9
	fixed	GBP 300 million	7.0	5.3
	fixed	SEK 1,000 million	2.0	5.0
	fixed	NOK 450 million	4.0	5.8
	fixed	RON 44 million	3.0	11.4
BMW (UK) Capital plc, Bracknell	variable	JPY 47,100 million	3.8	0.3
	variable	CZK 1,080 million	3.0	1.5
	variable	SEK 500 million	1.0	0.5
	fixed	GBP 500 million	6.0	5.6
	fixed	JPY 27,000 million	4.7	2.5
BMW US Capital, LLC, Wilmington, Del.	variable	USD 278 million	3.9	0.3
	variable	EUR 100 million	3.0	0.7
	variable	CAD 100 million	3.0	0.4
	variable	MXN 405 million	5.0	4.9
	fixed	EUR 5,000 million	6.0	4.9
	fixed	USD 1,476 million	6.8	5.2
	fixed	MXN 1,725 million	4.4	7.8
	fixed	CHF 1,150 million	4.4	2.9
Rolls-Royce Motor Cars Limited, Bracknell	variable	GBP 46 million	7.0	0.8
Other	variable	JPY 19,600 million	2.8	0.4
	variable	EUR 480 million	1.7	0.7
	variable	NOK 200 million	1.0	2.1
	variable	SEK 1,451 million	1.2	0.5
	variable	USD 200 million	3.0	1.8
	fixed	JPY 76,000 million	15.0	2.5
	fixed	CHF 250 million	5.0	3.0
	fixed	EUR 80 million	1.5	2.1

The following details apply to the commercial paper:

Issuer	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in days)	Weighted average nominal interest rate (in %)
BMW AG, Munich	EUR 1,717 million	46.3	0.7
BMW Finance N.V., The Hague	EUR 1,924 million	62.0	0.7
BMW Malta Finance Ltd., St. Julians	EUR 385 million	47.9	0.7
BMW (UK) Capital plc, Bracknell	EUR 100 million	11.0	1.7
BMW US Capital, LLC, Wilmington, Del.	EUR 1,551 million	14.5	0.4

36 — **Other liabilities**

Other liabilities comprise the following items:

31 December 2009 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Other taxes	473	22	–	**495**
Social security	44	18	7	**69**
Advance payments from customers	395	22	–	**417**
Deposits received	124	78	–	**202**
Payables to subsidiaries	34	1	–	**35**
Payables to other companies in which an investment is held	11	–	–	**11**
Deferred income	1,109	1,795	230	**3,134**
Other	1,779	101	7	**1,887**
Other liabilities	**3,969**	**2,037**	**244**	**6,250**

31 December 2008 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Other taxes	335	–	–	**335**
Social security	30	8	6	**44**
Advance payments from customers	327	19	–	**346**
Deposits received	88	177	–	**265**
Payables to subsidiaries	44	1	–	**45**
Payables to other companies in which an investment is held	28	–	–	**28**
Deferred income	1,262	1,675	244	**3,181**
Other	1,966	29	42	**2,037**
Other liabilities	**4,080**	**1,909**	**292**	**6,281**

Deferred income comprises the following items:

in euro million	31.12.2009 Total	31.12.2009 thereof due within one year	31.12.2008 Total	31.12.2008 thereof due within one year
Deferred income from lease financing	**1,082**	**658**	1,068	654
Deferred income relating to service contracts	**1,602**	**345**	1,615	485
Grants	**276**	**46**	303	56
Other deferred income	**174**	**60**	195	67
Deferred income	**3,134**	**1,109**	**3,181**	**1,262**

Deferred income relating to service contracts relates to service and repair work to be provided under commitments given at the time of the sale of a vehicle (multi-component arrangements). Grants comprise primarily public funds to promote regional structures; this has been invested in the construction of the production plant in Leipzig. In accordance with IAS 20, they are recognised as income over the useful lives of the assets to which they relate. Other deferred income includes primarily the effects of the initial measurement of financial instruments.

37 — Trade payables

31 December 2009 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Trade payables	3,106	16	–	**3,122**

31 December 2008 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Trade payables	2,525	37	–	**2,562**

The total amount of financial liabilities, other liabilities and trade payables with a maturity later than five years amounts to euro 5,372 million (2008: euro 7,072 million).

38 — Contingent liabilities and other financial commitments

Contingent liabilities

No provisions were recognised for the following contingent liabilities (stated at their nominal amount) since an outflow of resources is not considered to be probable:

in euro million	31.12.2009	31.12.2008
Guarantees	**158**	83
Performance guarantees	**10**	8
Other	**64**	60
Contingent liabilities	**232**	**151**

Contingent liabilities relate primarily to non-group entities. Guarantees include an amount of euro 8 million (2008: euro 5 million) in respect of non-consolidated subsidiaries.

Several liability applies in the case of investments in general partnerships.

The usual commercial guarantees have been given in relation to the sale of Rover Cars and Land Rover activities.

Other financial obligations

In addition to liabilities, provisions and contingent liabilities, the BMW Group also has other financial commitments, primarily under lease contracts for buildings, plant and machinery, tools, office and other facilities. The leases run for periods of one to 93 years and in some cases contain extension and / or purchase options. In 2009 an amount of euro 199 million (2008: euro 230 million) was recognised as expense in conjunction with other financial commitments.

The total of future minimum lease payments under non-cancellable leases can be analysed by maturity as follows:

in euro million	31.12.2009	31.12.2008
Nominal total of future minimum lease payments		
due within one year	**208**	222
due between one and five years	**598**	619
due later than five years	**697**	695
Other financial obligations	**1,503**	**1,536**

The above amounts include euro 1 million (2008: euro 7 million) in respect of non-consolidated subsidiaries and euro 1 million (2008: euro 1 million) for back-to-back operating leases.

Purchase commitments for property, plant and equipment amount to euro 1,697 million (2008: euro 1,891 million). Sundry other financial commitments amount to euro 140 million (2008: euro 158 million).

39 — Financial instruments

The carrying amounts and fair values of financial instruments are analysed below to IAS 39 categories, cash funds, cash flow hedges and fair value hedges:

31 December 2009 in euro million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets						
Other investments	–	–	–	–	–	–
Receivables from sales financing	–	–	41,177	40,594	–	–
Financial assets						
Derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	–	–	–	–
Loans to third parties	–	–	23	23	–	–
Credit card receivables	–	–	266	266	–	–
Other financial assets	–	–	364	364	–	–
Cash and cash equivalents	7,767	7,767	–	–	–	–
Trade receivables	–	–	1,857	1,857	–	–
Other assets						
Receivables from subsidiaries	–	–	485	485	–	–
Receivables from companies in which an investment is held	–	–	171	171	–	–
Collateral receivables	507	507	–	–	–	–
Other	–	–	325	325	–	–
Liabilities						
Financial liabilities						
Bonds	–	–	–	–	–	–
Liabilities to banks	–	–	–	–	–	–
Liabilities from customer deposits (banking)	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Asset backed financing transactions	–	–	–	–	–	–
Derivative instruments	–	–	–	–	–	–
Other financial liabilities	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Other liabilities						
Payables to subsidiaries	–	–	–	–	–	–
Payables to other companies in which an investment is held	–	–	–	–	–	–
Other	–	–	–	–	–	–

* Carrying amount corresponds to fair value.

	Other liabilities		Available-for-sale	Fair value option	Held for trading	Cash flow hedges	Fair value hedges
	Fair value	Carrying amount	Carrying amount*	Carrying amount*	Carrying amount*	Carrying amount*	Carrying amount*
Assets							
Other investments	–	–	232	–	–	–	–
Receivables from sales financing	–	–	–	–	–	–	–
Financial assets							
Derivative instruments	–	–	–	–	734	619	1,080
Marketable securities and investment funds	–	–	1,648	–	–	–	–
Loans to third parties	–	–	–	–	–	–	–
Credit card receivables	–	–	–	–	–	–	–
Other financial assets	–	–	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	–	–	–
Trade receivables	–	–	–	–	–	–	–
Other assets							
Receivables from subsidiaries	–	–	–	–	–	–	–
Receivables from companies in which an investment is held	–	–	–	–	–	–	–
Collateral receivables	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
Liabilities							
Financial liabilities							
Bonds	27,246	27,017	–	–	–	–	–
Liabilities to banks	9,165	9,174	–	–	–	–	–
Liabilities from customer deposits (banking)	9,946	9,933	–	–	–	–	–
Commercial paper	5,214	5,213	–	–	–	–	–
Asset backed financing transactions	7,803	7,812	–	–	–	–	–
Derivative instruments	–	–	–	–	490	321	282
Other financial liabilities	1,082	1,083	–	–	–	–	–
Trade payables	3,122	3,122	–	–	–	–	–
Other liabilities							
Payables to subsidiaries	35	35	–	–	–	–	–
Payables to other companies in which an investment is held	11	11	–	–	–	–	–
Other	2,081	2,081	–	–	–	–	–

31 December 2008 in euro million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets						
Other investments	–	–	–	–	–	–
Receivables from sales financing	–	–	37,839	38,063	–	–
Financial assets						
Derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	–	–	–	–
Loans to third parties	–	–	13	13	–	–
Credit card receivables	–	–	253	253	–	–
Other financial assets	–	–	711	711	–	–
Cash and cash equivalents	7,454	7,454	–	–	–	–
Trade receivables	–	–	2,305	2,305	–	–
Other assets						
Receivables from subsidiaries	–	–	425	425	–	–
Receivables from companies in which an investment is held	–	–	103	103	–	–
Collateral receivables	291	291	–	–	–	–
Other	–	–	186	186	–	–
Liabilities						
Financial liabilities						
Bonds	–	–	–	–	–	–
Liabilities to banks	–	–	–	–	–	–
Liabilities from customer deposits (banking)	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Asset backed financing transactions	–	–	–	–	–	–
Derivative instruments	–	–	–	–	–	–
Other financial liabilities	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Other liabilities						
Payables to subsidiaries	–	–	–	–	–	–
Payables to other companies in which an investment is held	–	–	–	–	–	–
Other	–	–	–	–	–	–

* Carrying amount corresponds to fair value.

Other liabilities		Available-for-sale	Fair value option	Held for trading	Cash flow hedges	Fair value hedges	
Fair value	Carrying amount	Carrying amount*	Carrying amount*	Carrying amount*	Carrying amount*	Carrying amount*	
							Assets
–	–	322	–	–	–	–	Other investments
–	–	–	–	–	–	–	Receivables from sales financing
							Financial assets
–	–	–	–	836	817	1,796	Derivative instruments
–	–	653	–	–	–	–	Marketable securities and investment funds
–	–	–	–	–	–	–	Loans to third parties
–	–	–	–	–	–	–	Credit card receivables
–	–	–	–	–	–	–	Other financial assets
–	–	–	–	–	–	–	Cash and cash equivalents
–	–	–	–	–	–	–	Trade receivables
							Other assets
–	–	–	–	–	–	–	Receivables from subsidiaries
–	–	–	–	–	–	–	Receivables from companies in which an investment is held
–	–	–	–	–	–	–	Collateral receivables
–	–	–	–	–	–	–	Other
							Liabilities
							Financial liabilities
24,280	24,159	–	–	–	–	–	Bonds
11,120	11,144	–	–	–	–	–	Liabilities to banks
8,263	8,209	–	–	–	–	–	Liabilities from customer deposits (banking)
5,473	5,471	–	–	–	–	–	Commercial paper
8,615	8,702	–	–	–	–	–	Asset backed financing transactions
–	–	–	–	610	637	374	Derivative instruments
1,097	1,078	–	–	–	–	–	Other financial liabilities
2,562	2,562	–	–	–	–	–	Trade payables
							Other liabilities
45	45	–	–	–	–	–	Payables to subsidiaries
28	28	–	–	–	–	–	Payables to other companies in which an investment is held
1,931	1,931	–	–	–	–	–	Other

Fair value measurement of financial instruments

The fair values shown are computed using market information available at the end of the reporting period on the basis of prices quoted by the counterparties or using appropriate measurement methods, e. g. discounted cash flow models. In the latter case, amounts were discounted at 31 December 2009 on the basis of the following interest rates:

ISO-Code in %	EUR	USD	GBP	JPY
Interest rate for six months	0.5	0.3	0.6	0.5
Interest rate for one year	0.9	0.6	0.9	0.7
Interest rate for five years	2.9	3.1	3.5	0.7
Interest rate for ten years	3.7	4.2	4.3	1.5

Interest rates taken from interest rate structure 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 on the basis of those models could differ from realisable market prices on disposal. Market price spreads (for liquidity and credit risks for instance) remain wide as a result of the financial market crisis, therefore also affecting the measurement of derivatives.

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) or
3. using input factors not based on observable market data (level 3).

The following table shows the mounts allocated to each measurement level at 31 December 2009:

in euro million	Level hierarchy in accordance with IFRS 7		
	Level 1	Level 2	Level 3
Marketable securities and investment fund shares – available-for-sale	543	1,105	–
Derivatives (assets) – held for trading	–	734	–
Derivatives (liabilities) – held for trading	1	489	–

Other investments (available-for-sale) amounting to euro 232 million are measured at amortised cost since quoted market prices are not available or cannot be determined reliably. These are therefore not included in the level hierarchy shown above.

There were no significant reclassifications within the level hierarchy during the financial year 2009.

Gains and losses on financial instruments

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

in euro million	2009	2008
Held for trading		
Gains / losses from the use of derivative instruments	**338**	–208
Available-for-sale		
Gains and losses on sale and fair value measurement of marketable securities held for sale (including investments in subsidiaries and participations measured at cost)	**–23**	–195
Income from investments	**4**	4
Accumulated other equity		
Balance at 1 January	**17**	35
Total change during the year	**3**	–18
of which recognised in the income statement during the period under report	**–7**	20
Balance at 31 December	**20**	17
Loans and receivables		
Impairment losses / reversals of impairment losses	**–801**	–610
Other income / expenses	**–49**	–41
Other liabilities		
Income / expenses	**–113**	–109

Gains/losses from the use of derivatives relate primarily to fair value gains or losses arising on stand-alone derivatives.

Write-downs of euro 3 million (2008: euro 123 million) on available-for-sale securities, for which fair value changes were previously recognised directly in equity, were recognised as expenses in 2009. There were no reversals of write-downs on current marketable securities recognised directly in equity (2008: euro 5 million).

The disclosure of interest income resulting from the unwinding of interest on future expected receipts would normally only be relevant for the BMW Group where assets have been discounted as part of the process of determining impairment losses. However, as a result of the assumption that most of the income that is subsequently recovered is received within one year and the fact that the impact is not material, the BMW Group does not discount assets for the purposes of determining impairment losses.

Cash flow hedges

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

in euro million	2009	2008
Balance at 1 January	**45**	438
Total changes during the year	**164**	–393
of which recognised in the income statement during the period under report	**–63**	–627
Balance at 31 December	**209**	**45**

During the period under report, an expense of euro 44 million (2008: income of euro 32 million) was recognised in the income statement to reflect forecast errors and the resulting over-hedging.

At 31 December 2009 the BMW Group held derivative instruments with terms of up to 46 months (2008: 48 months) to hedge currency risks attached to future transactions. It is expected that euro 187 million of net gains, recognised in equity at the end of the reporting period, will be recognised in the income statement in 2010.

At 31 December 2009 the BMW Group held derivative instruments with terms of up to 84 months (2008: 96 months) to hedge interest-rate risks attached to future transactions. It is expected that euro 45 million of net losses, recognised in equity at the end of the reporting period, will be recognised in the income statement in 2010.

Cash flow hedges are generally used to hedge cash flows arising in conjunction with the supply of vehicles to subsidiaries.

Fair value hedges

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

in euro million	**31.12.2009**	31.12.2008
Gains/losses on hedging instruments designated as part of a fair value hedge relationship	**–398**	386
Gains/loss from hedged items	**446**	–405
	48	**–19**

The difference between the gains/losses on hedging instruments and the result recognised on hedged items represents the ineffective portion of fair value hedges.

Fair value hedges are mainly used to hedge the market prices of bonds and other financial liabilities.

Credit risk

Notwithstanding the existence of collateral accepted, the carrying amounts of financial assets generally take account of the maximum credit risk arising from the possibility that the counterparties will not be able to fulfil their contractual obligations. The maximum credit risk for irrevocable credit commitments relating to credit card business amounts to euro 1,513 million (2008: euro 1,570 million). The equivalent figure for dealer financing is euro 12,634 million (2008: euro 12,490 million).

In the case of performance relationships underlying non-derivative financial instruments, collateral will be required, information on the credit-standing of the counterparty obtained or historical data based on the existing business relationship (i.e. payment patterns to date) reviewed in order to minimise the credit risk, all depending on the nature and amount of the exposure that the BMW Group is proposing to enter into.

Within the financial services business, the financed items (e.g. vehicles, equipment and property) in the retail customer and dealer lines of business serve as first-ranking collateral with a recoverable value. Security is also put up by customers in the form of collateral asset pledges, asset assignment and first-ranking mortgages, supplemented where appropriate by warranties and guarantees. If an item previously accepted as collateral is acquired, it undergoes a multi-stage process of repossession and disposal in accordance with the legal situation prevailing in each relevant market. The assets involved are generally vehicles which can be converted into cash at any time via the dealer organisation.

Impairment losses are recorded as soon as credit risks are identified on individual financial assets, using a methodology specifically designed by the BMW Group. More detailed information regarding this methodology is provided in the section on accounting policies.

The use of comprehensive rating and scoring techniques and credit monitoring procedures ensures the recoverability of the value of receivables from sales financing which are neither overdue nor impaired.

The credit risk relating to derivative financial instruments is minimised by the fact that the Group only enters into such contracts with parties of first-class credit standing. The general credit risk on derivative financial instruments utilised by the BMW Group is therefore not considered to be significant.

A concentration of credit risk with particular borrowers or groups of borrowers has not been identified. In the context of the current climate for financing, it must be reckoned with that assessments of individual contractual partners' creditworthiness may need to be amended.

Further disclosures relating to credit risk, in particular impairment losses recognised, are provided in the notes to the relevant category of receivables on pages 102 et seq. and 106.

Liquidity risk

The following table shows the maturity structure of contractual cash flows (undiscounted and expected) for financial liabilities:

31 December 2009 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	–5,694	–22,951	–4,488	**–33,133**
Liabilities to banks	–6,882	–2,075	–841	**–9,798**
Liabilities from customer deposits (banking)	–7,834	–2,759	–24	**–10,617**
Commercial paper	–5,251	–	–	**–5,251**
Asset backed financing transactions	–2,246	–6,278	–	**–8,524**
Derivative instruments	–86	264	–176	**2**
Trade payables	–3,106	–16	–	**–3,122**
Other financial liabilities	–859	–162	–118	**–1,139**
	–31,958	**–33,977**	**–5,647**	**–71,582**

31 December 2008 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	–7,755	–13,690	–5,900	**–27,345**
Liabilities to banks	–6,434	–4,236	–945	**–11,615**
Liabilities from customer deposits (banking)	–6,639	–1,866	–26	**–8,531**
Commercial paper	–5,504	–	–	**–5,504**
Asset backed financing transactions	–3,670	–5,405	–	**–9,075**
Derivative instruments	349	383	–106	**626**
Trade payables	–2,525	–37	–	**–2,562**
Other financial liabilities	–766	–218	–145	**–1,129**
	–32,944	**–25,069**	**–7,122**	**–65,135**

The cash flows shown comprise principal repayments and the related interest. The amounts disclosed for derivative instruments include all cash flows relating to derivatives that have a negative fair value at the balance sheet date as well as all cash flows relating to derivatives that have a positive fair value at the balance sheet date but which are part of a hedging relationship with a financial liability.

Solvency is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling cash flow forecast. The resulting funding requirements are secured by a variety of instruments placed on the world's financial markets. The objective is to minimise risk by matching maturities for the Group's financing requirements within the framework of the target debt ratio. Despite rating downgrades in 2009 due to the financial market and economic crisis and the resulting adverse impact on the automotive sector, the long-term ratings published by Standard & Poor's (S & P) and Moody's of A– and A3 respectively ensure that sufficient refinancing funds can still be raised at competitive conditions.

Short-term liquidity is managed primarily by issuing money market instruments (commercial paper). Competitive conditions could also be achieved in this area despite the fact that S & P and Moody's downgraded their short-term ratings to A-2 and P-2 respectively.

Also reducing liquidity risk, additional secured and unsecured lines of credit are in place with first-class international banks. Intragroup cash flow fluctuations are evened out by the use of daily cash pooling arrangements.

Market risks

The principal market risks to which the BMW Group is exposed are currency risk and interest rate risk.

Protection against such risks is provided in the first instance though natural hedging which arises when the values of non-derivative financial instruments have matching maturities and amounts (netting). Derivative financial instruments are used to reduce the risk remaining after netting. Financial instruments are only used to hedge underlying positions or forecast transactions.

The scope of permitted transactions, responsibilities, financial reporting procedures and control mechanisms used for financial instruments are set out in internal guidelines. This includes, above all, a clear separation of duties between trading and processing. Currency and interest rate risks are managed at a corporate level.

Further disclosures relating to risk management are provided in the Group Management Report.

Currency risk

As an enterprise with worldwide operations, business is conducted in a variety of currencies, from which currency risks arise. Since a significant portion of Group revenues are generated outside the euro currency region and the procurement of production material and funding is also organised on a worldwide basis, the currency risk is an extremely important factor for Group earnings.

At 31 December 2009, derivative financial instruments were in place to hedge exchange rate risks, in particular for the currencies US dollar, British pound, Japanese yen and Chinese renminbi. The hedging contracts comprise mainly option and forward currency contracts.

A description of how these risks are managed is provided in the Group Management Report on page 64 et seq. The BMW Group measures currency risks using a cash-flow-at-risk model.

The starting point for analysing currency risk with this model is the identification of forecast foreign currency transactions or “exposures”. At the end of the reporting period, the principal exposures for the coming year were as follows:

in euro million	**31.12.2009**	31.12.2008
Euro/US Dollar	**3,696**	3,631
Euro/Chinese Renminbi	**3,119**	1,712
Euro/British Pound	**2,446**	2,291
Euro/Japanese Yen	**902**	835

In the next stage, these exposures are compared to all hedges that are in place. The net cash flow surplus represents an uncovered risk position. The cash-flow-at-risk approach involves allocating the impact of potential exchange rate fluctuations to operating cash flows on the basis of probability distributions. Volatilities and correlations serve as input factors to assess those relevant probability distributions.

The potential negative impact on earnings for the current period is computed on the basis of current market prices and exposures to a confidence level of 95% for each currency. Aggregation of these results creates a risk reduction effect due to correlations between the various portfolios.

The following table shows the potential negative impact for the BMW Group – measured on the basis of the cash-flow-at-risk approach – attributable at the balance sheet date to unfavourable changes in exchange rates for the principal currencies.

in euro million	**31.12.2009**	31.12.2008
Euro/US Dollar	**174**	39
Euro/Chinese Renminbi	**201**	29
Euro/British Pound	**188**	56
Euro/Japanese Yen	**17**	54

The BMW Group's currency risk relates primarily to the currencies shown.

Interest rate risk

The BMW Group's financial management system involves the use of standard financial instruments such as short-term deposits, investments in variable and fixed-income securities as well as securities funds. The BMW Group is therefore exposed to risks resulting from changes in interest rates.

These risks arise when funds with differing fixed-rate periods or differing terms are borrowed and invested. All items subject to, or bearing, interest are exposed to interest rate risk. Interest rate risks can affect either side of the balance sheet.

The fair values of the Group's interest rate portfolios for the three principal currencies were as follows at the end of the reporting period:

in euro million	**31.12.2009**	31.12.2008
Euro	**5,514**	6,241
US Dollar	**6,628**	5,646
British Pound	**2,031**	1,860

Interest rate risks can be managed by the use of interest rate derivatives. The interest rate contracts used for hedging purposes comprise mainly swaps which are accounted for on the basis of whether they are designated as a fair value hedge or as a cash flow hedge. A description of how interest rate risk is managed is provided in the Group Management Report on page 65.

As stated there, the BMW Group applies a value-at-risk approach for internal reporting purposes and to manage interest rate risks. This is based on a state-of-the-art historical simulation, in which the potential future fair value losses of the interest rate portfolios are compared across the Group with expected amounts measured on the basis of a holding period of three months and a confidence level of 99 %. Aggregation of these results creates a risk reduction effect due to correlations between the various portfolios.

In the following table the potential volume of fair value fluctuations – measured on the basis of the value-at-risk approach – are compared with the expected value for the interest rate relevant positions of the BMW Group for the three principal currencies:

in euro million	**31.12.2009**	31.12.2008
Euro	**47**	52
US Dollar	**139**	119
British Pound	**10**	7

Other risks

The BMW Group is exposed to raw material price risks. A description of how these risks are managed is provided in the Group Management Report on page 65 et seq. In order to reduce these risks, derivative financial instruments are used that serve to hedge purchase price fluctuations agreed with suppliers with respect to the raw material content of purchases. Changes in the fair values of these derivatives, which generally track the quoted market prices of the raw material being hedged, gives rise to market price risks for the Group.

If the market prices of hedged raw materials had been 10 % higher (lower) at 31 December 2009, the Group profit before tax would have been euro 110 million higher (euro 110 million lower).

A further exposure relates to the residual value risk on vehicles returned to the Group at the end of finance lease contracts. The risks from financial instruments used in this context were not material to the Group in the past and at the end of the reporting period. A description of how these risks are managed is provided in the Group Management Report on pags 64 et seq. Information regarding the residual value risk from operating leases is provided in the section on accounting policies.

40 — Explanatory notes to the cash flow statements

The cash flow statements show how the cash and cash equivalents of the BMW Group and of the Automobiles and Financial Services segments have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7 (Cash Flow Statements), cash flows are classified into cash flows from operating, investing and financing activities. The cash flow statements of the BMW Group are presented on page 78 et seq.

Cash and cash equivalents included in the cash flow statement comprise cash in hand, cheques, and cash at bank, to the extent that they are available within three months and are subject to an insignificant risk of changes in value. The positive impact of changes in cash and cash equivalents due to the effect of exchange rate fluctuations in 2009 was euro 40 million (2008: negative impact of euro 44 million).

The cash flows from investing and financing activities are based on actual payments and receipts. By contrast, the cash flow from operating activities is derived indirectly from the net profit / loss for the year. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects and changes in the composition of the Group. The changes in balance sheet positions shown in the cash flow statement do not therefore agree directly with the amounts shown in the Group and segment balance sheets.

If the BMW Group acts as the lessor in a finance lease, the relevant cash flows are reported in the cash flow statements as part of the cash flow from investing activities. If the BMW Group acts as the lessee in a finance lease, the cash flows are reported as part of the cash flows from operating and investing activities.

If the BMW Group acts as the lessee in an operating lease, cash flows are reported as part of the cash flow from investing activities. In the final case, where the BMW Group acts as the lessee in an operating lease, cash flows are reported as part of the cash flow from operating activities.

