ANNUAL REPORT 2010

BMW GROUP

Rolls-Royce
Motor Cars Limited

FACTS AND FIGURES

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A PORTRAIT OF THE COMPANY

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

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

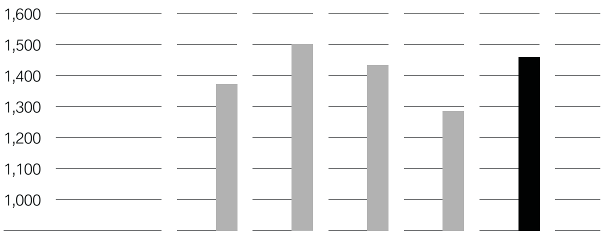
The course towards a successful future was set in 2007 with the adoption of Strategy Number ONE. The business was given a new strategic direction with an emphasis on profitability and long-term value growth. Our activities will remain firmly focused on the premium segments of the international car markets.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

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

BMW Group in figures

Sales volume of automobiles

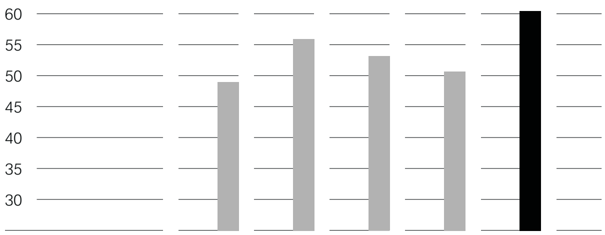
in thousand units



06	07	08	09	10
1,374.0	1,500.7	1,435.9	1,286.3	**1,461.2**

Revenues

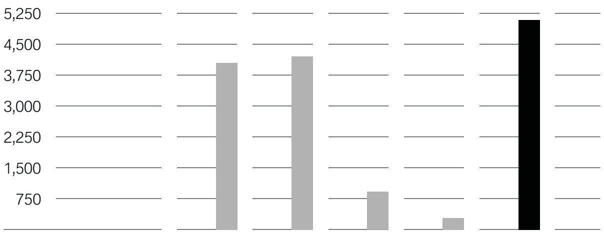
in euro billion



06	07	08	09	10
49.0	56.0	53.2	50.7	**60.5**

Profit before financial result

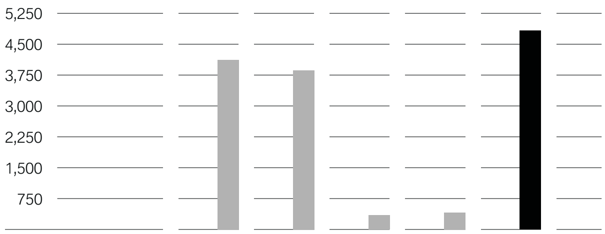
in euro million



06	07	08	09	10
4,050	4,212	921	289	**5,094**

Profit before tax

in euro million



06	07	08	09	10
4,124	3,873	351	413	**4,836**

BMW Group in figures

	2006	2007	2008	2009	**2010**	Change in %
Sales volume – Automobiles						
BMW	1,185,088	1,276,793	1,202,239	1,068,770	**1,224,280**	14.6
MINI	188,077	222,875	232,425	216,538	**234,175**	8.1
Rolls-Royce	805	1,010	1,212	1,002	**2,711**	–
Total	**1,373,970**	**1,500,678**	**1,435,876**	**1,286,310**	**1,461,166**	**13.6**
Sales volume – Motorcycles						
BMW	100,064	102,467	101,685	87,306	**98,047**	12.3
Husqvarna	–	–	13,511	13,052	**12,066**	–7.6
Total	**100,064**	**102,467**	**115,196**	**100,358**	**110,113**	**9.7**
Production – Automobiles						
BMW	1,179,317	1,302,774	1,203,482	1,043,829	**1,236,989**	18.5
MINI	186,674	237,700	235,019	213,670	**241,043**	12.8
Rolls-Royce	847	1,029	1,417	918	**3,221**	–
Total	**1,366,838**	**1,541,503**	**1,439,918**	**1,258,417**	**1,481,253**	**17.7**
Production – Motorcycles						
BMW	103,759	104,396	104,220	82,631	**99,236**	20.1
Husqvarna	–	–	14,232	10,612	**13,035**	22.8
Total	**103,759**	**104,396**	**118,452**	**93,243**	**112,271**	**20.4**
Workforce at end of year[1]						
BMW Group	106,575	107,539	100,041	96,230	**95,453**	–0.8
Financial figures						
in euro million						
Revenues	48,999	56,018	53,197	50,681	**60,477**	19.3
Capital expenditure	4,313	4,267	4,204	3,471	**3,263**	–6.0
Depreciation and amortisation	3,272	3,683	3,670	3,600	**3,682**	2.3
Operating cash flow[2]	5,373	6,246	4,471	4,921	**8,150**	65.6
Profit before financial result	4,050	4,212	921	289	**5,094**	–
Profit before tax	4,124	3,873	351	413	**4,836**	–
Net profit	2,874	3,134	330	210	**3,234**	–

[1] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.
[2] 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

Dear Ladies and Gentlemen,

The financial year 2010 marked an upswing for the BMW Group after the global financial crisis. Together with the Board of Management and the entire workforce, we are delighted with the way business has developed, enabling us to report the best result to date in the BMW Group's corporate history.

During the year under report, we continuously and carefully monitored the running of the business and its performance with the aid of regular written and oral reports provided by the Board of Management. Joint discussions were also held in which we advised the Board of Management on important aspects of projects and planning. These discussions with the Board of Management were always conducted constructively and in an atmosphere of trust.

Main emphases of the Supervisory Board's monitoring and advisory activities In a total of five meetings, one of them held over a two-day period, we deliberated in particular on the BMW Group's current performance and financial position, the corporate plan and strategy, risk management and risk provision, personnel decisions, the further development of the Board of Management's compensation system and corporate governance. In addition to the scheduled meetings, the Board of Management also kept us informed of current business and economic developments, particularly 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.

Again in 2010 the Supervisory Board examined the management and organisation of the Financial Services segment. In preparation for the full Supervisory Board meeting, we discussed with the Presiding Board the current organisation of the Financial Services segment, which falls under the remit of the "Finances" management portfolio. We received a detailed status report on various projects aimed at improving liquidity and risk management, maximising the benefits from sales support given to the Automobiles segment and optimising legal entity and management structures. The framework conditions and organisational implications of the planned changes in the segment were also discussed at length. The Supervisory Board is in favour of enhancing the segment's legal and organisational structure in a way that ensures that suitable control and balancing mechanisms are in place in the relationship between the core industrial segments and the Financial Services segment.

One meeting of the Supervisory Board took place at the Regensburg plant, where vehicles such as the BMW 1 Series, the BMW 3 Series and the BMW Z4 are manufactured. During our visit, we took the opportunity to look for ourselves at the preparations being made for the scheduled model start-ups in 2011. Using examples from the pressing plant, body construction and assembly areas, the members of the Supervisory Board were given a demonstration of how the principles of a value-added production system (VPS) can be applied to achieve further process improvements.

In September, another two-day meeting was held, providing us with the opportunity for an in-depth discussion with the Board of Management regarding technical innovations and new vehicle concepts. The Supervisory Board members were able to test several of the vehicles that are now already capable of fulfilling customer requirements for forward-looking mobility in various vehicle categories. These included a next-generation BMW 5 Series ActiveHybrid prototype, but also production models such as the BMW 320d EfficientDynamics Edition. We were also able to test vehicles such as the BMW X3 xDrive 20d that will soon be going into series production. A further part of the meeting was dedicated to the strategy review. The Board of Management provided us with an insight into the progress made over the last twelve months in implementing Strategy Number ONE, based on the four pillars "Growth", "Shaping the Future", "Profitability" and "Access to Technologies and Customers". Market and volume forecasts for the Automobiles segment were discussed at great length, with certain markets also successfully being subjected to a stress test. The Supervisory Board supports the Board of Management in its endeavours to achieve a balanced relationship in its sales activities between the major markets of Europe, Asia and America. Furthermore, we discussed a number of selected issues relating to product and brand strategy, such as plans to establish a new BMW sub-brand in the field of electromobility. In the opinion of the Supervisory Board, Strategy Number ONE has proved to be robust in times of crisis: we believe that the Board of Management remains on the right track in strategic terms.

Before giving our go-ahead, we carefully reviewed the long-term business plan presented to us for approval by the Board of Management, which forecasts highly positive and rising economic added value for the years from 2011 to 2016. The Board of Management explained changes from previous forecasts and targets. The most important external risk factors, such as regulatory requirements and potential challenges caused by a repeat of the financial crisis, were also dealt with in both written reports and joint discussions. We stressed the importance to the Board of Management of planning fixed costs and personnel requirements prudently, despite the current economic recovery. The Supervisory Board gave appreciative recognition to the fact that, despite the financial crisis, the efforts expended in recent years have brought about improved transparency in the Financial Services segment, driven progress in product strategy and electromobility and encouraged new, positive approaches to marketing.

We also deliberated with the Board of Management on the BMW Group's situation and positioning in the areas of personnel marketing, programmes for new recruits, further training and vocational training. We fully agree with the Board of Management that, even though BMW is generally seen as a highly attractive employer, it is imperative that we continue to build up and maintain expertise and acknowledge the importance of further training. These issues represent a major challenge for the future, not least because of the demographic aging of society. The Board of Management also presented and explained its diversity concept for the BMW Group to the Supervisory Board.

We carefully considered the annual budget for the financial year 2011 and discussed earnings opportunities and risks with the Board of Management. The underlying plans give good reason to believe it will be possible, at the very least, to achieve the targets set in conjunction with Strategy Number ONE, despite the intervening financial crisis.

As part of a special review, the Board of Management presented an in-depth report on the activities, organisational structure and strategic direction of the board portfolio "Purchasing and Supplier Network". This network was set up in 2007 as a result of Strategy Number ONE and aims to create the world's most efficient car manufacturer supply chain in terms of quality, innovation, compliance with deadlines and cost. The presentation also included an explanation of the instruments with which the BMW Group intends to compensate for benefits of scale enjoyed by larger-scale manufacturers.

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 on key markets as well as developments in earnings and profitability during the year. The Board of Management and the Supervisory Board use the reports to keep abreast of and discuss current issues affecting the automobile sector. In this context, the Board of Management provided information to the Supervisory Board on a number of issues, including BMW internal rules and processes relating to quality assurance and the management of product defects, should they arise. The Board of Management also addressed major developments in China of significance for the BMW Group, such as the progress being made in expanding production capacities at the Tiexi and Dadong sites in Shenyang and the BMW Group's involvement in the joint venture with Brilliance.

The Supervisory Board again conducted a thorough review of the structure and level of Board of Management compensation in 2010. For this purpose, advice was obtained from an independent external firm of compensation consultants. In July – after the Board of Management's decision to approve payment of a special bonus to employees of BMW AG – the Supervisory Board decided to approve a special bonus for members of the Board of Management, based on the principle of consistency and taking into account senior management compensation (below board level). The payment was made in recognition of the fact that the Board of Management had undertaken structural measures that helped the BMW Group overcome the financial crisis. In December the Supervisory Board decided to add a stock-based compensation element to the Board of Management's compensation system for financial years commencing after 1 January 2011. Further information on this matter is included in the detailed Compensation Report within the Corporate Governance Report section of the Annual Report (pages 154 et seq.).

Corporate governance and Declaration of Compliance In their joint meeting in December, the two boards deliberated on corporate governance within the BMW Group and took a number of decisions on ways in which it could be further improved. The joint Declaration of Compliance and other explanatory comments can be found in the Corporate Governance Report. The recommendations of the Government Commission on German Corporate Governance contained in the revised Code issued on 2 July 2010 (Code version dated 26 May 2010) will be complied with without exception in the future. This also includes recommendations on succession planning for the Board of Management. Together with the Board of Management, the Personnel Committee and full Supervisory Board will ensure that long-term succession planning is in place. In their assessment of candidates for a post on the Board of Management, the underlying criteria applied by the Supervisory Board for determining the suitability of candidates are their professional expertise in the relevant area of board responsibility, outstanding leadership qualities, a proven track record and a profound understanding of the BMW Group's business. We also take diversity into account when assessing, on balance, which individual will best complement the Board of Management as a representative body. In the context of the decision process, we understand "diversity" to encompass various complementary individual profiles, work and life experience, at both national and international levels, as well as appropriate representation of both sexes. When making new appointments, our aim in the medium and long term is to achieve an appropriate representation of women on the Board of Management of BMW AG. The Board of Management will accordingly report to the Personnel Committee – at regular intervals and, on request, prior to personnel decisions being taken by the Supervisory Board – on the proportion of, and changes in, management positions held by women, in particular below senior executive level and at uppermost management level. When actually selecting an individual for a post on the Board of Management, the Supervisory Board will decide in the best interests of the Company and after taking account of all relevant circumstances.

For its own composition, the Supervisory Board has drawn up specific criteria, which are described in the Corporate Governance Report (pages 153 et seq.). A conscious decision has been taken to set out a detailed composition profile for the Supervisory Board based on a profile previously drawn up and used by the Nomination Committee, which has now been expanded and applied to the entire Supervisory Board.

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. In a separate discussion, the full Supervisory Board also discussed its own efficiency. Our preparations for the discussion were based on the results of a questionnaire previously devised and distributed by the members of the Supervisory Board in advance of the meeting.

There was no indication of any conflicts of interest on the part of members of the Supervisory Board or the Board of Management during the past year. The nature and scale of significant transactions with related parties as defined by IAS 24 is tested with the aid of a questionnaire which members of both boards are required to complete on a quarterly basis. The questionnaire also covers transactions with close family members and intermediary entities (see pages 128 et seq.).

Each of the five Supervisory Board meetings in 2010 was attended by at least 90% of its members (18 out of 20), a fact that can be tied in to the analysis of attendance fees for individual members disclosed in the Compensation Report (see pages 154 et seq.). One member was unable to attend three meetings during the financial year 2010 due to illness. Presiding Board and committee meetings were fully attended (see page 152).

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

The Audit Committee convened four times during the reporting period 2010. In accordance with a recommendation by the German Corporate Governance Code, the Group's three interim reports in 2010 were discussed (in telephone conferences) with the Board of Management prior to publication. Representatives of the external auditors were present for part of the time at the telephone conference held to present the Half-Year Financial Report. The report had been subjected to review by the external auditors.

One meeting of the Audit Committee dealt in particular with preparations for the Supervisory Board meeting at the beginning of 2010 at which the financial statements were examined. Before giving the full Supervisory Board its recommendations for nominations for election at the Annual General Meeting and engaging the external auditor for the financial year 2010, the Audit Committee obtained a Declaration of Independence from the proposed external auditor. The fee proposals for the audit of the year-end financial statements and for the review of the half-year financial report were deemed appropriate by the Audit Committee. After the Annual General Meeting 2010, the Audit Committee appointed the external auditor for the financial year 2010 and, taking the suggestions of the full Supervisory Board into account, specified areas of audit emphasis, including accounting policy changes in the HGB financial statements as a result of the German Accounting Law Modernisation Act (BilMoG), the measurement of warranty provisions and the accounting treatment of derivative financial instruments.

With a view to ensuring the independence of the external auditor, the Audit Committee had previously considered the scope of non-audit services provided by KPMG entities to the BMW Group and set out guidelines for the future with respect to non-audit and audit-related services. There were no indications of lack of independence or grounds for exclusion.

Other areas of emphasis covered by the Audit Committee were the risk management system (including additional notification requirements as part of the internal reporting process), the current risk profile and the level of risk provision. In this context, the Board of Management also reported to the Audit Committee on changes in the internal control system within the Group, in particular with respect to financial reporting processes.

The Chairman of the BMW Group Compliance Committee reported to the Audit Committee on the current compliance situation, which was deemed satisfactory. The Audit Committee took a particular interest in the first full set of compliance reports for the 2009 financial year, which included feedback from 132 BMW Group compliance officers, as well as in the analysis of compliance enquiries and information received with respect to non-compliance and suspicious cases dealt with in the Group's case management system. At the same meeting, the Audit Committee also considered the BMW Group Compliance Committee's plans to introduce additional control procedures and devote more attention to procedures aimed at identifying corruption.

The Head of Group Internal Audit reported to the Audit Committee on the main areas of emphasis of Group internal audit activities, the results of audits performed and forthcoming plans.

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 Article 4 section 5 of the Articles of Incorporation (Authorised Capital 2009) by euro 498,050 and, in conjunction with the employee share scheme, to issue a corresponding number of new non-voting shares of preferred stock, each with a par value of euro 1, at favourable conditions to employees.

The Personnel Committee convened four times during the financial year 2010, with the emphasis of activities on the preparation of personnel- and compensation-related decisions. In a small number of cases, the Personnel Committee also approved the assumption of external mandates by members of the Board of Management in non-Group supervisory or equivalent boards and approved contracts falling under its terms of reference.

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 once during the financial year under report to consider proposals for candidates and make recommendations for the election of Supervisory Board members at the Annual General Meeting.

The statutory Mediation Committee (§ 27 (3) of the Law on Worker Participation) was not required to convene during the financial year 2010.

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

Composition and organisation of the Board of Management The Board of Management, with its team of seven persons, remained unchanged in 2010 in terms of composition and portfolio responsibilities. The mandates of three members of the Board of Management were extended by the Supervisory Board.

Changes in the composition of the Supervisory Board, Presiding Board and committees The mandate of Prof. Dr. Jürgen Strube came to an end at the conclusion of the Annual General Meeting on 18 May 2010. In view of the agreed age limit for Supervisory Board members, he decided not to stand for re-election. Prof. Strube had been a shareholder representative on the Supervisory Board for nine years. During that time he served for two years as member of the Presiding Board, the Personnel Committee, the Nomination Committee and the Audit Committee, taking over the chair of the latter in 2008 and performing that role with great skill and vision during the challenging times of the economic and financial crisis. On behalf of the Supervisory Board I would like to take this opportunity once again to thank Prof. Strube very warmly for his many years of valued work as a member of the Supervisory Board and its committees, in particular the Audit Committee, and for his steadfast, valuable contribution in the interests of the BMW Group. On 18 May 2010 Prof. Henning Kagermann was elected to the Supervisory Board at the Annual General Meeting. After the Annual General Meeting, the Supervisory Board appointed Dr. Karl-Ludwig Kley as additional Deputy Chairman of the Supervisory Board. As an independent member, he was also appointed to the Personnel and Nomination committees and – in acknowledgement of his expertise in the field of financial reporting gained as management board member for finances of another DAX company – as member and Chairman of the Audit Committee. Werner Neugebauer resigned his mandate as employee representative on the Supervisory Board on 31 December 2010 after more than ten years of service. On behalf of the Supervisory Board, I would like to thank Mr. Neugebauer most warmly for his dedicated and commendable work in the interests of the company. In place of Mr. Neugebauer, the District Court of Munich appointed Jürgen Wechsler, Regional Executive Officer of IG Metall Bavaria Region, on 10 February 2011 as employee representative on the Supervisory Board for the remaining term of office. In his place, on 10 February 2011 the District Court of Munich appointed Jürgen Wechsler, Regional Executive Officer of IG Metall Bavaria Region, as employee representative on the Supervisory Board for the remaining term of office.

The Corporate Governance Report includes an overview of the composition of the Supervisory Board and its committees.

Examination of financial statements and the profit distribution proposal KPMG AG Wirtschaftsprüfungsgesellschaft conducted a review of the abridged Interim Group Financial Statements and Interim Group Management Report for the six-month period ended 30 June 2010. 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 2010 and the combined Company and Group Management Report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and given an unqualified audit opinion on 15 February 2011.

The Audit Committee examined these documents in detail at its meeting on 25 February 2011. At its meeting on 10 March 2011 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 weaknesses in the internal control system and risk management system were found with regard to the financial reporting process. In the course of their audit work, the external auditors did not identify any facts inconsistent with the contents of the Declaration of Compliance issued jointly by the two boards.

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.

Based on our own examination, we 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 2010 prepared by the Board of Management. The Company Financial Statements are therefore adopted. We also reviewed the Board of Management's profit distribution proposal at meetings of the Audit Committee and the full Supervisory Board. We consider the proposal appropriate and therefore concur with it. In accordance with the conclusion reached on the examination by the Audit Committee and Supervisory Board, no objections were raised.

Expression of thanks by the Supervisory Board 2010 was a very successful year for the BMW Group. The Group earnings performance in 2010 was achieved as a result of hard work on the part of the Board of Management and the workforce as a whole. Measures introduced since 2007 in conjunction with Strategy Number ONE – in particular the decisions to incorporate Efficient Dynamics throughout the whole range of products and to implement measures aimed at improving profitability – have become the cornerstone of the BMW Group's successful performance. In recent years both the Board of Management and the workforce have proved their commitment to excellence and amply demonstrated their innovative skills. Their ability to adapt to new circumstances will be put even more to the test in future by changing expectations for individual mobility on the part of customers and other developments in that direction, and not least as a result of own aspirations as a premium manufacturer. In order to rise to the various challenges that face us, we are committed to working closely and constructively with employee representatives.