The entities of the BMW Sauber Group, Hinwil, were sold to Peter Sauber AG, Pfäffikon, in 2009. The cash inflow in 2009 relating to the sales price amounted to euro 15 million and is presented in the Group and Automobiles segment cash flow statements as part of the cash inflow from investing activities in the line item "Proceeds from the disposal of investments".

Cash outflows for taxes on income and cash inflows for interest are classified as cash flows from operating activities in accordance with IAS 7.31 and IAS 7.35. Cash outflows for interest are presented on a separate line within cash flows from financing activities.

Cash flows from dividends received amounted to euro 4 million (2008: euro 4 million).

41 — Related party relationships

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities which have the ability to control the BMW Group or which are controlled by the BMW Group, must be disclosed unless such parties are not already included in the consolidated financial statements as consolidated companies. Control is defined as ownership of more than one half of the voting power of BMW AG or the power to direct, by statute or agreement, the financial and operating policies of the management of the Group.

In addition, the disclosure requirements of IAS 24 also cover transactions with participations, joint ventures and individuals that have the ability to exercise significant influence over the financial and operating policies of the BMW Group. This also includes close relatives and intermediaries. Significant influence over the financial and operating policies of the BMW Group can arise when a party holds 20 % or more of the shares of BMW AG or is a member of the Board of Management or Supervisory Board of BMW AG.

For the financial year 2009, the disclosure requirements contained in IAS 24 only affect the BMW Group with regard to business relationships with affiliated, non-consolidated entities, joint ventures and participations as well as with members of the Board of Management and Supervisory Board of BMW AG.

The BMW Group maintains normal business relationships with affiliated, non-consolidated entities. Transactions with these entities are small in scale, arise in the normal course of business and are conducted on the basis of arm's length principles.

Transactions of BMW Group companies with the joint venture, BMW Brilliance Automotive Ltd., Shenyang, all arise in the normal course of business and are conducted on the basis of arm's length principles. Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during 2009 for an amount of euro 532 million (2008: euro 406 million). At 31 December 2009, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, amounted to euro 170 million (2008: euro 102 million). As in the previous year, there were no payables from Group companies to BMW Brilliance Automotive Ltd., Shenyang, at the end of the reporting period.

BMW INTEC Beteiligungs GmbH, Munich, and SGL Technologies GmbH, Wiesbaden, founded SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, on 3 December 2009 and SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, on 10 December 2009 as joint ventures. There were no business transactions between BMW Group entities and the joint ventures in 2009.

Business transactions between BMW Group entities and participations all arise in the normal course of business and are conducted on the basis of arm's length principles. With the exception of Cirquent GmbH, Munich, business relationships with such entities are on a small scale. The BMW Group companies purchased services and goods from Cirquent GmbH, Munich, amounting to euro 52 million in 2009. At 31 December 2009, liabilities of Group companies to Cirquent GmbH, Munich, totalled euro 10 million (2008: euro 28 million). Receivables of Group companies from Cirquent GmbH, Munich, amounted to euro 1 million (as at the end of the previous year).

Stefan Quandt is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v. d. H., which, via its subsidiaries, performed logistics services for the BMW Group during the financial year 2009. In addition, companies of the DELTON Group acquired vehicles from the BMW Group, mostly in the form of leasing contracts. These service and sales contracts, which are not material for the BMW Group, all arise in the normal course of business and are conducted, without exception on the basis of arm's length principles.

Susanne Klatten is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairman of the Supervisory Board of Altana AG, Wesel, which purchased vehicles from the BMW Group during the financial year 2009. Susanne Klatten also holds shares (and is member of the Supervisory Board) in SGL Carbon SE, Wiesbaden, whose subsidiaries supplied components to the BMW Group during the financial year 2009. In addition she holds shares in Nordex AG, Norderstedt. The corresponding sales contracts are not material for the BMW Group, arise in the course of ordinary activities and are made, without exception, on the basis of arm's length principles.

Apart from these transactions, companies of the BMW Group did not enter into any contracts with members of the Board of Management or Supervisory Board of BMW AG. The same applies to close members of the families of those persons.

42 — Declaration with respect to the Corporate Governance Code

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft have issued the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act. The Declaration of Compliance is reproduced on page 141 and is also available to shareholders on the BMW Group website at www.bmwgroup.com/ir.

43 — Shareholdings of members of the Board of Management and Supervisory Board

The members of the Supervisory Board of BMW AG hold in total 27.68 % of the issued common and preferred stock shares, of which 16.11 % relates to Stefan Quandt, Bad Homburg v. d. H. and 11.57 % to Susanne Klatten, Munich.

The shareholding of the members of the Board of Management of BMW AG is, in total, less than 1 % of the issued stock shares.

44 — Compensation of members of the Board of Management and Supervisory Board

The compensation of current members of the Board of Management and Supervisory Board amounted to euro 13.0 million (2008: euro 13.3 million) and comprised the following:

in euro million	2009	2008
Short-term employment benefits	**12.3**	12.5
Post-employment benefits	**0.7**	0.8
Compensation	**13.0**	**13.3**

The total remuneration of the members of the Board of Management for the financial year 2009 amounted to euro 10.7 million (2008: euro 10.9 million). This comprised fixed components of euro 3.7 million (2008: euro 3.1 million) and variable components of euro 7.0 million (2008: euro 7.8 million).

In addition, an amount of euro 0.7 million (2008: euro 0.8 million) has been granted to current members of the Board of Management after the end of their employment relationship. This relates to the expense for allocations to pension provisions (service cost).

The remuneration of former members of the Board of Management and their surviving dependants amounted to euro 3.8 million (2008: euro 3.1 million).

Pension obligations to former members of the Board of Management and their surviving dependants are fully covered by pension provisions amounting to euro 46.7 million (2008: euro 44.3 million), computed in accordance with IAS 19.

The compensation of the members of the Supervisory Board for the financial year 2009 amounted to euro 1.6 million and, as in the previous year comprises only fixed components.

The compensation systems for members of the Board of Management and the Supervisory Board do not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components.

No advances and loans were granted to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Further details about the remuneration of current members of the Board of Management and the Supervisory Board can be found in the Compensation Report on page 151 et seq. The compensation report is part of the Group Management Report.

The names of the members of the Supervisory Board and of the Board of Management are disclosed on page 142 et seq.

45 — Application of exemptions pursuant to § 264 (3) and § 264 b HGB

A number of companies and incorporated partnerships (as defined by § 264a HGB) which are affiliated, consolidated entities of BMW AG and for which the consolidated financial statements of BMW AG represent exempting consolidated financial statements, apply the exemptions available in § 264 (3) and § 264b HGB with regard to the drawing up of a management report. The exemptions have been applied by:

- Bavaria Wirtschaftsagentur GmbH, Munich
- BMW Fahrzeugtechnik GmbH, Eisenach
- BMW Fuhrparkmanagement Beteiligungs GmbH, Stuttgart
- BMW Hams Hall Motoren GmbH, Munich
- BMW Ingenieur-Zentrum GmbH + Co., Dingolfing
- BMW M GmbH Gesellschaft für individuelle Automobile, Munich
- BMW Vertriebs GmbH & Co. oHG, Dingolfing
- Rolls-Royce Motor Cars GmbH, Munich

In addition, the following entities apply the exemption available in § 264 (3) and § 264b HGB with regard to publication:

- Bavaria Wirtschaftsagentur GmbH, Munich
- BMW Fuhrparkmanagement Beteiligungs GmbH, Stuttgart
- BMW Hams Hall Motoren GmbH, Munich
- BMW Ingenieur-Zentrum GmbH + Co., Dingolfing
- BMW INTEC Beteiligungs GmbH, Munich
- BMW Vertriebs GmbH & Co. oHG, Dingolfing
- Rolls-Royce Motor Cars GmbH, Munich

BMW Group
Notes to the Group Financial Statements
Segment Information

46 — **Explanatory notes to segment information**

Information on reportable segments

For the purposes of presenting segment information, the activities of the BMW Group are divided into operating segments in accordance with the rules contained in IFRS 8 (Operating Segments). Operating segments are identified on the same basis that is used internally to manage and report on performance and takes account of the organisational structure of the BMW Group based on the various products and services of the reportable segments.

The activities of the BMW Group are broken down into the operating segments Automobiles, Motorcycles, Financial Services and Other Entities.

The Automobiles segment develops, manufactures, assembles and sells cars and off-road vehicles, under the brands BMW, MINI and Rolls-Royce as well as spare parts and accessories. BMW and MINI brand products are sold in Germany through branches of BMW AG and by independent, authorised dealers. Sales outside Germany are handled primarily by subsidiary companies and, in a number of markets, by independent import companies. Rolls-Royce brand vehicles are sold in the USA via a subsidiary company and elsewhere by independent, authorised dealers.

The BMW Motorcycles segment develops, manufactures, assembles and sells BMW brand motorcycles as well as spare parts and accessories.

The Financial Services segment focuses primarily on car leasing, fleet business, retail customer and dealer financing, customer deposit business and insurance activities.

Holding and Group financing companies are included in the Other Entities segment. This segment also includes operating companies – BMW Services Ltd., Bracknell, BMW (UK) Investments Ltd., Bracknell, Bavaria Lloyd Reisebüro GmbH, Munich, and MITEC Mikroelektronik Mikrotechnik Informatik GmbH, Dingolfing, – which are not allocated to one of the other segments. In the previous year, it also included the income and expenses recorded by the Cirquent Group in first nine months of 2008.

Eliminations comprise the effects of eliminating business relationships between the operating segments.

Internal management and reporting

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. There were no changes in accounting policies compared to previous periods. Inter-segment receivables and payables, provisions, income, expenses and profits are eliminated in the column "Eliminations". Inter-segment sales take place at arm's length prices.

The role of "chief operating decision maker" with respect to resource allocation and performance assessment of the reportable segment is embodied in the full Board of Management. In order to assist the decision-taking process, various measures of segment profit or loss and of segment assets have been set for the various operating segments.

The Automobiles and Motorcycles segments are managed on the basis of the profit before financial result. Capital employed is the corresponding measure of segment assets used to determine how to allocate resources. Capital employed comprises all current and non-current operational assets of the segment, after deduction of liabilities used operationally which are not subject to interest.

The performance of the Financial Services segment is measured on the basis of profit or loss before tax. Net assets, defined as all assets less all liabilities, are used as the basis for assessing the allocation of resources.

The performance of the Other Entities segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Other Entities segment is total assets less tax-related assets and other investments.

Segment information by operating segment is as follows:

Segment information by operating segment

in euro million	Automobiles 2009	Automobiles 2008	Motorcycles 2009	Motorcycles 2008
External revenues	**35,613**	37,877	**1,059**	1,222
Inter-segment revenues	**8,124**	10,905	**10**	8
Total revenues	**43,737**	**48,782**	**1,069**	**1,230**
Segment result	**–265**	690	**19**	60
Capital expenditure on non-current assets	**3,606**	4,467	**52**	55
Depreciation and amortisation on non-current assets	**3,509**	3,567	**73**	70*

* including impairment losses of euro 3 million

in euro million	Automobiles 31.12.2009	Automobiles 31.12.2008	Motorcycles 31.12.2009	Motorcycles 31.12.2008
Segment assets	**11,887**	14,367	**389**	423

Financial Services 2009	Financial Services 2008	Other Entities 2009	Other Entities 2008	Reconciliation to Group figures 2009	Reconciliation to Group figures 2008	Group 2009	Group 2008	
14,008	13,952	**1**	146	**–**	–	**50,681**	53,197	External revenues
1,790	1,773	**2**	45	**–9,926**	–12,731	**–**	–	Inter-segment revenues
15,798	**15,725**	**3**	**191**	**–9,926**	**–12,731**	**50,681**	**53,197**	**Total revenues**
365	–292	**51**	295	**243**	–402	**413**	351	Segment result
10,246	14,842	**–**	4	**–1,787**	–2,788	**12,117**	16,580	Capital expenditure on non-current assets
5,757	6,339	**–**	13	**–2,050**	–2,344	**7,289**	7,645	Depreciation and amortisation on non-current assets

Financial Services 31.12.2009	Financial Services 31.12.2008	Other Entities 31.12.2009	Other Entities 31.12.2008	Reconciliation to Group figures 31.12.2009	Reconciliation to Group figures 31.12.2008	Group 31.12.2009	Group 31.12.2008	
4,268	3,752	**40,400**	38,548	**45,009**	43,996	**101,953**	101,086	Segment assets

Interest and similar income of the Financial Services segment totalling euro 3 million (2008: euro 2 million) are included in segment result. Interest and similar expenses of the Financial Services segment amounted to euro 8 million (2008: euro 8 million). The Other Entities segment result includes interest and similar income amounting to euro 1,778 million (2008: euro 2,102 million) and interest and similar expenses amounting to euro 1,852 million (2008: euro 1,927 million).

Also included in the Other Entities segment result is the loss from equity accounted investments amounting to euro 6 million in 2009 (2008: profit of euro 1 million).

Segment assets of the Other Entities segment at 31 December 2009 included investments accounted for using the equity method amounting to euro 23 million (2008: euro 29 million).

The information disclosed for capital expenditure and depreciation and amortisation relates to property, plant and equipment, intangible assets and leased products.

Segment figures can be reconciled to the corresponding Group figures as follows:

in euro million	2009	2008
Reconciliation of segment result		
Total for reportable segments	170	753
Financial result of Automobiles segment and Motorcycles segment	–331	–381
Elimination of inter-segment items	574	–21
Group profit before tax	**413**	**351**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	13,904	19,368
Elimination of inter-segment items	–1,787	–2,788
Total Group capital expenditure on non-current assets	**12,117**	**16,580**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	9,339	9,989
Elimination of inter-segment items	–2,050	–2,344
Total Group depreciation and amortisation on non-current assets	**7,289**	**7,645**
Reconciliation of segment assets		
Total for reportable segments	56,944	57,090
Non-operating assets – Other Entities segment	5,797	5,616
Operating liabilities – Financial Services segment	67,008	66,040
Interest-bearing assets – Automobiles segment	25,826	24,849
Liabilities of Automobiles and Motorcycles segments not subject to interest	15,541	14,174
Elimination of inter-segment items	–69,163	–66,683
Total Group assets	**101,953**	**101,086**

In the case of information by geographical region, external sales are based on the location of the customer's registered office. Revenues with major customers were not material overall. The information disclosed for non-current assets relates to property, plant and equipment, intangible assets and leased products. The reconciling item disclosed for non-current assets relates to leased products.

Information by region

in euro million	External revenues 2009	External revenues 2008	Non-current assets 2009	Non-current assets 2008
Germany	**11,436**	10,739	**21,136**	21,916
USA	**10,628**	11,349	**9,836**	11,081
United Kingdom	**4,078**	4,913	**1,596**	1,739
Rest of Europe	**12,911**	15,780	**3,155**	3,337
Africa/Asia/Oceania	**9,823**	8,471	**1,246**	549
Rest of the Americas	**1,805**	1,945	**590**	1,169
Eliminations	**–**	–	**–2,822**	–3,334
Group	**50,681**	**53,197**	**34,737**	**36,457**

Munich, 19 February 2010

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Responsibility Statement by the Company's Legal Representatives

Statement pursuant to § 37y No. 1 of the Securities Trading Act (WpHG) in conjunction with § 297 (2) sentence 3 and § 315 (1) sentence 6 of the German Commercial Code (HGB)

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Munich, 19 February 2010

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

BMW Group
Auditors' Report

We have audited the consolidated financial statements prepared by Bayerische Motoren Werke Aktiengesellschaft, comprising the income statement and statement of comprehensive income, the balance sheet, cash flow statement, statements of changes in equity and the notes to the consolidated financial statements and its report on the position of the Company and the Group for the business year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and Group Management Report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that material misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group. The Group Management Report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 26 February 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schindler	Pastor
Wirtschaftsprüfer	Wirtschaftsprüfer

Statement on Corporate Governance

Corporate governance – acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis – is an all-embracing issue for the BMW Group affecting all areas of the enterprise. The corporate culture within the BMW Group is founded on transparent reporting and corporate communication, a policy of corporate governance aimed at the interests of stakeholders, a fair and open approach between the Board of Management, the Supervisory Board, employees and compliance with the law. The Board of Management reports in this statement, also on behalf of the Supervisory Board, on important aspects of corporate governance pursuant to § 289 a HGB and section 3.10 GCGC. The statement is part of the Group Management Report.

Information on the Company's Governing Constitution

The designation "BMW Group" comprises Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and its Group entities. BMW AG is a stock corporation (Aktiengesellschaft) based on the German Stock Corporation Act (Aktiengesetz). It has three representative bodies: the Annual General Meeting, the Supervisory Board and the Board of Management. The duties and authorities of those bodies derive from the Stock Corporation Act and the Articles of Incorporation of BMW AG. Shareholders, as the owners of the business, exercise their rights at the Annual General Meeting. The Annual General Meeting decides in particular on the utilisation of unappropriated profit, the ratification of the acts of the members of the Board of Management and of the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation, specified capital measures and elects the shareholders' representatives to the Supervisory Board. The Board of Management manages the enterprise under its own responsibility. Within this framework, it is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, at any time, revoke an appointment if there is an important reason. The Board of Management keeps the Supervisory Board informed of all significant matters regularly, without delay and comprehensively, following the principles of conscientious and faithful accountability and in accordance with prevailing law and reporting duties allocated to it by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain major transactions. The Supervisory Board is not, however, authorised to undertake management measures itself.

In accordance with the regulations contained in the German Co-determination Act, BMW AG's Supervisory Board comprises ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected by employees). The close interaction between the Board of Management and the Supervisory Board in the interests of the enterprise as described above is also known as a "two-tier board structure". The composition of the Board of Management and the Supervisory Board and of sub-committees set up by the Supervisory Board is disclosed on page 142 et seq. of this Annual Report. Further information on work procedures of the Board of Management and the Supervisory Board can be found on page 146 et seq.

Declaration of Compliance and the BMW Group Corporate Governance Code

Management and supervisory boards of companies listed in Germany are required by law (§ 161 German Stock Corporation Act) to report once a year whether the officially published and relevant recommendations issued by the "German Government Corporate Governance Code Commission", as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been or are not being applied and the reason why not.

The Board of Management and Supervisory Board of BMW AG believe that the recommendations and suggestions contained in the German Corporate Governance Code (GCGC) contribute to an enhancement of the financial markets in Germany, in particular for international investors. At the joint meeting held in December 2009, the Board of Management and Supervisory Board of BMW AG issued the declaration of compliance with the new version of the GCGC valid from 5 August 2009 and posted it to the BMW Group's website.

In addition, the Board of Management and the Supervisory Board have, in past years, developed the BMW Group's own Corporate Governance Code based on the GCGC in order to provide shareholders and other stakeholders with a comprehensive and stand-alone document covering the corporate governance practices applied by the BMW Group. The BMW Group's Corporate Governance Code has been revised in conjunction with the new version of the GCGC. A coordinator responsible for all corporate governance issues reports directly and on a regular basis to the Board of Management and the Supervisory Board.

The Corporate Governance Code for the BMW Group, together with the Declaration of Compliance, Articles of Incorporation and other information, can be viewed/downloaded on the BMW Group's website at www.bmwgroup.com/ir under the menu item "Corporate Facts" and "Corporate Governance".

The full text of the declaration is also provided on page 141 of this Annual Report.

Declaration by the Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft regarding the Recommendations of the German Government Corporate Governance Code Commission in accordance with 161 German Stock Corporation Act

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft ("BMW AG") declare the following regarding the recommendations of the German Government Corporate Governance Code Commission:

1. During the period since filing the last declaration of December 2008 up until 5 August 2009 BMW AG complied with all of the recommendations published on 8 August 2008 in the electronic Federal Gazette (Code version of 6 June 2008), except for the divergence from section 4.2.2 paragraph 1 German Corporate Governance Code already declared and explained in December 2008. That divergence ceased to apply on 5 August 2009 because, with effect from that date, the full Supervisory Board became responsible for the adoption of resolutions relating to the Board of Management remuneration system and for the regular review of the remuneration system in accordance with the new legal situation.

2. BMW AG will in future comply with all of the recommendations published on 5 August 2009 in the electronic Federal Gazette (Code version of 18 June 2009) except for only one deviation from the recommendation under section 3.8 paragraph 3 German Corporate Governance Code: In view of the differing financial circumstances and incomes within the Supervisory Board we consider it proper to differentiate between the amount of excess under a D & O liability insurance policy for the members of the Board of Management on the one hand and the members of the Supervisory Board on the other hand and we consider the excess agreed to date for the members of the Supervisory Board to still be appropriate.

Munich, December 2009

Bayerische Motoren Werke
Aktiengesellschaft

Supervisory Board　　　　Board of Management

Members of the Supervisory Board

Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h.
Joachim Milberg
Chairman
Former Chairman of the Board of
Management of BMW AG

Chairman of the Presiding Board, Personnel Committee and Nomination Committee; member of Audit Committee and the Mediation Committee

Mandates
— Bertelsmann AG
— FESTO AG
— SAP AG
— ZF Friedrichshafen AG
— Deere & Company

Manfred Schoch*
Deputy Chairman
Chairman of the General Works Council
Industrial Engineer

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

Stefan Quandt
Deputy Chairman
Entrepreneur

Member of the Presiding Board, Personnel Committee, Audit Committee, Nomination Committee and Mediation Committee

Mandates
— DELTON AG (Chairman)
— Karlsruher Institut für Technologie (KIT) (since 01. 10. 2009)
— AQTON SE (Chairman of the Administrative Board)
— DataCard Corp.

Stefan Schmid*
Deputy Chairman
Chairman of the Works Council, Dingolfing

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

Prof. Dr. Jürgen Strube
Deputy Chairman
Former Chairman of the Supervisory Board of BASF SE

Chairman of the Audit Committee and Independent Finance Expert; member of the Presiding Board, Personnel Committee and Nomination Committee

Mandates
— Allianz Deutschland AG (until 02. 04. 2009)
— BASF SE (Chairman) (until 30. 04. 2009)
— Bertelsmann AG (Deputy Chairman)
— Fuchs Petrolub AG (Chairman)
— Hapag-Lloyd AG (until 17. 03. 2009)

Ulrich Eckelmann*
(until 14. 05. 2009)
Head of the Industry, Technology and Environment section
IG Metall Executive Board

Mandates
— VOITH AG

Bertin Eichler*
Executive Member of the
Executive Board of IG Metall

Mandates
— BGAG Beteiligungsgesellschaft der Gewerkschaften GmbH (Chairman)
— ThyssenKrupp AG (Deputy Chairman)

* Employee representative
— Membership of other statutory supervisory boards
— Membership of equivalent national or foreign boards of business enterprises

Franz Haniel
Engineer, MBA

Mandates
- DELTON AG (Deputy Chairman)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- Metro AG (Chairman)
- secunet Security Networks AG
- Giesecke & Devrient GmbH

Prof. Dr. rer. nat. Dr. h. c. Reinhard Hüttl
Chairman of the Executive Board of Helmholtz-Zentrum Potsdam Deutsches GeoForschungsZentrum – GFZ
University professor

Susanne Klatten
Entrepreneur

Mandates
- ALTANA AG (Deputy Chairman)
- SGL Carbon SE (since 25.11. 2009)
- UnternehmerTUM GmbH (Chairman)

Dr. jur. Karl-Ludwig Kley
Chairman of the Executive Management of Merck KGaA

Mandates
- Bertelsmann AG
- 1. FC Köln GmbH & Co. KGaA (Chairman)

Prof. Dr. rer. pol. Renate Köcher
Director of Institut für Demoskopie Allensbach Gesellschaft zum Studium der öffentlichen Meinung mbH

Mandates
- Allianz SE
- Infineon Technologies AG
- MAN SE

Dr. h. c. Robert W. Lane
(since 14. 05. 2009)
Chairman and former Chief Executive Officer of Deere & Company

Mandates
- Deere & Company (Chairman)
- General Electric Company
- Northern Trust Corp.
- Verizon Communications Inc.

Horst Lischka*
(since 14. 05. 2009)
General Representative of IG Metall Munich

Mandates
- KraussMaffei AG
- MAN Nutzfahrzeuge AG

Willibald Löw*
Chairman of the Works Council, Landshut

Prof. Dr. rer. nat. Dr. h. c. mult. Hubert Markl
(until 14. 05. 2009)
Former President of Max-Planck-Gesellschaft zur Förderung der Wissenschaften e. V.
Professor of Biology (retired)

Mandates
- Münchener Rückversicherungs-Gesellschaft AG (until 22. 04. 2009)
- Georg von Holtzbrinck GmbH

Wolfgang Mayrhuber
Chairman of the Board of Management of Deutsche Lufthansa AG

Mandates
— Fraport AG
— Lufthansa Technik AG
— Münchener Rückversicherungs-Gesellschaft AG
— Austrian Airlines AG (since 14. 07. 2009)
— HEICO Corp.
— SN Brussels Airlines NV (since 24. 06. 2009)
— SWISS International Air Lines AG (until 19. 10. 2009)

Werner Neugebauer*
Regional Executive Officer of IG Metall Bavaria

Mandates
— ZF Sachs AG

Franz Oberländer*
Member of the Works Council, Munich

Anton Ruf*
Head of Development for the “Small Classes” Product Line

Maria Schmidt*
Member of the Works Council, Dingolfing

Werner Zierer*
Chairman of the Works Council, Regensburg

* Employee representative
— Membership of other statutory supervisory boards
— Membership of equivalent national or foreign boards of business enterprises

Members of the Board of Management

Dr.-Ing. Norbert Reithofer
Chairman

Frank-Peter Arndt
Production

Mandates
— BMW Motoren GmbH (Chairman)
— BMW (South Africa) (Pty) Ltd. (Chairman)
— Leipziger Messe GmbH

Dr.-Ing. Herbert Diess
Purchasing and Supplier Network

Dr.-Ing. Klaus Draeger
Development

Dr. Friedrich Eichiner
Finance

Mandates
— Allianz Deutschland AG
— BMW Brilliance Automotive Ltd. (Deputy Chairman)
— BMW (US) Holding Corp. (until 31. 03. 2009)

Harald Krüger
Human Resources, Industrial Relations Director

Mandates
— BMW Brilliance Automotive Ltd. (until 31. 01. 2009)

Ian Robertson
Sales and Marketing

Mandates
— Rolls-Royce Motor Cars Limited (Chairman)

General Counsel:
Dr. Dieter Löchelt

— Membership of other statutory supervisory boards
— Membership of equivalent national or foreign boards of business enterprises

Information on Work Procedures of the Management Board and the Supervisory Board and on the Composition and Work Procedures of its Committees

The Board of Management of BMW AG

A summary of the seven members of the Board of Management and their areas of responsibility is shown on page 145.

The Board of Management manages the enterprise under its own responsibility, acting in the interests of the BMW Group with the aim of achieving sustainable growth in value. The interests of shareholders, employees and other stakeholders are also taken into account in the pursuit of this aim.

The Board of Management determines the strategic orientation of the enterprise, agrees upon it with the Supervisory Board and ensures its implementation. The Board of Management is responsible for ensuring that all provisions of law and internal regulations are complied with. Further information relating to compliance within the BMW Group can be found on page 158 et seq. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

During their period of service for BMW AG, members of the Board of Management are bound by a comprehensive non-competition clause. They are required to act in the enterprise's best interests and may not pursue personal interests in their decisions or take advantage of business opportunities intended for the enterprise. They may only undertake ancillary activities, in particular supervisory board mandates outside the BMW Group, with the approval of the Supervisory Board's Personnel Committee. Each member of the Board of Management of BMW AG is obliged to disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

Following the appointment of a new member to the Board of Management, the BMW Corporate Governance Officer informs the new member of the context in which the board member's duties are to be carried out – in particular those emanating from the BMW Group Corporate Governance Code – as well as the duty to cooperate when a transaction or event triggers reporting requirements or requires the approval of the Supervisory Board.

The Board of Management consults and takes decisions as a collegiate body at the following types of board meeting; General Board, Product Board, Sustainability Board, Operations Committee and Committee for Executive Management Matters. At its general meetings, the Board of Management defines the overall framework for business strategies and the use of resources, takes decisions regarding the implementation of strategies and deals with issues of particular importance to the BMW Group which are not directly related to a specific product or product line. The Board of Management and its committees may, as required and depending on the subject matters being discussed, invite non-voting advisers to participate at meetings.

Terms of reference approved by the Board of Management contain a planned allocation of divisional responsibilities between the individual board members. These terms of reference also incorporate the principle that the full Board of Management bears joint responsibility for all matters of particular import and scope. In addition, each member of the Board of Management manages the relevant portfolio of duties under his responsibility, whereby case-by-case rules can be put in place for cross-divisional projects. Board members continually provide the Chairman of the Board of Management with all information regarding major transactions and developments within their area of responsibility. The Chairman of the Board of Management coordinates cross-divisional matters with the overall targets and plans of the BMW Group, involving other board members to the extent that divisions within their area of responsibility are affected.

The Board of Management takes its decisions at meetings generally held on a weekly basis which are convened, coordinated and headed by the Chairman of the Board of Management. At the request of the Chairman, decisions can also be taken outside of board meetings if none of the board members objects to this procedure. A meeting is quorate if all Board of Management members are invited to the meeting in good time. Members unable to attend any meeting are entitled to vote in writing, by e-mail / telex / fax or by phone. Votes cast by phone must be subsequently confirmed in writing. Except in urgent cases, matters relating to a division for which the responsible board member is not present will only be discussed and decided upon with that member's consent.

Unless stipulated otherwise by law or in BMW AG's statutes, the Board of Management makes decisions on the basis of a simple majority of votes cast at meetings. Outside of board meetings, decisions are taken on the basis of a simple majority of board members. In the event of a tied vote, the Chairman of the Board of Management has the casting vote. Any changes to the board's terms of reference must be passed unanimously. A board meeting is only held if more than half of the board members are present.

In the event that the Chairman of the Board of Management is not present or is unable to attend a meeting, the Member of the Board responsible for Finances will represent him.

Minutes are taken of all meetings and the Board of Management's resolutions and signed by the Chairman. Decisions taken by the Board of Management are binding for all employees.

The rules relating to meetings and resolutions taken by the full Board of Management are also applicable for its committees.

Members of the Board of Management not represented in a committee are provided with the agendas and minutes of committee meetings. Committee matters are dealt with in full board meetings if the committee considers it necessary or at the request of the member concerned.

The secretariat for Board of Management matters assists the Chairman and other board members with the preparation and follow-up work connected with board meetings.

At Product Board meetings (generally held twice a month), the full board takes decisions at a basic policy level relating to the Group's automobile product strategies and product projects inasmuch as these are relevant for all brands. Resources are authorised and approved at Product Board meetings.

At meetings of the Operations Committee (generally held twice a month), decisions are reached in connection with automobile product projects, based on the strategic orientation and decision framework stipulated at Product Board meetings. The Operations Committee comprises the members of the Board of Management responsible for Development (Dr.-Ing. Klaus Draeger, who also chairs the meetings), Purchasing and Supplier Network (Dr.-Ing. Herbert Diess), Production (Frank-Peter Arndt), and Sales and Marketing (Ian Robertson). In the event that the committee chairman is not present or unable to attend a meeting, the Member of the Board responsible for Production represents him. Resolutions taken at meetings of the Operations Committee are made online.

The full board usually convenes twice a year in its function as Sustainability Board in order to define strategy with regard to sustainability and decide upon measures to implement that strategy. The Head of Group Communication and the Group Representative for Sustainability and Environmental Protection participate in these meetings in an advisory capacity.

The Board's Committee for Executive Management Matters has the overall responsibility for BMW Group management matters, such as organisational structure, the availability of suitable people for existing and future management positions and other general human resources issues. This committee has, on the one hand, an advisory and preparatory role e. g. making suggestions for promotions to the two remuneration groups below board level and preparing decisions to be taken at board meetings with regard to human resources principles (with the emphasis on executive management issues). It also takes decisions itself such as those regarding appointments to senior management positions and promotions to higher remuneration groups or the wording of human resources principles decided on by the full board. The Committee for Executive Management Matters comprises the Chairman of the Board of Management, Dr.-Ing. Norbert Reithofer (who also chairs the meetings) and the board member responsible for Human Resources, Harald Krüger. They hold their meetings jointly and take decisions unanimously. The Head of Human Resources, Personnel Network and Human Resources International and the Head of Senior Management also participate in an advisory function. Between five and ten meetings are held each year.

The Board of Management is represented by its Chairman in its dealings with the Supervisory Board. The Chairman of the Board of Management maintains regular contact with the Chairman of the Supervisory Board and keeps him well informed of all important matters. The Supervisory Board has passed a resolution specifying the information and reporting duties of the Board of Management. As a general rule, in the case of reports required by dint of law, the Board of Management submits its reports to the Supervisory Board in writing. To the extent possible, documents required as a basis for taking decisions are sent to the members of the Supervisory Board in good time before the relevant meeting. Regarding transactions of fundamental importance, the Supervisory Board has stipulated specific transactions which require the approval of the Supervisory Board. Whenever necessary, the Chairman of the Board of Management obtains the approval of the Supervisory Board and ensures that reporting duties to the Supervisory Board are complied with. In order to fulfil these tasks, the Chairman is supported by all members of the Board of Management. The fundamental principle followed when reporting to the Supervisory Board is that the latter should be kept informed regularly, without delay and comprehensively of all significant matters relating to planning, business performance, risk exposures, risk management and compliance as well as any major variances between actual and budgeted figures.

The Supervisory Board of BMW AG

An overview of the members of the Supervisory Board is shown on page 142 et seq.

BMW AG's Supervisory Board, comprising ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected by employees in accordance with the German Co-determination Act), has the task of advising and supervising the Board of Management in its governance of the BMW Group. It is involved in all decisions of fundamental importance for the BMW Group. The Supervisory Board appoints the members of the Board of Management and decides upon the level of compensation they are to receive. The Supervisory Board can revoke appointments for important reasons. Together with the Board of Management, it ensures that long-term successor planning is in place.

The Supervisory Board holds a minimum of two meetings per calendar year. Normally, five plenary meetings are held per calendar year, as was the case in 2009. One meeting each year is planned to cover a number of days and is used, among other things, to enable an in-depth exchange on strategic and technological matters.

In line with the suggestion contained in the German Corporate Governance Code, the shareholder representatives and employee representatives prepare the Supervisory Board meetings separately and, if necessary, together with members of the Board of Management.

The Chairman of the Supervisory Board coordinates work within the Supervisory Board, chairs its meetings, handles the external affairs of the Supervisory Board and represents it in its dealings with the Board of Management.

The Supervisory Board is quorate if all members have been invited to the meeting and at least half of its members participate in the vote on a particular resolution. A resolution relating to an agenda item not included in the invitation is only valid if none of the members of the Supervisory Board who were present at the meeting object to the resolution and a minimum of two thirds of the members are present.

As a basic rule, resolutions are passed by the Supervisory Board by simple majority. The German Co-determination Act contains specific requirements with regard to majority voting and technical procedures, particularly with regard to the appointment and revocation of appointment of management board members and the election of a supervisory board chairman or deputy chairman. In the event of a tied vote in the Supervisory Board, the Chairman of the Supervisory Board has two votes in a renewed vote, even if this also results in a tied vote.

In practice, resolutions are taken by the Supervisory Board and its committees at the relevant meetings. A Supervisory Board member who is not present at a meeting can have his / her vote cast by another Supervisory Board member if an appropriate request has been made in writing, by fax or in electronic form. This rule also applies to the casting of the second vote by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board can also accept the retrospective casting of votes by any members not present at a meeting if this is done within the time limit previously set. In special cases, resolutions may also be taken outside of meetings, i.e. in writing, by fax or by electronic means.

Minutes are taken of each meeting and any resolutions made signed by the Chairman of the Supervisory Board. After its meetings, the Supervisory Board is generally provided information on new vehicle models in the form of a short presentation.

Following the election of a new Supervisory Board member, the BMW Corporate Governance Officer informs the new member of the principal issues affecting his or her duties – in particular those enshrined in the BMW Group Corporate Governance Code – including the duty to cooperate when a transaction or event triggers reporting requirements or are subject to the approval of the Supervisory Board. New Supervisory Board members are also given the opportunity to become better acquainted with the business outside of Supervisory Board meetings by means of an information programme.

All members of the Supervisory Board of BMW AG are required to ensure that they have sufficient time to perform their duties. If members of the Supervisory Board of BMW AG are also members of the Board of Management of a listed company, they may not accept more than a total of three non-BMW Group supervisory board mandates for listed companies.

The Supervisory Board examines the efficiency of its activities on a regular basis. Joint discussions are also held at plenum meetings, prepared on the basis of a questionnaire previously devised by and distributed to the members of the Supervisory Board. The Chairman of the Supervisory Board is open to suggestions for improvement at all times. Based on this year's self-evaluation by the Supervisory Board, the information programme and the two-day strategy meeting held in September were considered particularly useful.

Each member of the Supervisory Board is bound to act in the enterprise's best interests. Members of the Supervisory Board may not pursue personal interests in their decisions or take advantage of business opportunities intended for the benefit of the enterprise.

Members of the Supervisory Board are obliged to inform the full Supervisory Board of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners, enabling the Supervisory Board to report to the shareholders at the Annual General Meeting on how it has dealt with such issues. Material conflicts of interest and those which are not merely temporary in nature result in the termination of the mandate of the relevant Supervisory Board member.

With regard to nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board always consists of members who possess the required knowledge, skills and expert experience to perform their tasks in a proper manner. Regard is also given to the international activities of the BMW Group, potential conflicts of interest and the age limit stipulated for members of the Supervisory Board as well as maintaining sufficient diversity.

The ability of the Supervisory Board to supervise and advise the Board of Management independently is also assisted by the fact that the Supervisory Board is required, based on its own assessment, to have a sufficient number of independent members. Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg is the only person on the Supervisory Board to have previously served on the Board of Management, of which he ceased to be a member in 2002. Supervisory Board members do not exercise directorships or similar positions or undertake advisory tasks for important competitors of the BMW Group.

Taking into account the specific circumstances of the BMW Group and the number of board members, the Supervisory Board has set up a Presiding Board and four committees, namely the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee. Such committees serve to raise the efficiency of the Supervisory Board's work and facilitate the handling of complex issues. The establishment and function of a Mediation Committee is prescribed by law. The person chairing a committee reports in detail on its work at each plenum meeting.

The composition of the Presiding Board and the committees is based on legal requirements, BMW AG's Articles of Incorporation, terms of reference and corporate governance principles. The expertise and technical skills of its members are also taken into account.

According to the relevant terms of reference, the Chairman of the Supervisory Board is, in this capacity, automatically a member of the Presiding Board, the Personnel Committee and the Nomination Committee, and chairs these committees.

The number of meetings held by the Presiding Board and the committees depends on current requirements. The Presiding Board, the Personnel Committee and the Audit Committee normally hold several meetings in the course of the year. During 2009 there were five meetings of the Presiding Board, five meetings and three telephone conferences of the Audit Committee, five meetings of the Personnel Committee and two meetings of the Nomination Committee. The Mediation Committee did not need to meet in 2009.

In line with the terms of reference for the activities of the plenum, the Supervisory Board has also set terms of reference for the Presiding Board and the various committees. The committees are only quorate if all members are present. Resolutions taken by the committees are passed by simple majority unless stipulated otherwise by law. Minutes are also taken at the meetings and for the resolutions of the committees and the Presiding Board, and signed by the person chairing the particular meeting. This person also represents the committee in any dealings it may have with the Board of Management or third parties.

Members of the Supervisory Board may not delegate their duties. The Supervisory Board, the Presiding Board and committees may call on experts and other suitably informed persons to attend meetings to give advice on specific matters.

The Supervisory Board, the Presiding Board and the committees also meet without the Board of Management if necessary.

BMW AG ensures that the Supervisory Board and its committees are sufficiently equipped to carry out its duties. This includes the services provided by a centralised secretariat to support the chairmen in coordinating the work of the Supervisory Board.

In accordance with the relevant terms of reference, the Presiding Board comprises the Chairman of the Supervisory Board and board deputies. The Presiding Board prepares Supervisory Board meetings, including the annual Declaration of Compliance with the German Corporate Governance Code and the Supervisory Board's efficiency examination. The following are members of the Presiding Board: Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg (Chairman of the Supervisory Board), Manfred Schoch (Deputy Chairman of the Supervisory Board), Stefan Quandt (Deputy Chairman of the Supervisory Board), Stefan Schmid (Deputy Chairman of the Supervisory Board), Prof. Dr. Jürgen Strube (Deputy Chairman of the Supervisory Board).

The Personnel Committee prepares the decisions of the Supervisory Board with regard to the appointment and revocation of appointment of members of the Board of Management. In conjunction with the assessment of potential Board of Management members, care is taken to ensure an impartial process when preparing recommendations to the Supervisory Board, based on the interests of the business and with due regard to diversity. The Personnel Committee also prepares the decisions of the Supervisory Board with regard to the Board of Management's compensation and the Supervisory Board's regular review of the Board of Management's compensation system. In conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management, the Personnel Committee is responsible for drawing up, amending and revoking service / employment contracts or, when necessary, other relevant contracts with members of the Board of Management. In specified cases, the Personnel Committee also has the authority to give the necessary approval for a particular transaction (instead of the Supervisory Board). This includes loans to members of the Board of Management or Supervisory Board, specified contracts with members of the Supervisory Board (in each case taking account of the consequences of related party transactions), as well as other activities of members of the Board of Management, including the acceptance of non-BMW Group supervisory mandates. Members of the Personnel Committee: Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E.h. Joachim Milberg (Chairman), Manfred Schoch, Stefan Quandt, Stefan Schmid, Prof. Dr. Jürgen Strube.

The Audit Committee deals in particular with issues relating to the supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements, compliance, auditor independence, the engagement of the external auditor and the compliance of the audit engagement, the determination of specific areas of audit emphasis and the fee agreements with the auditor. The Audit Committee prepares the Supervisory Board's resolution relating to the Company and Group Financial Statements and discusses interim reports with the Board of Management before publication. Members of the Audit Committee: Prof. Dr. Jürgen Strube (Chairman), Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg, Manfred Schoch, Stefan Quandt, Stefan Schmid.

In line with the recommendations of the German Corporate Governance Code, the Chairman of the Audit Committee is independent and not a former Chairman of the Board of Management. He is required to have specific know-how and experience in applying financial reporting standards and internal control procedures. Alongside other members of the Supervisory Board, he also fulfils the requirements of being an independent financial expert as defined by § 100 (5) and § 107 (4) AktG.

The Nomination Committee is charged with the task of finding suitable candidates for election to the Supervisory Board (as shareholder representatives) and for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting. In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives. Members of the Nomination Committee: Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg (Chairman), Stefan Quandt, Prof. Dr. Jürgen Strube.

The establishment and composition of a Mediation Committee are required by the German Co-determination Act. The Mediation Committee has the task of making proposals to the Supervisory Board if a resolution for the appointment of a member of the Board of Management has not been carried by the necessary two thirds majority of members' votes. The Mediation Committee comprises the

Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives. Members of the Mediation Committee: Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg, Manfred Schoch, Stefan Quandt, Stefan Schmid.

Compensation Report

The BMW Group supports the endeavours of the German Corporate Governance Code (GCGC) to increase transparency in the disclosure of the components of compensation. The following section therefore describes the principles relating to the compensation of the Board of Management and the stipulations set out in the statutes relating to the compensation of the Supervisory Board. As well as discussing the structure of remuneration, the components of compensation are also disclosed in absolute figures. In accordance with the recommendations of the GCGC, the compensation of each member of the Board of Management and the Supervisory Board is disclosed by name and analysed into components.

1. Compensation of the Board of Management

Responsibilities

Following the coming into force of the German Act on the Appropriateness of Management Board Remuneration (VorstAG) on 5 August 2009, supervisory boards became responsible in Germany for determining and regularly examining the compensation of management boards. Previously, these tasks had been carried out within the BMW Group by the Supervisory Board's Personnel Committee, which reported on its work at regular intervals and in detail to the Supervisory Board. The Personnel Committee now plays a preparatory role in the process of determining and examining the remuneration of the Board of Management. The Supervisory Board's terms of reference have been amended accordingly to take account of the change in allocation of duties between the Personnel Committee and the full Supervisory Board.

Principles of compensation

The Supervisory Board familiarised itself with the details of the new act (VorstAG) in 2009 and fully supports the objective set out therein to bring about compensation structures that promote sustainable and long-term oriented business performance. The compensation model used for the management boards should be attractive in the context of the competitive environment for highly qualified executives. All compensation components should be appropriate, both individually and in total, and should not encourage an enterprise to take inappropriate risks.

The compensation of members of BMW AG's Board of Management is determined by the full Supervisory Board on the basis of performance criteria and after taking into account any remuneration received from Group companies. The Supervisory Board sets demanding and relevant targets as the basis for variable compensation. The principal criteria for determining the appropriateness of compensation are the nature of the tasks allocated to each member of the Board of Management, an assessment of the performance of those tasks and of the economic situation and future prospects of the BMW Group, comparable levels of compensation in the relevant sector and the compensation structure in place elsewhere within the organisation.

Upper limits for compensation apply for all Board of Management members. The Supervisory Board reviews the compensation system at regular intervals, with regard to both the structure and amount of the compensation. In doing so, it takes note of compensation studies conducted by external experts and considers – as it always has done in the past – the compensation structures and the levels of compensation of staff and managers within the BMW Group.

The Personnel Committee and the Supervisory Board engaged external experts to test the compatibility of the compensation system for the Board of Management with the latest legal requirements. This review reached the conclusion that the system in place at that stage was already compatible with the changed requirements brought about by the new VorstAG rules. This was most evident in the fact that variable compensation was already based on a period stretching over several years, during which both positive and negative developments were taken into account. The Supervisory Board passed a resolution in 2009 setting out new bases of measurement for variable compensation components during the period 2010 – 2012. These bases of measurement will not be changed during the period stated.

Compensation system, compensation components

The compensation of the Board of Management comprises fixed and variable remuneration. Board of Management members are also entitled to receive retirement benefits. Under certain circumstances, the members of the Board of Management are entitled to receive so-called "transitional payments" until their retirement. In terms of the overall compensation of current members of the Board of Management, the Supervisory Board sets a compensation target and a compensation framework with a high variable proportion, taking into account the overall situation and forecasts of the BMW Group.

Fixed remuneration comprises a base salary (paid monthly) and other remuneration elements. Other remuneration elements comprise mainly the use of company cars as well as the payment of insurance premiums, contributions towards security systems and an annual medical check-up.

The salaries of members of the Board of Management were raised with effect from 1 January 2009 after regular monitoring showed that they no longer fell within the target corridor for comparable sector and DAX 30 companies (2008 basis) considered appropriate by the Supervisory Board. The salary of each member of the Board of Management is euro 420,000 p.a. during the first term of appointment and euro 480,000 p.a. from the beginning of the second term. The salary of the Chairman of the Board of Management is euro 840,000 p.a.

The variable compensation of the Board of Management is made up of two components, each equally weighted, namely a corporate earnings-related bonus and a personal performance-related bonus. The Supervisory Board may also, in justified cases, decide to pay an additional special bonus on a voluntary basis. The target bonus (100%) for a Board of Management member (i.e. covering both components of variable compensation) totals euro 1.5 million p.a. for the first term of appointment and euro 1.75 million p.a. with effect from the second. The equivalent figure for the Chairman of the Board of Management is euro 3 million p.a. Upper limits are in place for all Board of Management members (150% of the relevant target bonus). The total target compensation for a Board of Management member (i.e. salary and target bonus) is therefore euro 1.92 million p.a. for the first term of appointment and euro 2.23 million p.a. with effect from the second. The equivalent figure for the Chairman of the Board of Management is euro 3.84 million p.a.

If the target bonus is fully achieved, the ratio of salary and variable compensation is then approximately 20%:80%.

The corporate earnings-related bonus is based on the BMW Group's net profit and post-tax return on sales (which are combined into a single earnings factor) and the level of the dividend (common stock). The corporate earnings-related bonus is derived by multiplying the target amount fixed for each member of the Board of Management by the earnings factor and by the dividend factor. In exceptional circumstances, for instance when there have been major acquisitions or disposals, the Supervisory Board may adjust the level of the corporate earnings-related bonus.

An earnings and dividend factor of 1.00 gives rise to a corporate earnings-related bonus of euro 0.75 million for a member of the Board of Management during the first period of appointment and one of euro 0.875 million with effect from the second. The equivalent bonus for the Chairman of the Board of Management is euro 1.5 million. The earnings factor is 1.00 in the event of a Group net profit of euro 3.1 billion and a post-tax return on sales of 5.6%. The dividend factor is 1.00 in the event that the dividend paid on the shares of common stock is between 100 and 110 euro cents.

If the Group net profit is below euro 1 billion or if the post-tax return on sales is less than 2%, the earnings factor will be zero. In these cases, no corporate earnings-related bonus will be paid. Based on the principle of consistency, this rule is also applicable in determining the corporate earnings-related variable compensation components of all managers and staff of BMW AG (see also page 29 et seq.).

The personal performance-related bonus is derived by multiplying the target amount set for each member of the Board of Management by a performance factor. The Supervisory Board sets the performance factor on the basis of its assessment of the contribution of the relevant Board of Management member to sustainable and long-term oriented business development. In setting the factor, consideration is given equally to personal performance and decisions taken in previous forecasting periods, key decisions affecting the future development of the business, the effectiveness of measures taken in response to changing external conditions as well as other activities aimed at safeguarding the future viability of the business to the extent not included directly in the basis of measurement.

The methodology for determining variable compensation of the Board of Management, including target bonuses and the key figures used to determine the corporate earnings-related bonus, has been fixed for the three financial years during the period from 1 January 2010 to 31 December 2012. Targets and other parameters may not be changed retrospectively during this period.

All current members of the Board of Management have agreed to the corresponding changes in their contracts with effect from 1 January 2010.

The compensation system does not include any stock options, value appreciation rights, and other share-based components incorporating other long-term incentives.

The Supervisory Board carries out an annual review of the appropriateness of the total compensation of the Board of Management; in horizontal terms, this is done by comparing compensation paid by DAX 30 companies and, in vertical terms, by comparing board compensation with the salaries of senior management (below board level) and with average salaries of employees.

In the event of the termination of mandate, current members of the Board of Management are entitled to receive certain defined benefits. Pensions are paid to former members of the Board of Management who have either reached the age of 65, or, if their mandate was terminated earlier and not extended, to members who have either reached the age of 60 or who are unable to work due to ill-health or accident, or who have entered into early retirement in accordance with a special arrangement. The amount of the pension comprises, unchanged from the previous year, a basic monthly amount of euro 10,000 or euro 15,000 (Chairman of the Board of Management) plus a fixed amount. The fixed amount is made up of approximately euro 75 for each year of service in the company before becoming a member of the Board of Management plus between euro 400 and euro 600 for each full year of service on the board (up to a maximum of 15 years). Pension payments are adjusted by analogy to the rules applicable for the adjustment of civil servants' pensions: the pensions of members of the Board of Management are adjusted accordingly when the civil servants remuneration level B6 (excluding allowances) is increased by more than 5% or increased in accordance with the Company Pension Act.

If a mandate is ended early before the member of the Board of Management reaches the age of 60, a transitional payment amounting to two-thirds of the pension theoretically earned up to the date when a full pension can be drawn, may become payable if, after a minimum of three years of service as a member of the Board of Management, this is considered appropriate on the basis of an objective evaluation of all circumstances. Arrangements are in place concerning the offsetting of other income against pensions and transitional payments.

With effect from financial years beginning on or after 1 January 2010, the provision of retirement and surviving dependants' benefits for existing and future members of the Board of Management has been changed to a defined contribution system with a guaranteed minimum return (similar to the switch to a defined contribution system for middle and senior management in 2009 – see page 29 et seq.). Given the fact that board members already have a legal right to receive the benefits already promised to them, they have been given the option to choose between the previous system and the new one. All current members of the Board of Management have agreed to the corresponding changes in their contracts with effect from 1 January 2010.

If a mandate is terminated after 1 January 2010, the new system provides entitlements which can be paid either (a) in the case of death or invalidity as a one-off amount or over a maximum of ten years or (b) on retirement – depending on the wish of the ex-board member concerned – in the form of a life-long monthly pension, as a one-off amount , over a maximum of ten years, or in a combined form (e. g. a combination of a one-off payment and a proportionately reduced life-long monthly pension). Pensions are paid to former members of the Board of Management who have either reached the statutory retirement age for the state pension scheme in Germany, or if their mandate had terminated earlier and had not been extended, to members who have either reached the age of 60 or are permanently unable to work, or who have entered into early retirement in accordance with a special arrangement. In addition, following the death of a retired board member who has elected to receive a life-long pension, 60% of that amount is paid as a life-long widow's pension.

The amount of the retirement pension to be paid is determined on the basis of the amount accrued in each board member's individual pension savings account. The amount on this account arises from annual contributions paid by the Company plus interest earned based on the type of investment.

The annual contribution to be paid for each member of the Board of Management amounts to euro 240,000 for 2010, euro 270,000 for 2011 and euro 300,000 from 2012 onwards. The equivalent figures for the Chairman of the Board of Management are euro 425,000, euro 475,000 and euro 525,000. The contributions are credited, along with interest earned, to the personal savings accounts of board members on a monthly basis. The guaranteed minimum rate of return p. a. corresponds to the maximum interest rate used to calculate insurance reserves for life insurance policies (guaranteed interest on life insurance policies) which currently stands at 2.25%.

In the case of invalidity or death, a minimum of 60% of the potential annual contributions will be paid until the person concerned would have reached the age of 60. At the changeover to the new system, current members of the Board of Management will be credited with a starting balance of equivalent value to entitlements already vested.