On behalf of the Supervisory Board, I would like to express my gratitude to the members of the Board of Management and all employees worldwide, not only for their performance in 2010, but also for their contribution to the long-term increase in the value of the business and to the future viability of the BMW Group.

Munich, 10 March 2011

On behalf of the Supervisory Board

Yours
Joachim Milberg

Joachim Milberg
Chairman of the Supervisory Board

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Highly successful financial year 2010 for the BMW Group

With the global economic and financial crisis now coming to an end, the global economy found itself well on the road to recovery in 2010. Against this background, international car markets also stabilised to a large extent. Demand for premium vehicles grew strongly, particularly in Asia and to a slightly lesser degree in the USA. The BMW Group benefited from these developments and strengthened its role as a leading provider in the premium car segment with a range of new and attractive models. The situation on international capital markets also continued to ease generally in 2010, and thus had a positive impact on our Financial Services business.

With the economy recovering on a broad footing, we were able to record a sharp rise in the number of cars sold. Sales volume growth gathered even more momentum during the second half of the year. In total we sold 1,461,166 BMW, MINI and Rolls-Royce cars worldwide during the year under report (+13.6%), and thus achieved one of the best sales volume performances in the history of the Group.

Our Motorcycles business performed well in 2010 despite continuing unfavourable market conditions. A total of 110,113 BMW and Husqvarna brand motorcycles was sold worldwide, 9.7% up on the previous year's figure.

The Financial Services segment also made an important contribution to the success of the BMW Group and 3,190,353 credit financing and lease contracts were in place with dealers and retail customers at 31 December 2010 (+3.4%).

Record figures for both revenues and earnings

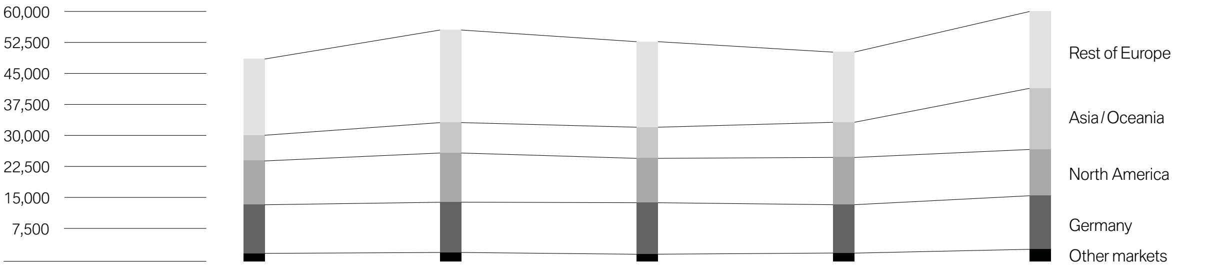
The sharp rise in sales volumes enabled the BMW Group to achieve new records for Group revenues and earnings. Revenues in 2010 amounted to euro 60,477 million, 19.3% higher than in the previous year. Earnings performed similarly well: the profit before financial result (EBIT) rose steeply to euro 5,094 million (2009: euro 289 million) and the profit before tax amounted to euro 4,836 million (2009: euro 413 million).

Revenues in the Automobiles segment increased by almost a quarter to euro 54,137 million (+23.8%). Segment EBIT turned around from a negative euro 265 million in 2009 to a positive euro 4,355 million in 2010. The segment recorded profit before tax of euro 3,887 million for the year (2009: loss before tax of euro 588 million).

The good sales volume performance recorded by the Motorcycles segment was also reflected in a sharp rise in revenues in 2010. Compared to the previous year, segment revenues increased by 22.0% to euro 1,304 million. Segment EBIT amounted to euro 71 million (2009: euro

BMW Group Revenues by region

in euro million



	06	07	08	09	10
Rest of Europe	18,440	22,395	20,693	16,989	**18,581**
Asia/Oceania	6,200	7,353	7,523	8,495	**14,776**
North America	11,779	12,161	12,461	11,724	**12,966**
Germany	10,601	11,918	10,739	11,436	**11,207**
Other markets	1,979	2,191	1,781	2,037	**2,947**
Total	**48,999**	**56,018**	**53,197**	**50,681**	**60,477**

19 million) and the profit before tax totalled euro 65 million (2009: euro 11 million).

Financial Services business also benefited from the economic recovery, with segment revenues rising to euro 16,617 million (+5.2%). At euro 1,201 million, segment EBIT was well up on the previous year (2009: euro 355 million), while pre-tax segment profit rose to euro 1,214 million (2009: euro 365 million).

The tax expense for 2010 totalled euro 1,602 million (2009: euro 203 million). The effective tax rate for the year decreased by 16.1 percentage points to 33.1%. The Group reported a net profit for the year of euro 3,234 million, a significant improvement on the previous year (2009: euro 210 million).

Dividend raised sharply

Reflecting the very strong earnings performance, the Board of Management and Supervisory Board propose to the Annual General Meeting to use the unappropriated profit available for distribution in BMW AG totalling euro 852 million to pay a dividend of euro 1.30 for each share of common stock (2009: euro 0.30) and euro 1.32 for each share of preferred stock (2009: euro 0.32). The distribution rate for 2010 would then be 26.5%.

Capital expenditure reduced

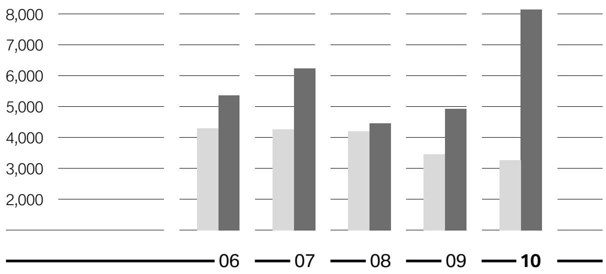
Capital expenditure in 2010 amounted to euro 3,263 million, 6.0% below the previous year's figure (2009: euro 3,471 million). The two main focal points were product investments for the start-up of new models such as the BMW X3, the 5 Series, the 6 Series Convertible and the MINI Countryman on the one hand and investments in infrastructure on the other.

In 2010 we invested euro 2,312 million in property, plant and equipment and other intangible assets (2009: euro 2,384 million; –3.0%). In addition, development expenditure of euro 951 million was recognised as assets (2009: euro 1,087 million; –12.5%). The percentage of development costs capitalised decreased to 34.3% (2009: 44.4%).

The capital expenditure ratio (capital expenditure as a percentage of Group revenues) fell to 5.4% in 2010 (2009: 6.8%). Due to development-related factors and despite our investment in innovative products and technologies, the ratio remained below 7% of Group revenues and thus within the target range set in conjunction with the Group's Strategy Number ONE.

BMW Group Capital expenditure and operating cash flow

in euro million



	06	07	08	09	10
Capital expenditure	4,313	4,267	4,204	3,471	**3,263**
Operating cash flow*	5,373	6,246	4,471	4,921	**8,150**

* 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

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Strong recovery after crisis

The global economy recovered well in 2010 from the economic collapse caused by the international economic and financial crisis. The principal factors driving the upswing out of the deepest recession since the Second World War were massive state-funded stimulus programmes and the highly expansionary monetary policies pursued by the world's major central banks.

The situation was also aided by the fact that most of the emerging markets in Asia and Latin America had suffered significantly lower drops in growth than the industrialised countries during the crisis and therefore propped up the global economy as it swiftly returned to its previous growth pattern. One of the overall effects of the crisis was therefore a further shift in economic power towards Asia.

China's economy grew very strongly again at a rate of 10.3% in 2010. Against this background, many asset prices continued to rise and there is still a danger of overheating, particularly on certain regional property markets.

In the USA, the economy recovered from the contraction experienced in 2009, although by American standards the upswing was relatively modest at 2.9%. One reason for this was low consumer spending in the USA, primarily attributable to high unemployment, the faltering property market and high levels of private debt (albeit falling somewhat).

Markets in the euro zone developed highly diversely in 2010 and the average growth rate was 1.7%. With the exception of Germany, most major countries were unable to achieve more than moderate growth. The southern European countries and Ireland fared poorly after a loss of confidence in their state bonds and the resulting political turmoil. While Spain and Ireland stagnated, Greece was forced to go through yet another year of recession. Germany was the only country that really took off, recording strong economic growth of 3.6%. The upturn was largely attributable to improved export figures, but also assisted by increasingly robust domestic demand driven by investment expenditure. Although unemployment dropped to it lowest level for almost 20 years, consumer spending remained moderate.

The British economy climbed somewhat more slowly out of recession, with the property market stabilising at a low level. The sharp rise in unemployment, high levels of private debt and the resulting weak domestic demand only allowed a moderate growth rate of 1.7%.

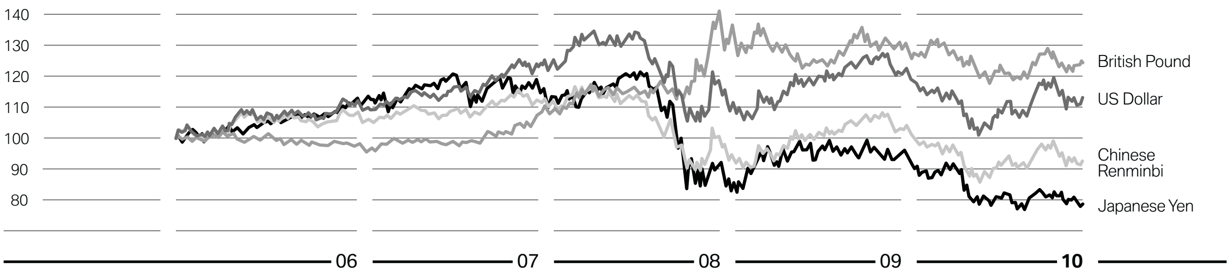
Japan registered very robust growth in 2010, equalling that of Germany. The economy profited enormously from the global economic upswing on the one hand (despite the strong yen), and a return to greater consumer spending on the other, enabling Japanese gross national product (GNP) to rise by 4.1%.

Asian and Latin American emerging markets, which had stood up well during the crisis, were mostly able to match or even exceed their long-term growth rates in 2010. India and Brazil, for example, recorded growth rates of 8.7% and 7.6% respectively. By contrast, most Eastern European countries grew at significantly lower rates than in the years prior to the financial crisis. This was particularly true for Russia with a growth rate of 4.0%.

US dollar and yen stronger, British pound remains weak

The value of the US dollar against the euro increased significantly over the course of the year, with wide fluctuations along the way. After standing at US dollar 1.44 to

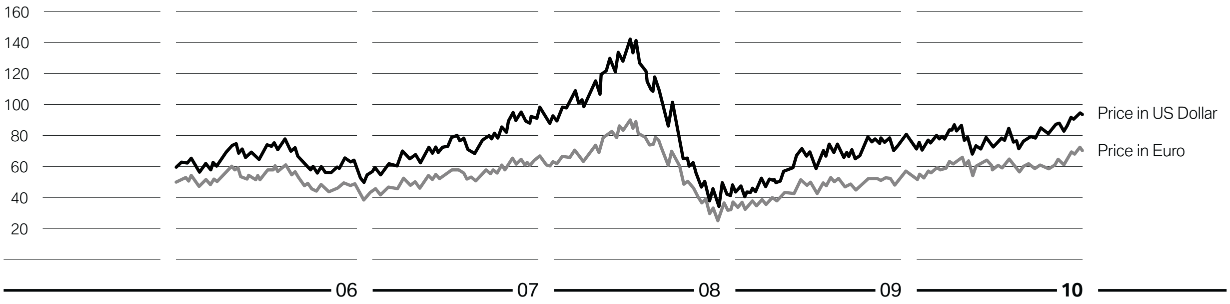
Exchange rates compared to the Euro
(Index: 30 December 2005 = 100)



Source: Reuters

Oil price trend

Price per barrel of Brent Crude



Source: Reuters

the euro at the beginning of the year, partly as a result of the zero interest policy pursued by the US Federal Reserve Bank, the US currency appreciated at one stage to US dollar 1.19 during the confidence crisis in the euro zone. At the end of 2010 the exchange rate stood at US dollar 1.34, thus making the US dollar 7.4% stronger than one year earlier.

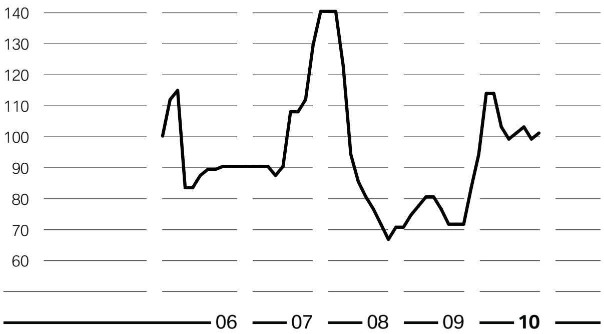
Due to the ongoing weakness of the British economy, the British pound remained weak against the euro throughout 2010, hovering at around British pound 0.85 to the euro. The Japanese yen gained further ground against the euro during 2010, ending the year at yen 109 to the euro. Massive capital inflows meant that the currencies of practically all emerging market countries gained in value in 2010 after suffering losses during the financial crisis, in some cases quite significant ones.

Raw materials prices continue to rise

Raw material prices continued to rise over the course of 2010. Prices of non-energy raw materials were even up on the previous highest levels recorded in summer 2008. On the one hand the development reflects the ongoing global economic recovery, with demand from China remaining at a very high level. However, it also results from surplus liquidity and the worldwide search for invest-

Steel price trend

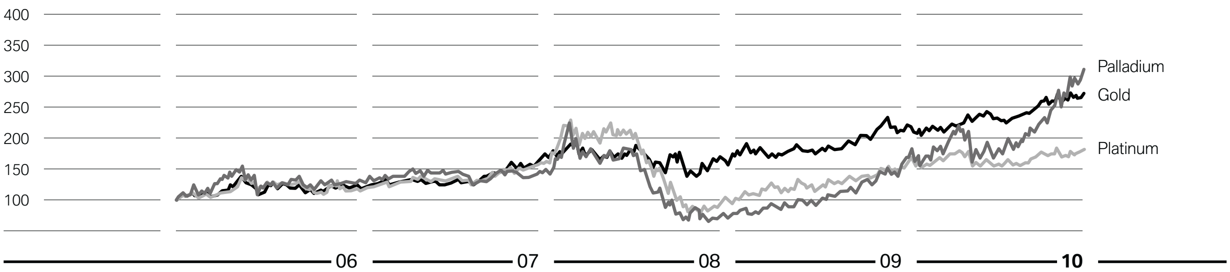
(Index: January 2006 = 100)



Source: Working Group for the Iron and Metal Processing Industry

Precious metals price trend

(Index: 30 December 2005 = 100)



Source: Reuters

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ment opportunities. Prices of both non-ferrous and precious metals also rose, in some cases substantially. The price of oil increased from US dollar 80 per barrel at the start of the year to US dollar 92 on the last day of trading.

Car markets in 2010

Thanks to the worldwide recovery, the market for passenger cars and light commercial vehicles again grew sharply in 2010, rising from 63.8 million to 69.6 million units (+9.2%). China increasingly confirmed its position the as largest car market, the designation it had gained in 2009. The Chinese market as a whole leapt from 13.6 million to 18.1 million units (+32.4%), while the USA, formerly the world's largest car market, grew by a robust but still significantly lower rate of 11.1% with sales up from 10.4 million units to 11.6 million units.

The differing expiry times of the various stimulus programmes previously in place across the European Union created a very diverse picture on national markets. Overall, demand fell throughout the region by a further 5.5% in 2010 to 13.4 million vehicles, mainly due to the slump in passenger car sales in Germany following the expiry of the scrappage bonus scheme at the end of 2009. Despite positive economic developments, the number of newly registered passenger vehicles fell by about one quarter to 2.9 million units. The French and Italian car markets also contracted for the same reason. Sales of passenger cars in France fell by 2.2% to 2.3 million units and in Italy by 9.2% to 2.0 million units.

Most of the other countries managed to record slight growth. New vehicle sales in the UK, for instance, rose by 1.8% to 2.0 million units and in Spain by 3.1% to almost 1 million units. On the other hand, Eastern European EU countries recorded a further decline, with vehicle sales down by 3.2% to 0.8 million units.

The Japanese car market benefited from the scrappage scheme that remained in place into 2010, with vehicle sales up by 7.5% to 5.0 million.

Emerging markets performed very positively in 2010, albeit at different rates. In Russia, the market grew by one-third to reach 1.8 million vehicles, partially offsetting the slump experienced in 2009. The Indian market also registered a similar high growth rate (2.8 million units; +35.7%). By contrast, the car market in Brazil grew by only 8% to 3.2 million units.

Motorcycle markets in 2010

The world's motorcycle markets in the 500 cc plus class relevant for the BMW Group were 11.7% down on the previous year. In Europe most markets registered lower figures than those of the previous year (–10.3%). The German market for 500 cc plus motorcycles fell by 7.2%. Shortfalls against the previous year were also recorded in Italy (–14.8%), France (–7.1%) and the UK (–17.8%). Spain was the only market to show an upward trend, rebounding with a 3.0% increase in response to the extremely steep drop recorded the previous year. The markets for 500 cc plus motorcycles also failed to recover in the USA (–14.2%) and Japan (–6.3%) in 2010. There are no reliable figures available for the engine-capacity segments relevant for the Husqvarna brand, as most of these motorcycles are used for sporting and off-road activities and therefore not included in registration statistics.

Financial Services market in 2010

The financial services sector also benefited from the relatively speedy end to the worldwide recession. Even so, the effects of the crisis could still be felt in 2010. Substantial write-downs by banks and more rigorous equity and liquidity requirements due to Basel III regulations dominated the financial system. Greece and Ireland were obliged to accept financial support from the EU and the International Monetary Fund. Although the money and capital markets reacted nervously to these developments, risk spreads only widened for a short period of time. Overall, risk spreads narrowed slightly in 2010, without returning to the levels prevailing before the crisis.

Reference interest rates in most industrial countries remained at historically low levels during 2010. The Bank of Japan lowered its overnight interest rate in October by a further 20 basis points, thus ranging from 0% to 0.10%. China, on the other hand, raised its reference rate during the year by 25 basis points, to 5.81% and has implemented further measures to subdue inflationary pressures. Similarly, the central banks of Canada and Australia raised their reference rates in autumn by 25 basis points to 1.00% and 4.75% respectively. In contrast, the prospect of continuing low reference rates in the euro region caused interest rates for contracts with medium-term maturities to fall slightly.

Used car markets generally continued to stabilise in 2010, despite remaining below pre-crisis levels in North America and the UK. In Continental Europe, the economic recovery and lower inventory levels resulted in a sharp increase in used car prices during the second half of the year. Prices nevertheless remained below pre-crisis levels.

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Sharp rise in car sales volume

The worldwide economic recovery, our strong competitive position in Europe and North America and dynamic growth in Asia all contributed to the fact that we were able to record-double-digit growth in car sales volume in 2010; thanks to our attractive model range we sold a total of 1,461,166 BMW, MINI and Rolls-Royce brand cars (+ 13.6%). Sales of the BMW brand grew by 14.6% (1,224,280 units). MINI brand sales totalled 234,175 units worldwide in 2010 (+ 8.1%) while Rolls-Royce grew particularly strongly with sales figures more than doubling to 2,711 units (2009: 1,002 units).

Higher sales volumes in most markets

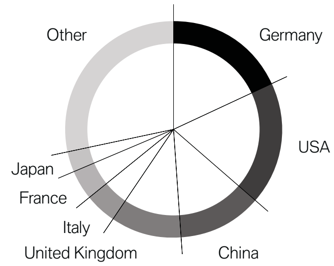
While sales growth in some of our markets was particularly dynamic in 2010, especially in Latin America and Asia, sales volume in Europe developed inconsistently, although up on the previous year. In total, we sold 791,220 BMW, MINI and Rolls-Royce brand cars (+ 3.9%) in this region. In Germany, currently the largest single market for the BMW Group, we sold a total of 267,160 cars in 2010, similar to the previous year's level. Sales in Great Britain rose considerably (+ 12.9%) to 154,750 units. The previous year's sales figures were also exceeded in France (64,854 units; + 2.4%) and Spain (41,289 units; + 1.4%). The only country in which sales were down on the previous year was Italy (69,161 units; – 8.6%) where the overall market contracted sharply.

The market for premium cars also recovered in North America in 2010, where we sold a total of 298,316 cars during the period under report, 10.1% up on the previous year. The number of cars handed over to customers in the USA increased to 266,580 units (+ 10.1%).

The sales volume recorded in Asia increased dynamically in 2010 to 286,297 units, outstripping the previous year's figure by 56.3%. The Chinese markets (China, Hong Kong, Taiwan) made a major contribution to this notable performance. The rate of growth on these markets surged by 85.3%, with 183,328 units sold. In Japan, sales were up by 6.1% to 43,644 units.

BMW Group – key automobile markets 2010

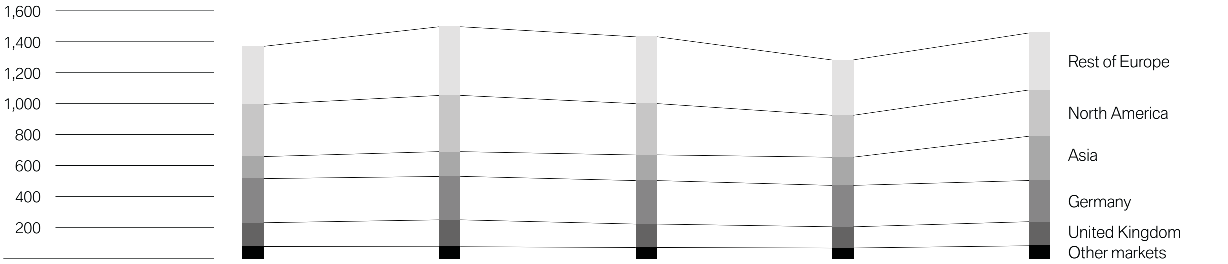
as a percentage of sales volume



Germany	18.3	Italy	4.7
USA	18.2	France	4.4
China	12.5	Japan	3.0
United Kingdom	10.6	Other	28.3

BMW Group Sales volume of vehicles by region and market

in 1,000 units



	06	07	08	09	**10**
Rest of Europe	375.0	443.6	432.2	357.3	**369.3**
North America	337.4	364.0	331.8	271.0	**298.3**
Asia	142.2	159.5	165.7	183.1	**286.3**
Germany	285.3	280.9	280.9	267.5	**267.2**
United Kingdom	154.1	173.8	151.5	137.1	**154.8**
Other markets	80.0	78.9	73.8	70.3	**85.3**
Total	**1,374.0**	**1,500.7**	**1,435.9**	**1,286.3**	**1,461.2**

BMW remains leading premium brand

Now approaching the end of its life cycle, sales of the BMW 1 Series were 9.7% down on the previous year's level with a total of 196,004 units sold in 2010. The BMW 3 Series, with a sales volume of 399,009 units, remained at a similar level to the previous year (+0.5%).

Following the successful launch of the BMW 5 Series Sedan in spring, the new BMW 5 Series Touring has also been available since autumn 2010. The rejuvenation of the 5 Series models resulted in a 35.5% sale volume increase, with 238,454 units sold. This performance enabled the BMW 5 Series to take over worldwide market leadership in its segment in the fourth quarter 2010. In the final year of its life cycle, sales of the BMW 6 Series models were, as expected, down on the previous year: 5,848 units of the BMW 6 Series were handed over to customers (–32.4%) during the period. In January 2011 the new BMW 6 Series Convertible celebrated its world debut at the Detroit Motor Show. 65,814 units of the BMW 7 Series were sold in 2010, a 24.9% rise on the previous year's figure.

Sales volume of BMW vehicles by model variant

in units

	2010	2009	Change in %	Proportion of BMW sales volume 2010 in %
BMW 1 Series				
Three-door	**31,980**	44,034	–27.4	
Five-door	**113,030**	120,323	–6.1	
Coupé	**26,191**	24,081	8.8	
Convertible	**24,803**	28,506	–13.0	
	196,004	**216,944**	**–9.7**	**16.0**
BMW 3 Series				
Sedan	**242,831**	219,850	10.5	
Touring	**74,008**	84,601	–12.5	
Coupé	**46,358**	54,852	–15.5	
Convertible	**35,812**	37,800	–5.3	
	399,009	**397,103**	**0.5**	**32.6**
BMW 5 Series				
Sedan	**179,680**	135,944	32.2	
Touring	**32,288**	36,987	–12.7	
Gran Turismo	**26,486**	3,052	–	
	238,454	**175,983**	**35.5**	**19.5**
BMW 6 Series				
Coupé	**3,050**	4,501	–32.2	
Convertible	**2,798**	4,147	–32.5	
	5,848	**8,648**	**–32.4**	**0.5**
BMW 7 Series				
	65,814	**52,680**	**24.9**	**5.4**
BMW X1				
	99,990	**8,499**	**–**	**8.2**
BMW X3				
	46,004	**55,634**	**–17.3**	**3.7**
BMW X5				
	102,178	**88,851**	**15.0**	**8.3**
BMW X6				
	46,404	**41,667**	**11.4**	**3.8**
BMW Z4				
	24,575	**22,761**	**8.0**	**2.0**
BMW total	**1,224,280**	**1,068,770**	**14.6**	**100.0**

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The BMW X1 has performed extremely well since its market launch, with 99,990 units sold worldwide during the year under report, bringing the sales volume since its market launch in October 2009 to over 100,000 units. Due to the model change, sales of the BMW X3 for the year dropped by 17.3% to 46,004 units. The new BMW X3 has been available worldwide since November. It has received an enthusiastic response from customers and the media alike and will provide a strong impetus for sales. The BMW X5 also remained market leader in its segment during the year under report, with sales up by 15.0% to 102,178 units. The sales volume performance of the BMW X6 was similarly impressive and 46,404 units (+ 11.4%) were handed over to customers.

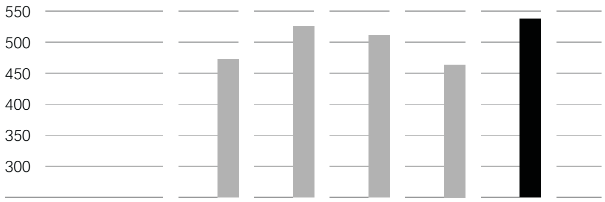
Altogether, 24,575 units of the BMW Z4 were sold in 2010, an 8.0% increase on the previous year.

Small increase in proportion of diesel-powered BMW brand cars

The proportion of diesel-powered vehicles increased further in 2010, accounting for 44.0% of BMW brand cars sold worldwide. The proportion is particularly high in Europe, exceeding 90% in a number of countries, including Spain (90.9%), Belgium and Luxembourg (91.4%), Italy (92.9%), France (95.0%) and Portugal (97.1%). In Germany, the proportion of BMW brand cars powered by diesel engines increased by 6.1 percentage points to 68.6% in 2010.

Sales volume of BMW diesel automobiles

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



	06	07	08	09	**10**
units	472.7	525.9	511.2	464.2	**538.2**
as a percentage of total volume	39.9	41.2	42.5	43.4	**44.0**

MINI sales volume well up on previous year

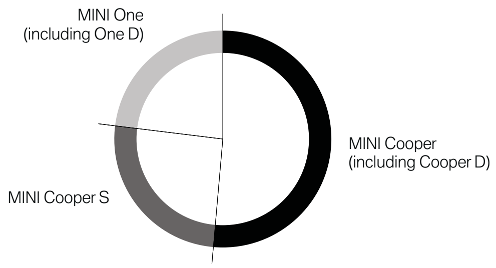
MINI sales in 2010 were positively influenced by revisions to existing models and the market launch of the Countryman, which was also reflected in increased sales volumes. We sold 234,175 MINI brand cars worldwide

Sales volume of MINI vehicles by model variant

in units

	2010	2009	Change in %	Proportion of MINI sales volume 2010 in %
MINI				
One	**44,268**	41,180	7.5	
Cooper	**76,520**	75,213	1.7	
Cooper S	**35,053**	33,650	4.2	
	155,841	**150,043**	**3.9**	**66.5**
MINI Convertible				
One	**4,525**	186	–	
Cooper	**16,613**	16,565	0.3	
Cooper S	**11,542**	11,552	– 0.1	
	32,680	**28,303**	**15.5**	**14.0**
MINI Clubman				
One	**2,973**	2,291	29.8	
Cooper	**19,551**	24,265	–19.4	
Cooper S	**8,793**	11,636	–24.4	
	31,317	**38,192**	**–18.0**	**13.4**
MINI Countryman				
One	**1,733**	–	–	
Cooper	**7,770**	–	–	
Cooper S	**4,834**	–	–	
	14,337	**–**	**–**	**6.1**
MINI total	**234,175**	**216,538**	**8.1**	**100.0**

MINI brand cars in 2010 – analysis by model variant
as a percentage of total MINI brand sales volume



MINI Cooper (including Cooper D)	51.4	MINI Cooper S	25.7
		MINI One (including One D)	22.9

(+8.1%), a new sales record for a 12-month period. The MINI brand again generated an extremely high-value product mix in 2010, with 51.4% of customers opting for the MINI Cooper, 25.7% for the MINI Cooper S and 22.9% for the MINI One. The new Countryman has performed very successfully so far, with 14,337 units sold during the two-month period since its market launch.

Rolls-Royce records strong growth
Rolls-Royce also enjoyed a highly successful year in the luxury car segment. We handed over 2,711 Rolls-Royce cars worldwide, easily doubling the previous year's sales volume figure (2009: 1,002 units). One of the strongest contributing factors behind this outstanding performance was the level of business transacted on Asian markets.

Sharp increase in automobile production
Automobile production was raised sharply in 2010 in response to greater demand. In total, 1,481,253 BMW, MINI and Rolls-Royce brand cars left our production network (+17.7%) during the year. The number of BMW brand cars produced rose by 18.5% to 1,236,989 units. MINI production rose by 12.8% to 241,043 units. Rolls-Royce Motor Cars increased production threefold to 3,221 units (2009: 918 units).

Production in full swing
The production network again displayed great flexibility in 2010. The process of internationalisation proceeded with plant expansions both in China and the USA. The Group's production sites proved their strength yet again with 14 production start-ups successfully implemented at a consistently high standard worldwide. At the same time, the shift from below-capacity utilisation in the crisis year 2009 back to full capacity in 2010 was mastered seamlessly. Most manufacturing sites registered production volume records in the fourth quarter 2010. In 2009 and 2010 we invested some euro 1.5 billion in the German plants alone.

The BMW plant in Munich achieved the second-highest production output in its almost 90-year history, manufacturing a total of 205,000 units of the BMW 3 Series Sedan and the 3 Series Touring in the course of 2010. Production ran at full swing, particularly during the fourth quarter 2010, and the Munich plant set a new record with some 56,000 units manufactured over the three-month period. Simultaneously, the BMW Group has also invested heavily in various production facilities at the Munich plant, particularly in pressing equipment and chassis construction, to pave the way for the introduction of future model generations. Production of the new BMW four-cylinder combustion engine also commenced at the Munich engine plant at the beginning of December 2010.

At the BMW Dingolfing plant, production of the new BMW 5 Series Sedan started successfully in January 2010,

Sales volume of Rolls-Royce vehicles by model variant
in units

	2010	2009	Change in %
Rolls-Royce			
Phantom (including Phantom Extended Wheelbase)	**351**	376	–6.6
Coupé (including Drophead Coupé)	**186**	459	–59.5
Ghost	**2,174**	167	–
Rolls-Royce total	**2,711**	**1,002**	–

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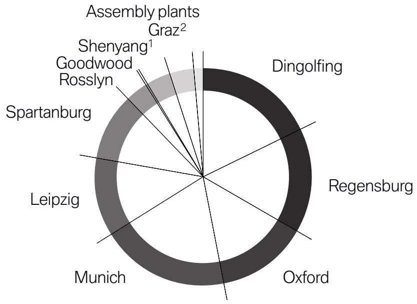
Vehicle production of the BMW Group by plant in 2010

in 1,000 units



Dingolfing	287.4	Rosslyn	49.0
Regensburg	244.0	Goodwood	3.2
Oxford	216.3	Shenyang[1]	55.6
Munich	205.7	Graz (Magna Steyr)[2]	54.9
Leipzig	186.8	Assembly plants	19.1
Spartanburg	159.3		

[1] Joint venture
[2] Contract production

followed by the new BMW 5 Series Touring in June. These two models together account for some two-thirds of the Dingolfing plant's output. In response to increased demand, we raised the daily production volume from October onwards from 1,200 to 1,400 units, a new record for a BMW Group plant. In February 2010, the foundation stone was laid at the Dingolfing component plant for a factory building destined to house the production of axle drives. This new facility will come on line in early summer 2011. The project has been planned with a strong emphasis on sustainability. For example, energy consumption in the new building will be 25% lower than the level prescribed by the relevant energy-saving regulations. Energy requirements for welding processes will also be reduced by 20%. Moreover, the design of the new axle drive assembly will comply in all respects with the principles of the BMW Group's "Today for Tomorrow" programme, which takes appropriate account of the demographic aging of the population.

At the beginning of December, the 50,000th BMW Z4 since production of this vehicle was transferred to Germany came off the production line at the BMW plant in Regensburg. The building expansion and equipment modernisation measures that began in 2009 were also continued, involving expenditure of approximately euro 300 million. The expansion will be completed in the course of 2011 and includes the construction and commissioning of new and expanded assembly finishing facilities, new robot equipment for chassis construction as well as process changes and modernisation in the paint shop. Thus the foundation has been laid for refitting production facilities to accommodate the manufacture of future models.

Mid-July saw the official start of production of SGL Carbon Automotive Carbon Fibers GmbH, a joint venture between the BMW Group and the SGL Group at the BMW plant in Wackersdorf. Composite layers used in carbon-fibre reinforced plastics (CFRP) production will be produced there for the planned Megacity Vehicle.

Due to very high demand for the BMW X1 worldwide, the BMW plant in Leipzig raised the production volume for this model by more than 26% to over 475 units per day, bringing total production up to more than 720 units per day. As a result of the strong order-book situation, we gave approximately 100 temporary staff at the Leipzig plant permanent employment contracts with effect from the beginning of 2011. Under the motto "We are building the future", on 5 November 2010 the go-ahead was given to expand the Leipzig plant as the production location for the future Megacity Vehicle. In the period up to 2013, the BMW Group will invest some euro 400 million on new buildings and equipment in Leipzig for the large-scale series manufacture of this electric vehicle with a CFRP-constructed passenger compartment.

We are currently expanding the existing CFRP production facilities at the BMW plant in Landshut. On an area covering approximately 7,000 square metres, up to 100 employees will process carbon-fibre layers to form CFRP components for the Megacity Vehicle in the future. The BMW Group can boast more than ten years of CRFP-related process know-how and materials expertise gained through experience at the Landshut site. The material is presently being used to construct components for BMW M models.

In 2010 the light-metal foundry at the Landshut plant won the prestigious "Automotive Lean Production Award" in the category "Overall System Excellence". The prize is one of the most important in the automobile industry. The "Overall System Excellence" award pays tribute to the focus of production systems on value created by the production workforce across all areas and levels.

Since the beginning of 2010, plastic components have been cleaned in the exterior production at the BMW plant in Landshut using the new and innovative resource-saving "snow cleaning" system. The BMW Group is one of the first companies in the world to employ this innovative system for large-surface parts such as bumpers or side panels. Under this system, the plastic components are no longer cleaned in a conventional washing plant before the primer is applied, but with the aid of CO_2 snow. The Landshut plant has been able to cut its annual energy consumption substantially and reduce the amount of water used by approximately 4,000 cubic metres per annum.

Activities at our plant in Spartanburg, USA in 2010 were dominated in particular by the plant expansion and production start of the new BMW X3. Capacities were significantly increased, enabling the production of up to 1,000 vehicles per day or up to 240,000 vehicles per year. A new coating system was also introduced in Spartanburg at the same time. The new technology eliminates three stages from the coating process, saving energy and water and thereby reducing emissions.

Production of the BMW 3 Series xDrive started in 2010 at the Rosslyn plant in South Africa. The plant also began supplying painted car bodies to our assembly plant in Chennai, India, in November 2010.

Production of the extended wheelbase version of the new BMW 5 Series Sedan, developed especially for the Chinese market, commenced at the Shenyang plant in China in autumn 2010. Construction of the new plant in Shenyang, where the BMW X1 will also be manufactured in future, started in June. Once completed, production capacity in China will rise to well over 150,000 units per annum.

A new production record was set at the BMW Group's largest engine plant in Steyr, Austria, in 2010, with more than one million units produced for the first time in a single year. The figure was significantly higher than the previous annual record of 817,000 units. Series production of the new 4-cylinder diesel engine for the MINI also started. The Steyr plant again set standards in the automobile sector in 2010, winning two top places in the international "Engine of the Year Award". The BMW 6-cylinder petrol engine with TwinPower Turbo and the BMW 4-cylinder diesel engine with TwinPower Turbo were both voted winners in their categories by the jury. In June 2010, the Steyr plant also won the award "Fabrik2010" as the most efficient production company in Austria.

More than 216,000 MINIs were produced at the MINI plant in Oxford in 2010 (all models except the MINI Countryman). Almost 25,000 MINI Countryman vehicles were manufactured by Magna Steyr in Graz during the year under report. Preparations for series production of the MINI Coupé and MINI Roadster also began in Oxford in 2010. Production is due to start in 2011. In the Initial Quality Survey (IQS) organised by J.D. Power, more than 1,000 US customers voted the MINI brand as best developed brand.

More than 385,000 engines were manufactured for BMW and MINI at the Hams Hall engine plant in England during the year under report, a new record.

The Rolls-Royce plant in Goodwood, England, also set a new production record with 3,221 Rolls-Royce cars manufactured during the year. Strong demand for the Rolls-Royce Ghost introduced in December 2009 contributed to this performance. In order to meet demand in the future we have expanded the leather workshop at the Goodwood plant.

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Motorcycle sales volume increased significantly

The number of BMW and Husqvarna motorcycles sold worldwide in 2010 rose by 9.7% to a total of 110,113 units, bucking the general market trend. The BMW brand accounted for 98,047 units (+12.3%) and the Husqvarna brand for 12,066 units (–7.6%). With most international motorcycle markets actually contracting, we were able to increase market share and are now market leaders in the 500 cc plus segment in countries such as Germany, Italy, Spain, the Netherlands, Belgium, Austria and South Africa.

Sales increased in most markets

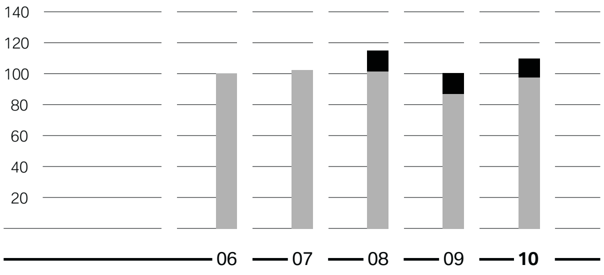
Sales of motorcycles in Europe rose by 9.6% to 74,334 units in 2010. In Germany, we achieved a sharp sales volume increase of 10.0% (18,260 units). The number of motorcycles handed over to customers in Italy went up by 3.6% to 16,959 units. Increases were also registered in 2010 in Spain (7,215 units; +4.8%), France (9,744 units; +18.0%) and Great Britain (6,801 units; +11.1%). In contrast, motorcycles sales volume in the USA fell by 3.6% to 11,154 units. 3,392 motorcycles were sold to customers in Japan (+5.5%). In December we expanded our sales network to include India.

Expansion of the model range continued

In terms of the BMW brand, the R 1200 GS and the R 1200 GS Adventure were technically upgraded and the revised R 1200 RT was brought onto the markets in 2010. At Husqvarna, we launched a total of eleven new models and model variants as well as two model revisions.

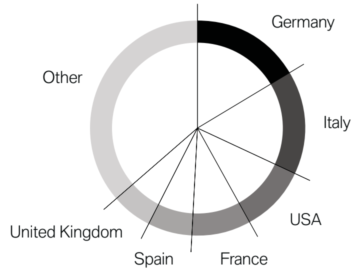
To mark the 30th anniversary, limited editions of the R 1200 GS, R 1200 GS Adventure, F 800 GS and F 650 GS Enduro models featuring special paintwork and high-quality equipment were launched during the early part of the summer. At the beginning of October we presented the new K 1600 GT and K 1600 GTL models to the public.

BMW Group Sales volume of motorcycles
in 1,000 units



	06	07	08	09	10
BMW	100.1	102.5	101.7	87.3	**98.0**
Husqvarna			13.5	13.1	**12.1**

BMW Group – key motorcycle markets 2010
as a percentage of sales volume



Germany	16.6	Spain	6.6
Italy	15.4	United Kingdom	6.2
USA	10.1	Other	36.3
France	8.8		

This is the first time in BMW's history that we have engineered motorcycles fitted with six-cylinder in-line engines. At the beginning of November we also presented the new G 650 GS, R 1200 R and R 1200 R Classic models as well as the BMW Concept C. The G 650 GS is an ideal entry-level motorcycle. Both the sporty, modern roadster R 1200 R and the timeless motorcycle design of the R 1200 R Classic have one thing in common – vastly improved riding dynamics. The BMW Concept C is the outcome of a near-production study aimed at the large-sized scooters segment.

Motorcycle production increased

Motorcycle production was brought into line with significantly higher demand and a total of 112,271 BMW and Husqvarna brand motorcycles was produced. 99,236 BMW brand motorcycles came off the production lines during 2010 (+20.1%), including 2,160 construction kits for the assembly plant in Manaus, Brazil, which started operations at the end of 2009. The number of Husqvarna brand motorcycles produced was increased by 22.8% to 13,035 units.