The starting balance and all contributions subsequently credited to board members under the new scheme are externally financed in conjunction with a trust model that is also used to fund pension obligations to employees.

Pensions are increased annually by at least 1%.

Income earned on an employed or a self-employed basis up to the age of 63 is offset against the pension entitlement. In addition, certain circumstances have been specified in the event of which the Company no longer has any obligation to pay benefits. In such cases, no transitional payments are made either.

In the case of a board member's mandate being terminated early without important reason, there are no contractual commitments to pay compensation. Similarly, there are no commitments to pay compensation for early termination in the event of a change of control or a takeover offer. No members of the Board of Management received any payments or benefits from third parties in 2009 on account of their activities as the members of the Board of Management of BMW AG.

Compensation of the Board of Management for the financial year 2009 (total)

The total remuneration of the current members of the Board of Management of BMW AG for the financial year 2009, subject to approval by the Supervisory Board, amounted to euro 10.7 million (2008: euro 10.9 million). This comprises fixed components (including other remuneration) of euro 3.7 million (2008: euro 3.1 million) and variable components of euro 7.0 million (2008: euro 7.8 million).

in euro million	**2009** Amount	**2009** Proportion in %	2008 Amount	2008 Proportion in %
Fixed remuneration	**3.7**	**34.6**	3.1	28.4
Variable remuneration	**7.0**	**65.4**	7.8	71.6
Total remuneration	**10.7**	**100.0**	**10.9**	**100.0**

In addition, an expense of euro 0.7 million (2008: euro 0.8 million) was recognised for current members of the Board of Management for the period after the end of their service relationship. This relates to the expense for allocations to pension provisions (service cost).

The amount paid to former members of the Board of Management and their surviving dependants was euro 3.8 million (2008: euro 3.1 million). Pension obligations to former members of the Board of Management and their

Compensation of the individual members of the Board of Management for the financial year 2009 (2008)

in euro	Fixed compensation Salary	Fixed compensation Other compensation	Fixed compensation Total	Variable compensation	**Compensation Total**	Allocation for year to pension provision[1]
Norbert Reithofer	840,000	16,215	856,215	1,725,000	**2,581,215**	131,815
	(600,000)	(16,271)	(616,271)	(1,650,000)	(2,266,271)	(124,912)
Frank-Peter Arndt	440,000	23,591	463,591	910,417	**1,374,007**	73,233
	(300,000)	(19,708)	(319,708)	(825,000)	(1,144,708)	(69,327)
Herbert Diess	420,000	13,773	433,773	862,500	**1,296,273**	93,685
	(300,000)	(29,762)	(329,762)	(825,000)	(1,154,762)	(89,930)
Klaus Draeger	430,000	74,237	504,237	886,458	**1,390,696**	74,495
	(300,000)	(26,276)	(326,276)	(825,000)	(1,151,276)	(70,871)
Friedrich Eichiner	420,000	93,785	513,785	862,500	**1,376,285**	86,612
	(300,000)	(23,516)	(323,516)	(825,000)	(1,148,516)	(81,547)
Harald Krüger	420,000	78,028	498,028	862,500	**1,360,528**	51,300
	(25,000)	(2,777)	(27,777)	(68,750)	(96,527)	(4,616)
Ian Robertson	420,000	54,993	474,993	862,500	**1,337,493**	189,682
	(240,323)	(102,938)	(343,261)	(660,887)	(1,004,148)	(133,533)
Total[2]	**3,390,000**	**354,622**	**3,744,622**	**6,971,875**	**10,716,497**	**700,822**
	(2,801,775)	(304,134)	(3,105,909)	(7,814,570)	(10,920,479)	(819,331)

[1] includes service cost
[2] Figures for the previous year include the remuneration of members of the Board of Management who left office during the financial year 2008.

surviving dependants are fully covered by pension provisions amounting to euro 46.7 million (2008: euro 44.3 million), computed in accordance with IAS 19.

2. Compensation of the Supervisory Board Responsibilities, regulation pursuant to Articles of Incorporation

The compensation of the Supervisory Board is determined by shareholders' resolution at the Annual General Meeting. The compensation regulation valid for the financial year 2009 is the result of the shareholders' resolutions taken at the Annual General Meeting on 8 May 2008 and § 15 of the Articles of Incorporation of BMW AG. The Articles of Incorporation of BMW AG can be viewed / downloaded at www.bmwgroup.com/ir under the menu item "Corporate Facts" and "Corporate Governance".

Compensation principles, compensation components

In line with the recommendations of the German Corporate Governance Code, the members of the Supervisory Board receive fixed as well as performance-related compensation.

Each member of the Supervisory Board receives, in addition to the reimbursement of expenses, a fixed amount of euro 55,000 (payable at the end of the year) as well as a corporate earnings related compensation of euro 220 for each full euro 0.01 by which the earnings per share (EPS) of common stock reported in the Group Financial Statements for the relevant financial year (remuneration year) exceeds a minimum amount of euro 2.30 (payable after the Annual General Meeting held in the following year).

An upper limit of euro 110,000 is in place for the corporate earnings related compensation. Since the minimum EPS was not achieved in 2009, no corporate earnings related compensation is payable for the financial year 2009.

The German Corporate Governance Code also recommends that the exercising of chair and deputy chair positions in the Supervisory Board as well the chair and membership of committees should also be considered when determining the level of compensation.

Accordingly, the Articles of Incorporation of BMW AG stipulate that the Chairman of the Supervisory Board receives three times the amount and each Deputy Chairman receives twice the amount of the remuneration of a Supervisory Board member. Provided the relevant committee convened for meetings on at least three days during the financial year, each chairman of the Supervisory Board's committees receives twice the amount and each member of a committee receives one and a half times the amount of the remuneration of a Supervisory Board member. If a member of the Supervisory Board exercises more than one of the functions referred to above, the compensation is measured only on the basis of the function which is remunerated with the highest amount, thus avoiding amounts accumulating when more than one function is exercised.

In addition, each member of the Supervisory Board receives an attendance fee of euro 2,000 for each full meeting of the Supervisory Board (Plenum) which the member has attended (payable at the end of the financial year). Attendance at more than one meeting on the same day is not remunerated separately.

The Company also reimburses to each member of the Supervisory Board any value added tax arising on their remuneration. The amounts disclosed below are net amounts.

Compensation of the Supervisory Board for the financial year 2009 (total)

In accordance with § 15 of the Articles of Incorporation, the compensation of the Supervisory Board for activities during the financial year 2009 amounted to euro 1.6 million (2008: euro 1.6 million). This comprises fixed compensation of euro 1.6 million (2008: euro 1.6 million). No variable compensation is payable for the financial year 2009 (2008: –) since the conditions stipulated in the Articles of Incorporation (minimum EPS of euro 2.30) were not met.

in euro million	**2009**		2008	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	**1.6**	**100.0**	1.6	100.0
Variable compensation	**–**	**–**	–	–
Total compensation	**1.6**	**100.0**	**1.6**	**100.0**

Supervisory Board members did not receive any further compensation or benefits from the BMW Group for services performed by them, in particular advisory and agency services. During the financial year 2009 BMW AG concluded a contract with the market research organisation – Institut für Demoskopie Allensbach, Gesellschaft zum Studium der öffentlichen Meinung mit beschränkter Haftung, Allensbach – pertaining to the performance of a market research study into the German premium segment for cars in return for a total fee of euro 79,600. Since Prof. Dr. Renate Köcher is a member of BMW AG's Supervisory Board and a Director of the Allensbach Institute, the Board of Management obtained approval for the contract from the Supervisory Board's Personnel Committee before signing the contract.

Compensation of the individual members of the Supervisory Board for the financial year 2009 (2008)

in euro	Fixed compensation	Attendance fee	Variable compensation	**Total**[5]
Joachim Milberg (Chairman)	165,000 (165,000)	10,000 (10,000)	– (–)	**175,000** (175,000)
Manfred Schoch (Deputy Chairman)	110,000 (110,000)	10,000 (10,000)	– (–)	**120,000** (120,000)
Stefan Quandt (Deputy Chairman)	110,000 (110,000)	10,000 (10,000)	– (–)	**120,000** (120,000)
Stefan Schmid (Deputy Chairman)	110,000 (99,180)	10,000 (10,000)	– (–)	**120,000** (109,180)
Jürgen Strube (Deputy Chairman)	110,000 (90,765)	10,000 (10,000)	– (–)	**120,000** (100,765)
Ulrich Eckelmann[1]	20,192 (55,000)	2,000 (10,000)	– (–)	**22,192** (65,000)
Bertin Eichler	55,000 (55,000)	10,000 (8,000)	– (–)	**65,000** (63,000)
Franz Haniel	55,000 (55,000)	8,000 (8,000)	– (–)	**63,000** (63,000)
Reinhard Hüttl	55,000 (35,765)	10,000 (8,000)	– (–)	**65,000** (43,765)
Susanne Klatten	55,000 (55,000)	10,000 (8,000)	– (–)	**65,000** (63,000)
Karl-Ludwig Kley	55,000 (35,765)	8,000 (4,000)	– (–)	**63,000** (39,765)
Renate Köcher	55,000 (35,765)	10,000 (8,000)	– (–)	**65,000** (43,765)
Robert W. Lane[2]	34,959 (–)	6,000 (–)	– (–)	**40,959** (–)
Horst Lischka[3]	34,959 (–)	8,000 (–)	– (–)	**42,959** (–)
Willibald Löw	55,000 (55,000)	10,000 (10,000)	– (–)	**65,000** (65,000)
Hubert Markl[4]	20,192 (55,000)	2,000 (8,000)	– (–)	**22,192** (63,000)
Wolfgang Mayrhuber	55,000 (55,000)	8,000 (10,000)	– (–)	**63,000** (65,000)
Werner Neugebauer	55,000 (55,000)	8,000 (8,000)	– (–)	**63,000** (63,000)
Franz Oberländer	55,000 (55,000)	4,000 (10,000)	– (–)	**59,000** (65,000)
Anton Ruf	55,000 (55,000)	10,000 (10,000)	– (–)	**65,000** (65,000)
Maria Schmidt	55,000 (42,377)	10,000 (8,000)	– (–)	**65,000** (50,377)
Werner Zierer	55,000 (55,000)	10,000 (10,000)	– (–)	**65,000** (65,000)
Total	**1,430,302** (1,420,982)	**184,000** (184,000)	**–** (–)	**1,614,302** (1,604,982)

[1] Member of the Supervisory Board until 14 May 2009.
[2] Member of the Supervisory Board from 14 May 2009.
[3] Member of the Supervisory Board until 14 May 2009.
[4] Member of the Supervisory Board from 14 May 2009.
[5] Figures for the previous year include the remuneration of members of the Supervisory Board who left office during the financial year 2008.

3. Other
No loans or advances were granted by the BMW Group on favourable conditions to members of the Board of Management or the Supervisory Board.

Reportable securities transactions (“Directors’ Dealings”)
Members of the Board of Management and the Supervisory Board and related persons of those members, are required, pursuant to § 15 a of the German Securities Trading Act (WpHG), to give notice of any of their transactions with BMW stock or related financial instruments if the total sum of such transactions exceeds the amount of euro 5,000 during the calendar year. BMW AG gives notice of any transaction reported to it on its website at www.bmwgroup.com/ir and in its Annual Document pursuant to § 10 (1) of the German Securities Prospectus Act.

Shareholdings of members of the Board of Management and the Supervisory Board
The members of the Supervisory Board of BMW AG hold in total 27.68 % of the Company’s issued common and preferred stock shares, of which 16.11 % relates to Stefan Quandt, Bad Homburg v. d. H. and 11.57 % to Susanne Klatten, Munich. The aggregated shareholdings of the members of the Board of Management total less than 1 % of the issued shares.

Employee share scheme
Since 1989 BMW AG has also allowed its employees to participate in the success of the business in the form of an employee share scheme. In 2009 employees were able, at their own discretion, to acquire up to 35 shares of non-voting preferred stock at a discounted price. All employees of BMW AG and its wholly owned German subsidiaries (if agreed to by the directors of those entities) were entitled to participate in the scheme. Employees were required to have been in an uninterrupted employment relationship with BMW AG or the relevant subsidiary for at least one year at the date on which the the allocation for the year was announced. Shares of preferred stock acquired in conjunction with the employee share scheme are subject to a vesting period of four years, starting from 1 January of the year in which the shares were acquired. In total, 831,425 shares of preferred stock were acquired by employees under the scheme in 2009. The Board of Management of BMW AG decides each year whether the scheme is to be continued. Further information can be found on page 42.

Information on Corporate Governance Practices Applied Beyond Mandatory Requirements

Core principles
Within the BMW Group, the Board of Management, the Supervisory Board and the employees base their actions on twelve core principles which are the cornerstone of the success of the BMW Group:

Customer focus
The success of our company is determined by our customers. They are at the heart of everything we do. The results of all our activities must be measured in terms of the benefits they will generate for our customers.

Peak performance
We aim to be the best – a challenge to which all of us must rise. Each and every employee must be prepared to deliver peak performance. We strive to be among the elite, but without being arrogant. It is the company and its products that count – and nothing else.

Responsibility
Every BMW Group employee has the personal responsibility for the company’s success. In team work, every employee must assume personal responsibility for his or her actions. We are fully aware that we are working to achieve the company’s goals. For this reason, we work together in the best interests of the company.

Effectiveness
The only results that count for the company are those which have a sustainable impact. In assessing leadership, we must consider the effectiveness of performance on results.

Adaptability
In order to ensure our long-term success we must adapt to new challenges with speed and flexibility. We therefore see change as an opportunity – and adaptability as essential to be able to capitalise on it.

Frankness
As we strive to find the best solution, it is each employee’s duty to express any opposing opinions they may have.

The solutions agreed upon will then be consistently implemented by all those involved.

Respect, trust, fairness
We treat each other with respect. Leadership is based on mutual trust. Trust is rooted in fairness and reliability.

Employees
People make companies. Our employees are the strongest factor in our success, which means our personnel decisions will be amongst the most important we ever make.

Leading by example
Every manager must lead by example.

Sustainability
In our view, sustainability constitutes a lasting contribution to the success of the company. This is the basis upon which we assume ecological and social responsibility.

Society
Social responsibility is an integral part of our corporate self-image.

Independence
We secure the corporate independence of the BMW Group through sustained profitable growth.

The core principles are also available at www.bmwgroup.com under the menu items "Responsibility" and "Employees".

Social responsibility towards employees and along the supplier chain
Questions relating to the issue of corporate social responsibility are raised with each new day. The corporate culture of the BMW Group combines the drive to be successful with a will to be open-minded, trusting and transparent. The BMW Group is very much aware of its responsibilities towards society. The BMW Group's models for sustainable social responsibility towards employees and for ensuring compliance with international social standards are based on various internationally recognised guidelines. The BMW Group is committed to adhering to the OECD's guidelines for multinational companies and the contents of the ICC Business Charter for Sustainable Development. Details of the contents of these guidelines and other relevant information can be found at www.oecd.org and www.iccwbo.org. The Board of Management signed the United Nations Global Compact in 2001 and, in 2005, in conjunction with employee representatives, issued a Joint Declaration on Human Rights and Working Conditions in the BMW Group. With these two documents, we have given our commitment to abide worldwide by the International Labour Organization's (ILO) fundamental working standards, principles and labour rights. The most important of these are freedom of employment, the prohibition of discrimination, the prohibition of child labour, the right to appropriate remuneration, regulated working times and compliance with work and safety regulations. The complete text of the UN Global Compact and the recommendations of the ILO and other relevant information can be found at www.unglobalcompact.org and www.ilo.org; the Joint Declaration on Human Rights and Working Conditions in the BMW Group can be found at www.bmwgroup.com under the menu item "Responsibility".

It goes without saying that the BMW Group abides by these fundamental principles and rights worldwide. Activities can only be sustainable, however, if they encompass the entire value-added chain. That is why the BMW Group not only makes high demands of itself but also expects its suppliers and partners to meet the ecological and social standards it sets. The relevant sustainability criteria therefore play an integral part in all aspects of purchasing terms and conditions. Potential suppliers must submit a full disclosure when completing BMW's sustainability questionnaire, an inherent component of the acceptance procedure for potential new suppliers. The BMW Group also insists that its suppliers ensure that their sub-contractors comply with set standards. Purchasing terms and conditions and other information relating to purchasing can be found in the publicly available section of the BMW Group Partner Portal at https://b2b.bmw.com.

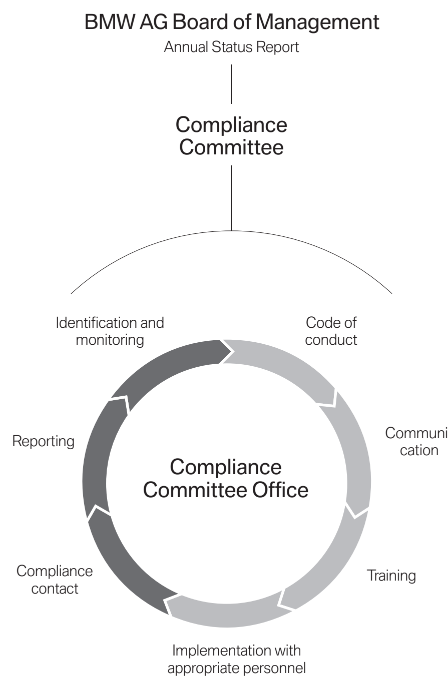
Compliance in the BMW Group
Responsible and lawful conduct is fundamental to the success of the BMW Group. This approach is an integral part of our corporate culture and is the reason why customers, shareholders, business partners and the general public place their trust in us. The Board of Management and the employees of the BMW Group are obliged to act responsibly and in compliance with applicable laws and regulations.

This principle has been embedded in BMW's internal "Rules of Conduct" for many years now. In order to ensure protection against compliance-related and reputational risks, the Board of Management established a Compliance Committee in 2007 mandated to introduce a worldwide Compliance Organisation throughout the BMW Group.

The BMW Group Compliance Committee comprises the heads of the following departments: Legal and Patents, Corporate Communication and Governmental Affairs, Group Internal Audit, Group Financial Reporting, Organisational Development and Group Human Resources. It manages and monitors activities necessary to avoid non-compliance with the law (Legal Compliance). These activities include training, information and communication measures, following up cases on non-compliance and implementing compliance requirements.

The Compliance Committee reports regularly to the Board of Management on all compliance-related issues, including the progress made in setting up the Compliance Organisation, details of investigations performed, identified cases of non-compliance, sanctions imposed and corrective/preventative measures implemented. The BMW Group Compliance Committee operates through the Compliance Committee Office, which is organisationally allocated to the Chairman of the Board of Management.

Compliance Committee



The Chairman of the Compliance Committee keeps the Audit Committee (i.e. a part of the Supervisory Board) informed on the current status of compliance activities within the BMW Group, both on a regular and a case-by-case basis as the need arises.

The process of implementing the BMW Group Compliance Organisation was begun in 2008 and has been carried out in two steps. Implementation at BMW AG and at a large number of the Group's German subsidiaries was completed in June 2009. At an international level, implementation at a total of 69 entities worldwide within the BMW Group was completed in November 2009.

The Compliance Organisation comprises the entire set of measures taken to ensure that the BMW Group, its representative bodies, its managers and its staff act in a lawful manner. It is supplemented by a whole range of internal principles, guidelines and instructions, which in part reflect the applicable law.

The various elements of the BMW Group Compliance Organisation are shown in the diagram on the left and are applicable for all BMW Group entities worldwide. To the extent that additional compliance requirements apply to individual countries or specific lines of business, these are covered by local compliance measures.

The BMW Group Legal Compliance Code is at the core of the Compliance Organisation. This document explains the significance of legal compliance and provides an overview of the various areas relevant for the BMW Group. The Legal Compliance Code is available as a printed brochure and for download in German and English. In addition, translations into eight other languages (French, Spanish, Italian, Portuguese, Russian, Japanese, Thai and Korean) have been made available since 2009.

Managers in particular bear a high degree of responsibility and must set a good example in the process of avoiding incidences of non-compliance. All managers are required to inform the staff working for them of the content and significance of the Legal Compliance Code and to make them aware of legal risks. Managers must, at regular intervals and on their own initiative, check compliance with the law and communicate regularly with staff on this issue. Any indication of non-compliance with the law must be rigorously investigated.

In the course of implementation, more than 10,000 managers and staff received training worldwide in compliance essentials up to the end of November 2009. The training material is available on an internet-based training platform in German and English and includes a final test. Successful participation in the training programme, which is documented by a certificate, is mandatory for all BMW Group managers. After completion of the implementation phase, new HR processes have been introduced in order to ensure that all newly recruited managers and promoted staff are required to undertake compliance training. This basic training is supplemented by training programmes on specific compliance issues for selected target groups.

In order to avoid legal risks, all members of staff are expected to discuss matters with their managers and with the relevant departments within the BMW Group, in particular the Legal Department, the Group Internal Audit Department and the Group Security Department. As a further point of contact (telephone or e-mail), the BMW Group Compliance Contact has also been set up both for employees and non-employees to answer any questions that may arise regarding compliance. This also applies if weaknesses or circumstances have been identified which could result in non-compliance with the law. Information can also be provided anonymously if so desired.

Compliance-related queries and all matters to which attention has been drawn are documented and followed up by the BMW Group Compliance Committee Office using an electronic case management system. If necessary, Group Internal Audit, Group Security and the legal departments may be called upon to assist in the investigation process.

A reporting system is currently being established for the Compliance Organisation which will enable compliance-relevant issues to be reported to the Compliance Committee on a regular basis, and, if necessary, on an ad hoc basis. To this end, a current total of 132 Compliance Managers (at 31 December 2009) report on compliance matters covering all areas of the BMW Group. This includes reporting on the compliance status of the respective entities, identified legal risks and incidences of non-compliance as well as corrective or preventative measures implemented.

Compliance with and implementation of the Legal Compliance Code is reviewed regularly by Group Internal Audit and Group Security. For this purpose, the Group Internal Audit Department also performs on-site audits and interviews employees.

It is essential that employees are aware of and comply with applicable legal regulations. The BMW Group does not tolerate violations of law by its employees. Culpable violations of law may result in labour law sanctions and personal liability for the employee involved.

In order to avoid this, the BMW Group's employees are kept fully informed of the tools and measures used by the Compliance Organisation via various internal channels. The central means of communication is the Compliance website within the BMW Group's intranet where employees can find compliance-related information and also have access to training materials in both German and English. Employees can use the website to access frequently asked questions (and answers) on compliance-related issues. A special service area was added to the website in 2009 where various practical tools and aids are made available to employees, which help them to deal with typical compliance-related matters.

Compliance is also an important factor in terms of safeguarding the future of the BMW Group's workforce. For that reason, in June 2009 the Board of Management and the national and international employee representative bodies of the BMW Group signed a set of Joint Principles for Lawful Conduct. In doing so, all parties involved gave a commitment to the principles contained in the BMW Group Legal Compliance Code and to a trustful cooperation in all matters relating to compliance.

In the interest of investor protection and in order to ensure that the BMW Group complies with regulations relating to potential insider information, as early as 1994 the Board of Management appointed an Ad-hoc Committee consisting of representatives of various specialist departments and whose members examine the relevance of issues for ad-hoc disclosure purposes. All persons working on behalf of the enterprise who have access to insider information in accordance with existing rules have been, and continue to be, included in a corresponding, regularly updated list and informed of the duties arising from insider rules.

The full text of the BMW Group's Legal Compliance Code can be viewed / downloaded at www.bmwgroup.com under the menu items "Company" and "Company Portrait".