In November the BMW Group won the European Supply Chain Excellence Award 2010 for the best value-added chain. This award pays tribute to innovative solutions in supply chain management which contribute to substantially increased competitiveness and which are groundbreaking for other entities.

Successful financial year for Financial Services segment

With its range of attractive products, the Financial Services segment also benefited from the worldwide economic recovery and grew profitably in 2010. The business volume in balance sheet terms stood at euro 66,233 million at the end of the reporting period, 8.2% higher than one year earlier. 3,190,353 credit financing and lease contracts were in place with dealers and retail customers at 31 December 2010 (+3.4%).

The Financial Services segment is represented in more than 50 countries, serves as a strong, reliable partner for the dealer organisation and offers customers a coordinated range of products. The segment comprises the following six lines of business: lease and credit financing of BMW Group vehicles for retail customers, multi-brand financing, dealer financing, lease and credit financing for fleet customers, insurance and banking.

Credit financing and the lease of BMW, MINI and Rolls-Royce brand cars and motorcycles to retail customers is the largest line of business. The multi-brand financing line of business involves the financing of other brands alongside BMW Group brands. The Financial Services segment also supports the dealer organisation by providing financing for dealership vehicle inventories, real estate and equipment. Fleet business involves managing vehicle fleets, comprising BMW, MINI and Rolls-Royce brand cars as well as other brands, for major customers. Operating under the brand name "Alphabet", vehicle financing and a range of other services are also provided to customers, including full fleet management. As a supplement to lease and financing contracts, the segment also offers its customers selected insurance and banking services.

New retail customer business performing strongly

Finance and lease business with retail customers was further expanded in 2010. The number of new contracts signed rose sharply (+6.6%) to 1,083,154 units. Lease business grew by 3.2% and credit financing increased by 8.1% compared to the previous year. Leasing accounted for 28.8% of new business, credit financing for 71.2%. The proportion of new BMW Group vehicles leased or financed by the Financial Services segment was 48.2%, marginally lower (0.8 percentage points) than one year earlier.

In the used car financing line of business, a total of 317,742 contracts were signed during the year under report. The number of new contracts for BMW and MINI was therefore 1.5% up on the previous year.

The total volume of all new credit and leasing contracts concluded with retail customers amounted to euro 28,045 million, an increase of 13.5%.

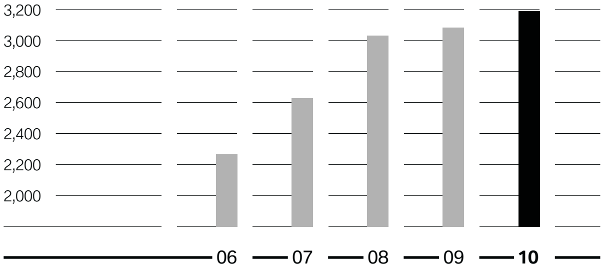
The growth in new retail customer business also had an impact on the overall portfolio. In total, 2,935,541 contracts were in place with retail customers at 31 December 2010 (+3.3%). As in the past, this growth was achieved across all regions. For example, the contract portfolio for the European markets increased by 2.2% while that for the Asia/Oceania/Africa region grew by 3.0%. The sharpest increase was again recorded in the Americas region (+5.2%).

Top places won for quality of service

The BMW Group's Financial Services segment again won numerous international awards in 2010. In the annual survey on quality of service (Dealer Financing Satisfaction Study^{SM}) carried out by the well-known market research institute, J. D. Power and Associates, our financial services operations in the USA came first for the seventh time in succession in the category "Retail Customer Leasing". First places were also won in the categories "Dealer Financing" as well as "Retail Customer Credit Business – Multi-brand Financing". In Canada, the Financial Services segment took first place amongst manufacturer-related

Contract portfolio of Financial Services segment

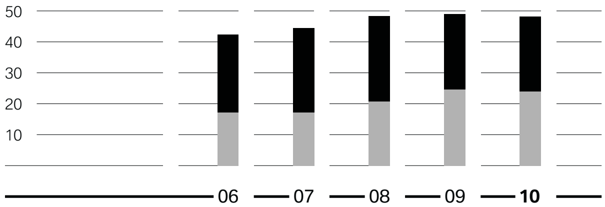
in 1,000 units



	06	07	08	09	10
	2,271	2,630	3,032	3,086	**3,190**

BMW Group new vehicles financed by Financial Services segment

in %



	06	07	08	09	10
Financing	17.2	17.4	20.9	24.7	**24.1**
Leasing	25.2	27.2	27.6	24.3	**24.1**

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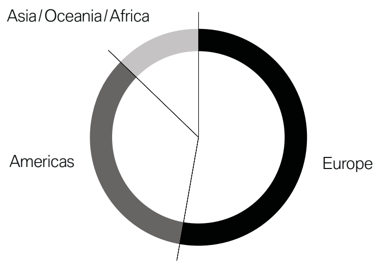
Contract portfolio retail customer financing of BMW Group Financial Services 2010
as a percentage by region



Europe	52.8	Asia / Oceania / Africa	12.7
Americas	34.5		

financial service providers in the category "Retail Customer Credit Business". These awards are the visible result of our rigorous focus on providing our customers with the best possible service.

Expansion of BMW Bank continued in line with plan
By expanding the BMW Bank into a credit institution with operations across Europe, the Financial Services segment is increasing the flexibility with which it can manage liquidity. In conjunction with the BMW Group EU passport project, the previously legally separate segment entity in Spain was transformed into a branch of the BMW Bank in 2009. During the year under report, integration of the Group's Italian financial services entity was successfully completed with the creation of a banking group. The BMW Bank had previously taken the EU passport route to set up a branch in Portugal. Further entities will be integrated in the BMW Bank in coming years.

Operations started in growth markets
Regional expansion in the BMW Group's principal growth markets was continued during the year under report. In September the Chinese Banking Regulatory Commission granted a licence to the BMW Group, entitling a joint venture to commence business operations in China. Operational activities commenced in India in October. Cooperation arrangements were also put in place with local financial services providers in selected markets.

Fleet business volumes slightly down, dynamic growth for multi-brand financing
The BMW Group operates its international multi-brand fleet business under the brand name "Alphabet". In total, a portfolio of 301,284 fleet vehicle contracts were being managed at the end of the reporting period, 7.7% fewer than one year earlier. The number of financing contracts was slightly up on the previous year. The number of service contracts without a financing element was strategically reduced.

By contrast, targeted measures were undertaken to grow multi-brand financing business which consequently surged by 45.4% with a total of 122,840 new contracts. Europe accounted for the largest proportion of these additions. This line of business was also expanded to include the Russian Federation in 2010. Following this move, credit financing, leasing and other products are now marketed to retail customers via dealerships in 22 markets under the brand name "Alphera".

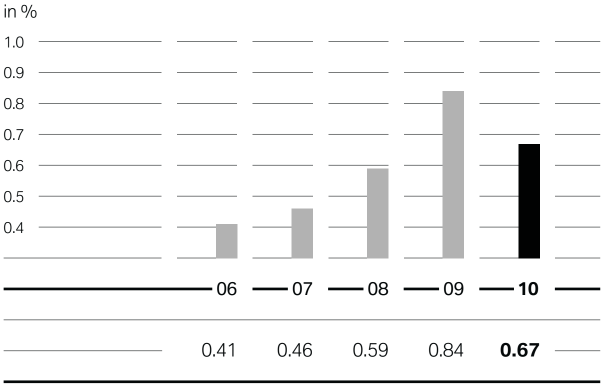
Increase in dealer financing
The Financial Services segment is a strong and reliable partner, providing a well-designed range of financing products to the dealer organisation. Dealer financing accounted for a business volume of euro 10,154 million at 31 December 2010, 7.7% up on the previous year.

Deposit business expanded
One aspect of the expansion of the BMW Bank is that increased deposit volumes will serve as an additional refinancing source for the Financial Services segment. The volume of deposits worldwide rose by 7.6% during the year under report to stand at euro 10,688 million. The number of securities custodian accounts under management decreased to 24,471 at the end of the reporting period (– 9.4%). Credit card business was slightly down by 0.7% on the previous year to 293,266 contracts.

Sharp rise in insurance business
As a supplement to our credit financing and leasing products, we also offer a range of car, residual liability, warranty and other vehicle-related insurance policies to customers in more than 30 markets. Demand for insurance products remains high, reflected in an 18.1% rise in the number of new contracts signed (689,928 contracts). At 31 December 2010 a total of 1,571,708 insurance contracts were in place (+ 12.8%). This growth was partially a result of the new strategic direction pursued for this line of business in the USA. Further growth opportunities are being opened up, particularly in the emerging markets of Asia and in the form of cooperation arrangements with Allianz SE.

Risk situation significantly eased
The improved economic situation on the markets also helped to ease the risk situation significantly. Risk-mitigating measures taken in the area of receivables manage-

Development of credit loss ratio



ment, a more restrictive policy applied to the purchase of receivables and higher collateral levels resulted in the loss ratio incurred on the segment's total credit portfolio being reduced to 0.67%, an improvement of 17 basis points against the previous year (2009: 0.84%).

The interest rate risk is managed using a risk-return approach and measured using Value at Risk (VaR) techniques. At a 99% confidence level for a holding period of ten days, the aggregate VaR for all financial services entities amounted to euro 58.5 million.

Size of workforce slightly reduced
The size of the BMW Group workforce decreased slightly in 2010 by a net total of 777 persons (– 0.8%) to 95,453 employees at 31 December 2010. The primary reasons were natural fluctuation, pre-retirement part-time working arrangements and voluntary employment contract termination agreements. As part of the process of building up and retaining expertise within the Group, ensuring access to new talent and strengthening long-term competitiveness, the BMW Group recruited more than 1,300 employees worldwide in 2010 as well as taking on more than 1,100 new apprentices.

Temporary employment contracts as basis for flexibility
Against a background of rapidly changing business conditions, the BMW Group employs a range of measures to ensure flexibility, including cross-site deployment of staff, time accounts, flexible working time modules and temporary employment contracts. The employment of temporary staff is a particularly effective way of raising flexibility and handling short- and medium-term workload fluctuations. The BMW Group has made a voluntary commitment to base the remuneration of temporary workers on the more generous tariff agreements that apply to the BMW Group rather than on those otherwise relevant for the temporary employment sector.

Number of apprenticeships remains at high level
The BMW Group offers a wide range of vocational training which provides the basis for covering future staffing requirements at our locations, both in Germany and abroad. At the beginning of the new training year, a total of 1,124 young people, 1,080 of them in Germany, commenced their working life in apprenticeships with the BMW Group. Trainees are offered a wide range of opportunities. The conventional training route to becoming a skilled worker can also be combined with qualifying for subsequent entry to university.

In particular, promising graduates with middle school qualifications (i.e. Realschule in Germany) have the opportunity to study for a Bachelor's degree under the auspices of the company after completing their apprenticeships. The best performers receive scholarships and are able to take part in additional training courses as part of our "SpeedUp" training programme. This arrangement also helps us cover our long-term need for qualified engineers.

Our social responsibilities include a commitment to offering opportunities to under-achieving school leavers. The BMW Group is therefore creating more places for the so-called starter qualification, which aims to prepare

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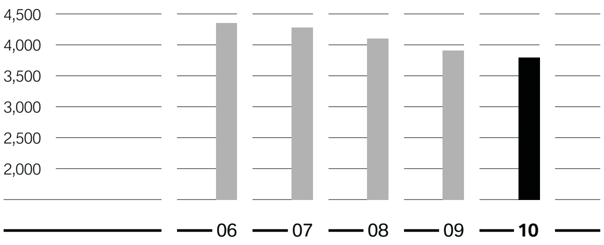
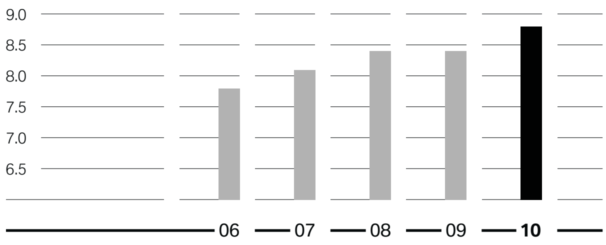
BMW Group Apprentices at 31 December



06	07	08	09	10
4,359	4,281	4,102	3,915	**3,798**

Proportion of non-tariff female employees at BMW AG

in %



06	07	08	09	10
7.8	8.1	8.4	8.4	**8.8**

school leavers for subsequent entry into apprenticeships. This strategy has proved highly successful – approximately 64% of these young people go on to receive regular training contracts.

The BMW Group is also closely involved with JOBLINGE, an initiative aimed at combating youth unemployment in Germany. In a six-month programme, disadvantaged young people are given personal and practical support to enable them to take up training or work. In addition to helping the scheme with financial and material support, so far the BMW Group has provided 19 practical placements, two starter qualification positions and five apprenticeships in Munich and Berlin. The varied range of vocational training courses helps fulfil the BMW Group's future requirements for specialist staff both within Germany and abroad.

Range of basic and further training expanded
Basic and further training programmes are of major importance to the BMW Group as they provide the key skills essential for meeting future competitive challenges. The range of further training activities available to all groups of employees has therefore been expanded considerably. New programmes are constantly being added to the proven and tested range of further training on offer to those who have already completed their vocational training. As well as preparing them for carrying out interesting tasks, these programmes also help to improve employees' personal skills.

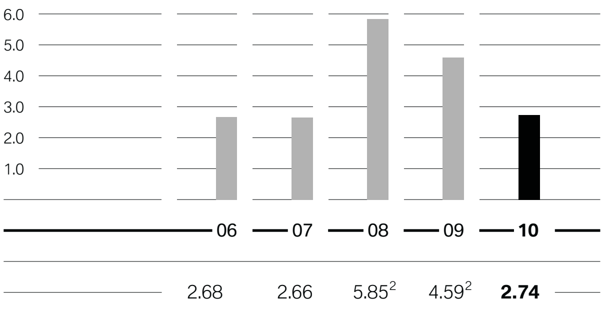
Employee training as an investment for the future
Building up and maintaining skills expertise within the Group's workforce are key aspects of strategic corporate governance. With this aim in mind, the BMW Group increased expenditure on basic and further training by approximately one-quarter to euro 179 million (+25.2%) in 2010.

As well as training along traditional lines, we also offer an extended range of educational measures aimed at meeting the foreseeable need for qualified staff. In this context, the BMW Group is working closely with a number of higher education establishments. Courses

BMW Group Employees

	31.12.2010	31.12.2009	Change in %
Automobiles	**88,468**	89,457	–1.1
Motorcycles	**2,814**	2,796	0.6
Financial Services	**4,053**	3,882	4.4
Other	**118**	95	24.2
BMW Group	**95,453**	**96,230**	**–0.8**

Employee attrition ratio at BMW AG[1]
as a percentage of workforce



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

combining work with study have been designed both for graduate employees and those with technical qualifications. Further opportunities aimed at other areas are also currently being prepared.

Effective measures to counter the shortage of skilled workers

The BMW Group has been working for many years now on ways to counter the threat of a shortage of skilled workers. Two issues play a particularly important role in a forward-looking strategy for recruiting new staff.

Firstly, we are determined to remain one of the most attractive employers in the world. Our excellent reputation quite clearly facilitates the recruitment of suitably qualified employees. Our success in this endeavour is confirmed by the excellent results we achieve in international surveys, such as the Top Global 50 Study conducted by Universum. The BMW Group was once again found to be the most attractive employer in Germany as well as the most highly rated automobile company.

Secondly, existing recruitment measures have been enhanced and new programmes initiated, including new programmes for management trainees (BMW Group Graduate Programme) and school leavers (SpeedUp – the BMW Bachelor programme) during the year under report. The new doctorate programme, ProMotion, was also developed and is due to commence in 2011 with roughly 200 participants. The programme encourages highly talented young people to work on innovative projects, either in close conjunction with universities or within the company. Other measures complement the range of programmes; one example of this is the "Formula Student" programme, designed to establish contact with interested students.

Workforce diversity as key factor for future

We believe it is essential to aim for social diversity within the workforce to ensure future competitiveness. With this in mind, the BMW Group's Diversity Concept has an important part to play in the company's new strategic direction. The concept of diversity is not just a matter of providing opportunities for women. Only when we have successfully combined the following three factors – an international workforce, a mixture of ages and an adequate representation of women – will we have access to the knowledge and skills needed to service existing sales markets and engage in new ones. Achieving this aim is seen as a prerequisite for a strong business both now and in the future.

We have identified gender, cultural background and age as key diversity criteria in the face of challenges such as demographic change and gaining access to new sales markets. These criteria will be applied in future throughout the BMW Group to the extent that local conditions permit.

Since we consider the aptitude of an employee as the paramount consideration, we are not aiming to have a strict quota for female employees, but rather to recruit the best candidate for the business in each individual case.

Visible progress has been achieved in the past in terms of the proportion of female employees. Between 2005 and 2010 the number of female non-tariff employees rose from 7.4% to 8.8%. The proportion of women in management positions worldwide in the BMW Group exceeds 10%. With regard to endeavours to increase the proportion of women working for the BMW Group, particularly in programmes offered for new recruits, it is important to bear in mind that women are extremely poorly represented on engineering courses at universities and in technical fields.

Managing demography – Today for Tomorrow

As a result of demographic change, the future performance of the BMW Group will depend on a workforce with a much higher average age than at present. In order to remain ahead of competitors, the BMW Group must strengthen the health and skills of its workforce and adapt the working environment to accommodate the changing age structure.

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The "Today for Tomorrow" project is one of the ways the situation is being addressed. The project aims at carrying out preventive measures to maintain a stable and productive workforce.

Designing competitive remuneration systems

Maintaining a competitive level of personnel expense plays a major role in the success of the BMW Group. In addition to focusing on cost, the aim is also to increase efficiency at all levels of the business. 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 and adjusted as the need arises in close cooperation with employee representatives.

Competitive advantages through excellent leadership

The BMW Group's leading market position is largely attributable to its workforce. In times of great complexity and rapid change, outstanding leadership is of the highest importance in achieving the ambitious targets set out in our Strategy Number ONE. Excellence in leadership relies on a common understanding of the concept of leadership. In 2010 we endeavoured to entrench this common understanding at all levels of management.

Open dialogue between managers and staff is encouraged and seen as an important aspect of our success. This is exemplified by the E Change LIFE project, in which managers design and organise workshops for all employees engaged in development, encouraging managers and staff to tackle the change process together.

Health management

The performance of the workforce depends on its skill, motivation and, above all, its health. This fact will become increasingly relevant in future, as the average working life will have to be extended to allow for the anticipated shortage of skilled workers as well as demographic change. The situation will be exacerbated by increasing demands being placed on the workforce in an ever-changing working environment.

We endeavour to maintain and promote the health of our employees by encouraging health awareness and a healthy lifestyle. We also attach great importance to fulfilling health and safety requirements in the workplace.

In order to achieve this, we have developed an integrated operational concept called Health Management 2020. The aim is to create a concept which brings together the main issues relevant for promoting the general health of the workforce. Our integrated health management programme is therefore an important aspect of sustainable governance within the BMW Group.

Implementing sustainable management throughout the Group

Following on from 2009, when the BMW Group's sustainability strategy underwent further comprehensive development, a number of measures and assessment criteria, derived from groupwide strategic plans, were established in 2010 for the various areas of management responsibility. Driving these measures was the objective of remaining the most sustainable car manufacturer in the world. This was achieved again in 2010 and confirmed by an independent source: the BMW Group remains the automobile sector leader for the sixth consecutive year in the Dow Jones Sustainability Index family.

Our primary objective is to instil the concept of sustainability throughout the entire value-added chain and its underlying processes. We will therefore continue to develop our innovative drive train technologies and implement concepts for sustainable mobility in metropolitan areas. At production level, we will continue to cut down on the volume of resources used, reduce the impact that production processes have on the environment and endeavour to include ecological and social requirements in the supply chain. Furthermore, we wish to remain an attractive employer for our staff in the future. As an integral part of society, we will continue to be involved in finding solutions for social challenges.

Sustainable management based on a "balanced scorecard" is a corporate objective which is now integrated in processes throughout the BMW Group. Every project is now required to be assessed in terms of this objective. This involves measuring the consumption of resources, emissions and also the social and socio-political impacts. Key elements in our sustainability management are the continual and systematic analysis of external developments, ongoing dialogue with our stakeholders and the consideration of both social and ecological aspects when making decisions.

A sustainability structure has been established to ensure that our sustainability efforts are continuously managed and further developed. At the highest level in the Group is the Sustainability Board which makes all decisions of strategic relevance. All members of the Board of Management are automatically members of this board. The Sustainability Circle, consisting of representatives from the various divisions and headed by the Group Officer for Sustainability and Environmental Protection, is responsible for implementing sustainability activities across the Group.

Clear targets for clean production

It is our intention to reduce the environmental impact of production to the greatest extent possible. Items measured in this context include energy and water consumption, process wastewater, solvent emissions and waste for disposal – expressed in terms of "waste per vehicle produced". We also measure carbon dioxide emissions caused by the consumption of energy. The target is, by 2012, to reduce resource consumption and emissions levels per vehicle produced by 30% compared with 2006. Using an environmental efficiency figure as an indicator, changes in resource consumption and emissions are analysed across all items being measured. The environmental efficiency figure for 2010 was improved by 6 percentage points during the period under report. The improvement since 2006 is 26%, surpassing the original target of 20% set for 2010.

Energy consumption and emissions reduced

Total energy consumption in 2010 was reduced by 380,000 MWh and energy efficiency improved at the same time. Energy consumed per vehicle produced in 2010 was 2.75 MWh (–4.8%), in part helped by improved capacity utilisation of equipment. As a result of the lower amount of energy used in production, CO_2 emissions were reduced by 74,700 tons. At 0.86 tons of CO_2 per vehicle produced, this was the equivalent of a 5.5% cut in emissions. Rigorous implementation of savings measures is bringing us ever closer to our objective of improving energy efficiency by 30% between 2006 and 2012, in line with schedule.

Significant amounts of energy were saved through the implementation of the "best practice" approach for innovative production technologies. One example of this is the new Integrated Paint Process (IPP) technology which was initially developed at the Oxford plant and introduced at the Spartanburg plant in 2010. The technology ensures considerably lower environmental pollution and higher productivity at the same time. After full conversion, energy consumption in the paint shop will be reduced by 30%, CO_2 emissions by 43% and solvent emissions (VOC) by 7%. IPP has also reduced the processing time per vehicle and will ultimately facilitate a productivity improvement of approximately 40%.

The aim is for each production site in the BMW Group to be powered by the most ecologically and economically sustainable energy resource available. The US plant in Spartanburg, for example, covers around 50% of its energy needs using gas recovered from a nearby landfill site and

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powers its fleet of forklift trucks by hydrogen. A solar thermal plant installed at the BMW plant in Rosslyn heats the water needed for the paint shop. At the Research and Innovation Centre (FIZ) in Munich, the low temperature of the groundwater is used for air conditioning purposes. Furthermore, at certain production sites the BMW Group operates its own combined heat and power plants that make particularly efficient use of resources.

Less water, less wastewater

Despite higher production volumes, the BMW Group has reduced its water consumption by 370,000 m^3 compared with the previous year. 2.31 m^3 of water were consumed per vehicle produced (−9.8%). The total amount of process water used was reduced by 60,000 m^3 (−6.5%). New technologies have contributed towards the improvement, such as "snow cleaning", an innovative process developed at the BMW Landshut plant, in which plastic parts such as bumpers and wing mirrors are no longer cleaned with water and detergents during production but with snow made from frozen carbon dioxide. The CO_2 is completely recovered and reused.

Waste and solvent emissions further reduced

The amount of non-recyclable production waste was decreased by a further 5.1% in 2010, as a result of which only 10.09 kg of non-recyclable waste accumulated per vehicle produced (2009: 10.63 kg). After successfully decreasing the amount by 28% the previous year, we have meanwhile developed better ways of recycling waste and using materials more efficiently.

The BMW Group was able to reduce its solvent emissions (VOC) by around 10% in 2010, bringing emissions per vehicle produced down to 1.60 kg (2009: 1.77 kg). This reduction was partly achieved through the use of low-solvent and solvent-free rinsing and cleaning processes in the painting pre-treatment process. Optimised colour-change cycles in the paint shop further reduced the number of cleaning processes required. Solvent emissions have been reduced by more than 30% since 2006, so that we have already reached the target set for 2012.

Clean production in Shenyang

We are currently building a further plant in Shenyang, China. Numerous ecological and social criteria were taken into account when selecting the site of the new plant. At the planning stage the location of the plant on high ground was also chosen to compensate for any future climatic changes and thus protect it from possible flooding. A further criterion when deciding for the location was the basic availability of renewable energy sources. The paint shop will be the most sustainable facility in the entire BMW Group production network.

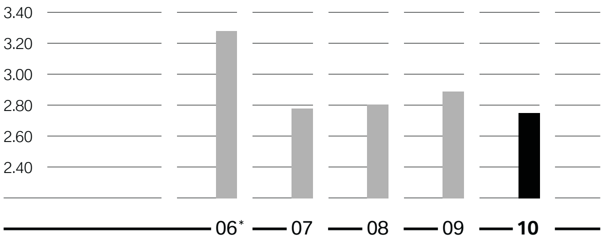
Eco-friendly transportation solutions

We also reduced the environmental impact of our freight transportation in 2010 by optimising transportation networks. Regional shifts in sales volume resulted in changes in the proportion of goods transported by each mode. At 0.5%, the percentage of goods transported by air freight during the reporting year again remained very low (2009: 0.2%). Growth in China caused an increase in the percentage of sea freight to 79.9% (2009: 78.0%). The proportion of goods transported by rail rose slightly to 6.3% in 2010 (2009: 6.0%). Conversely, the percentage transported by road fell to 13.3% (2009: 15.8%).

Sales volume performance is also reflected in the distribution of transportation methods for our new cars: in

Energy consumed per vehicle produced

in MWh/vehicle

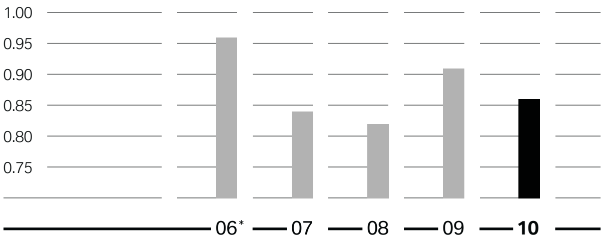


06*	07	08	09	10
3.28	2.78	2.80	2.89	**2.75**

* Value extrapolated for 17 locations. Actual reporting covered ten locations.

CO_2 emissions per vehicle produced

in t/vehicle



06*	07	08	09	10
0.96	0.84	0.82	0.91	**0.86**

* Value extrapolated for 17 locations. Actual reporting covered ten locations.

total, 49.5% of all new cars left the Group's plants by rail, 2.5 percentage points up on the previous year (2009: 47.0%).

Sustainability of value-added chains
Our suppliers, too, are required to maintain the high ecological and social standards set by the BMW Group. For this reason we have drawn up more specific sustainability criteria for the selection of suppliers and intensified supervision of existing suppliers. The major focus was on the evaluation and supervision of production locations of our suppliers worldwide.

Consistent CO_2 reduction with Efficient Dynamics
At an early stage the BMW Group adopted a development strategy that is now generating tangible benefits for climate, resources and customers alike. At the centre of these endeavours is our Efficient Dynamics technology package. Since March 2007 we have been introducing consumption- and emissions-reducing technologies step by step in all of our models as standard. Their positive impact is now coming to fruition with every car sold and not just for special models. The Efficient Dynamics technologies comprise:

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

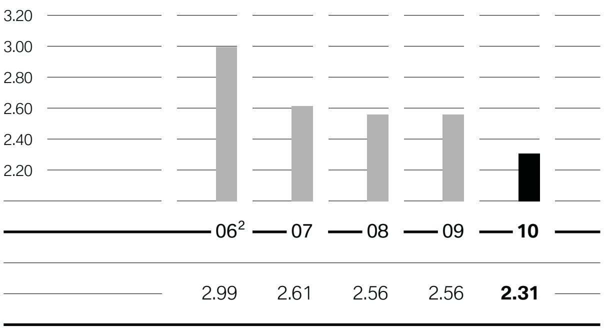
Our main guiding principle in all our endeavours is: greater dynamism, less fuel consumption and fewer emissions. These developments have enabled us to reduce the CO_2 emissions of our newly sold cars in Europe (EU-15) by 30% between 1995 and 2010, thereby more than fulfilling the commitment given by 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 2010 our fleet achieved an average fuel consumption of 5.4 litres of diesel / 100 km, 6.6 litres of petrol / 100 km and average emissions of 148 g / km of CO_2 in Europe (EU-27). We also lead the field among German manufacturers with CO_2 emissions of approximately 154 g / km. These figures have confirmed our leading role in the premium segment in Germany. Our progress in this field is also receiving recognition from customers. Efficient Dynamics have given us a competitive edge, particularly in markets where a CO_2-based vehicle tax is in place. The running cost of cars fitted with Efficient Dynamics is significantly lower than that of our competitors.

We have set ourselves a clear goal for the coming years: reduction by at least a further 25% in the carbon dioxide emissions of our cars during the period from 2008 to 2020. We are proceeding in a three-step strategy in order to achieve this goal and move towards sustainable mobility:

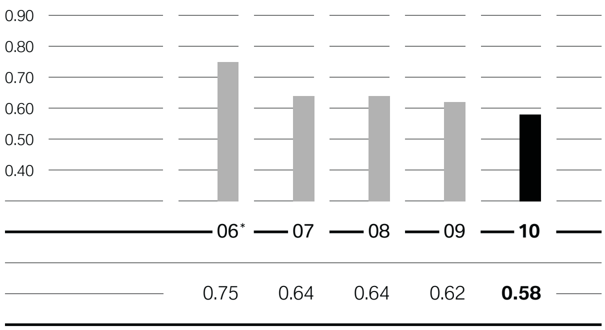
1. We will continue unswervingly to develop our Efficient Dynamics technology package.
2. We will increasingly exploit the potential of electrifying the drive train to reduce fuel consumption and include these developments in a broad range of models.

Water consumption[1] per vehicle produced
in m^3/vehicle



[1] 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.
[2] Value extrapolated for 17 locations. Actual reporting covered ten locations.

Process wastewater per vehicle produced
in m^3/vehicle



* Value extrapolated for 17 locations. Actual reporting covered ten locations.

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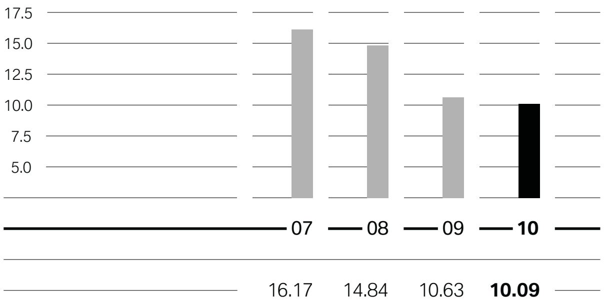
Waste for disposal* per vehicle produced

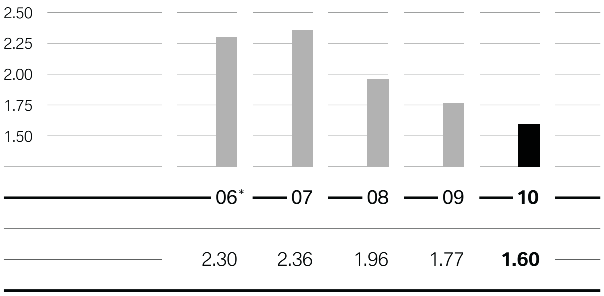
in kg / vehicle



* "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



* Value extrapolated for 17 locations. Actual reporting covered ten locations.

3. Our long-term aim is to produce emissions-free mobility with vehicles powered by electricity and hydrogen.

Building up expertise for the mobility of the future

Back in 2007 we initiated the forward-looking "project i" for the purpose of developing alternative concepts for individual mobility. By that we do not just mean the development of alternative drive systems, but also the use of completely new materials such as composites. In "project i" we do not merely work 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.

The first publicly visible result of "project i" was the largest electromobility field trial to date: around 600 fully electric MINI cars were handed over to private and business customers in the USA, Great Britain, Germany, France, Japan and China. After well over 10 million kilometres of electromobility in daily use, we have gained a great deal of useful information that can be directly used to help develop the first fully electric production car for the BMW Group.

Tomorrow's sustainable mobility produced in Leipzig

Under the working name of "Megacity Vehicle" (MCV) we are currently developing the first large-scale series-produced vehicle in the car industry exclusively designed to meet the requirements of future electromobility in metropolitan areas. Construction of the plant was started in Leipzig in November 2010; the MCV will be launched on the market in 2013.

The BMW Group is placing great emphasis on sustainability throughout the entire value-added chain of the Megacity Vehicle. This approach involves far more than just the powering of an emissions-free vehicle. As far as production is concerned, the BMW Group has again set its sights very high in terms of environmental protection and the preservation of natural resources. The amount of energy used for assembly at the Leipzig plant is to be reduced by 50% and the water consumption by 70% per vehicle. The aim is to cover energy requirements for MCV production completely from regenerative sources.

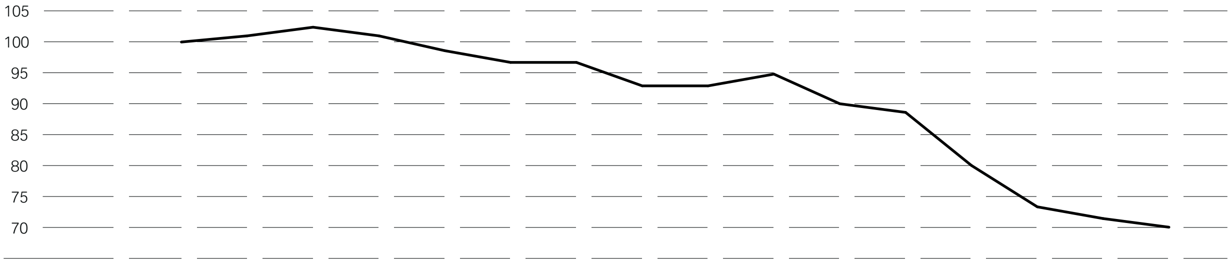
The BMW ActiveE (based on the BMW 1 Series Coupé) is scheduled to roll off the production lines in Leipzig in 2011. Following on from the MINI E, this vehicle represents the second step made by the BMW Group towards the series production of the emissions-free electric car. The experience gained with the MINI E and the BMW ActiveE will be incorporated directly into the series development of the Megacity Vehicle. By 2011, Leipzig will therefore be a centre of expertise for the production of electric cars within the BMW Group network.

Social commitment as an integral part of corporate philosophy

Social commitment has long been an integral part of the corporate philosophy and sustainability strategy of the BMW Group. True to this principle, the BMW Group is involved worldwide with projects such as the Award for Intercultural Engagement aimed at achieving a better understanding between different nations, ethnic groups, religions and cultures. The main focus is on long-term partnerships and activities that create a long-term basis

Development of CO_2 emissions of BMW Group cars in Europe

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



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

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

for constructive coexistence in a modern society through the spirit of innovation and foresight.

The BMW Group has been engaged in numerous cultural projects worldwide for 40 years. From the biggest street festival in Mexico City to "State Opera for Everyone" in Berlin, the BMW Group always acts in the long-term interest and with sustainability in mind. As a cooperation partner in the world of culture, the BMW Group leaves both the creative freedom and the curatorial decision-making completely up to the cultural institutions themselves. The BMW Guggenheim Lab was initiated in 2010. In numerous European, American and Asian cities this project provides temporary, multidisciplinary platforms that invite international dialogue aimed at meeting the challenges of the future.

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Research and development expenditure increased
The BMW Group employed over 9,000 people in its research and innovation network at eleven sites in five countries during the year under report. Expenditure for research and development in 2010 rose by 13.3% to euro 2,773 million. The research and development ratio of 4.6% was 0.2 percentage points lower than in the previous year. Further information on research and development activities is provided in the notes to the Group Financial Statements (Note 8).

Innovative and sustainable
The continuous search for efficient solutions to reduce the emissions levels of our fleet is an essential driving force for our research and development activities. For this reason, we are committed to achieving maximum improvements with our Efficient Dynamics package of measures.

Above all, a switch to electrically powered cars will have a positive impact on the carbon footprint as soon as the energy used is also generated on a renewable basis. New drive concepts based on hybrid and electric power, and in the long term hydrogen power, will become increasingly important.

We are currently developing a completely new concept for sustainable mobility in urban areas. The electrically powered Megacity Vehicle (MCV) is equipped with a newly developed drive system as well as a revolutionary vehicle architecture that combines consistent lightweight construction, optimal space functionality and the highest standard of safety. The MCV will be launched as a series-manufactured vehicle in the premium segment in 2013.

Focus on benefits for the customer
One of the key aspects of our strong competitive position is our ability to offer customers recognisable added value with innovative technologies, including, first and foremost, our innovative Efficient Dynamics package of measures. Efficient Dynamics, which combines all of the efficiency measures we have achieved in engine technology, energy management, lightweight construction and aerodynamics, has enabled us to win pole position in the premium segment in recent years in terms of fuel economy.

Connected Drive is the second core theme in the development of innovative technologies and incorporates all aspects of information flows relating to the vehicle. Its range of features not only includes the services BMW Assist and BMW Online, but numerous other systems that provide additional convenience, information and entertainment as well as safety through interconnectedness. The Lane Change Warning and Lane Departure Warning systems, speed limit information, BMW Night Vision with pedestrian recognition, reversing camera including Top View and the parking assistant are some of the features that are offered. We also optimise the integration of innovative end devices, such as smart phones and music players. Alongside access to the Internet, Connected Drive also enables the display of e-mails received by smart phone as well as the use of Internet-based services for navigation and infotainment.

In the new BMW 6 Series Convertible, available from spring 2011, the new generation of Head-Up Display will be a feature for the first time. The system projects key information onto the windscreen directly in the driver's field of vision. The presentation of the three-dimensionally displayed graphics covers the entire colour spectrum, enabling traffic signs to be realistically displayed.

Energy and environmental technology test centre opened
In May 2010 we opened the new Energy and Environmental Test Centre (EVZ) in Munich. Right from the planning stage the centre was designed to operate in an ecologically sustainable way. In this completely new simulation centre, innovations are tested in a wide range of varying climatic conditions prior to their use in series production. The new facility enables us to recreate realistic simulations of key environmental conditions such as temperature fluctuations, air humidity, air pressure, precipitation and wind, thereby avoiding costly and elaborate testing in countries with hot and cold climates. The strategy reduces both time and costs for transportation and also means that fewer prototypes can be used for a greater number of trials. Furthermore, the concentration of the various test series under one roof regardless of seasonal weather conditions makes test results far more quickly available.

Taking opportunities together
In 2010 the BMW Group and the PSA Group decided to extend the long-standing cooperation arrangements already in place for the development and production of hybrid systems. The BMW Group and PSA Peugeot Citroën additionally signed an agreement to establish a joint venture in February 2011. The first priority of the initiative entered into by the two companies is to develop standardised components for use in the electrification of the respective vehicle fleets. Joint research, development, production and component procurement will mean significant cost benefits for both groups.

Research for the future continued
In 2010 we presented a fuel-cell-powered hybrid vehicle to the public for the first time. Based on the BMW 1 Series, this research vehicle is fitted with an innovative form of hybrid technology which uses hydrogen as a source of energy. In addition to a four-cylinder petrol engine, the prototype is also equipped with an electric drive system for city use. The vehicle is highly effective in city traffic due to the use of a comparatively small fuel cell that generates electricity from hydrogen. The combustion engine is only used for driving at higher speeds. This combination could in future provide an emissions-free range of several hundred kilometres in city traffic and recharging within a few minutes.

The Emergency Stop Assistant developed as part of our research projects considerably raises the level of road safety. If the system detects an emergency situation related to the driver's health, it switches to an autonomous driving mode and then proceeds to carry out a safe emergency stop manoeuvre. The basis for the precise, safe execution of the manoeuvre is not only the localisation of the vehicle within its own driving lane but also the reliable and complete recognition of all vehicles in the immediate vicinity.

The prototype of a multifunctional car key has been developed as a way of networking mobility with the driver's environment. The so-called BMW Key is fitted with a security chip capable of providing such amenities as cashless shopping or the booking of a hotel room. Furthermore, the BMW key with its integrated credit card function will enable the driver to purchase electronic tickets for buses and trains as well as book flight tickets straight from the car and store them on the key.

Numerous awards for the BMW Group
The Rolls-Royce Ghost, BMW 5 Series Sedan, BMW X1, BMW 5 Series Gran Turismo, BMW F 800 R and BMW S 1000 RR as well as five innovative developments by BMW Group DesignworksUSA received red dot awards for outstanding product design. The new Rolls-Royce Ghost received the special prize "red dot: best of the best" for the highest quality design. The new BMW 5 Series Sedan was additionally awarded the silver design prize of the Federal Republic of Germany by the German Design Council.

The BMW Group was also highly successful at the "International Engine of the Year Award" in 2010: the Group dominated the competition by winning first prize in four out of a total of eight cubic capacity classes. The successful engines were the V8 engine of the BMW M3, the in-line six-cylinder petrol engine featuring BMW TwinPower Turbo direct fuel injection and VALVETRONIC used in the BMW 1 Series, 3 Series and 5 Series, the four-cylinder diesel featuring the BMW TwinPower Turbo that powers the BMW X1 xDrive23d and the BMW 123d and the four-cylinder twin-scroll turbo engine of the MINI Cooper S.