Other Information
BMW AG
Principal Subsidiaries

Principal subsidiaries of BMW AG at 31 December 2009	Equity in euro million	Net result in euro million	Capital investment in %
Domestic[1]			
BMW INTEC Beteiligungs GmbH, Munich[3]	3,549	–	100
BMW Bank GmbH, Munich[3]	404	–	100
BMW Finanz Verwaltungs GmbH, Munich	211	5	100
BMW Ingenieur-Zentrum GmbH + Co., Dingolfing	47	65	100
BMW Maschinenfabrik Spandau GmbH, Berlin	44	2	100
BMW Leasing GmbH, Munich[3]	16	–	100
BMW Hams Hall Motoren GmbH, Munich[4]	15	–	100
BMW Fahrzeugtechnik GmbH, Eisenach[3]	11	–	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich[3]	[5]	–	100

[1] In the case of German subsidiaries, based on financial statements drawn up in accordance with HGB.
[2] In the case of foreign subsidiaries, based on financial statements drawn up in accordance with uniform IFRSs accounting policies. Equity and net result are translated at the closing rate.
[3] profit and loss transfer agreement with BMW AG
[4] profit and loss transfer agreement with a subsidiary of BMW AG
[5] below euro 500,000

Principal subsidiaries of BMW AG at 31 December 2009	Equity in euro million	Net result in euro million	Capital investment in %
Foreign[2]			
BMW Österreich Holding GmbH, Steyr	1,219	266	100
BMW Motoren GmbH, Steyr	741	140	100
BMW China Automotive Trading Ltd., Beijing	472	405	100
BMW Russland Trading OOO, Moscow	71	–53	100
BMW Austria Gesellschaft m. b. H., Salzburg	50	–5	100
BMW Holding B.V., The Hague	5,165	1,428	100
BMW Australia Finance Ltd., Melbourne, Victoria	477	25	100
BMW (South Africa) (Pty) Ltd., Pretoria	444	71	100
BMW (Schweiz) AG, Dielsdorf	409	21	100
BMW Italia S. p. A., Milan	390	76	100
BMW Finance N.V., The Hague	337	1	100
— BMW Overseas Enterprises N.V., Willemstad	65	1	100
BMW Japan Corp., Tokyo	273	5	100
— BMW Japan Finance Corp., Tokyo	350	20	100
BMW Belgium Luxembourg S. A. / N.V., Bornem	211	19	100
BMW France S. A., Montigny le Bretonneux	191	58	100
BMW Canada Inc., Whitby	142	73	100
BMW Australia Ltd., Melbourne, Victoria	70	19	100
BMW Portugal Lda., Lisbon	49	–3	100
BMW Korea Co., Ltd., Seoul	29	6	100
BMW Hellas Trade of Cars SA, Athens	25	–1	100
BMW New Zealand Ltd., Auckland	24	[5]	100
BMW Sverige AB, Stockholm	23	–3	100
BMW Automotive (Ireland) Ltd., Dublin	21	–3	100
BMW Nederland B.V., The Hague	–2	–12	100
BMW (UK) Holdings Ltd., Bracknell	497	–14	100
BMW (UK) Manufacturing Ltd., Bracknell	983	119	100
BMW (UK) Ltd., Bracknell	637	–119	100
BMW Financial Services (GB) Ltd., Hook	222	38	100
BMW (UK) Capital plc, Bracknell	153	40	100
BMW Malta Ltd., St. Julians	1,055	83	100
— BMW Malta Finance Ltd., St. Julians	833	43	100
—— BMW Coordination Center V. o. F., Bornem	592	[5]	100
BMW España Finance S. L., Madrid	365	5	100
— BMW Ibérica S. A., Madrid	303	41	100
— BMW de Mexico, S. A. de C.V., Mexico City	3	1	100
BMW (US) Holding Corp., Wilmington, Del.	1,186	8	100
BMW Manufacturing, LLC, Wilmington, Del.	577	–105	100
BMW Financial Services NA, LLC, Wilmington, Del.	440	96	100
BMW of North America, LLC, Wilmington, Del.	342	15	100
BMW US Capital, LLC, Wilmington, Del.	276	49	100

BMW Group Ten-year Comparison

		2009	2008	2007	2006
Deliveries to customers					
Automobiles[3]	units	**1,286,310**	1,435,876	1,500,678	1,373,970
Motorcycles[4]	units	**87,306**	101,685	102,467	100,064
Production					
Automobiles[3]	units	**1,258,417**	1,439,918	1,541,503	1,366,838
Motorcycles[5]	units	**82,631**	104,220	104,396	103,759
Financial Services					
Contract portfolio	contracts	**3,085,946**	3,031,935	2,629,949	2,270,528
Business volume (based on balance sheet carrying amounts)[6]	euro million	**61,202**	60,653	51,257	44,010
Income Statement					
Revenues	euro million	**50,681**	53,197	56,018	48,999
Gross profit margin Group[7]	%	**10.5**	11.4	21.8	23.1
Profit before financial result	euro million	**289**	921	4,212	4,050
Profit before tax	euro million	**413**	351	3,873	4,124
Return on sales (earnings before tax/revenues)	%	**0.8**	0.7	6.9	8.4
Income taxes	euro million	**203**	21	739	1,250
Effective tax rate	%	**49.2**	6.0	19.1	30.3
Net profit for the year	euro million	**210**	330	3,134	2,874
Balance Sheet					
Non-current assets	euro million	**62,009**	62,416	56,619	50,514
Current assets	euro million	**39,944**	38,670	32,378	28,543
Equity	euro million	**19,915**	20,273	21,744	19,130
Equity ratio Group	%	**19.5**	20.1	24.4	24.2
Non-current provisions and liabilities	euro million	**45,119**	41,526	33,469	31,372
Current provisions and liabilities	euro million	**36,919**	39,287	33,784	28,555
Balance sheet total	euro million	**101,953**	101,086	88,997	79,057
Cash Flow Statement					
Cash and cash equivalents at balance sheet date	euro million	**7,767**	7,454	2,393	1,336
Operating cash flow[8]	euro million	**4,921**	4,471	6,246	5,373
Capital expenditure	euro million	**3,471**	4,204	4,267	4,313
Capital expenditure ratio (capital expenditure/revenues)	%	**6.8**	7.9	7.6	8.8
Personnel					
Workforce at the end of year[9]		**96,230**	100,041	107,539	106,575
Personnel cost per employee	euro	**72,349**	75,612	76,704	76,621
Dividend					
Dividend total	euro million	**197**	197	694	458
Dividend per share of common stock/preferred stock	euro	**0.30/0.32**	0.30/0.32	1.06/1.08	0.70/0.72

[1] adjusted for new accounting treatment of pension obligations
[2] reclassified after harmonisation of internal and external reporting systems
[3] including Rover Cars up to 9 May 2000 and Land Rover up to 30 June 2000
[4] excluding C1, sales volume to 2003: 32,859 units, excluding Husqvarna Motorcycles (13,052 motorcycles)
[5] from 2006 including BMW G 650 X assembly by Piaggio S.p.A./excluding C1 production by Bertone, production volume C1 up to 2002: 33,489 units, excluding Husqvarna Motorcycles (10,612 motorcycles)
[6] amount computed on the basis of balance sheet figures: until 2007 from the Group balance sheet, from 2008 onwards from the Financial Services segment balance sheet
[7] research and development costs included in cost of sales with the effect from 2008
[8] Figures are reported in the cash flow statement up to 2006 as cash inflow from operating activities of Industrial Operations and from 2007 as cash inflow from operating activities of the Automobiles segment.
[9] Figures exclude dormant employment contracts, employees in the non-work phases of pre-retirement part-time arrangements and low wage earners.
[10] adjustment to dividend due to buy-back of treasury shares

	2005	2004[1]	2003	2002[2]	2001	2000
Deliveries to customers						
Automobiles[3]	1,327,992	1,208,732	1,104,916	1,057,344	905,657	1,011,874
Motorcycles[4]	97,474	92,266	92,962	92,599	84,713	74,614
Production						
Automobiles[3]	1,323,119	1,250,345	1,118,940	1,090,258	946,730	1,026,775
Motorcycles[5]	92,012	93,836	89,745	93,010	90,478	74,397
Financial Services						
Contract portfolio	2,087,368	1,843,399	1,623,425	1,443,236	1,297,702	1,317,150
Business volume (based on balance sheet carrying amounts)[6]	40,428	32,556	28,647	26,505	25,306	24,958
Income Statement						
Revenues	46,656	44,335	41,525	42,411	38,463	37,226
Gross profit margin Group[7]	22.9	23.2	22.7	22.8	25.3	22.8
Profit before financial result	3,793	3,774	3,353	3,505	3,356	2,065
Profit before tax	3,287	3,583	3,205	3,297	3,242	2,032
Return on sales (earnings before tax/revenues)	7.0	8.1	7.7	7.8	8.4	5.5
Income taxes	1,048	1,341	1,258	1,277	1,376	823
Effective tax rate	31.9	37.4	39.3	38.7	42.4	40.5
Net profit for the year	2,239	2,242	1,947	2,020	1,866	1,209
Balance Sheet						
Non-current assets	47,556	40,822	36,921	34,667	31,282	30,079
Current assets	27,010	26,812	24,554	20,844	19,977	19,261
Equity	16,973	16,534	16,150	13,871	10,770	9,432
Equity ratio Group	22.8	24.4	26.3	25.0	21.0	19.1
Non-current provisions and liabilities	29,509	26,517	22,090	20,028	19,223	17,386
Current provisions and liabilities	28,084	24,583	23,235	21,612	21,266	22,522
Balance sheet total	74,566	67,634	61,475	55,511	51,259	49,340
Cash Flow Statement						
Cash and cash equivalents at balance sheet date	1,621	2,128	1,659	2,333	2,437	2,927
Operating cash flow[8]	6,184	6,157	4,970	4,553	4,304	3,966
Capital expenditure	3,993	4,347	4,245	4,042	3,516	2,781
Capital expenditure ratio (capital expenditure/revenues)	8.6	9.8	10.2	9.5	9.1	7.5
Personnel						
Workforce at the end of year[9]	105,798	105,972	104,342	101,395	97,275	93,624
Personnel cost per employee	75,238	73,241	73,499	69,560	66,711	63,548
Dividend						
Dividend total	419[10]	419	392	351	350	310
Dividend per share of common stock/preferred stock	0.64/0.66	0.62/0.64	0.58/0.60	0.52/0.54	0.52/0.54	0.46/0.48

BMW Group Locations

The BMW Group is present in the world markets with 24 production and assembly plants, 43 sales subsidiaries and a research and development network.

— H Headquarters

— R Research and Development

BMW Group Research and Innovation Centre (FIZ), Munich
BMW Group Forschung und Technik, Munich
BMW Car IT, Munich
BMW Innovations- und Technologiezentrum für Leichtbau, Landshut
BMW Entwicklungszentrum für Dieselmotoren, Steyr, Austria
BMW Group Designworks, Newbury Park, USA
BMW Group Technology Office Palo Alto, USA
BMW Group Engineering and Emission Test Center, Oxnard, USA
BMW Group Entwicklung Japan, Tokyo, Japan
BMW Group Entwicklung China, Beijing, China
BMW Group Entwicklung USA, Woodcliff Lake, USA

— P Production

Berlin plant
Dingolfing plant
Eisenach plant
Goodwood plant, GB (headquarters of Rolls-Royce Motor Cars Limited)
Hams Hall plant, GB
Landshut plant
Leipzig plant
Munich plant
Oxford plant, GB
Regensburg plant
Rosslyn plant, South Africa
BMW Brilliance Automotive Ltd., Shenyang, China (joint venture with Brilliance China Automotive Holdings)
Spartanburg plant, USA
Steyr plant, Austria
Swindon plant, GB
Wackersdorf plant
Husqvarna Motorcycles S. r. l., Cassinetta di Biandronno, Italy

— C Contract production

Magna Steyr Fahrzeugtechnik, Austria

— A Assembly plants

CKD production Cairo, Egypt
CKD production Chennai, India
CKD production Jakarta, Indonesia
CKD production Kaliningrad, Russia
CKD production Kulim, Malaysia
CKD production Rayong, Thailand

— S Sales subsidiary markets

Argentina
Australia
Austria
Belgium
Brazil
Bulgaria
China
Canada
Czech Republic
Denmark
Dubai
Finland
France
Germany
Great Britain
Greece
Hungary
India
Indonesia
Ireland
Italy
Japan
Malaysia
Malta
Mexico
Netherlands
New Zealand
Norway
Panama
Poland
Portugal
Romania
Russia
Singapore
Slovakia
Slovenia
South Africa
South Korea
Spain
Sweden
Switzerland
Thailand
USA

Glossary

Accident frequency
Shows the number of reportable industrial accidents per one million hours worked. Definition of industrial accident in accordance with the German Social Code: Industrial accidents are accidents involving insured individuals and resulting from the pursuit of their insured activity on the industrial site. Accidents are events of limited duration that impact the body externally, leading to damage to health or death.

ACEA
Abbreviation for "Association des Constructeurs Européens d'Automobiles" (European Automobile Manufacturers Association).

Common stock
Stock with voting rights (cf. preferred stock).

Cost of materials
Comprises all expenditure to purchase raw materials and supplies.

DAX
Abbreviation for "Deutscher Aktienindex", the German Stock Index. The index is based on the weighted market prices of the 30 largest German stock corporations (by stock market capitalisation).

Deferred taxes
Accounting for deferred taxes is a method of allocating tax expense to the appropriate accounting period.

Derivatives
Financial products, whose measurement is derived principally from market price, market price fluctuations and expected market price changes of the underlying instrument (e. g. indices, stocks or bonds).

DJSI World
Abbreviation for "Dow Jones Sustainability Index World". A family of indexes created by Dow Jones and the Swiss investment agency SAM Sustainability Group for companies with strategies based on a sustainability concept. The BMW Group has been one of the leading companies in the DJSI since 1999.

EBIT
Abbreviation for "Earnings Before Interest and Taxes". The profit before income taxes, minority interest and financial result.

EBITDA
Abbreviation for "Earnings Before Interest, Taxes, Depreciation and Amortisation". The profit before income taxes, minority interest, financial result and depreciation / amortisation.

Effectiveness
The degree to which offsetting changes in fair value or cash flows attributable to a hedged risk are achieved by the hedging instrument.

Efficient Dynamics
The aim of Efficient Dynamics is to reduce consumption and emissions whilst simultaneously increasing dynamics and performance. This involves a holistic approach to achieving optimum automobile potential, ranging from efficient engine technologies and lightweight construction to comprehensive energy and heat management inside the vehicle.

Equity ratio
The proportion of equity (= subscribed capital, reserves, accumulated other equity and minority interest) to the balance sheet total.

Free cash flow
Free cash flow corresponds to the cash inflow from operating activities of the Automobiles segment less the cash outflow for investing activities of the Automobiles segment.

Gross margin
Gross profit as a percentage of revenues.

IFRSs
International Financial Reporting Standards, intended to ensure global comparability of financial reporting and consistent presentation of financial statements. The IFRSs are issued by the International Accounting Standards Board and include the International Accounting Standards (IASs), which are still valid.

ISO 14001
An internationally recognised standard for environmental management systems.

Operating cash flow
Cash inflow from the operating activities of the Automobiles segment.

Preferred stock
Stock which receives a higher dividend than common stock, but without voting rights.

Production network
The BMW Group production network consists worldwide of 17 plants, six assembly plants and one contract production plant. Within this network, the plants supply one another with systems and components and are all characterised by a high level of productivity, agility and flexibility.

Rating
Standardised evaluation of a company's credit standing which is widely accepted on the global capital markets. Ratings are published by independent rating agencies, e.g. Standard & Poor's or Moody's, based on their analysis of a company.

Return on sales
Pre-tax: Profit before tax as a percentage of revenues.
Post-tax: Profit as a percentage of revenues.

Risk management
An integral component of all business processes. Following enactment of the German Law on Control and Transparency within Businesses (KonTraG), all companies listed on a stock exchange in Germany are required to set up a risk management system. The purpose of this system is to identify risks at an early stage which could have a significant adverse effect on the assets, liabilities, financial position and results of operations, and which could endanger the continued existence of the company. This applies in particular to transactions involving risk, errors in accounting or financial reporting and violations of legal requirements. The Board of Management is required to set up an appropriate system, to document that system and monitor it regularly with the aid of the internal audit department.

Sales locations
Sales locations include separate legal entities, non-separate entities and regional offices. In addition, 105 markets are serviced by 97 importers.

Subscribed capital
The share capital of a company is computed by multiplying the nominal value of the shares by the number of shares.

Subsidiaries
Subsidiaries are those enterprises which, either directly or indirectly, are under the uniform control of the management of BMW AG or in which BMW AG, either directly or indirectly
- holds the majority of the voting rights
- has the right to appoint or remove the majority of the members of the Board of Management or equivalent governing body, and in which BMW AG is at the same time (directly or indirectly) a shareholder
- has control (directly or indirectly) over another enterprise on the basis of a control agreement or a provision in the statutes of that enterprise.

Supplier relationship management
Supplier relationship management (SRM) uses focused procurement strategies to organise networked supplier relationships, optimise processes for supplier qualification and selection, ensure the application of uniform standards throughout the Group and create efficient sourcing and procurement processes along the whole value added chain.

Sustainability
Sustainability, or sustainable development, gives equal consideration to ecological, social and economic development. In 1987 the United Nations "World Commission on Environment and Development" defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The economic relevance of corporate sustainability to the BMW Group is evident in three areas: resources, reputation and risk.

Index

This version of the Annual Report is a translation from the German version. Only the original German version is binding.

Index of graphs

Financial Calendar

Annual Accounts Press Conference	17 March 2010
Financial Analysts' Meeting	18 March 2010
Quarterly Report to 31 March 2010	5 May 2010
Annual General Meeting	18 May 2010
Quarterly Report to 30 June 2010	3 August 2010
Quarterly Report to 30 September 2010	3 November 2010

Annual Report 2010	15 March 2011
Annual Accounts Press Conference	15 March 2011
Financial Analysts' Meeting	16 March 2011
Quarterly Report to 31 March 2011	4 May 2011
Annual General Meeting	12 May 2011
Quarterly Report to 30 June 2011	2 August 2011
Quarterly Report to 30 September 2011	3 November 2011

Contacts

Business Press

Telephone	+49 89 382-2 33 62
	+49 89 382-2 41 18
Fax	+49 89 382-2 44 18
E-mail	presse@bmwgroup.com

Investor Relations

Telephone	+49 89 382-2 42 72
	+49 89 382-2 53 87
Fax	+49 89 382-1 46 61
E-mail	ir@bmwgroup.com

The BMW Group on the Internet

Further information about the BMW Group is available online at www.bmwgroup.com. Investor Relations information is available directly at www.bmwgroup.com/ir. Information about the various BMW Group brands is available at www.bmw.com, www.mini.com and www.rolls-roycemotorcars.com.

Number ONE

Future — Creating individual mobility of the future.

Growth — Developing a growth market.

Customers — Winning new customers through technological leadership.

Profitability — Preparing for the future by thinking ahead.

Hakan Kaya and his family find the BMW ActiveHybrid X6 appealing.

Connecting emotions

Our changing world constantly demands new ideas. At the BMW Group, we are working to create cutting-edge mobility solutions for the future. We are a sustainable company. That is why we accept responsibility for resources, the environment and society. Our goal is clear: for every person to be able to experience the freedom of individual mobility.

We offer premium solutions for personal transportation. Our strong brands and outstanding products inspire and impress our customers around the world. We have a clear strategy which we implement consistently. That is what makes the BMW Group different.

Norbert Reithofer — Chairman of the Board of Management

Ladies and Gentlemen,

The BMW Group achieved positive group earnings for the 2009 financial year, despite the global economic crisis. The company remains the automobile industry's leading premium manufacturer. More than 1.28 million customers purchased a BMW, MINI or Rolls-Royce last year, and over 87,000 customers bought a BMW motorcycle. Sales benefited only marginally from the national stimulus programmes initiated in many countries, such as the scrappage bonus scheme in Germany.

Our accomplishments in 2009 were realised as an independent company. We continue to chart our own course with courage and determination – and with a clear view to the future.

As you read this annual report, you will learn more about how we are preparing to face the future. The legally required section of the report focuses on facts and figures from the 2009 financial year. The image section illustrates how we are translating the four pillars of our Strategy Number ONE – Future, Growth, Customers and Profitability – into action. It also cites many examples of how we are conserving resources and gradually realising sustainable mobility. Ultimately, companies and products are made by people. Here you can learn about the people behind our products: Who are the men and women who make up the BMW Group? Above all, you will have the opportunity to get to know our customers. Who buys our vehicles, and why? What does their BMW, MINI or Rolls-Royce mean to them?

2009 – Crisis management and innovative projects for the future Two factors determined our actions as a company in 2009: active crisis management and innovative future projects. We acted quickly and decisively in response to the economic crisis: Vehicle inventories were reduced; fixed costs were substantially trimmed across all divisions; and several plants temporarily implemented short-time working. We also took steps to secure sufficient liquidity.

We were capable of operating effectively throughout and were able to refinance at relatively favourable rates on the capital markets at all times.

Parallel to these short-term measures, we also set the course for the successful development of the BMW Group over the next few years – something I believe is crucial. We invested in projects for the future and our sites, in particular in Germany, the US, China and India. Our involvement in India is one of the focal points of this report. Our Strategy Number ONE lays the foundation and sets out a vision that unites everyone at the BMW Group: to be the leading provider of premium products and premium services for individual mobility in the year 2020.

This makes it quite clear that premium is, and will continue to be, our business model.

The concept of "premium" is changing, just as society and people's lifestyles are changing. To give an example: People still want to be mobile as individuals – and there is a rising demand for mobility, especially in growth markets such as China and India. But people all over the world are becoming more interested in how efficient their vehicle is.

Our Efficient Dynamics measures have drastically reduced fuel consumption and CO_2 emissions across our entire fleet. Would you ever have believed that BMW could be the world's most environmentally friendly premium brand? Or that the average fleet consumption of the BMW and MINI fleets could be lower than that of the mass manufacturers – even though they offer much better performance? The statistics of the German Federal Motor Transport Authority are unequivocal: Average CO_2 emissions for new BMW and MINI vehicles registered in Germany in 2009 were no more than 156 grams of CO_2 per kilometre. That represents an average fuel consumption of 5.9 litres per 100 kilometres.

We will continue to push ahead with Efficient Dynamics For the BMW Group, the year 2010 will largely be defined by the new BMW 5 Series. I personally believe that the new BMW 5 Series is one of the best cars we have ever built. Currently, the vehicle with the best fuel economy and lowest emissions in the BMW model range is the 320d Efficient Dynamics Edition. Customers will be able to experience its sheer driving pleasure with a fuel consumption of just 4.1 litres per 100 kilometres and 109 grams of CO_2 per kilometre from spring 2010 onwards. We showcased everything that

Efficient Dynamics still has to offer at the 2009 IAA International Motor Show within our BMW Vision EfficientDynamics. This concept car rightly attracted a great deal of attention – not just for its futuristic design, but also for its innovative drivetrain, comprising a 3-cylinder turbo diesel engine with two electric motors mounted on both axles. Consequently, this thoroughly sporty vehicle consumes an average of just 3.76 litres per 100 kilometres. This technical masterpiece is highlighted further in detail.

New drive technologies: hybridisation and electrification We also believe premium means offering our customers new technical solutions. The first two BMW models with hybrid drive will become available in 2010. Our worldwide MINI E customer test has so far been a resounding success. There are about 600 MINI cars with electric drives currently on the roads. No other electric car has clocked as many kilometres and as many miles as the MINI E. Our customers think it is terrific. They are helping us learn how e-mobility can succeed in everyday situations. We also presented the first BMW with electric drive, and will be releasing a further trial fleet of electric vehicles based on the BMW Concept ActiveE concept car to customers next year.

All of the experience we gain will be incorporated into our Megacity Vehicle. This is much more than just a highly innovative car. We aim to completely redefine how cars are built – with regard to vehicle architecture, lightweight construction and use of materials – to create a sustainable value chain.

No automobile manufacturer uses resources more efficiently Everybody is talking about sustainability – when action is what is needed. We believe our vehicles should also be produced in an environmentally responsible manner. In September 2009, the Dow Jones Sustainability Index named the BMW Group as the leading company in the automobile sector for the fifth consecutive year. For us this is both an incentive and an obligation. We are committed to sustainability in all areas.

That is why we decided to send a clear signal and withdraw from Formula One at the end of the 2009 season – although it was not an easy decision after ten years of successfully competing at the highest level in motorsports.

New directions with Strategy Number ONE We are taking a new direction with our Strategy Number ONE. The small car segment represents a source of growth opportunities, and we will therefore be offering premium products for these customers. Collaboration with others will also allow us to achieve economies of scale. We will continue to rely on strategic partnerships with the best partners for the task at hand. What is more, increased use of shared modules between models and brands will enable us to further reduce costs throughout the entire process chain, but still maintain our high quality.

Our industry is currently in a period of tremendous upheaval and technological change. The economic crisis has further accelerated this trend. In order to be successful on the marketplace, companies must find the right answers to the challenges of tomorrow. Our ideas and actions are geared towards the long term. Our strategy provides us with the plan for shaping our own future.

We achieved a great deal in 2009. I would like to thank every single one of our 96,230 employees for their outstanding personal dedication. I would also like to thank our customers for their confidence in our products and our company, as well as our entire retail network. We have also continued to work productively with our suppliers. Last but not least, I would like to thank our shareholders and investors for their commitment to the BMW Group – particularly in these times of economic crisis.

The effects of the economic crisis will continue to be felt in 2010. However, we are cautiously optimistic that we will be able to resume our growth path this year.

We believe in the future of individual mobility – and we are already creating it.

Yours

Norbert Reithofer

project i

Future — Growth — Customers — Profitability

Inventing the future – by putting it to the test.

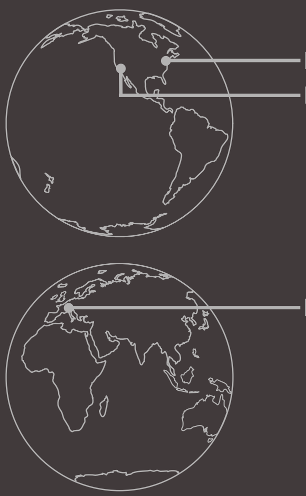
MINI E field trial——

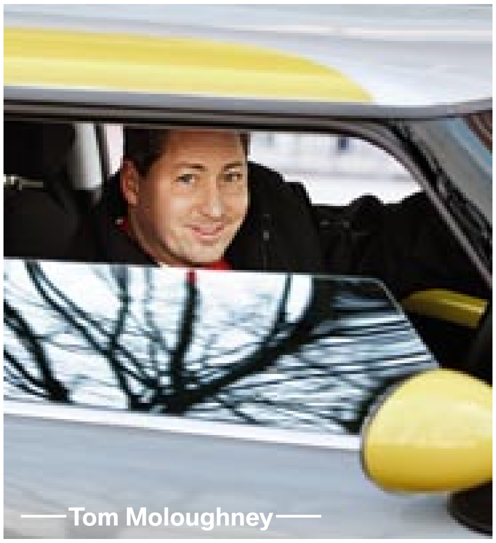
The drivers
Roughly 600 MINI customers in three countries

The cities
New York, Los Angeles, London, Berlin, Munich

The car
MINI E with a 150 kW electric motor and lithium-ion battery

The aim
To test e-mobility in everyday situations





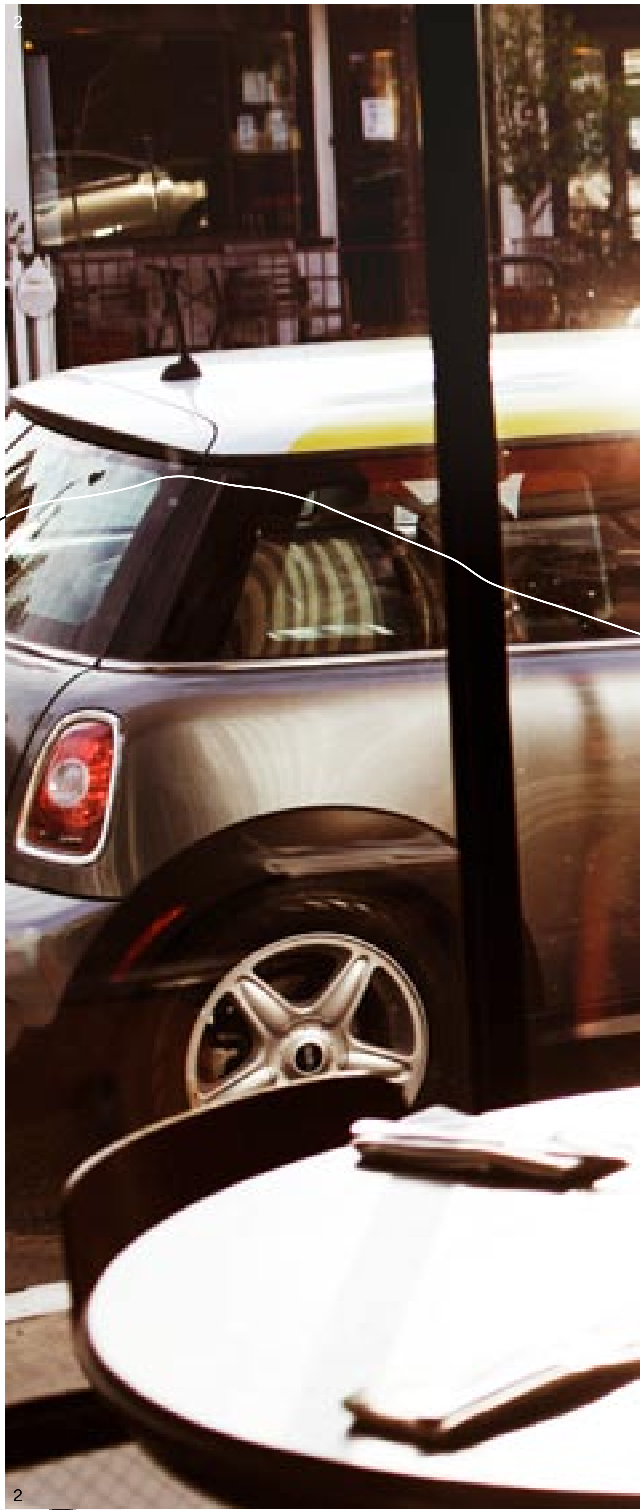
———The future starts now

They are highly efficient, quiet and, when run on energy from renewable sources, unbeatably fuel-efficient and low in emissions. Electric motors will undoubtedly play an important part in the future of the automobile. But what does the e-mobility experience feel like today? What is it like to drive an electric car on a daily basis? In other words, what can we learn from the future? The BMW Group is finding answers with the help of around 600 MINI E drivers from New York, Los Angeles, London, Berlin and Munich.