In the ADAC EcoTest the BMW 320d EfficientDynamics Edition achieved the highest possible evaluation of five stars and thus the best ever recorded result achieved by a conventionally powered vehicle. With 92 out of a possible 100 points, the four-door sedan has proven to be the most economical diesel-powered vehicle in the medium class. In the same test, the BMW 320d EfficientDynamics Edition achieved fuel economy of 4.4 litres per 100 kilometres driven and CO_2 emissions of a mere 116 grams per kilometre.

The safety testing institute Euro NCAP (European New Car Assessment Programme) presented the BMW Group with a special award for the BMW Assist Advanced eCall extended emergency call that features automatic location pinpointing and an injury risk forecast. The Euro NCAP Advanced Award, which was presented for the first time, honours groundbreaking technologies in the fields of vehicle safety and passenger protection over and above the requirements of crash tests recognised throughout Europe.

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Reorientation of purchasing and supplier network functions

Increasing internationalisation and the growing complexity prevailing on procurement markets as well as within the production network prompted us to reorganise the purchasing function in 2010 along the lines of technological product groups. The main focuses of this strategy are to concentrate responsibilities worldwide and further improve our understanding of market and technological developments.

Numerous model start-ups in 2010

The year 2010 saw a large number of model start-ups within our worldwide production network. The BMW Group again rose to the challenge of the various production start-ups (the new BMW 5 Series, the new BMW 6 Series in Germany, the 5 Series extended wheelbase version in China and the new BMW X3 in the USA as well as the revised MINI in the UK) by involving the supplier network at a very early stage. For the BMW 5 Series extended wheelbase version and the X3, local suppliers were increasingly trained in advance in order to guarantee the exacting quality requirements and standards demanded by the BMW Group right from the commencement of production.

Activities on international procurement markets

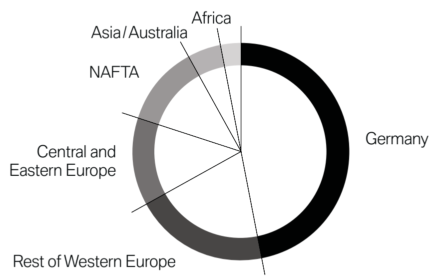
Throughout 2010 we continued to expand our global procurement activities for future vehicle projects. Apart from Europe, our major sales markets in the NAFTA region and in Asia were the main areas of focus. As part of the process of selecting suppliers, we have specifically given priority to increasingly obtaining supplies for future models (BMW X Series, MINI, BMW 1 Series) from locally based suppliers in each of the production markets. This strategy allows us to make better use of the innovation potential, but also to generate cost benefits. At the same time, purchasing in the relevant foreign currency reduces the currency risk for both the BMW Group and the supplier. The application of multi-currency ordering across all regions is also helpful. This is a new approach in the car industry, with ordering and invoicing of production material executed in various currencies depending on the percentage of added value in each case.

Leader in productivity and technology in CFRP production

The closer coordination of production and purchasing activities for the plastic outer skin of the Megacity Vehicle has enabled us to generate significant synergies within the process chain. This enables us to decide, quickly and competently, whether components should be produced in-house or externally ordered. Expertise in the areas of production, quality management and purchasing are bundled appropriately, enabling us to achieve better coordination with our suppliers.

Regional mix of BMW Group purchase volumes 2010

in %, basis: production material



Germany	47	NAFTA	12
Rest of Western Europe	20	Asia/Australia	5
Central and Eastern Europe	13	Africa	3

The expansion of the CFRP production at the BMW Landshut plant and the simultaneous commissioning of facilities to produce carbon fibre layers marked the beginning of preparations for the series production of the Megacity Vehicle, scheduled for launch in 2013. The Wackersdorf plant also supplies the textile carbon fibre layers which are processed to make lightweight CFRP body components at the Landshut plant. The vehicle will be produced at the BMW Group's Leipzig plant.

Cooperation arrangements expanded

The cooperation talks between BMW AG and Daimler AG concerning the joint purchasing of components are making good progress. We have identified a double-digit number of components that could be jointly purchased. The cooperation arrangements only involve components that do not contribute towards differentiating between the two brands and which therefore have no impact on competition. Plans are underway to extend the cooperation arrangements step by step to cover a larger number of parts and components.

Joint purchasing in China also presents excellent opportunities. The two companies intend to work together in evaluating audit results and checking the qualifications of suppliers.

Sustainability of value-added chains
Adherence to the high ecological and social standards of the BMW Group was again a key criterion for selecting suppliers in 2010. Our main focus of attention was on the intensive evaluation and supervision of the production locations of our suppliers worldwide. The same principles are applied for observing in-house components and bought-in parts over the complete product life cycle, from the acquisition of raw materials to the recycling of waste material.

Model range expanded
We continued our new product initiative throughout the course of 2010. After its introduction on European markets at the end of 2009, the worldwide launch of the highly successful BMW X1 was continued in 2010. The new BMW 5 Series Sedan was launched on selected markets in spring 2010 and has been available worldwide since June. Sales of the new BMW 5 Series Touring commenced in September. The extended wheelbase version of the BMW 5 Series Sedan, specially designed for the Chinese market, has been available there since the beginning of September. The new BMW X3 was presented at the Paris Motor Show at the beginning of October. The second generation of this successful model had been available on the markets since the end of November. We also presented various concept studies to the public. In April 2010, in Beijing, we presented the BMW Concept Gran Coupé as an example of the new generation of large BMW Coupés. In October, the BMW Concept 6 Series Coupé was presented at the Paris Motor Show as a preview of the new BMW 6 Series Coupé. In mid-November we announced that a new BMW 6 Series Convertible would be available in spring 2011.

Countryman added to MINI family
The year 2010 marked the introduction of the fourth member of the MINI family. The unveiling of the MINI Countryman at the Geneva International Motor Show at the beginning of 2010 was followed by the sales launch on European markets in September 2010 and introduction in Asia and the Americas at the beginning of 2011.

The MINI Countryman represents a significant addition to the MINI portfolio. With its four doors and four-wheel drive, the model is designed to appeal to a new target group. This represents another step on the way to MINI becoming a multi-product brand. The existing model range had been revised during the previous year.

With three victories at the Monte Carlo Rally, the MINI had already become an inherent part of rally sport back in the sixties. We intend to continue in this tradition. The rally version of the new MINI Countryman will take part in the FIA World Rally Championship (WRC) as from 2011.

Range of mobility services broadened
In its Strategy Number ONE, the BMW Group set itself the task of becoming the world's leading provider of

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premium products and premium services for individual mobility. An additional, profitable line of business has been created by offering innovative mobility services.

For many years we have successfully been providing car-related services for BMW and MINI customers under the name BMW ConnectedDrive. This range of services will be significantly expanded in future. The strategy is in line with our full-coverage approach, which includes vehicle-related and non-vehicle-related mobility services designed to cover the whole spectrum of premium mobility services.

Expansion of distribution network

In order to meet the demands of the emerging markets, we have expanded our distribution network in China and the other BRIC markets. In total, some 100 new dealerships have been opened in these markets. The worldwide distribution network consists of around 3,100 BMW, 1,300 MINI and 80 Rolls-Royce dealerships.

Strengthening the sales organisation

More than 800 dealers in 14 markets had been individually trained up to the end of 2010 under the dealer qualification programme started in 2009. The main objective was to promote the sale of new cars. It was also a way of helping to shore up the profitability of the dealership network in difficult times. Based on the results achieved as well as the highly positive response from the sales organisation we have decided to expand the methodology and contents of the programme to other sales areas. This is seen as a long-term instrument to strengthen the dealer organisation.

After-sales service as important success factor

After-sales service plays a key role in achieving customer satisfaction. For the BMW Group and its worldwide dealer network, the sale of BMW and MINI parts, accessories and services represents an important factor in the Group's success. Sales generally performed very well in this line of business, with the German and Chinese markets recording particularly dynamic growth during the period under report.

The existing distribution network was expanded in 2010. Ten additional metro delivery centres commenced operations in various metropolitan areas around the world. These centres enable the same-day multiple delivery of original spare parts and accessories to the BMW and MINI sales organisation. A total of 32 metro delivery centres have now been established worldwide since 2008.

Rolls-Royce launches "21st Century Legends" campaign

In October 2010 Rolls-Royce Motor Cars launched a worldwide image campaign entitled "21st Century Legends". In a series of five films the campaign provides an unusual insight into the world of the Rolls-Royce brand.

Automobile stocks boost DAX

Against the background of the sovereign debt crisis in the euro zone and concerns about the economy in the USA, the world's stock exchanges developed inconsistently in 2010. The German stock index, the DAX, benefited from robust economic growth in Germany and rose significantly. Much of the impetus for this development came from automobile stocks.

The index therefore climbed by 956.76 points over the course of the year, finishing the stock exchange year at 6,914.19 points (+16.1%). The highest level for the year was recorded in December when it climbed to 7,087.84 points. The sharp rise in prices of German automobile stocks was also reflected in the performance of the Prime Automobile Index, which rose by 306.51 points to 849.29 points. This represented an increase of 56.5% over its closing level at the end of the previous financial year. In contrast, the EURO STOXX 50 lost value in 2010, finishing the stock exchange year 2010 at 2,792.82 points (–5.8%).

BMW stock also performed exceptionally well in 2010. BMW common stock closed at euro 58.85 on the last day of trading, an increase of 85.1% over its closing price one year earlier. BMW common stock was therefore the DAX 30's best-performing share in 2010. Reflecting its market significance, BMW common stock was taken into the EURO STOXX 50 index in September 2010. The EURO STOXX 50 index comprises the 50 largest listed companies in the euro zone. BMW preferred stock also performed well during the period under report, finishing the year 2010 at euro 38.50, 67.4% ahead of its closing price one year earlier.

Employee share scheme continued

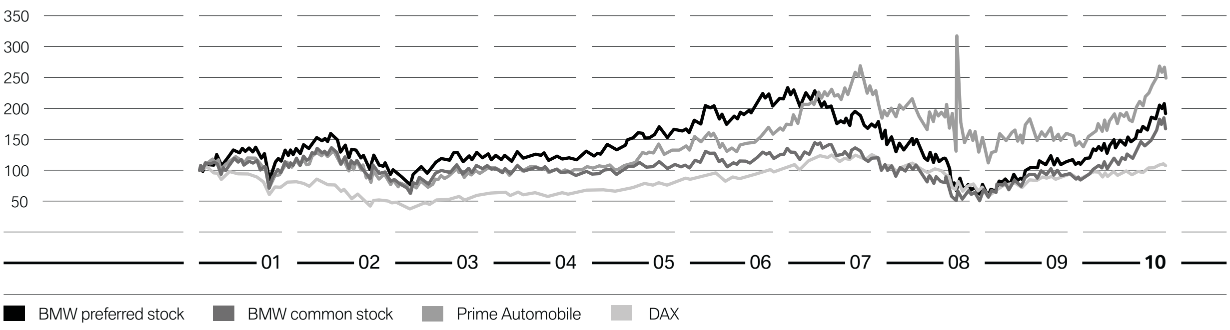
BMW AG has enabled its employees to participate in its success for more than 35 years. Since 1989 this participation has taken the form of an employee share scheme. In total, 499,590 shares of preferred stock were issued to employees in 2010 in conjunction with this scheme. These include 498,050 shares drawn from Authorised Capital 2009, with the remainder bought back via the stock exchange. The new shares of preferred stock carry the same rights as existing shares of preferred stock.

Attractive conditions on volatile financial markets

International debt capital markets also made a significant recovery in 2010. As a result, the BMW Group was also able to benefit from favourable refinancing conditions. The European debt crisis did, however, cause phases of increased volatility on the debt capital market during the year.

The BMW Group was again active on the markets as an issuer of bonds, notes and ABS instruments in order to refinance its Financial Services activities. In 2010, two euro-benchmark bonds with a total issue volume of euro 2.5 billion were issued on European capital markets. We also issued Canadian dollar, South African rand and Swiss franc denominated bonds for a total amount of euro 1.4 billion. Private placements in various currencies raised a total of euro 2.7 billion. In 2010 we were able once again to demonstrate our refinancing strength. Issues of public ABS bonds raised US dollar 1.75 billion in the USA and euro 800 million in Germany. Amounts were also securitised in Germany (euro 400 million), Japan (yen 25 billion) and Canada (Canadian dollar 428 million) and placed as private ABS transactions. As

Development of BMW stock compared to stock exchange indices
(Index: 29.12.2000 = 100)



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in previous years, all issues were highly sought after by both institutional and private investors.

Rating outlook raised
In September 2010, the rating outlook for BMW AG was raised by the rating agencies Moody's and S & P, in each case from "negative" to "stable". The improved outlook comes as a result of higher demand for premium cars worldwide, a development which particularly benefits the BMW Group.

Reporting on sustainability
In 2010 we continued to communicate our sustainability strategy and the way it is being implemented throughout the BMW Group in the form of an intensive dialogue with investors and analysts. In addition to the now well-established annual stakeholders' round table held in Munich, this two-way dialogue was also continued in greater depth at conferences on Socially Responsible Investment and in numerous discussions held with investors.

BMW Group sector leader in Dow Jones Sustainability Index for sixth time
In September 2010 the rating agency SAM named the BMW Group as sector leader in the Dow Jones Sustainability Index World and Europe for the sixth time. The SAM analysts stressed that the BMW Group stands out with its clear sustainability strategy and for the way it implements that strategy rigorously along the whole added-value chain. They also drew particular attention to the BMW Group's great achievements in reducing vehicle fleet fuel consumption and CO_2 emissions. The BMW Group is the only enterprise in the automobile sector to have been represented continuously in this important group of sustainability indices since their creation in 1999.

BMW stock

	2010	2009	2008	2007	2006
Common stock					
Number of shares in 1,000	**601,995**	601,995	601,995	601,995	601,995
Stock exchange price in euro[1]					
Year-end closing price	**58.85**	31.80	21.61	42.35	43.51
High	**64.80**	35.94	42.73	50.73	46.47
Low	**28.65**	17.61	17.04	39.81	35.52
Preferred stock					
Number of shares in 1,000	**53,163**	52,665	52,196	52,196	52,196
Shares bought back at the reporting date	**–**	–	363	–	–
Stock exchange price in euro[1]					
Year-end closing price	**38.50**	23.00	13.86	36.30	43.52
High	**41.90**	24.79	36.51	47.52	45.91
Low	**21.45**	11.05	13.00	33.64	31.80
Key data per share in euro					
Dividend					
Common stock	**1.30**[2]	0.30	0.30	1.06	0.70
Preferred stock	**1.32**[2]	0.32	0.32	1.08	0.72
Earnings per share of common stock[3]	**4.91**	0.31	0.49	4.78	4.38
Earnings per share of preferred stock[4]	**4.93**	0.33	0.51	4.80	4.40
Cash flow[5]	**12.45**	7.53	6.84	9.70	8.21
Equity	**35.26**	30.42	30.99	33.24	29.24

[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

The BMW Group was also included in the prestigious FTSE4Good Index and FTSE4Good Environmental Index in both halves of 2010.

In conjunction with the annual evaluation of the Carbon Disclosure Projects (CDP) – a co-operative initiative of 534 globally active institutional investors – the BMW Group once again achieved a leading position thanks to its transparent reporting and exemplary contribution to environmental protection. In 2010 the Carbon Disclosure Project not only assessed reporting transparency, for the first time, it also took account of the efficiency of environmental protection management and the extent to which companies succeeded in reducing greenhouse gases. The Carbon Performance Leadership Index was initially set up in this context. The BMW Group was one of just 48 companies to be included in this index.

Investor relations activities successfully expanded

Extensive communication with the capital markets was expanded in 2010, on the one hand to facilitate refinancing activities and on the other to keep investors and analysts fully informed. The number of roadshows held in the world's major financial centres and our participation in international investors' conferences were increased significantly. The number of investors' meetings in Munich and conference calls also rose considerably. These endeavours were seen in a very positive light by the capital market and duly rewarded. In conjunction with the Thomson Extel Survey – which has over 1,800 participants and is Europe's most important survey for investment professionals – the BMW Group's Investor Relations Team was named the best IR team in the European automobile sector. This result was also confirmed by "Institutional Investor" magazine. A survey of more than 1,700 investors and analysts also found our team to be the best IR team in the automobile sector.

Disclosures relevant for takeovers[1] and explanatory comments

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Composition of subscribed capital
The subscribed capital (share capital) of BMW AG amounted to euro 655,158,608 at 31 December 2010 (2009: euro 654,660,558) and, in accordance with Article 4 (1) of the Articles of Incorporation, is subdivided into 601,995,196 shares of common stock (91.89%) (2009: 601,995,196; 91.96%) and 53,163,412 shares of non-voting preferred stock (8.11%) (2009: 52,665,362; 8.04%), each with a par value of euro 1. The Company's shares are issued to bearer. The rights and duties of shareholders derive from the German Stock Corporation Act (AktG) in conjunction with the Company's Articles of Incorporation, the full text of which is available at www.bmwgroup.com. The right of shareholders to have their shares evidenced in writing is excluded in accordance with the Articles of Incorporation.

The voting power attached to each share corresponds to its par value. Each euro 1 of par value of share capital represented in a vote is entitled to one vote (Article 18 (1) of the Articles of Incorporation). The Company's shares of preferred stock are non-voting within the meaning of § 139 et seq. AktG, i.e. they only confer voting rights in exceptional cases stipulated by law, in particular when the preference amount has not been paid or has not been fully paid in one year and the arrears are not paid in the subsequent year alongside the full preference amount due for that year. With the exception of voting rights, holders of shares of preferred stock are entitled to the same rights as holders of shares of common stock. Article 24 of the Articles of Incorporation confers preferential treatment to the non-voting shares of preferred stock with regard to the appropriation of the Company's unappropriated profit. Accordingly, the unappropriated profit is required to be appropriated in the following order:

(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.

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

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

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

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

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

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

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

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

Nature of control over voting rights when employees participate in capital and do not exercise their control rights directly
The shares issued in conjunction with the employee share 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.

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

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

Authorisations given to the Board of Management in particular with respect to the issuing or buying back of shares
In accordance with the resolution passed at the Annual General Meeting on 14 May 2009, the Board of Management was 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. This authorisation was not made use of during the financial year 2010. The Board of Management is authorised to buy back shares and sell repurchased shares in situations specified in § 71 AktG, e.g. to avert serious and imminent damage to the Company. 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 4,032,750 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 in place at the reporting date.

Significant agreements entered into by the Company subject to control change clauses in the event of a takeover bid
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 bid:
- An agreement concluded with an international consortium of banks relating to a syndicated credit line (which was not being utilised at the balance sheet date) entitles the lending banks to give extraordinary notice to terminate the credit line (such that all outstanding amounts, including interest, would fall due immediately) if one or more parties jointly acquire direct or indirect control of BMW AG. The term "control" is defined as the acquisition of more than 50% of the share capital of BMW AG, the right to receive more than 50% of the dividend or the right to direct the affairs of the Company or appoint the majority of members of the Supervisory Board.

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– A cooperation agreement concluded with Peugeot SA relating to the joint development and production of a new range of small (1 to 1.6 litre) petrol-driven engines entitles each of the cooperation partners to give extraordinary notification of termination in the event of a competitor acquiring control over the other contractual party and if any concerns of the other contractual party concerning the impact of the change of control on the cooperation arrangements are not allayed during the subsequent discussion process.
– BMW AG acts as the guarantor for all of the obligations arising from the joint venture agreement relating to BMW Brilliance Automotive Ltd. in China. This agreement grants an extraordinary right of termination to either joint venture partner in the event that, either directly or indirectly, more than 25% of the shares of the other party are acquired by a third party or the other party is merged with another legal entity. The termination of the joint venture agreement may result in the sale of the shares to the other joint venture partner or in the liquidation of the joint venture entity.
– Regarding the trading of derivative financial instruments, framework agreements are in place with financial institutions and banks (ISDA Master Agreements), each of which contain extraordinary rights of termination which trigger the immediate settlement of all current transactions, in the event that the creditworthiness of the respective party is materially weaker following the direct or indirect acquisition of beneficial ownership of equity securities having the power to elect a majority of the Supervisory Board of a contractual party or any other ownership interest enabling the acquirer to exercise control of a contractual party or a merger or transfer of assets.
– Financing agreements in place with the European Investment Bank (EIB) entitle the EIB to request early repayment of the loans in the event of an imminent or actual change in control at the level of BMW AG (which is in most cases the guarantor, in one case, however, the borrower), if the EIB has reason to assume – either after the change of control has taken place or 30 days after it has requested to discuss the situation – that the change in control could have a significantly adverse impact, or if – as stated in two of the contracts – the borrower refuses to hold such discussions. A change in control of BMW AG arises if one or more individuals take over or lose control of BMW AG, with control being defined in the above-mentioned financing agreements as (i) holding or having control over more than 50% of the voting rights, (ii) the right to stipulate the majority of the members of the Board of Management or Supervisory Board, or (iii) the right to receive more than 50% of dividends payable, and, in one case as additional alternative (iv) other comparable controlling influence over BMW AG.
– BMW AG is party to an agreement with SGL Carbon SE, Wiesbaden, relating to the joint ventures SGL Automotive Carbon Fibers LLC, Delaware, USA, and SGL Automotive Carbon Fibers GmbH & Co. KG, Munich. The agreement includes call and put rights in the event that 50% or more of the voting rights relating to the relevant other shareholder of the joint venture are either directly or indirectly acquired by a third party, or in the event that 25% of such voting rights are acquired by a third party who is a competitor of the party not affected by the acquisition of voting rights. In the event of such acquisitions of voting rights by a third party, the non-affected shareholder has the right to purchase the affected shareholder's shares in the joint venture or to demand the sale of its own shares in the joint venture to the affected shareholder.
– BMW AG is party to an agreement with Peugeot SA, Paris, relating to the joint venture BMW Peugeot Citroën Electrification B.V., the Netherlands. The agreement includes call and put rights in the event that 50% or more of the voting rights relating to the relevant other shareholder of the joint venture are either directly or indirectly acquired by a third party, or in the event that one-third of such voting rights are acquired by a third party who is a competitor of the party not affected by the acquisition of voting rights. In the event of such acquisitions of voting rights by a third party, the non-affected shareholder has the right to purchase the affected shareholder's shares in the joint venture or to demand the sale of its own shares in the joint venture to the affected shareholder. The validity of the agreement between BMW AG and Peugeot SA is subject to the condition precedent that the transaction is authorised by the relevant cartel authorities.

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

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

Group Internal Management System

Taking into account the interests and rights of capital providers represents the basis for value-based management within the BMW Group. Only companies generating profits on a sustainable basis that exceed the cost of equity and debt capital employed are capable of ensuring continuous growth, an increase in value for capital providers, jobs and, in the final analysis, corporate independence. As part of the process of developing the Group's management system, "economic value added" has been introduced at Group level as a new key performance indicator. Value created represents a logical development of the method currently in use for managing the efficient use of capital based on the "return on capital employed" (ROCE).

Economic value added Group = (ROCE Group – cost of capital rate) x capital employed

The economic value added can also be presented as earnings less the cost of capital.

Economic value added Group = earnings amount – cost of capital = earnings amount – (cost of capital rate x capital employed)

in euro million	Earnings amount		Cost of capital (EC + DC)		Economic value added Group	
	2010	2009	**2010**	2009	**2010**	2009
BMW Group	**5,203**	922	**3,187**	3,351	**2,016**	–2,429

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

Cost of capital percentage for capital employed

The cost of capital percentage is calculated as a weighted average of equity and debt capital costs using the standard weighted average cost of capital (WACC) approach. Equity capital costs are determined using the capital asset pricing model (CAPM) and are based on the risk-free interest rate plus the risk premium required by investors. The risk premium is calculated on the basis of the market risk premium and a beta factor. The beta factor is a measure of a stock's volatility in relation to the market. Interest rates on debt capital are calculated as the average interest rates relevant for long-term debt and pension obligations. The average cost of capital is calculated on the basis of a long-term targeted capital structure, thus ensuring stability in the way the business is managed in the long term.

Cost of capital rate (before tax)

in %	**2010**	2009
BMW Group	**12**	12

Return on capital used to measure value on a periodic basis

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

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

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

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

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Group ROCE is measured by dividing earnings for ROCE purposes by the average amount of capital employed. For these purposes, capital employed comprises group equity, pension provisions and the financial liabilities of the Automobiles and Motorcycles segments.

Capital employed by Automobiles segment
in euro million

	2010	2009
Operational assets	**27,787**	27,659
less: Non-interest-bearing liabilities	**16,948**	14,516
Capital employed	**10,839**	**13,143**

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

Return on capital employed

	Earnings for ROCE purposes in euro million		Capital employed in euro million		Return on capital employed in %	
	2010	2009	2010	2009	2010	2009
BMW Group	**5,203**	922	**26,555**	27,923	**19.6**	3.3
Automobiles	**4,355**	–265	**10,839**	13,143	**40.2**	–
Motorcycles	**71**	19	**394**	405	**18.0**	4.7

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

Return on equity

	Profit before tax in euro million		Equity in euro million		Return on equity in %	
	2010	2009	2010	2009	2010	2009
Financial Services	**1,214**	365	**4,654**	3,978	**26.1**	9.2

Value management in the context of project management
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, all of which are subject to the framework set by the Group's forecasts by period. The project decision and related project selection are important aspects of our value-based management approach. Project decisions are taken on the basis of rates of return and net present values (NPVs), supplemented by a standardised approach to assessing

opportunities and risks. Internal project rates of return and capital values (model rates of return in the case of vehicle projects) are measured on the basis of cash flows. Model rates of return are also compared with competitive market values.

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

Long-term creation of value

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

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 are also taken into account ensures consistency within the target and management model. This approach allows an analysis of the effect of each project decision on earnings and rates of return. Multi-project planning data resulting from these procedures allows ongoing comparison between multi-period and single-period performance.

Earnings performance

The recovery on international car markets had a positive impact on earnings in 2010. The BMW Group benefited from its strong competitive position on international markets, driven in particular by attractive new vehicle models offered by the Automobiles segment. The easing of pressure on international capital markets in 2010 also helped to improve margins generated in the Financial Services segment.

The BMW Group recorded a net profit of euro 3,234 million (2009: euro 210 million) for the financial year 2010. The post-tax return on sales was 5.3% (2009: 0.4%). Earnings per share of common and preferred stock were euro 4.91 and euro 4.93 respectively (2009: euro 0.31 for common stock and euro 0.33 for preferred stock).

Group revenues rose by 19.3% to euro 60,477 million (2009: euro 50,681 million). Adjusted for exchange rate factors, the increase would have been 14.4%. Revenues from the sale of BMW, MINI and Rolls-Royce brand cars climbed by 24.2% due to higher sales volumes. Motor-

Group Income Statement

in euro million

	2010	2009
Revenues	**60,477**	50,681
Cost of sales	**–49,562**	–45,356
Gross profit	**10,915**	**5,325**
Sales and administrative costs	**–5,529**	–5,040
Other operating income	**766**	808
Other operating expenses	**–1,058**	–804
Profit before financial result	**5,094**	**289**
Result from equity accounted investments	**98**	36
Interest and similar income	**685**	856
Interest and similar expenses	**–966**	–1,014
Other financial result	**–75**	246
Financial result	**–258**	124
Profit before tax	**4,836**	**413**
Income taxes	**–1,602**	–203
Net profit	**3,234**	**210**

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cycles business revenues were 21.9% up on the previous year. Revenues generated with Financial Services activities rose by 6.8%. Revenues attributable to "Other Entities" amounted to euro 1 million, similar to the previous year.

Total revenues grew in the Africa, Asia and Oceania regions by 68.2%. The figure includes China, where revenues jumped by 109.1%. Revenues in Europe and the Americas region grew by 9.4% and 14.0% respectively, whereas they fell in Germany by 2.0%.

Group cost of sales increased by 9.3% to euro 49,562 million (2009: euro 45,356 million), rising therefore at a slower rate than revenues. The main factors responsible for the improvement were reduced material costs and lower refinancing costs. As a result, the gross profit jumped by 105.0% to euro 10,915 million. The gross profit margin was 18.0% (2009: 10.5%).

The gross profit margin recorded by the Automobiles segment was 17.4% (2009: 9.4%) and that of the Motorcycles segment was 16.0% (2009: 13.5%). The Financial Services segment's gross profit margin improved by 5.1 percentage points to 10.9%.

Research and development costs rose by 19.1% to euro 3,082 million and represented 5.1% of revenues, unchanged compared to the previous year. Research and development costs include amortisation of capitalised development costs amounting to euro 1,260 million (2009: euro 1,226 million). Total research and development expenditures amounted to euro 2,773 million (2009: euro 2,448 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. The research and development expenditure ratio for 2010 was 4.6% (2009: 4.8%). The proportion of development costs recognised as assets in 2010 was 34.3% (2009: 44.4%).

Sales and administrative costs increased by 9.7% compared to the previous year, equivalent to 9.1% of revenues and therefore 0.8 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 to euro 3,682 million (2009: euro 3,600 million).

The net expense from other operating income and expenses amounted to euro 292 million, a deterioration of euro 296 million compared to the previous year. The main reasons for this were the higher level of allocations to provisions and the lower result on currency transactions.

As a result of the positive factors referred to above, the profit before financial result amounted to euro 5,094 million (2009: euro 289 million).

The financial result was a net expense of euro 258 million, a deterioration of euro 382 million against the previous year (2009: net income of euro 124 million). The change was mainly attributable to the fact that net income from investments was euro 172 million lower due to impairment losses recognised on investments in subsidiaries. Sundry other financial result deteriorated by euro 149 million to euro 96 million, reflecting lower net gains on stand-alone commodities derivatives. Within the financial result, net interest expense increased by euro 123 million. By contrast, the result from equity-accounted investments improved by euro 62 million to euro 98 million. In addition to the Group's share of results from its equity-accounted investments in BMW Brilliance Automotive Ltd., Shenyang, and the Cirquent Group, this also includes for the first time the Group's share of results from joint ventures with the SGL Carbon Group.

Taking all these factors into consideration, the profit before tax improved to euro 4,836 million (2009: euro 413 million). The pre-tax return on sales was 8.0% (2009: 0.8%).

The tax expense amounted to euro 1,602 million (2009: euro 203 million), resulting in an effective tax rate of 33.1% (2009: 49.2%). The previous year's high effective tax rate was primarily attributable to tax expenses incurred in conjunction with a tax field audit at the level of BMW AG.

Overall, the BMW Group recorded a net profit of euro 3,234 million (2009: euro 210 million) for the financial year 2010. The post-tax return on sales was 5.3% (2009: 0.4%).

Revenues of the Automobiles segment rose by 23.8%. The pre-tax segment result turned round from a segment loss before tax of euro 588 million in 2009 to a segment profit before tax of euro 3,887 million in 2010. The number of cars sold increased by 13.6%, reflecting the gradual expansion and rejuvenation of our model portfolio as well as dynamic growth in Asia.

Revenues by segment
in euro million

	2010	2009
Automobiles	**54,137**	43,737
Motorcycles	**1,304**	1,069
Financial Services	**16,617**	15,798
Other Entities	**4**	3
Eliminations	**–11,585**	–9,926
Group	**60,477**	**50,681**

Profit / loss before tax by segment
in euro million

	2010	2009
Automobiles	**3,887**	–588
Motorcycles	**65**	11
Financial Services	**1,214**	365
Other Entities	**45**	51
Eliminations	**–375**	574
Group	**4,836**	**413**

In the Motorcycles segment, the number of BMW motorcycles handed over to customers increased by 12.3%, compared with a 22.0% increase in segment revenues. The pre-tax segment result increased by euro 54 million to euro 65 million.

Financial Services segment revenues grew by 5.2% to euro 16,617 million. The pre-tax segment result climbed to euro 1,214 million (2009: euro 365 million). The improvement mainly reflected lower expense for risk provision in the areas of credit financing and residual values on the one hand and lower refinancing costs on the other.

The Other Entities segment recorded a pre-tax profit of euro 45 million (2009: euro 51 million).

The result from inter-segment eliminations was a net expense of euro 375 million (2009: net income of euro 574 million), mainly reflecting the higher volume of new leasing business and lower Group production costs.

Financial position

The cash flow statements of the BMW Group and the Automobiles and Financial Services segments show the sources and applications of cash flows for the financial years 2009 and 2010, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statements correspond to the amount disclosed in the balance sheet.

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

Operating activities of the BMW Group generated a positive cash flow of euro 13,651 million in 2010, an increase of euro 3,380 million or 32.9% compared to the previous year. The higher net profit in 2010 accounted for euro 3,024 million of the increased cash inflow. Changes in working capital reduced cash flows from operating activities by euro 2,205 million. This compared with changes in other operating assets and liabilities (up by euro 1,466 million) and provisions (up by euro 910 million), which resulted in an increase in the cash flow from operating activities.

The cash outflow for investing activities amounted to euro 14,522 million and was therefore euro 3,194 million higher than in 2009. Capital expenditure for intangible assets and property, plant and equipment resulted in the cash outflow for investing activities decreasing by euro 208 million compared to the corresponding period last year. The cash outflow for the net investment in leased products and receivables from sales financing increased by euro 3,632 million to euro 9,332 million, primarily reflecting the higher level of new business recorded in the Financial Services segment. The change in marketable securities resulted in a euro 363 million decrease in cash outflow.

Financing activities generated a cash inflow of euro 510 million in 2010, euro 842 million lower than in the previous year (2009: cash inflow of euro 1,352 million). Cash inflows from the issue of bonds totalled euro 4,578 million (2009: euro 9,762 million), while euro 3,406 million (2009: euro 6,440 million) was used to repay bonds. The dividend payment for the financial year 2010 amounted to euro 197 million. The cash outflow for other financial liabilities and commercial paper was euro 260 million (2009: cash outflow of euro 1,562 million).

94.0% (2009: 90.7%) of the cash outflow for investing activities was covered by the cash inflow from operating

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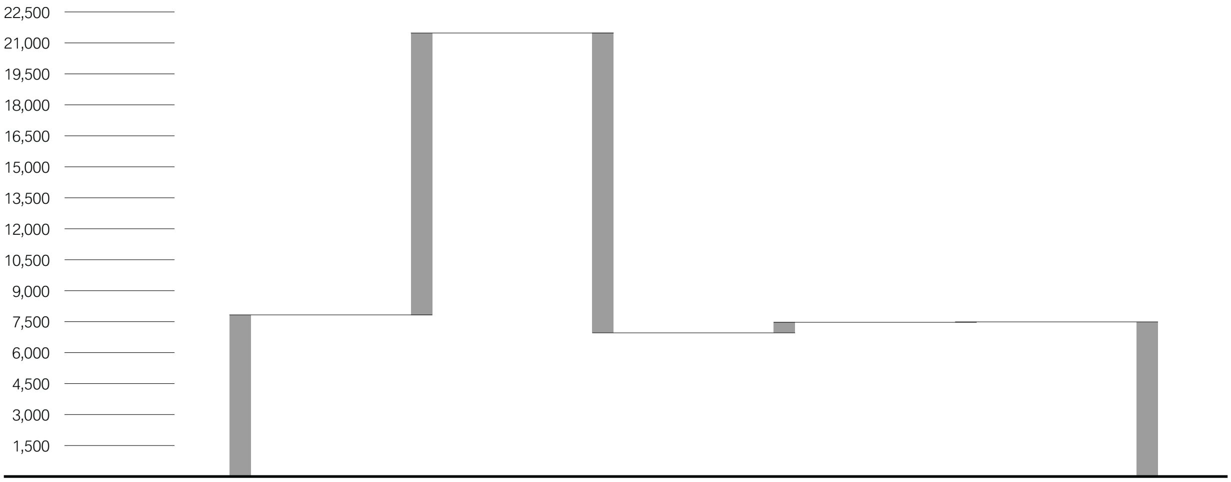
Change in cash and cash equivalents

in euro million



Cash and cash equivalents 31.12.2009	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 31.12.2010
7,767	**+13,651**	**–14,522**	**+510**	**+26**	**7,432**

activities. The cash flow statement for the Automobiles segment shows that the cash inflow from operating activities exceeded the cash outflow for investing activities by euro 2,608 million (2009: shortfall of euro 754 million) or 147.1%. Adjusted for net investments in marketable securities amounting to euro 1,863 million (2009: euro 2,210 million), mainly in connection with the further externalisation of pension obligations, coverage in 2010 amounted to euro 4,471 million (2009: coverage of euro 1,456 million) or 221.5% (2009: 142.0%).

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

in euro million	31.12.2010	31.12.2009
Cash inflow from operating activities	**8,150**	4,921
Cash outflow for investing activities	**–5,542**	–5,675
Net investment in marketable securities	**1,863**	2,210
Free cash flow Automobiles segment	**4,471**	**1,456**

Due to the higher level of investment in leased products and receivables from sales financing, the cash flow statement of the Financial Services segment shows a shortfall of 59.1% of cash outflow for investing activities against cash inflows from operating activities (2009: coverage of 115.8%).

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 26 million (2009: euro 18 million), the various cash flows resulted in a decrease in cash and cash equivalents of euro 335 million (2009: increase of euro 313 million).

Net financial assets of the Automobiles segment comprise the following:

in euro million	31.12.2010	31.12.2009
Cash and cash equivalents	**5,585**	4,331
Marketable securities and investment funds	**1,134**	1,129
Intragroup net financial receivables	**5,690**	8,272
Financial assets	**12,409**	**13,732**
Less: external financial liabilities*	**–1,123**	–4,770
Net financial assets	**11,286**	**8,962**

* excluding derivative financial instruments

Net assets position

The Group balance sheet total increased by euro 6,914 million (+6.8%) to stand at euro 108,867 million at 31 December 2010. Adjusted for changes in exchange rates, the balance sheet total would have increased by 1.7%.

The main factors behind the increase on the assets side of the balance sheet were receivables from sales financing (+11.8%), inventories (+18.5%), other assets (+16.8%) and trade receivables (+25.4%). By contrast, decreases were recorded for intangible assets (–6.5%) as well as for cash and cash equivalents (–4.3%). On the equity and liabilities side of the balance sheet, the increase was due to the rise in equity (+16.0%), other liabilities (+25.2%), trade payables (+39.4%) and financial liabilities (+1.7%). Pension provisions decreased by 47.4%.

At euro 5,031 million, intangible assets were euro 348 million lower than at the end of the previous reporting period. Within intangible assets, capitalised development costs decreased by euro 309 million to euro 4,625 million. Development costs recognised as assets during the year under report amounted to euro 951 million (–12.5%), equivalent to a capitalisation ratio of 34.3% (2009: 44.4%). The lower level of additions to capitalised development costs in 2010 was due to cost and process efficiencies during the series development phase. The corresponding amortisation expense was euro 1,260 million (2009: euro 1,226 million).

Property, plant and equipment increased slightly (+0.4%) to euro 11,427 million. Capital expenditure of euro 2,235 million was 4.2% lower than in the previous year (2009: euro 2,334 million). The main focus was on product investments for production start-ups and infrastructure improvements. Depreciation on property, plant and equipment totalled euro 2,303 million (+1.9%). Balances brought forward for subsidiaries being consolidated for the first time amounted to euro 14 million. Total capital expenditure as a percentage of revenues was 5.4% (2009: 6.8%).

Leased-out products decreased by euro 182 million or 1.0%. Excluding the effect of exchange rate fluctuations, leased-out products would have decreased by 4.8 %.

Other investments fell by 23.7% to euro 177 million, mainly as a result of impairment losses recognised on investments in non-consolidated subsidiaries.

Receivables from sales financing were up by 11.8% to euro 45,365 million due to higher business volumes. Of this amount, customer and dealer financing accounted for euro 35,460 million (+10.9%) and finance leases accounted for euro 9,905 million (+14.9%).

Inventories rose by euro 1,211 million or 18.5% to euro 7,766 million. Adjusted for exchange rate factors, the increase would have been 13.1%. The increase reflects the effect of stocking-up in conjunction with the introduction of new models and the expansion of business operations.

Trade receivables were 25.4% higher than at 31 December 2009.

Financial assets increased by 8.3% to euro 5,129 million, mainly as a result of the higher fair values of derivative portfolios.