Sandra Kulli
MINI E driver

—MINI E No. 246—

Malibu, California



Malibu Vista Drive, Malibu

Since she got the keys to her MINI E in June 2009, Sandra Kulli has been driving her electric car in and around Los Angeles on a daily basis. The 62-year-old real estate marketing strategist lives in Malibu, off Pacific Coast Highway, and spends her free time skiing, hiking and gardening.

2

1

Marketing strategist Sandra Kulli drives through Santa Monica with her granddaughter Michelle [1–2]. Their route takes them past the antique street lamps outside the LA County Museum of Art [3] and along an aptly futuristic-sounding road [4] to Santa Monica Beach [5].

Abbott Kinney Avenue, Santa Monica

3

4

How has your experience been?

What was your best experience with your MINI E so far?

There are too many to mention. For a start, everyone smiles at you. Truck drivers see the "E" sign on the roof of the car and give me a thumbs-up. My clients from out of town are quite happy to drive around L.A. all day in it. And my ten-year-old granddaughter, Michelle, thinks the MINI E is really, really cool... both style-wise and environmentally.

And your worst experience?

One day I was driving along Pacific Coast Highway when the battery level suddenly dropped all the way down to ZERO! My MINI E slowed down and stopped. I left the keys with the car, called the "Flying Doctors," and I got my car back in full working order in next to no time. Not bad!

What made you decide to take part in the MINI E experiment?

I believe that electric cars like the MINI E are a part of our future. They represent a future way of living in new kinds of communities and cities. It's a great opportunity for me, as a strategist for homebuilders and developers, to experience that future today.

5

What do you hope to see from the next generation of electric vehicles?

More trunk space would be good. And smaller, lighter lithium batteries so I could drive 300 miles on one charge.


Tom Moloughney
MINI E driver
—MINI E No. 250—
Montclair, New Jersey

Tom Moloughney, 42, runs an Italian restaurant in Montclair, New Jersey. MINI E driver No. 250 blogs about his experiences with e-mobility.

6

Valley Road, Montclair

9

7

8

Since Tom Moloughney has had his MINI E, his sports car usually stays parked in the garage [6]. That is also where he charges the battery [7–8] for trips to Jersey City [9–10] or to his restaurant in Montclair, New Jersey.

Is the MINI E your only car, or do you drive any other vehicles?

I own a sports car - but I haven't been driving it much since I got the MINI E. I also drive a pickup truck, which costs me about 23 cents per mile to drive at today's fuel prices. But the electricity to operate the MINI E only costs about three to four cents per mile, and prices are more stable. I just signed a contract to have a solar electric system installed at my home. This will cover about 75 percent of my annual electricity needs and provide the power for my MINI E from a clean and renewable source.

How has your experience been?

What is the main difference to driving a conventional car?

One thing is the regenerative braking - but that is something you get use to after a few days. The other difference is that you need to plan your day ahead of time if you are going to be driving longer distances. My MINI E has a set range, and I have to respect that. Now that I have a second charger at my restaurant, I just charge up the car there and then I am ready to drive another hundred miles so I don't have to worry about it. I've clocked more than 19,000 miles over the last seven months.

Is the MINI E more of a fun car for you or just an A-to-B car?

The car is a lot of fun to drive, but since I work seven days a week, I mainly drive it to commute to my restaurant 32 miles away and for running errands. Once I even carried 18 cases of soda in it!

10

You have even started blogging about your MINI E experience. Why is that?

I wanted to share my experiences and provide information for other MINI E drivers, many of whom also have their own blogs. Now I get emails from readers all over the world with questions and comments. There are a lot of electric car supporters out there - more than I ever realized.

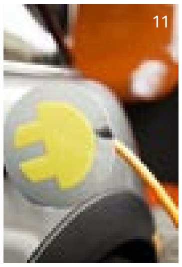
Hudson Ledwon
MINI E driver

MINI E No. 15

Berlin

Heynstraße, Berlin

13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12

There is no quieter or emission-friendlier way to drive a car in a city like Berlin [13–15] than to drive the MINI E. It is easy for Hudson Ledwon to “fill up” on the go using a charger cable at one of many public charging stations [11–12].

Puschkinallee, Berlin

14

Just a few days ago, Hudson Ledwon, 45, returned his MINI E at the end of its field trial. From now on, the IT consultant from Berlin will be back on the road in more traditional style – on his motorbike and bicycle and driving his sports car.

What made you decide to take part in the MINI E field trial?

I'm your typical "early adopter" — new technologies fascinate me. Plus, I like to drive a car that is fast and dynamic — and the MINI E is both of these. And then, because I like to share a good thing, I also let my friends and acquaintances borrow the MINI E for a day or so on several occasions. The most spontaneous feedback I got was a text message from one of my friends who's a racing enthusiast. It just said: "Great car. Want one too."

You live in the middle of the city. Where did you recharge your MINI E?

All over the city. Two energy providers have set up charging stations throughout Berlin: outside shopping centres, in parking garages and even along the Kudamm (one of Berlin's most famous boulevards). There are even two parking spaces reserved exclusively for electric cars right in front of Berlin Central Station. That is pretty cool.

How has your experience been?

15

So what is your verdict after six months driving the MINI E?

I love it! I used the car every day and ended up driving about 5,000 kilometres through Berlin during the six months or so I had it. If it had been up to me, I would have liked to keep it longer — even though there are obviously a few restrictions involved in driving an electric prototype. For example, the performance of the lithium-ion battery diminished considerably when temperatures in Berlin plunged just before Christmas.

Conclusion no. 1: MINI E passes the test

Having 600 or so drivers on the roads in their electric-powered MINI E cars in five totally different cities, day in, day out, results in numerous sets of extremely valuable experiences. The kind of e-mobility that the MINI E brings to the road is perfectly suitable for everyday driving. The customers selected to participate in the field trial used their MINI E just like they would a conventional vehicle: to commute to work, to go shopping or to drive to the cinema. Their average trip distance was 41 kilometres. This is just a sample of what a prototype like the MINI E can already accomplish today – and impressive proof that e-mobility is not just an amazing form of everyday transportation, but also a viable one.

Conclusion no. 2: Future technology on the road today

The MINI E field trial is now entering its second phase, with additional test drivers in new cities. At the same time, we are already presenting the next step on the road to sustainable CO_2-free mobility: the BMW Concept ActiveE. This concept vehicle, developed on the basis of the BMW 1 Series Coupé, will be powered by a new, specially designed synchronous electric motor. In 2011, a trial fleet of these vehicles will make their debut on the roads. Their purpose will be to provide additional feedback from customers and test a preliminary version of the drivetrain for the forthcoming Megacity Vehicle. This vehicle, which has been specially designed for urban mobility, will enter series production by the middle of this decade – and will contain much of what we are testing with customers today.

India

Future Growth Customers Profitability

Opening markets by winning people's hearts.

Over the past three years the BMW Group has begun growing its market share in India. Today it is already the market leader in India's steadily growing premium segment. And there are plenty of signs that this is just the beginning.

Journey to an awakening land

At first sight, it appears to be an adventure of epic proportions: a country almost as big as the European Union, but with more than twice the population. Six different climate zones; 21 official languages; 1.2 billion people. A place where agriculture is still the main source of employment and the average yearly income only 708 euros. The speed limit on its highways is, in theory, 90 kilometres an hour – but the real pace is dictated by the rhythm of ox carts and rickshaws. Not to mention the cows, dust and potholes along the road. Explore India with us.

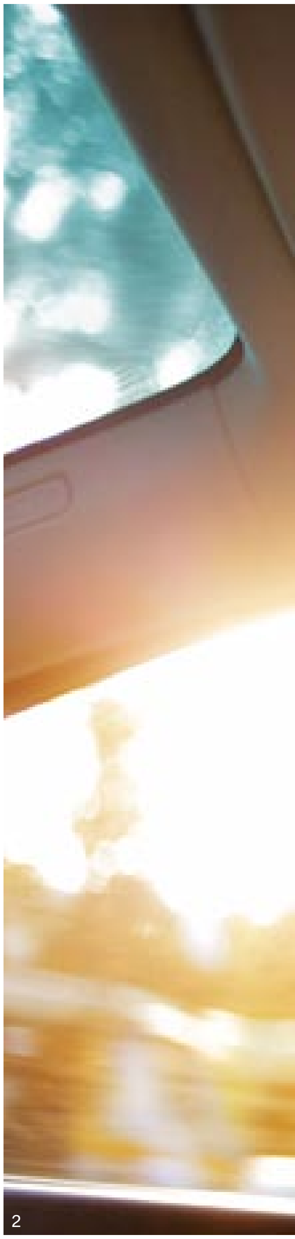
Total Indian road network — 3,314,000 km
State highways — 131,899 km
National highways — 70,548 km
Motorways — 200 km

But a closer look reveals the Indian subcontinent to be a market with tremendous potential. India did not open up to the world market until the early nineties – but today it is often referred to as an "awakening elephant", with gross national product growing by an average of seven percent, year after year. And with average income climbing 14 percent per annum, the Indian middle class is now larger than the population of Germany. This enormous momentum is also seen in the automobile market, which has doubled in size to approximately 1.8 million cars within four years, and includes more and more high-end premium vehicles. For an automobile manufacturer, right now India is the place to be.

"India has traditionally been a small-car market – primarily because of the strong demand for cheap mobility," claims a current market analysis from the consultancy Ernst & Young. "But we are also seeing an upward trend among consumers, triggered by rising incomes, changes in customer preferences and a desire for upward mobility."

In other words, India is a prime example of an emerging market. It has become a remarkable success story for the BMW Group. To understand how, it is important to talk to the people who are involved with the company in the country: To people like Rahul Chawla, for instance, an enthusiastic BMW customer from New Delhi. Or Yadur Kapur (New Delhi), one of 16 dedicated BMW dealers across the country. Or Dhimant Desai and his colleagues responsible for building vehicles to German quality standards in Chennai in Southern India.

A special report.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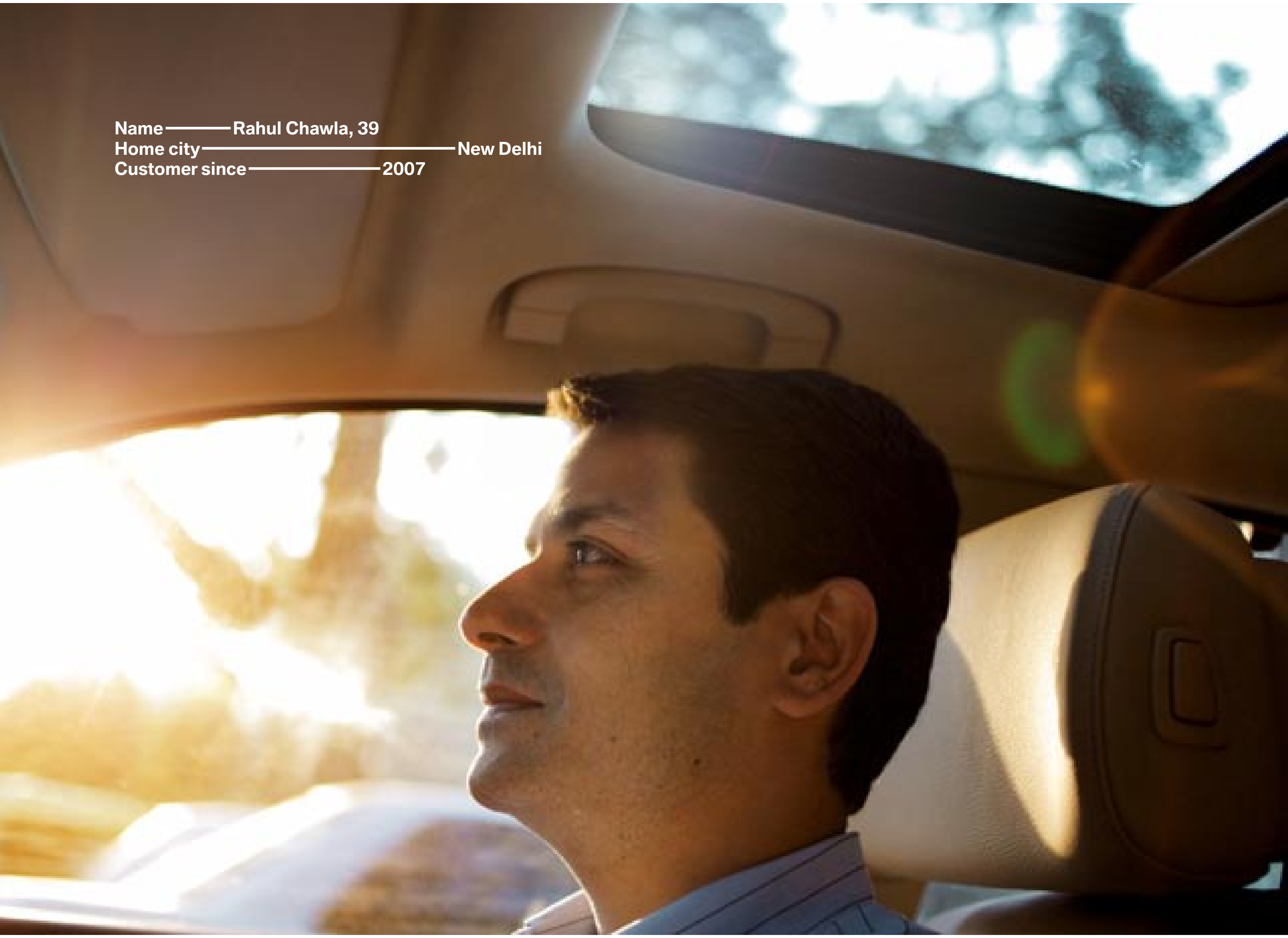
1

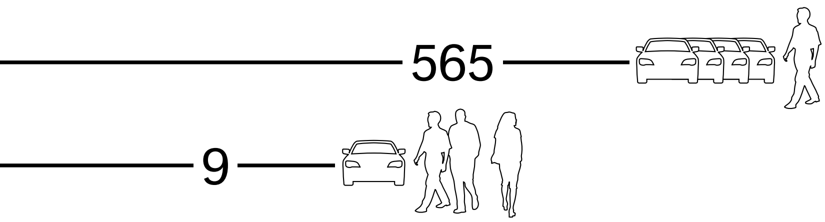

Germany — Vehicles per 1,000 inhabitants
Population, Germany: 82.2 million

India — Vehicles per 1,000 inhabitants
Population, India: 1.2 billion

1 Comfortably wending its way between rickshaws and temples: a BMW built in India
2 Rahul Chawla enjoys a rare moment behind the wheel of his BMW 525i.



Name———Rahul Chawla, 39
Home city———New Delhi
Customer since———2007



December 8, 2009 — 5 — 35 p.m.

Tronica City, northeast Delhi

The red-orange sun is already sinking behind the rice paddies as Rahul Chawla steers his car across the bridge over the Yamuna River. The 39-year-old carefully manoeuvres his BMW 525i around potholes, bajaj rickshaws, cyclists and packed buses. Traffic regularly grinds to a halt because a motorcycle has broken down or a cow stopped in the middle of the road. Chawla uses the downtime to check email on his BlackBerry or give his staff a few brief instructions on the phone.

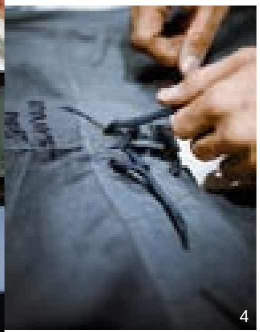
Time is a precious commodity for the 39-year-old textile businessman. He just built another new factory for 250 sewing workers on the outskirts of the Indian capital. In his office in the heart of New Delhi he is working with designers on ideas for his brand-new fashion label. As chairman of the “Young Indians”, an association of young

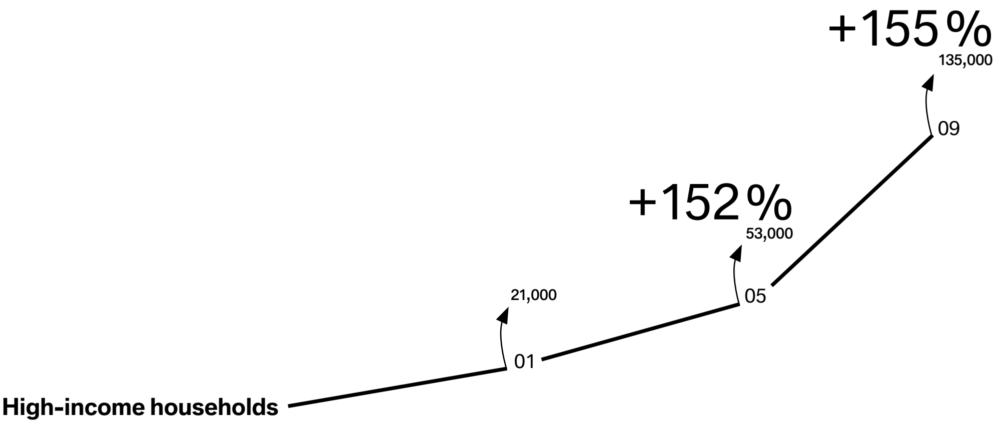
business people from the city, he also organises educational projects for underprivileged children in his spare time. “The more people I meet, the more I learn,” says the self-made entrepreneur as he nervously checks his Swiss wristwatch and hits the gas. Rahul Chawla is always on the go.

This young entrepreneur is typical of the mobile, cosmopolitan, highly-motivated elite that is helping to develop India’s potential as rapidly as possible. Many of these young professionals have studied abroad and are comfortable working anywhere in the world. Chawla, for instance, turned down attending Harvard in the early nineties to set up his own textile business in Delhi. Today he produces fashion designs for trend setting global labels, regularly flies to the US for meetings and likes to spend his holidays in Southern Europe.

For him it is perfectly normal to think globally and demand the best when it comes to his own personal mobility – so a BMW 525i from the new BMW assembly plant in Chennai was the obvious choice. “BMW stands for perfection, performance and reliability,” explains Chawla. “And those are things that matter in my line of work. BMW is a perfect fit for my lifestyle.”

A typical day in Chawla’s life begins early in the morning in South Delhi, the city’s most exclusive neighbourhood, where the 39-year-old lives with his wife, two children, parents and brother. Chawla usually takes advantage of





his commute to the office through the chaos of the capital city to make a few early phone calls and work undisturbed on his laptop, before he gets caught up in his day. He rarely has time to drop into his favourite bar – the elegant "360°" on the ground floor of the Oberoi Hotel – after work. It is even rarer that Chawla drives his BMW himself. But whenever he does, he certainly enjoys the experience.

"To me," says Chawla, "a BMW isn't a luxury. It's part of my work. It's my way of rewarding myself." What he considers a luxury is coming home early and playing with his son before bedtime. Or flying over to Europe for a few days, like he did last summer, renting a BMW at Nice Airport and just driving away.

3 Textile entrepreneur Chawla in the heart of New Delhi
4 Material testing at Rahul Chawla's textile factory
5 The Oberoi's "360°" bar is one of New Delhi's top addresses.

95 %

09

BMW market coverage
of India's premium sales potential

6 BMW customers and sales consultant: the excitement of buying a new car
7 BMW showroom on the road from New Delhi to Agra
8 Yadur Kapur, self-made entrepreneur and successful BMW dealer

December 9, 2009 — 10 — 01 a.m.

Mathura Road, New Delhi

For a moment you can't help but wonder: Where is this place? The gleaming white interior; the tasteful leather chairs; the soft music playing behind the glass facade; the "Joy is BMW" banner hanging on the wall. It takes a glance out the window, across to the concrete pylons where the new Sky-Train is being built, to remind us that we are not in Milan or Miami, but in the BMW showroom in the southeast of the megacity New Delhi.

For Yadur Kapur, one of the local BMW dealers, the building site just outside his door is a perfect example of India's economic miracle. "Ten years ago you had to wait months to get a telephone line – now it takes just 30 minutes. And that new metro line out there? That will actually be finished in time for the 2010 Commonwealth Games!" Delhi-born Kapur was raised in Dubai and went to college in the US.

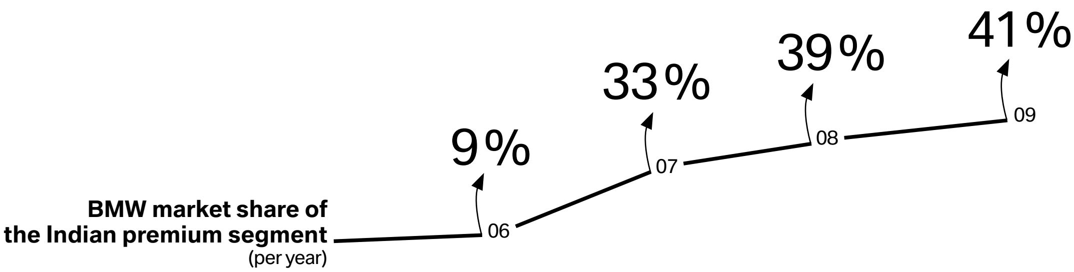
“The challenges India faces are quite staggering,” he says. “But then, so is the progress being made.”

And so it is only natural that the country is also seeing the emergence of a steadily growing class of successful professionals – who are, of course, potential BMW customers. Kapur and his staff typically do business with entrepreneurs, lawyers, managers and doctors – hard-working, global-minded, brand-conscious and discriminating individuals. “All of these people travel a great deal. They’ve been around the world and they know what a good car is – so naturally they want to drive one at home.” Almost all of them work in their BMW while a chauffeur drives them where they need to go. The first question Kapur’s clients ask is “not about the price, but about how comfortable and well-equipped the interior is.”

Like all of the 16 BMW dealerships in India Kapur offers his customers a fully equipped service garage – with the company’s head office in Munich on standby, a round-the-clock emergency service, a private breakdown service and expert mechanics, who are sent to the Chennai plant’s training centre for regular training. All of these services are still totally new to the emerging Indian automobile market. But they go a long way towards explaining BMW’s success in the region.

India, Chennai plant

Chennai, capital of the South Indian state of Tamil Nadu, is well on its way to becoming the car capital of India. Alongside New Delhi – home to BMW India's headquarters, including sales and the international purchasing office – and the national parts centre in Mumbai, Chennai – formerly known as Madras – is the third hub in the BMW Group's Indian market offensive. BMW 3 Series and 5 Series vehicles for the Indian market have been assembled in this harbour city since February 2007. Back then, BMW was expected to sell about 2,400 vehicles a year in India up until 2009. In actual fact, over 50 percent more were sold last year.



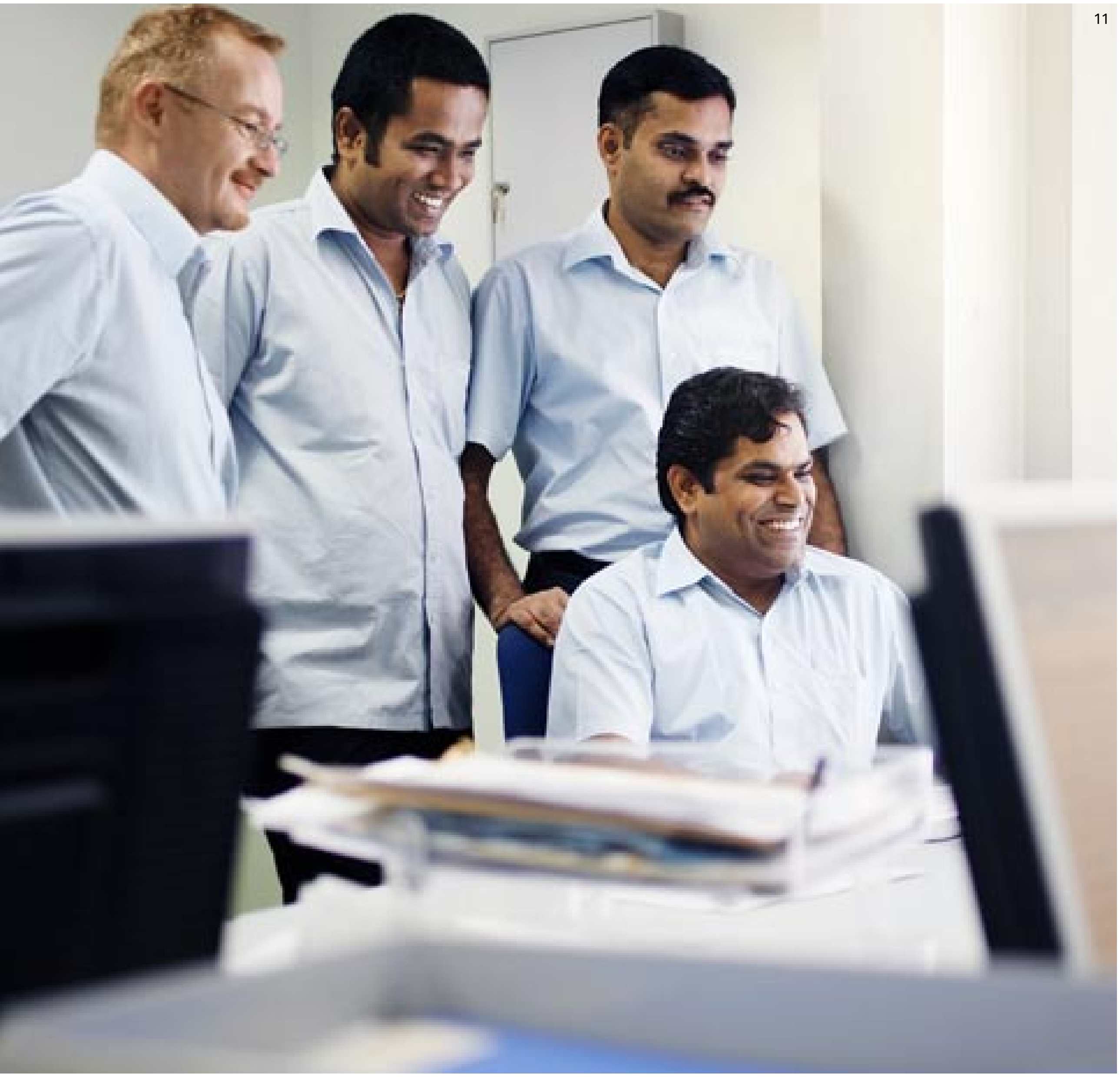
9 Dr. Dhimant Desai ensures BMW quality standards at the Chennai plant.
10 More than 120 highly qualified employees implement them.

December 10, 2009 — 7 — 30 a.m.

Mahindra World City, Chennai

Early in the morning, when the working day begins, dragonflies flit through the air and it is still pleasantly cool in "Mahindra World City". At this campus-like business park south of Chennai, 123 BMW employees assembled about 2,600 vehicles last year. To meet specific demand from the Indian retail network, parts are ordered in Germany, packed into containers at the plant in Wackersdorf and transported to Bremerhaven for shipping. 30 days later a truck delivers the parts from Chennai harbour to the plant – and assembly can begin.

Adapting BMW vehicles to Indian road conditions and lower-quality petrol means modifying injection pumps, reinforcing under bodies and raising the wheelbase by 18 millimetres. "Other than that," explains Dr. Dhimant Desai, the plant's quality manager, "our vehicles are no different to BMWs built in Dingolfing or Spartanburg. After all, Indian customers expect 100% BMW quality." Assembly workers – most of whom are Indian, and who have all completed engineering courses – are highly motivated and extremely well qualified. "There is one challenge, though," explains plant manager Jürgen Eder, "the climate here. In the weeks before the monsoon, temperatures in the halls can reach 37 degrees Celsius."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11 Pleased with good results: employees at the BMW plant in Chennai

4 — 30 p.m.

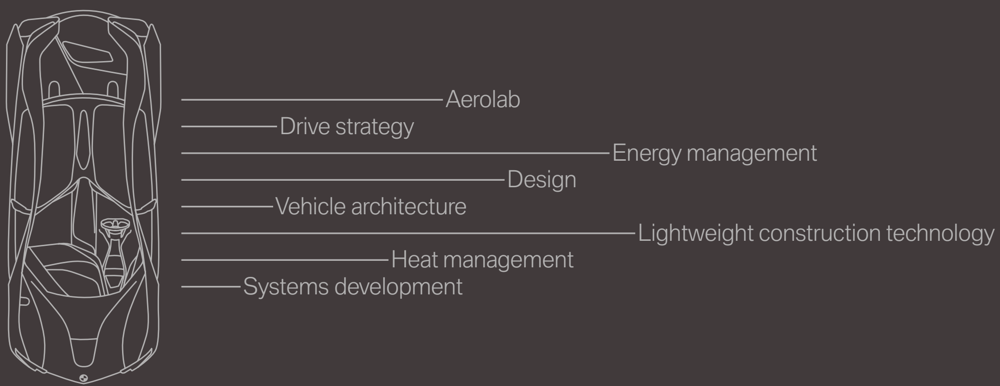
As plant buses bring workers home and the halls quiet down, quality manager Desai and plant manager Eder pore over the production plans one more time. Besides production of the BMW 3 Series and the new 5 Series, the X1 will ramp up in Chennai over the coming months. And as BMW dealers open up showrooms and service garages in ten more cities across the country, a separate investment of 50 million US dollars will substantially expand BMW Financial Services. In other words, market leader BMW is setting course for further strong growth.

Efficient Dynamics

Future — Growth — **Customers** — Profitability

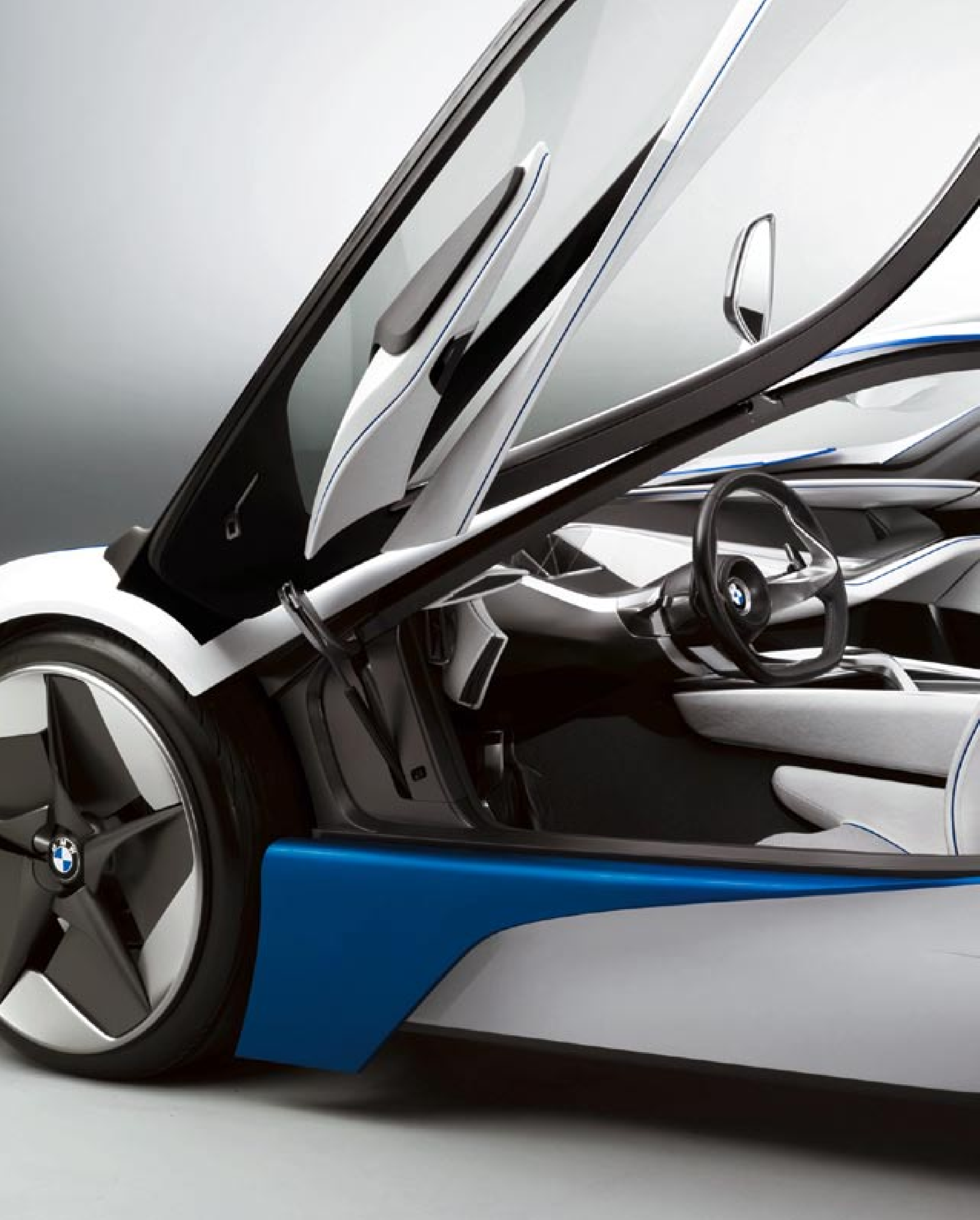
Winning new customers by asking new questions.

More driving pleasure, lower emissions: No other automobile manufacturer in the world today implements this principle more successfully than the BMW Group. Our engineers are already working on the next Efficient Dynamics technologies – on the future of efficient, high-performance mobility.



Fresh ideas – 1.8 million times over

When it comes to reducing fuel consumption and CO_2 emissions, the BMW and MINI brands outperform all other competitors in the premium segment. This unique position was earned through Efficient Dynamics technologies – which already enable enhanced performance and lower emissions in more than 1.8 million BMW and MINI vehicles on the road today. This development strategy still holds tremendous potential, as illustrated by the BMW Vision EfficientDynamics concept car, a fascinating project realised jointly by BMW engineers and designers from totally different disciplines.



1 Every detail of the BMW Vision EfficientDynamics was optimised.
2 Its design combines lightweight construction throughout with aerodynamic qualities.

If efficiency and dynamic performance were seen as an incentive instead of a contradiction, what would it mean for individual mobility?

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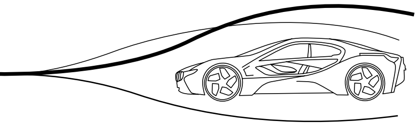
Air resistance
By comparison, conventional sports cars only achieve a maximum of 0.29 C_x



How do you design vehicles that are radically different?

Johannes Liebl, head of Efficient Dynamics
Our development departments are home to a great many experts who are undoubtedly among the best in their particular field of specialisation. But the most amazing ideas occur when you put them together in a room with other specialists: with the best and brightest from totally different disciplines; people who question why things have to be done a particular way and whether it wouldn't be possible to do them completely differently.

The BMW Vision EfficientDynamics concept car was born from many such questions. It is precisely this approach of developing, discussing and building things differently that we are currently applying to future generations of our series models. It is still too early to say exactly what they will look like. But we are on the verge of solving some extremely interesting questions. But one thing is certain: We will once again be bringing improved dynamic performance, combined with increased efficiency, to the road.

Holger Winkelmann, head of Aerodynamics
A top speed of 250 km/h provided by a 120 kW engine – that was the goal right from the start of development of the BMW Vision EfficientDynamics concept. Ambitious parameters like these represent a huge challenge for designers and aerodynamics experts alike: Such a sporty but efficient vehicle demands an extremely aerodynamic design. For this, it is necessary to precisely determine how the vehicle's components can be used to the best aerodynamic effect. This means imagining new concepts with complex fluid mechanical processes that even experienced aerodynamicists have trouble grasping.

However, these complex relationships are currently being explored at the BMW Group's new Munich-based Aerodynamics Testing Centre. Inside the 170-million-euro facility – the most advanced of its kind in the world – we are able to simulate wind speeds of up to 300 kilometres per hour, as well as cornering and even passing manoeuvres. This is where the Air Curtain was created: Air hangs like an invisible curtain over the front wheels, optimising the airflow around the wheel arch. This aerodynamic trick can be seen in the BMW Vision EfficientDynamics – and will soon be a standard feature in many of our vehicles.

Can air be used to overcome air resistance?

3 As BMW "energy minister", Johannes Liebl coordinates Efficient Dynamics research.
4 Holger Winkelmann (left) knows how to build with air.
5 Test bench at the new Aerodynamics Testing Centre
6 Flow optimisation for the Vision EfficientDynamics

1.4 t

Weight
Thanks to a lightweight construction strategy implemented consistently throughout


7


8

Why does better safety have to mean more weight?

Jochen Esmann, head of Lightweight Construction and Vehicle Weight
The history of automobile manufacturing is one of steady improvements in safety and comfort. That is a good thing – and important, too. All the same, every additional airbag and every increase in crash safety automatically means more weight – and therefore requires more fuel.

At least, that is how it was until a few years ago: Now we have begun to reverse the upward spiral in weight. What does a vehicle need to be able to do? And what should that feature be allowed to weigh? Which lightweight materials, new kinds of vehicle topology and combined functions will allow the required features to be realised at the lowest possible weight? Questions like these accompany us throughout the entire development process. They are uncomfortable, difficult questions with no easy answers. But they help us develop vehicles that offer considerably more comfort and safety for relatively few extra kilos.

Siegfried Koelbel, head of Systems Development, Lateral and Vertical Dynamics

Laws of physics dictate that the narrower the tyre, the lower its rolling resistance; the lower the rolling resistance, the lower the vehicle's fuel consumption. A ten percent decrease in rolling resistance means at least one percent lower fuel consumption. In theory, we would only have to use narrow, low-resistance tyres to reduce fuel consumption and emissions.

Reducing rolling resistance is a lot more difficult in practice, however. Our top priority is always to maximise safety for the driver and the vehicle – and narrower tyres obviously offer less traction. At the same time, we also want our customers to continue to enjoy BMW's signature dynamic driving experience. Both – safety and dynamic performance – can realistically be achieved with the new lower-resistance tyres we are currently researching. But it will take extensive testing and numerous adjustments to find the ideal combination of the three parameters: structure, profile and material. However, a technological breakthrough that we hope to have on the roads as quickly as possible is imminent.

How do you make a tyre that is both safe and economical?

Mario Majdandzic, designer

The only way to reach totally new dimensions is to take a totally new approach. For instance, for the BMW Vision EfficientDynamics concept car design engineers, developers and designers worked in a development process that is at least as efficient and dynamic as the end product. Within a very short period of time this process produced a high-end vehicle in which every detail is optimised for the greatest possible efficiency and maximum sportiness. For example, we designed its rear lights so that, besides their main signalling function, they would also work as airfoils to optimise rear-end aerodynamics. We are also rapidly integrating similar smart components with dual functions into our series models. As a result, it should be possible in the future to recognise an efficient and dynamic vehicle from its design, and not just from its consumption and performance figures.

Why will a rear light never be just a rear light again?

7 Jochen Esmann (second from right) replaces kilos with ideas.
8 Mario Majdandzic (second from right) gives rear lights a new function.
9 Craftsmanship goes into the concept car.
10 Lightweight construction of the Vision EfficientDynamics body


9


10

3.76 l

Fuel consumption / 100 km

Andreas Eder, manager Thermal Management – Advanced Development and Simulation

It doesn't take sophisticated measuring equipment to feel the thermal energy lost by a car. All you have to do is hold your hand close to a warm exhaust pipe.

No more than one third of the energy supplied to the combustion engine from fuel is converted into movement; two thirds are lost as heat through the radiator or exhaust pipe. We intend to put a share of these remaining two thirds to work in the future. For this, we will use a thermoelectric generator (TEG) to convert some of the heat lost into electric current. NASA already uses this technology to supply its spacecraft with energy. But, however surprising it may seem, much lower standards of materials and technology are required in space than on earth: On the roads, our generators must be able to withstand conditions like constant stop-and-go traffic, vibrations and drastic temperature swings. Unlike NASA, we also have to find solutions that can be used hundreds of thousands of times at a reasonable cost throughout our entire fleet.

Our TEG has already helped save several percent in fuel in the Vision EfficientDynamics vehicle. In the series models we are currently working on, we hope to be able to meet the vehicle's total electric power requirements over longer distances. In this, the TEG is the perfect complement to the brake energy regeneration that comes as standard: With the TEG, we regenerate energy not only from braking, but also from accelerating and driving at a constant speed.

Only a third of the energy from fuel is currently used – so what could you do with the other two thirds?

Theodor Melcher, developer, Powertrain, Director CoC Strategy, Pre Development, Architecture Powertrain

Even after many years, there are still occasional surprises in store for our experienced engine developers. We knew, for instance, that we could reach new dimensions of performance and efficiency by combining a small-volume turbo diesel engine with two high-performance electric drives, as we had in the BMW Vision EfficientDynamics. But we were still surprised by the concept car's exceptionally dynamic performance on the road. Its fuel consumption in the European driving cycle is only 3.76 litres per 100 kilometres, with a CO_2 emission rating of no more than 99 grams per kilometre. In other words, it combines the sporty performance of a BMW M automobile with the fuel consumption of a small car. That was a very pleasant surprise – and one with potential for the future.

How dynamic can an electric drive potentially be?

11 Avoiding energy loss: thermoelectric generator in the exhaust gas system
12 Prototype in test operation: technology test in a workshop vehicle
13 Teaching vehicles how to think: Geert Schmitz (left)
14 Turning waste heat into electricity: TEG in the hands of Andreas Eder (centre)

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How to teach a car to think like a driver, but just one step ahead?

Geert Schmitz, Energy Management, head of Energy Concepts
Imagine a car approaching a traffic jam far ahead. Or, to take another example: a driver heading home from work along his usual route. Wouldn't it make sense for the vehicle to prepare for each scenario? Say, if it could charge its battery so it could save fuel by driving through heavy traffic and residential areas on just its electric engine? What if it could notify the driver of speed limits ahead and help avoid unnecessary braking?

We already know that defensive driving uses up to 20 percent less fuel. That is why we are working on driver assistance systems to notify drivers proactively about gradients and traffic jams. In the future, drivers will also be able to access fuel-saving route recommendations to fit the type of vehicle they drive and their individual driving style.

We group technology issues such as these under the term forward-looking energy management because they help the vehicle and its driver to drive defensively and thereby save fuel. They are also referred to as forward-looking because we see a promising future in these developments.

15

How much reality is there in a vision?

Johannes Liebl, head of Efficient Dynamics
In the words of songwriter Tom Waits, “Everything you can think of is true” – and the high-performance concept car, BMW Vision EfficientDynamics, certainly is fascinating proof of that claim. It boasts an outstanding combination of efficiency and dynamic performance; and its futuristic design offers a glimpse of what efficient but sporty vehicles might look like in the future.

On the other hand, this example of cutting-edge technology is simply the logical continuation of our BMW Efficient Dynamics development strategy. Some of the technologies used in the BMW Vision EfficientDynamics are already being implemented in current BMW models; others will soon be ready for series production. Or, to put it simply, the BMW Vision EfficientDynamics is a remarkable vision that could very soon become an exciting reality.

15 Steffi Zimmermann explains the design philosophy behind the concept car.
16 Fascinating perspective: the interior of the BMW Vision EfficientDynamics

16

Efficient capital

Future — Growth — Customers — Profitability

We increase capital by thinking outside the box.

A company must maintain its autonomy in order to act decisively in a crisis. Through active crisis management, efficiency increases and consistent management of capital and costs, the BMW Group did just that during the recession in 2009. At the same time, it also laid the best foundation for a sustainable upturn.

“In a crisis, you can either hope for it to pass quickly, or you can respond swiftly and deliberately – which is what we did.”

—— Friedrich Eichiner —— left

Friedrich Eichiner, 54, joined the BMW Group in 1987. After holding a series of executive positions in logistics, sales development and corporate planning, he was appointed to the Board of Management, where he was initially responsible for Corporate and Brand Development. In December 2008 – in the midst of the financial crisis – he assumed responsibility for the Finance Division.

—— Erich Ebner von Eschenbach —— right

Erich Ebner von Eschenbach, 48, performed various management functions for HypoVereinsbank and was Chief Financial Officer of two software companies, before becoming head of the BMW Group Treasury in October 2006.

"Companies who are unable to offer their customers attractive financing will lose those customers."

Mr. Eichiner, Mr. Ebner von Eschenbach, how deeply has the BMW Group been affected by the global economic and financial crisis to date?

——Mr. Eichiner——
Like the rest of the automobile industry, the BMW Group has been unable to fully escape the consequences of the crisis. In an exceptional situation like this, there are two options: hope for the economic crisis to pass, or respond quickly and deliberately – which is what we did. As a result, we came through 2008 in relatively good shape and made a successful start to a difficult 2009. Overall, we certainly performed better last year than most of the other automobile manufacturers.

How do you manage such a massive economic downturn?

——Mr. Eichiner——
We immediately scaled back production in autumn 2008 to prevent inventories from building up and avoid tying up funds unnecessarily. In an economic crisis, cash really is king. Besides that, we consistently controlled our financial resources, costs and our access to the capital markets at all times to ensure our flexibility and sufficient liquidity.

——Mr. Ebner von Eschenbach——
In that respect, we benefited from having a corporate financial structure with an international focus. We have our own financing companies in Singapore, New York and in Europe, where we are represented on the global capital markets round-the-clock, five days a week. This is one of the reasons we were able to fund our financial services business on attractive terms. During the crisis not only was access to many segments of the capital market limited, but investors were also demanding much higher risk premiums.

What do those higher risk premiums cost you?

——Mr. Ebner von Eschenbach——
We have to raise between 20 and 30 billion euros' worth of new capital for our financial services business

every year. With volumes like that, a risk premium that may only be a few hundredths of a percentage point higher automatically means additional costs in the high double-digit million euro range.

Then why don't you just leave financing the leasing business to others?

——Mr. Eichiner——

Because the sales financing business is an essential component in our value chain. Nowadays every other new car sold by the BMW Group is financed by us. That is a fact. But it also means that companies who are un-

able to offer their customers attractive financing will lose those customers. During the crisis we saw many market players withdrawing from the leasing and financing business. We were successful in filling that gap, thanks to the flexibility of our financial services business.

So, even during a global economic crisis, investment capital is definitely still available?

—— Mr. Ebner von Eschenbach ——

At no point did we have a problem raising capital – that is because we have such a good reputation on the capital markets. However, it is important to tap liquidity at the right time, with the right instruments, backed by strong arguments. Our customers in Germany, for instance, increased their deposits with the BMW Bank by two billion euros during a crisis year, thanks to our high level of creditworthiness. Our banking business in the US also expanded considerably over the past year. We will use the insights we gained to continue expanding our banking business in Germany and the US and give our funding an even broader global base.

But, all the same, weren't there moments over those dramatic few months when you also felt a little nervous?

—— Mr. Eichiner ——

Of course. Back in late 2008, we were concerned, too. We weren't sure whether the global financial system could withstand the pressure. No one had experienced a situation like that with such a dramatic snowball effect.

—— Mr. Ebner von Eschenbach ——

The important thing to realise is that the BMW Group's core business is profitable and is financed from its own resources. Our funding requirements originate solely from our financial services business. That gives the BMW Group an entirely different risk profile than companies who are incurring operating losses and need to fund these losses through borrowed capital.

Before the crisis you announced your aim of cutting costs by six billion euros up to 2012. Is that still valid after the crisis?

—— Mr. Eichiner ——

Certainly. The crisis prompted us to take a more rigorous approach to cost management than we had originally intended. As a result, we will easily exceed our target of six billion euros in savings.

“Our core business is profitable. That gives the BMW Group an entirely different risk profile than many of our competitors.”

Does that mean no area of the company will be spared?

——Mr. Eichiner——

No, we aren’t using short-term cuts across the board to make those economies, but long-term strategies. We have not cancelled a single innovation programme: We are not sacrificing the future to save costs. Instead what we have done, for instance, is discuss making the

supply chain even more efficient with our suppliers. We have switched our vehicle development to a modular system with components that can be used for different models. That is the decisive difference between short-sighted cost-cutting measures and long-term improvements in efficiency.

Would you say the BMW Group is a different company now than it was before the crisis?

——Mr. Eichiner——

We are definitely more efficient today; stronger, faster, more open and even more focused on our customers than we were before. But the reasons for that are not to be found in the crisis, but in our Strategy Number ONE, which we developed back in 2006/2007. If you remember, back then no one saw the financial crisis coming. Thanks to Number ONE, when the crisis did erupt, there was no need to discuss fundamentals. Everyone in the company knew what had to be done.

Was Strategy Number ONE damaged by the crisis at all? Did you have to adapt your strategy to new realities?

——Mr. Eichiner——

On the contrary: Number ONE was instrumental in our company weathering this crisis better than others. One of our strategic goals is to boost profitability – and that pays even greater dividends in times of crisis. Another is the development of new markets and technologies. We have strengthened our involvement in China and India – in markets where we expect to see exceptionally strong growth. Our Efficient Dynamics innovations, which have already secured us a leading position in the premium market today, are another example. And

"We are more efficient today; stronger, more open and even more focused on our customers. And that is why we will emerge from this crisis as one of the winners."

with the launch of new, highly efficient and dynamic models, like the BMW X1, the 5 Series GT and the new BMW 5 Series, we will pick up speed as the recovery progresses. I am certain that the BMW Group will emerge from this crisis as one of the winners. Our profitability target for 2012 of a return on sales of eight to ten percent in the automobile business remains unchanged.

What have you yourselves learned over the past difficult months?

—— Mr. Eichiner ——

I have realised how important it is to act quickly and decisively. And you can only do that if you have flexible structures, like the BMW Group does. That is why, for me, the most important realisation was also an extremely encouraging one: that we are on the right track.

—— Mr. Ebner von Eschenbach ——

Based on previous experience, we should expect to face further economic downturns and challenges to the international financial system in the future. The companies hardest hit in situations like that will be those who fail to learn the right lessons from this crisis.

Highlights 2009

Our highlights
fuel fascination.

Moments of sheer delight

In 2009 we presented around 1.4 million customers with their new vehicles. It is always a special moment for us – and, of course, for our customers, too. We captured that moment for seven customers.

BMW Z4 Christian Brandl on Jan. 22, 2010
BMW ActiveHybrid X6 Hakan Kaya on Feb. 6, 2010
BMW X1 Kämmerer Family on Jan. 20, 2010
BMW 5 Series Gran Turismo Douglas Lempereur on Feb. 12, 2010
Rolls-Royce Ghost Kai Berghäuser on Feb. 3, 2010
MINI Convertible Bettina Kroiß on Jan. 22, 2010
BMW S 1000 RR Claudia Engelmann on Dec. 14, 2009

IAA 2009

The IAA International Motor Show in Frankfurt is the world's leading forum for individual mobility. At the show, the BMW Group presents much more than just vehicles:

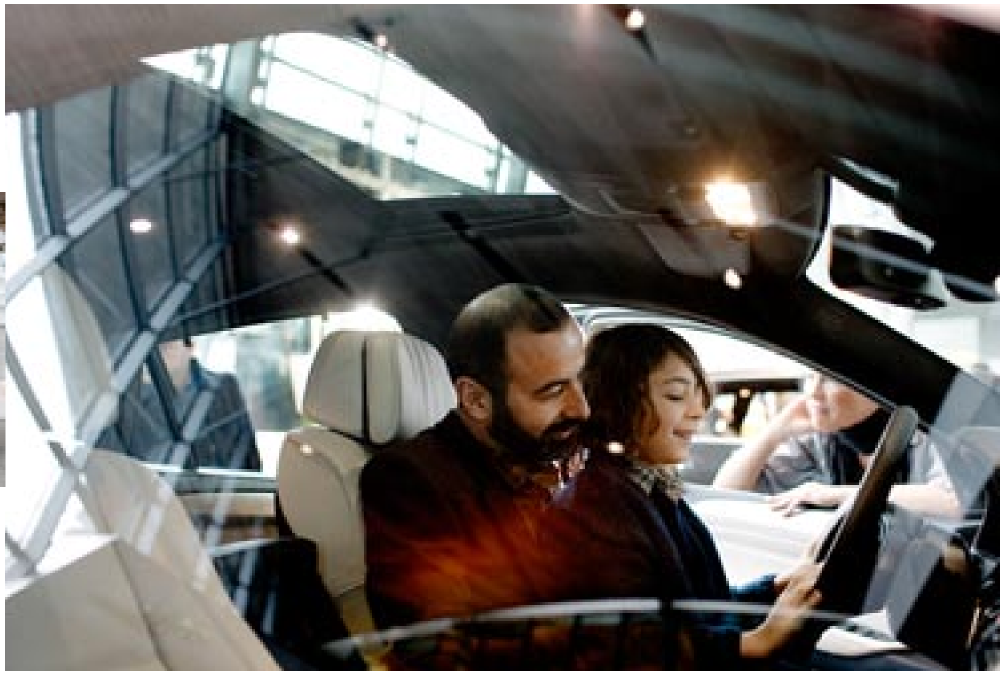
01 The pleasure of discovering the future for oneself
02 The fascination of experiencing Efficient Dynamics live
03 The knowledge to create sustainable mobility

"My motto is: 'Don't just dream your dreams, live them.' And the BMW Z4 is one of mine."

Christian Brandl
Jan. 22, 2010 BMW Welt, Munich

BMW Z4

The sportiness of a roadster with the elegance of a classic car: The new edition of the popular BMW Roadster is an expression of sheer driving pleasure.



BMW X1

Kämmerer Family
Jan. 20, 2010 BMW Welt, Munich

Freedom is a source of pleasure – and that includes being able to use a vehicle any way the driver wants. With its highly versatile interior and strong performance features, the BMW X1 offers maximum freedom for every lifestyle.

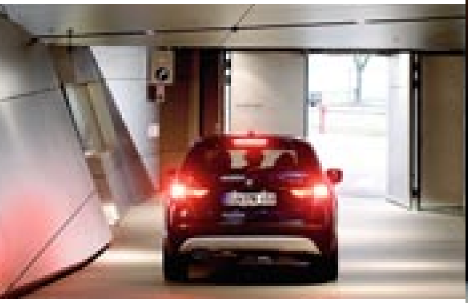
"Understated design. A dynamic engine. The typical BMW driving experience. In other words: The perfect car for us."

Hakan Kaya
Feb. 6, 2010 BMW Welt, Munich

"A car that combines excellent driving characteristics with excellent environmental performance – what more could you ask for?"

BMW ActiveHybrid X6

Generates the energy that powers it: The world's first four-wheel drive hybrid, the BMW ActiveHybrid X6, travels short distances on electric power alone – and uses around 20 percent less fuel than the conventional model.



"Great driving experience in the driver's seat, and luxurious comfort with ambient lighting in the back seat. For such a car, I went all the way from Florida to Munich to pick it up."

Douglas Lempereur
Feb. 12, 2010 BMW Welt, Munich

BMW 5 Series Gran Turismo

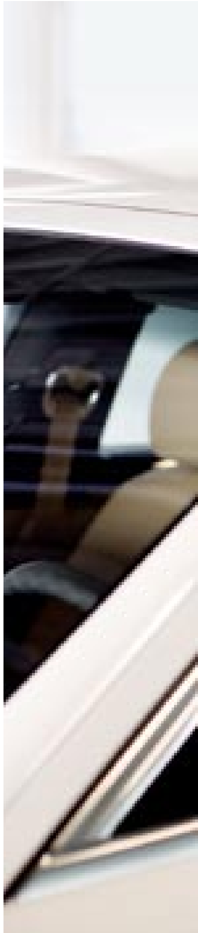
A classy sedan? An adaptable estate car? A versatile SUV? The BMW 5 Series Gran Turismo is all of those things rolled into one – and therefore in a class of its own.

"I was already amazed by the Phantom. Now the Ghost is the ultimate in motoring comfort and elegance."

Kai Berghäuser
Feb. 3, 2010 Procar Automobile, Cologne

Rolls-Royce Ghost

Of all the design maxims, simplicity is the hardest to deliver. In the Rolls-Royce Ghost it has been honed to perfection – and paired with state-of-the-art technologies for luxurious mobility.



MINI Convertible

Striking profile. High-performance engine. A genuine four-seater with maximum open-air feeling. In short: a MINI Convertible.

Bettina Kroiß
Jan. 22, 2010 MINI retail outlet, Munich

“This is such a cult car. It even makes driving to work fun.”

BMW S 1000 RR

Speed requires control – something we have been reinventing for the motorcycle for more than 20 years. The S 1000 RR provides a good example of this: It has a sporty feel, can be safely controlled and is still pleasantly easy to drive in everyday situations.

Claudia Engelmann
Dec. 14, 2009 Tommy Wagner Motorräder, Munich

“An elegant, lean, super sports bike that sets the standard in its class.”

IAA 2009

Experiencing the joy. For the first time, visitors to the Frankfurt Motor Show were able to see the BMW Group's new vehicles in action. But experiencing the joy also means shaping one's own future – through conversations with experts, or perhaps in a more playful manner.

01 The pleasure of discovering the future for oneself

Sept. 17, 2009 Junior Campus

02 The fascination of experiencing efficient dynamics live

Sept. 16, 2009 BMW stand

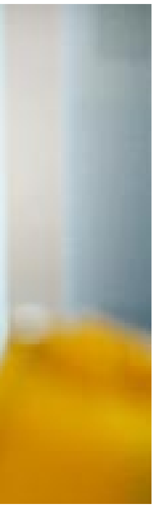
03 The knowledge to create sustainable mobility

Sept. 14, 2009 ZEIT Future Summit

Sept. 16, 2009 IAA – BMW stand

What does sheer driving pleasure really feel like? For the first time, visitors to the IAA 2009 were able to experience that signature BMW driving feeling up close. The BMW Group showcased its Efficient Dynamics fleet and vehicle premieres, such as the BMW ActiveHybrid X6 and the BMW 5 Series Gran Turismo, driving around a several-hundred-metre circuit.

5 In the future: e-mobility MINI E style
6 In perfection: the new Rolls-Royce Ghost
7 In motion: the BMW Vision EfficientDynamics concept car (left)



Sept. 17, 2009 IAA – Junior Campus

How do you build the city car of the future? At the BMW Group's Junior Campus hundreds of children built their own future vehicles. In sustainability workshops organised by the Campus they learned about issues such as resource conservation and traffic management. They were also able to improve their road safety awareness on an integrated mobility course.

1 Children tested water saving technologies and logistic concepts in the Campus lab.
2 Several hundred children visited the Campus at the IAA.
3 Building sustainable products in the Campus workshop
4 A mobility concept for tomorrow – with its developers

3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Sept. 14, 2009 IAA – ZEIT Future Summit

What might sustainable mobility look like? That was the question debated by leading experts at the Future Summit held by the German weekly newspaper DIE ZEIT and hosted at the BMW Group stand for the first time. According to former German Foreign Minister Joschka Fischer: "E-mobility represents a major challenge."

8 BMW Chairman of the Board of Management Reithofer: "The automobile must continue to evolve through innovation."
9 Norbert Reithofer and Klaus Töpfer, former director of the UN Environmental Programme
10 Klaus Töpfer, Norbert Reithofer, Josef Joffe (DIE ZEIT), Regine Günther (WWF), Joschka Fischer, Stefan Schulte (Fraport) (from left)


4


7
BMW Group Flottenverbrauch:
5,9 l durch EfficientDynamics.


10

Speed is what defines change today – where standing still means going backwards. Every day we break new ground with our ideas. We are pioneers building our own future.

We have world-class employees – a team that efficiently networks talent and knowledge. And a corporate culture where every individual outstanding achievement strengthens the BMW Group's claim to leadership.

A further contribution towards preserving resources

BMW Group Annual Report 2009 awarded the „Blue Angel“ eco-label. The paper used (Enviro Top and Nanoo Color) was produced, climate-neutrally and without optical brighteners and chlorine bleach, from recycled waste paper. All other production materials used also comply with the requirements of the Blue Angel eco-label (RAL-UZ 14). The Blue Angel is considered to be one of the most stringent eco-labels in the world.

The CO_2 emissions generated through print and production were neutralised by the BMW Group. To this end, the corresponding amount of emissions allowances was erased, with the transaction identification DE-89388 on February 23, 2010.

Vehicle fleet — Consumption and emissions data of BMW Group vehicles

Values measured in accordance with the New European Driving Cycle (EU Directive: 80/1268/EEC in the relevant applicable version). Valid for vehicles with a European country specification.
Vehicles with average CO_2 emissions of below/maximum 140 grams CO_2/km are highlighted.

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
BMW				
116i 3-door[4]	7.9 (8.7)	5.1 (5.4)	6.1 (6.6)	143 (154)
116i 3-door[4,6]	7.9 (8.9)	5.1 (5.5)	6.1 (6.8)	143 (158)
118i 3-door[4]	7.9 (8.7)	5.1 (5.4)	6.1 (6.6)	143 (154)
120i 3-door[4]	8.6 (8.9)	5.4 (5.3)	6.6 (6.6)	153 (155)
130i 3-door[4]	12.4 (12.5)	6.3 (6.2)	8.5 (8.5)	199 (199)
116d 3-door[1]	**5.3**	**3.9**	**4.4**	**118**
118d 3-door[4]	**5.4 (6.7)**	**4.0 (4.5)**	**4.5 (5.3)**	**119 (140)**
120d 3-door[4]	**5.9 (6.7)**	**4.1 (4.5)**	**4.7 (5.3)**	**125 (140)**
123d 3-door[4]	**6.4 (6.9)**	**4.4 (4.7)**	**5.1 (5.5)**	**135 (145)**
116i 5-door[4]	7.9 (8.7)	5.1 (5.4)	6.1 (6.6)	143 (154)
116i 5-door[4,6]	7.9 (8.9)	5.1 (5.5)	6.1 (6.8)	143 (158)
118i 5-door[4]	7.9 (8.7)	5.1 (5.4)	6.1 (6.6)	143 (154)
120i 5-door[4]	8.6 (8.9)	5.4 (5.3)	6.6 (6.6)	153 (155)
130i 5-door[4]	12.4 (12.5)	6.3 (6.2)	8.5 (8.5)	199 (199)
116d 5-door[1]	**5.3**	**3.9**	**4.4**	**118**
118d 5-door[4]	**5.4 (6.7)**	**4.0 (4.5)**	**4.5 (5.3)**	**119 (140)**
120d 5-door[4]	**5.9 (6.7)**	**4.1 (4.5)**	**4.7 (5.3)**	**125 (140)**
123d 5-door[4]	**6.4 (6.9)**	**4.4 (4.7)**	**5.1 (5.5)**	**135 (145)**
120i Coupé[4]	8.6 (8.9)	5.4 (5.3)	6.6 (6.6)	153 (155)
125i Coupé[4]	11.9 (11.7)	6.0 (6.2)	8.2 (8.2)	190 (190)
135i Coupé[4]	12.1 (11.7)	6.4 (6.7)	8.5 (8.5)	198 (198)
118d Coupé[4]	**5.4 (6.7)**	**4.0 (4.5)**	**4.5 (5.3)**	**119 (140)**
120d Coupé[4]	**5.9 (6.7)**	**4.1 (4.5)**	**4.7 (5.3)**	**125 (140)**
123d Coupé[4]	**6.4 (6.9)**	**4.4 (4.7)**	**5.1 (5.5)**	**135 (145)**
118i Convertible[4]	8.5 (9.2)	5.5 (5.7)	6.6 (7.0)	153 (163)
120i Convertible[4]	8.8 (9.4)	5.6 (5.6)	6.8 (7.0)	159 (164)
125i Convertible[4]	12.1 (11.9)	6.2 (6.4)	8.4 (8.4)	195 (195)
135i Convertible[4]	12.2 (11.8)	6.5 (6.8)	8.6 (8.6)	200 (200)
118d Convertible[4,7]	**5.8 (7.3)**	**4.4 (4.9)**	**4.9 (5.8)**	**129 (152)**
120d Convertible[4,7]	**6.2 (7.6)**	**4.4 (4.7)**	**5.0 (5.8)**	**133 (152)**
123d Convertible[4]	**6.6 (7.1)**	**4.6 (4.9)**	**5.3 (5.7)**	**140 (150)**
316i Sedan[4,8]	8.1 (8.9)	5.3 (5.5)	6.3 (6.8)	146 (159)
318i Sedan[4]	8.1 (8.7)	5.3 (5.4)	6.3 (6.6)	146 (155)
320i Sedan[4]	8.3 (9.3)	5.3 (5.3)	6.4 (6.8)	148 (159)
325i Sedan[4]	9.8 (10.0)	5.7 (5.9)	7.2 (7.4)	168 (174)
325i xDrive Sedan[4]	11.0 (11.1)	6.4 (6.5)	8.1 (8.2)	188 (192)
330i Sedan[4]	10.0 (10.2)	5.9 (5.9)	7.4 (7.5)	173 (175)
330i xDrive Sedan[4]	11.1 (11.2)	6.5 (6.6)	8.2 (8.3)	191 (193)
335i Sedan[4]	12.0 (12.6)	6.3 (6.5)	8.4 (8.7)	196 (202)
335i xDrive Sedan[4]	12.4 (13.1)	6.7 (6.8)	8.8 (9.1)	205 (212)
316d Sedan[1,4]	**5.4**	**4.0**	**4.5**	**118**
318d Sedan[4]	**5.4 (6.8)**	**4.0 (4.4)**	**4.5 (5.3)**	**119 (140)**
320d Sedan[4]	**5.9 (6.8)**	**4.0 (4.4)**	**4.7 (5.3)**	**125 (140)**
320d xDrive Sedan[4]	**6.4 (7.2)**	**4.5 (4.8)**	**5.2 (5.7)**	**137 (150)**
320d EfficientDynamics Edition Sedan[4]	**5.0**	**3.6**	**4.1**	**109**
325d Sedan[4]	7.3 (7.9)	4.8 (5.1)	5.7 (6.1)	151 (160)
330d Sedan[4]	7.3 (8.0)	4.8 (5.2)	5.7 (6.2)	152 (164)
330d xDrive Sedan[4]	8.3 (8.8)	5.5 (5.7)	6.5 (6.8)	171 (178)
335d Sedan[2,4]	9.0	5.2	6.6	174
M3[4]	17.7 (15.9)	9.3 (8.5)	12.4 (11.2)	290 (263)
316i Touring[1,4,8]	8.1	5.3	6.3	147
318i Touring[4]	8.1 (8.9)	5.3 (5.6)	6.3 (6.8)	147 (159)
320i Touring[4]	8.3 (9.5)	5.3 (5.5)	6.4 (7.0)	149 (164)
325i Touring[4]	9.9 (10.2)	5.8 (6.1)	7.3 (7.6)	170 (178)

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
BMW				
325i xDrive Touring[4]	11.1 (11.2)	6.5 (6.6)	8.2 (8.3)	190 (194)
330i Touring[4]	10.2 (10.7)	6.1 (6.2)	7.6 (7.9)	177 (184)
330i xDrive Touring[4]	11.2 (11.3)	6.6 (6.7)	8.3 (8.4)	193 (195)
335i Touring[4]	12.1 (12.6)	6.4 (6.5)	8.5 (8.7)	199 (203)
335i xDrive Touring[4]	12.4 (13.2)	6.7 (6.9)	8.8 (9.2)	206 (215)
316d Touring[1,4]	**5.4**	**4.0**	**4.5**	**119**
318d Touring[4]	**5.4 (6.9)**	**4.0 (4.5)**	**4.5 (5.4)**	**120 (142)**
320d Touring[4]	**6.0 (6.9)**	**4.1 (4.5)**	**4.8 (5.4)**	**128 (142)**
320d xDrive Touring[4]	**6.5 (7.3)**	**4.6 (4.9)**	**5.3 (5.8)**	**140 (153)**
325d Touring[4]	7.4 (8.0)	4.9 (5.2)	5.8 (6.2)	153 (163)
330d Touring[4]	7.5 (8.1)	5.0 (5.3)	5.9 (6.3)	155 (165)
330d xDrive Touring[4]	8.4 (8.9)	5.6 (5.8)	6.6 (6.9)	174 (181)
335d Touring[2,4]	9.1	5.3	6.7	176
316i Coupé[1,4,8]	8.1	5.3	6.3	146
318i Coupé[1,4]	8.1	5.3	6.3	146
320i Coupé[4]	8.6 (9.3)	5.4 (5.3)	6.6 (6.8)	154 (159)
325i Coupé[4]	9.8 (10.0)	5.7 (5.9)	7.2 (7.4)	168 (174)
325i xDrive Coupé[4]	11.0 (11.1)	6.4 (6.5)	8.1 (8.2)	188 (192)
330i Coupé[4]	10.0 (10.2)	5.9 (5.9)	7.4 (7.5)	173 (175)
330i xDrive Coupè[4]	11.1 (11.2)	6.5 (6.6)	8.2 (8.3)	191 (193)
335i Coupé[4]	12.0 (11.8)	6.3 (6.4)	8.4 (8.4)	196 (196)
335i xDrive Coupé[4]	12.4 (13.1)	6.7 (6.8)	8.8 (9.1)	205 (212)
320d Coupé[4]	**5.9 (6.8)**	**4.0 (4.4)**	**4.7 (5.3)**	**125 (140)**
320d xDrive Coupé[4]	**6.4 (7.2)**	**4.5 (4.8)**	**5.2 (5.7)**	**137 (150)**
325d Coupé[4]	7.3 (7.9)	4.8 (5.1)	5.7 (6.1)	151 (160)
330d Coupé[4]	7.3 (8.0)	4.8 (5.2)	5.7 (6.2)	152 (164)
330d xDrive Coupé[4]	8.3 (8.8)	5.5 (5.7)	6.5 (6.8)	171 (178)
335d Coupé[2,4]	9.0	5.2	6.6	174
M3 Coupé[4]	17.7 (15.9)	9.3 (8.5)	12.4 (11.2)	290 (263)
318i Convertible[1,4]	8.4	5.6	6.6	154
320i Convertible[4]	8.8 (9.8)	5.6 (5.8)	6.8 (7.3)	159 (169)
325i Convertible[4]	10.2 (10.6)	5.9 (6.3)	7.5 (7.9)	176 (185)
330i Convertible[4]	10.5 (11.1)	6.2 (6.5)	7.8 (8.2)	182 (190)
335i Convertible[4]	12.4 (12.2)	6.7 (6.8)	8.8 (8.8)	205 (205)
320d Convertible[4]	**6.3 (7.1)**	**4.4 (4.7)**	**5.1 (5.6)**	**135 (149)**
325d Convertible[4]	7.7 (8.2)	5.2 (5.4)	6.1 (6.4)	160 (168)
330d Convertible[4]	7.7 (8.2)	5.2 (5.4)	6.1 (6.4)	162 (170)
M3 Convertible[4]	18.0 (16.0)	9.6 (8.9)	12.7 (11.5)	297 (269)
523i Sedan[4]	10.5 (10.5)	5.9 (5.9)	7.6 (7.6)	177 (178)
528i Sedan[4]	10.4 (10.4)	6.3 (6.0)	7.8 (7.6)	182 (178)
535i Sedan[4]	11.8 (11.9)	6.6 (6.4)	8.5 (8.4)	199 (195)
550i Sedan[2,4]	15.4	7.5	10.4	243
520d Sedan[4,9]	**k.A.**	**k.A.**	**5.0 (5.2)**	**132 (137)**
525d Sedan[4]	8.1 (7.7)	5.1 (5.1)	6.2 (6.1)	162 (160)
530d Sedan[4]	8.0 (7.7)	5.3 (5.2)	6.3 (6.1)	166 (160)
520i Touring	9.4 (9.5)	5.6 (5.5)	6.9 (7.0)	166 (167)
523i Touring	10.9 (10.9)	6.1 (6.2)	7.9 (7.9)	186 (186)
525i Touring	11.1 (11.0)	6.0 (6.1)	7.9 (7.9)	186 (186)
525i xDrive Touring	12.0 (11.8)	6.6 (6.7)	8.6 (8.6)	203 (204)
530i Touring	11.5 (11.4)	6.1 (5.9)	8.1 (7.9)	191 (187)
530i xDrive Touring	12.3 (12.4)	6.6 (6.4)	8.7 (8.6)	205 (204)
550i Touring	17.0 (16.1)	7.8 (7.5)	11.2 (10.7)	267 (254)
520d Touring[4,5]	**6.7 (7.7)**	**4.5 (4.7)**	**5.3 (5.8)**	**140 (154)**
525d Touring	8.4 (8.6)	5.2 (5.4)	6.4 (6.6)	171 (176)
525d xDrive Touring	9.1 (9.2)	5.6 (5.7)	6.9 (7.0)	184 (187)
530d Touring	8.8 (9.3)	5.3 (5.3)	6.6 (6.8)	176 (180)

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
BMW				
530d xDrive Touring	9.6 (9.9)	5.8 (5.6)	7.2 (7.2)	192 (192)
535d Touring[2]	9.2	5.6	6.9	182
M5 Touring[3]	21.7	10.5	14.6	348
535i Gran Turismo[2,4]	12.3	6.9	8.9	209
550i Gran Turismo[2,4]	16.2	8.3	11.2	263
530d Gran Turismo[2,4]	8.1	5.6	6.5	173
535d Gran Turismo[2,4]	8.3	5.8	6.7	175
630i Coupé	11.2 (11.0)	6.0 (5.8)	7.9 (7.7)	188 (184)
650i Coupé	17.8 (15.9)	8.1 (7.4)	11.7 (10.5)	279 (249)
635d Coupé[2]	9.2	5.6	6.9	183
630i Convertible	11.8 (11.6)	6.3 (6.0)	8.3 (8.1)	198 (192)
650i Convertible	19.2 (16.5)	8.8 (7.7)	12.6 (10.9)	299 (258)
635d Convertible[2]	9.6	5.8	7.2	190
M6 Coupé[3]	21.4	10.2	14.3	342
M6 Convertible[3]	22.0	10.6	14.7	352
740i[2,4]	13.8	7.6	9.9	232
740Li[2,4]	14.0	7.7	10.0	235
750i[2,4]	16.4	8.5	11.4	266
750i xDrive[2,4]	17.1	8.9	11.9	278
750Li[2,4]	16.4	8.5	11.4	266
750Li xDrive[2,4]	17.1	8.9	11.9	278
760i[2,4]	18.8	9.5	12.9	299
760Li[2,4]	18.9	9.6	13.0	303
730d[2,4]	9.0	5.5	6.8	178
730Ld[2,4]	9.1	5.6	6.9	180
740d[2,4]	9.0	5.7	6.9	181
ActiveHybrid 7[2,4]	12.6	7.6	9.4	219
ActiveHybrid 7L[2,4]	12.6	7.6	9.4	219
X1 sDrive18i[4]	11.3 (11.5)	6.4 (6.6)	8.2 (8.4)	191 (195)
X1 xDrive25i[2,4]	12.9	7.2	9.3	217
X1 xDrive28i[2,4]	13.0	7.3	9.4	219
X1 sDrive18d[4]	6.1 (7.1)	4.7 (5.2)	5.2 (5.9)	136 (155)
X1 xDrive18d[4]	6.7 (7.7)	5.1 (5.4)	5.7 (6.2)	150 (164)
X1 sDrive20d[4]	6.4 (7.1)	4.7 (5.2)	5.3 (5.9)	139 (155)
X1 xDrive20d[4]	7.0 (7.7)	5.1 (5.4)	5.8 (6.2)	153 (164)
X1 xDrive23d[2,4]	7.8	5.5	6.3	167
X3 xDrive20i[1]	12.6	6.9	9.0	215
X3 xDrive25i	12.8 (13.1)	7.3 (7.4)	9.3 (9.5)	224 (228)
X3 xDrive30i	13.4 (13.3)	7.3 (7.6)	9.5 (9.7)	229 (233)
X3 xDrive18d[1,4]	7.9	5.2	6.2	165
X3 xDrive20d[4]	8.2 (8.3)	5.5 (5.8)	6.5 (6.7)	172 (178)
X3 xDrive30d	9.7 (9.9)	6.0 (6.4)	7.4 (7.7)	196 (206)
X3 xDrive35d[2]	9.7	6.7	7.8	208
X5 xDrive35i[2,4]	13.2	8.3	10.1	236
X5 xDrive50i[2,4]	17.5	9.6	12.5	292
X5 xDrive30d[2,4]	8.7	6.7	7.4	195
X5 xDrive40d[2,4]	8.8	6.8	7.5	198
X5 M[4,10]	19.3	10.8	13.9	325
X6 xDrive35i[2,4]	13.2	8.3	10.1	236
X6 xDrive50i[2,4]	17.5	9.6	12.5	292
X6 xDrive30d[2,4]	8.7	6.7	7.4	195
X6 xDrive40d[2,4]	8.8	6.8	7.5	198
ActiveHybrid X6[2,4]	10.8	9.4	9.9	231

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
BMW				
X6 M[4,10]	19.3	10.8	13.9	325
Z4 sDrive23i[4]	12.4 (11.8)	6.2 (6.1)	8.5 (8.2)	199 (192)
Z4 sDrive30i[4]	12.4 (11.9)	6.2 (6.2)	8.5 (8.3)	199 (195)
Z4 sDrive35i[4]	13.5 (12.6)	7.0 (6.9)	9.4 (9.0)	219 (210)
Z4 sDrive35is[2,4]	12.6	6.9	9.0	210
MINI				
MINI One[4]	7.2 (8.7)	4.4 (5.1)	5.4 (6.4)	127 (150)
MINI One MINIMALIST[4,8]	6.5	4.3	5.1	119
MINI Cooper[4]	6.9 (8.7)	4.6 (5.1)	5.4 (6.4)	127 (150)
MINI Cooper S[4]	7.3 (8.9)	5.0 (5.0)	5.8 (6.4)	136 (149)
MINI John Cooper Works[1,4]	9.4	5.8	7.1	165
MINI One D[1]	4.7	3.5	3.9	104
MINI Cooper D	4.7 (6.5)	3.5 (4.2)	3.9 (5.0)	104 (134)
MINI One Convertible[4]	7.3 (8.9)	4.3 (5.3)	5.7 (6.6)	133 (154)
MINI Cooper Convertible[4]	7.2 (8.9)	4.9 (5.3)	5.7 (6.6)	133 (154)
MINI Cooper S Convertible[4]	7.5 (9.1)	5.1 (5.1)	6.0 (6.6)	139 (153)
MINI John Cooper Works Convertible[1,4]	9.6	5.9	7.3	169
MINI One Clubman[4]	7.3 (8.8)	4.5 (5.2)	5.5 (6.5)	129 (152)
MINI Cooper Clubman[4]	7.0 (8.8)	4.7 (5.2)	5.5 (6.5)	129 (152)
MINI Cooper S Clubman[4]	7.4 (8.9)	5.0 (5.0)	5.9 (6.4)	137 (150)
MINI John Cooper Works Clubman[1,4]	9.5	5.8	7.2	167
MINI Cooper D Clubman	4.9 (6.6)	3.6 (4.2)	4.1 (5.1)	109 (136)
Rolls-Royce				
Rolls-Royce Ghost[2,4]	20.5	9.6	13.6	317
Rolls-Royce Phantom[2]	23.2	11.3	15.7	377
Rolls-Royce Phantom extended Wheelbase[2]	23.3	11.4	15.8	380
Rolls-Royce Phantom Coupé[2]	23.2	11.3	15.7	377
Rolls-Royce Phantom Drophead Coupé[2]	23.2	11.3	15.7	377

Figures in brackets only valid for automatic transmissions.

[1] only available with manual transmission
[2] only available with automatic transmission
[3] comes as standard with sequential M transmission (7-gear)
[4] EU-5 comes as standard
[5] EU-4 comes as standard for right-hand drive vehicles
[6] variant with 1.6-litre cubic capacity
[7] Consumption values for models with automatic transmission in right-hand drive vehicles vary.
[8] only available in selected EU countries
[9] figures not yet available
[10] comes as standard with 6-gear M Sport automatic transmission

Further information and constantly updated data for the vehicles is available on the Internet at www.bmw.com, www.mini.com and www.rolls-roycemotorcars.com.

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Aktiengesellschaft
80788 Munich
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Telephone +49 89 382-0