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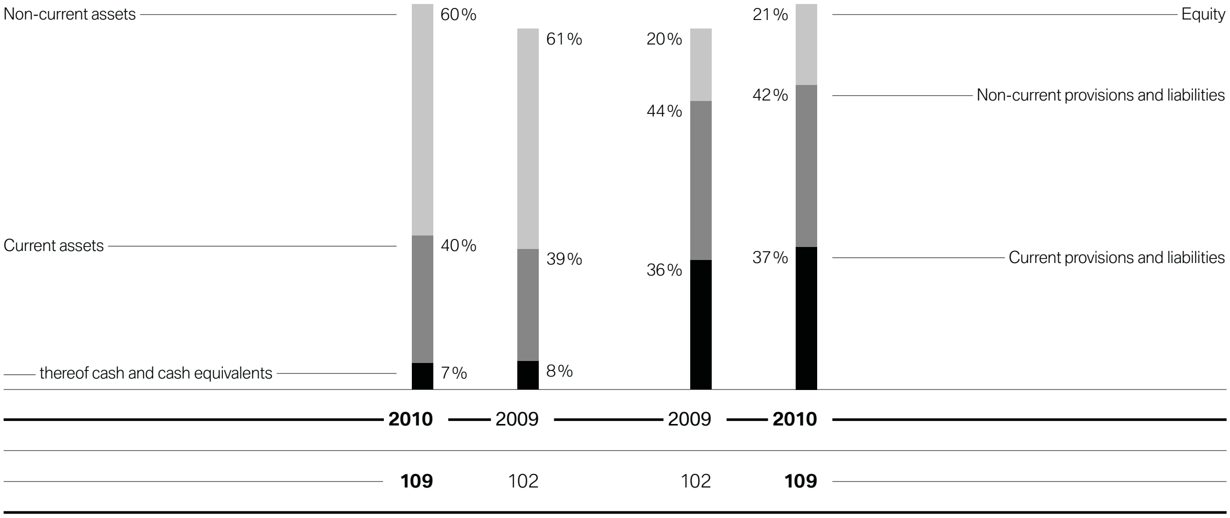
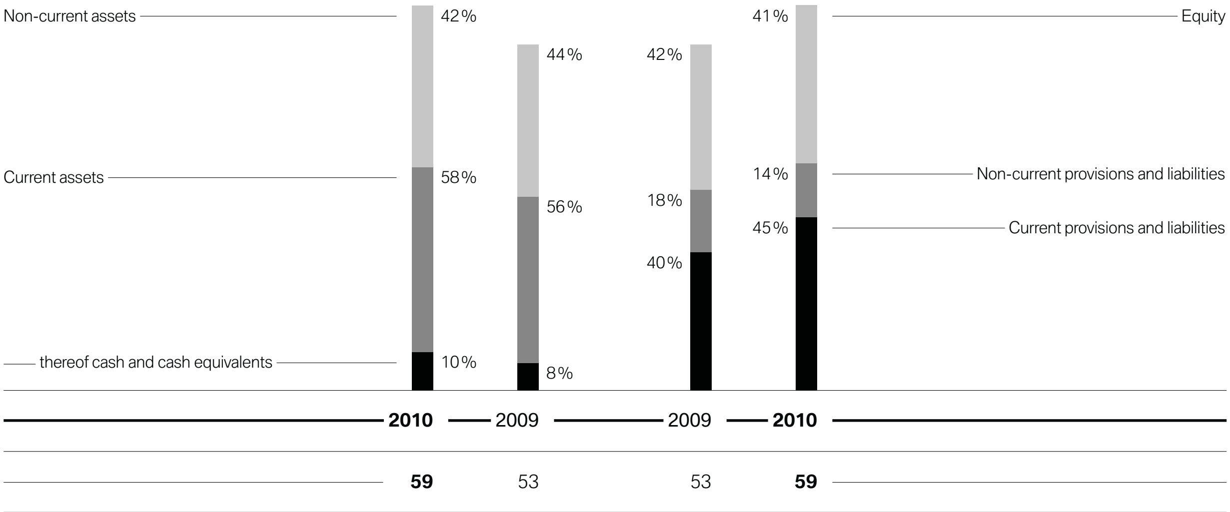
Balance sheet structure – Group

in euro billion



Balance sheet structure – Automobiles segment

in euro billion



Liquid funds decreased by 4.4% to euro 8,998 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). Within that item, marketable securities and investment fund shares decreased by euro 82 million.

Cash and cash equivalents went down by euro 335 million to euro 7,432 million.

On the equity and liabilities side of the balance sheet, equity increased by euro 3,185 million (+ 16.0%) to euro 23,100 million, due to the net profit for the year (+ euro 3,234 million) and translation differences (+ euro 683 million). Deferred taxes on fair value gains and losses recognised directly in equity increased equity by euro 263 million. Group equity decreased as a result of actuarial losses on pension obligations resulting from lower interest rates (– euro 277 million) and in conjunction with the fair value measurement of derivative financial instruments (– euro 520 million) and marketable securities (– euro 16 million). The dividend payment reduced Group equity by euro 197 million.

The Authorised Capital created at the Annual General Meeting held on 14 May 2009 in conjunction with the employee share scheme was partially used during the financial year under report to issue shares of preferred stock to employees, increasing subscribed capital by euro 0.5 million. An amount of euro 18 million was transferred to capital reserves in conjunction with this share capital increase. Other items reduced equity by euro 3 million.

The equity ratio of the BMW Group improved overall by 1.7 percentage points to 21.2%. The equity ratio of the Automobiles segment was 40.9% (2009: 41.7%) and that of the Financial Services segment was 7.1% (2009: 6.0%).

Pension provisions decreased by 47.4% to euro 1,563 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 a further tranche of pension obligations to BMW Trust e.V., Munich, in conjunction with Contractual Trust Arrangements (CTAs). Lower interest rates in Germany had the effect of increasing the provision.

Other provisions increased by euro 783 million (+ 16.4%) to euro 5,547 million. Within other provisions, provisions for personnel-related expenses went up by euro 432 million, provisions for other obligations by euro 207 million and provisions for on-going operational expenses by euro 144 million.

Financial liabilities increased by 1.7% to euro 62,353 million, mostly due to exchange rate factors. Within financial liabilities, derivative instruments increased by 83.9% to euro 2,010 million, liabilities from customer deposits by 7.6% to euro 10,689 million and bonds by 2.0% to euro 27,568 million. Working in the opposite direction, liabilities to banks decreased by 15.6% to euro 7,740 million and asset-backed-financing liabilities were down by 3.9% to euro 7,506 million.

Trade payables amounted to euro 4,351 million and were thus 39.4% higher than one year earlier.

Other liabilities increased by euro 1,572 million to euro 7,822 million.

Overall, the earnings performance, financial position and nets assets of the BMW Group improved significantly during the financial year under report.

Compensation report
The compensation of the Board of Management comprises both 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 pages 140 et seq. The Compensation Report is a sub-section 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 nets 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 amount treats depreciation as a component of value added which, in the allocation statement, is treated as internal financing.

Net value added by the BMW Group in 2010 increased by 42.7% to euro 14,902 million, reflecting the fact that the value of work performed rose significantly faster than the value of work bought in.

The bulk of the net value added (48.8%) is applied to employees. The proportion applied to providers of finance fell to 15.9%, mainly due to the further easing of pressure on international capital markets. The government / public sector (including deferred tax expense) accounted for 13.6%. The proportion of net value added applied to shareholders, at 5.7%, was higher than in the previous year. Other shareholders take a 0.1% share of net value added. The remaining proportion of net value added (15.9%) will be retained in the Group to finance future operations.

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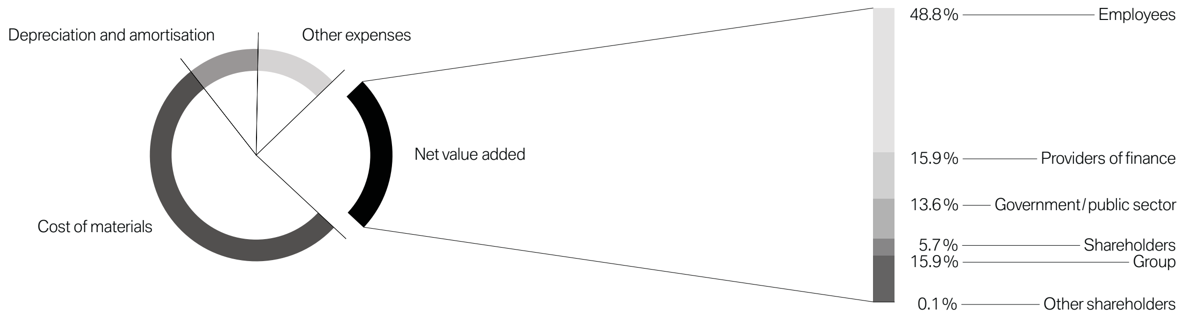
BMW Group Value added statement

	2010 in euro million	2010 in %	2009 in euro million	2009 in %	Change in %
Work performed					
Revenues	**60,477**	**98.7**	50,681	97.5	
Financial income and expenses	**–7**	**–**	488	0.9	
Other income	**766**	**1.3**	808	1.6	
Total output	**61,236**	**100.0**	**51,977**	**100.0**	**17.8**
Cost of materials	**32,108**	**52.4**	27,399	52.7	
Other expenses*	**7,548**	**12.4**	6,845	13.2	
Bought-in costs	**39,656**	**64.8**	**34,244**	**65.9**	**15.8**
Gross value added	**21,580**	**35.2**	**17,733**	**34.1**	**21.7**
Depreciation and amortisation	**6,678**	**10.9**	7,292	14.0	
Net value added	**14,902**	**24.3**	**10,441**	**20.1**	**42.7**
Applied to					
Employees	**7,278**	**48.8**	6,395	61.2	13.8
Providers of finance	**2,363**	**15.9**	3,243	31.1	–27.1
Government/public sector	**2,027**	**13.6**	593	5.7	–
Shareholders	**852**	**5.7**	197	1.9	–
Group	**2,366**	**15.9**	7	0.1	–
Minority interest	**16**	**0.1**	6	–	–
Net value added	**14,902**	**100.0**	**10,441**	**100.0**	**42.7**

* including expenses incurred to downsize the workforce

BMW Group Value added 2010

in %



Net value added	24.3	Depreciation and amortisation	10.9
Cost of materials	52.4	Other expenses	12.4

Key performance figures

		2010	2009
Gross margin	%	**18.0**	10.5
EBITDA margin	%	**14.5**	7.7
EBIT margin	%	**8.4**	0.6
Pre-tax return on sales	%	**8.0**	0.8
Post-tax return on sales	%	**5.3**	0.4
Pre-tax return on equity	%	**24.3**	2.0
Post-tax return on equity	%	**16.2**	1.0
Equity ratio – Group	%	**21.2**	19.5
Automobiles	%	**40.9**	41.7
Financial Services	%	**7.1**	6.0
Coverage of intangible assets, property, plant and equipment by equity	%	**140.4**	118.8
Return on capital employed			
Group	%	**19.6**	3.3
Automobiles	%	**40.2**	–
Motorcycles	%	**18.0**	4.7
Return on equity			
Financial Services	%	**26.1**	9.2
Cash inflow from operating activities	euro million	**13,651**	10,271
Cash outflow from investing activities	euro million	**14,522**	11,328
Coverage of cash outflow from investing activities by cash inflow from operating activities	%	**94.0**	90.7
Free cash flow of Automobiles segment	euro million	**4,471**	1,456
Net financial assets Automobiles segment	euro million	**11,286**	8,962

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Comments on Financial Statements of BMW AG

The financial statements of BMW AG are drawn up in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The provisions of the German Accounting Law Modernisation Act (BilMoG) were applied for the first time in the financial year 2010. Prior year figures have not been restated. Application of the BilMoG requirements had an impact on extraordinary items in the income statement and revenue reserves in the balance sheet.

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 2010 rose by 17.7% to 1,481,253 units. The workforce of BMW AG decreased by 705 to 69,518 employees at 31 December 2010, primarily as a result of natural employee fluctuation, pre-retirement part-time working arrangements and voluntary employment contract termination agreements.

Widespread economic recovery and model life cycle factors resulted in strong sales volume growth, which was reflected in a 20.5% growth in revenues. The most significant increase was recorded in Asia. Sales to Group sales companies accounted for euro 32.6 billion or approximately 71.2% of total revenues of euro 45.8 billion. The increase in cost of sales was less pronounced than the increase in revenues, mainly due to reduced material costs. As a consequence, gross profit increased by euro 3.3 billion to euro 8.6 billion.

The decrease in other operating income and expenses and in the result on investments was attributable to reduced income from Group companies and the lower level of income from the reversal of provisions.

The profit from ordinary activities increased from euro 605 million to euro 2,337 million.

Extraordinary income and expenses mainly contain items relating to the first-time application of BilMoG: this gave rise to net extraordinary income of euro 274 million in 2010. Further information on the impact of BilMoG is provided in the notes to the financial statements of BMW AG.

The tax expense in 2010 comprises current year tax and adjustments for previous years arising in connection with intra-group transfer pricing arrangements. The resulting threat of a double taxation charge at Group level is being avoided primarily by instigating bilateral appeal proceedings.

After deducting the expense for taxes, the Company reports a net profit of euro 1,506 million (2009: euro 202 million).

Investments went up from euro 1,303 million at the end of 2009 to euro 1,875 million at 31 December 2010, mainly as a result of capital increases made at the level of BMW Bank GmbH, Munich, following a cash contribution from BMW AG and the transfer of an investment by way of non-cash contribution. The merger of BMW Ingenieur-Zentrum GmbH, Dingolfing, and hence the automatic transfer of assets and liabilities of BMW Ingenieur-Zentrum GmbH + Co oHG, Dingolfing, to BMW AG, Munich, had the effect of reducing investments.

Capital expenditure on intangible assets and property, plant and equipment amounted to euro 1,582 million (2009: euro 1,667 million), 5.1% lower than in the previous year. The main focus in 2010 was on product investments for production start-ups. In addition, property, plant and equipment with a carrying amount of euro 703 million was transferred to BMW AG in conjunction with the restructuring measure referred to above. Depreciation and amortisation amounted to euro 1,540 million.

In order to secure obligations resulting from pre-retirement part-time work arrangements and a part of the Company's pension obligations, assets were transferred to BMW Trust e.V., Munich, in conjunction with Contractual Trust Arrangements (CTA). The assets concerned comprise mainly holdings in investment fund assets and a receivable resulting from a so-called "Capitalisation Transaction" (Kapitalisierungsgeschäft). A further tranche of pension obligations was externalised in 2010. Following the implementation of BilMoG, fund assets have been offset for the first time against the related guaranteed obligations. The resulting surplus of assets over liabilities is reported in the BMW AG balance sheet on the line "Surplus of pension and similar plan assets over liabilities".

Equity rose by euro 1,734 million to euro 7,088 million. The first-time application of BilMoG resulted in a euro 407 million increase in reserves. The equity ratio improved from 21.7% to 29.1%.

The amount recognised in the balance sheet for pension provisions fell to euro 24 million. This was attributable to the first-time offsetting of pension obligations against assets transferred to BMW Trust e.V., Munich, as part of the process of externalising pension obligations.

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

BMW AG Balance Sheet at 31 December

in euro million

	2010	2009
Assets		
Intangible assets	**141**	145
Property, plant and equipment	**6,257**	5,536
Investments	**1,875**	1,303
Tangible, intangible and investment assets	**8,273**	**6,984**
Inventories	**3,259**	2,620
Trade receivables	**667**	690
Receivables from subsidiaries	**6,448**	6,197
Other receivables and other assets	**1,122**	882
Marketable securities	**2,556**	4,987
Cash and cash equivalents	**1,574**	2,195
Current assets	**15,626**	**17,571**
Prepayments	**106**	92
Surplus of pension and similar plan assets over liabilities	**341**	–
Total assets	**24,346**	**24,647**
Equity and liabilities		
Subscribed capital	**655**	655
Capital reserves	**2,019**	2,001
Revenue reserves	**3,562**	2,501
Unappropriated profit available for distribution	**852**	197
Equity	**7,088**	**5,354**
Registered profit-sharing certificates	**33**	34
Pension provisions	**24**	4,586
Other provisions	**6,613**	6,323
Provisions	**6,637**	**10,909**
Liabilities to banks	**512**	2,488
Trade payables	**2,384**	1,548
Liabilities to subsidiaries	**7,366**	2,409
Other liabilities	**322**	1,902
Liabilities	**10,584**	**8,347**
Deferred income	**4**	3
Total equity and liabilities	**24,346**	**24,647**

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BMW AG Income Statement

in euro million

	2010	2009
Revenues	**45,773**	37,980
Cost of sales	**–37,125**	–32,679
Gross profit	**8,648**	**5,301**
Sales costs	**–2,783**	–3,105
Administrative costs	**–1,345**	–1,379
Research and development costs	**–2,537**	–2,451
Other operating income and expenses	**567**	1,243
Result on investments	**152**	1,084
Financial result	**–365**	–88
Profit from ordinary activities	**2,337**	**605**
Extraordinary income	**314**	–
Extraordinary expenses	**–39**	–
Income taxes	**–1,088**	–393
Other taxes	**–18**	–10
Net profit	**1,506**	**202**
Transfer to revenue reserves	**–654**	–5
Unappropriated profit available for distribution	**852**	**197**

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 2010 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* and explanatory comments

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

Information and communication

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

Organisational measures

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

Controls

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

IT authorisations

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

Internal control training for employees

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

Evaluating the effectiveness of the internal control system

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

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

Risk Management

Risk management in the BMW Group

The BMW Group's risk management system comprises a wide range of finely tuned organisational and methodological components. It is based on a decentralised structure and supported by a network of risk managers. The risk management system is aimed at encouraging a balanced approach to risks at all organisational levels. The risk management process is applied throughout the Group and comprises the early identification and analysis of opportunities and risks, their measurement and the use of suitable instruments to manage and monitor risks. As part of the risk reporting system, decision makers are regularly informed about risks that could have a significant impact on business performance. Business decisions are reached after consideration of in-depth project analyses which show both potential risks and potential opportunities. In conjunction with the Group's monthly and medium- and long-term forecasting systems, opportunities and risks attached to specific business activities are evaluated and used as the basis for implementing measures to mitigate risks and achieve targets. Important success factors are monitored continuously to ensure that unfavourable developments are identified at an early stage and appropriate countermeasures implemented.

Changes in the legal, economic or regulatory environment or within the Company itself can only be assessed in good time by means of ongoing processes. 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 are incorporated in 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 staff for new or additional requirements with regard to the processes in which they are involved.

Risk management is performed centrally and reviewed regularly for appropriateness and effectiveness by internal auditors. Knowledge gained from these audits serves as the basis for further improvements. Consciously taking calculated risks and making full use of the opportunities relating to them has long been the basis for our corporate success.

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.

In risk management terms, the financial year 2010 can be sub-divided into two principal phases. During the first half of the year, the knock-on effect of the international economic and financial crisis was still highly evident and the main focus was to manage related risks. The euro/US dollar exchange rate stood at approximately 1.45 at the beginning of the year, in retrospect its highest level for the year. Some sales markets, particularly the USA, did not recover quickly from the consequences of the crisis. More to the point, the worry of renewed recession emerged. It was only over the course of the year that opportunities gained the upper hand as some of the world's economies picked up perceptibly. In this situation, proactive management helped us make the most of the opportunities that arose.

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 the notes to the Group Financial Statements.

Risks relating to the general economic environment

Global conditions were subject to a great deal of change during the past year. Regional economic growth differences and various measures designed to revive the economy in the wake of the worldwide economic and financial crisis were significant for Group revenues and earnings.

The sale of vehicles outside the European Currency Union gives rise to exchange risks, in particular in relation to the Chinese renminbi, the US dollar, the British pound and the Japanese yen. These four currencies accounted for over two-thirds of our total foreign currency exposure in 2010. Cash-flow-at-risk models and scenario analyses are used to measure exchange rate

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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. In this context, the completed expansion of the plant in Spartanburg, USA, and the new factory in Shenyang, China (under construction), will help to reduce foreign exchange risks in two major sales markets. For operating purposes (short and medium term), currency risks are hedged on the financial markets. Hedging transactions are entered into only with financial partners that have a good credit standing. Counterparty risk management procedures are carried out continuously to monitor creditworthiness. The relevant procedures are set out in mandatory work instructions.

Interest-rate risks are managed by raising refinancing funds with matching maturities and by employing derivative financial instruments. Interest-rate risks are measured and limited both at country and Group level on the basis of a value-at-risk approach. Limits are measured and interest-rate risks assessed on the basis of the risk-bearing concept, combined with targets defined in conjunction with the benchmark 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.

Access to liquid funds across the Group is ensured by a broad diversification of refinancing sources. The 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. Knowledge gained from the financial crisis has been incorporated into a so-called "target liquidity concept". 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.

The BMW Group has good access to the capital markets, thanks on the one hand to a diversified refinancing strategy and a solid liquidity base on the other, as confirmed by internationally recognised rating agencies. The Group's good creditworthiness is reflected in the long-standing first-class short-term ratings issued by Moody's (P-2) and Standard & Poor's (A-2), a good basis for obtaining competitive refinancing conditions for short-term debt.

The outlook issued by the agencies alongside the ratings was also lifted thanks to the recovery of sales markets and the generally improved economic situation. In September 2010, Moody's (long-term rating: A3) and Standard & Poor's (long-term rating: A–) both raised their outlook from negative to stable.

During the financial year under report, we were once again able to raise funds at good conditions. Major factors contributing to this were our diversified refinancing strategy, solid liquidity and strong free cash flows. If this trend continues, the rating agencies may also raise creditworthiness assessments for companies in the automobile sector.

Business performance is also influenced by conditions prevailing on the international commodities markets. In order to safeguard the supply of production materials and minimise the cost risk, all relevant commodities markets are closely monitored. Raw material prices rose steadily as a consequence of high market liquidity and the revival of the global economy. Over the course of 2010, we reaped the benefits of hedging contracts previously put in place. We took advantage of the favourable market situation at the end of 2009 and beginning of 2010 to hedge the prices 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. The price of crude oil also directly influences the purchasing behaviour of motorists when fuel prices change.

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

Sector risks

The 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 primary challenges for our engine and product development activities. Our Efficient Dynamics concept is generating visible benefits in terms of cutting consumption and emissions.

Medium- to long-term requirements have been put in place in Europe, North America, Japan, China and other countries with respect to vehicle fuel consumption and CO_2 emissions. More than 90% of the BMW Group's sales are covered by these requirements. 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 uniform consumption and CO_2 regulation will apply for the model years 2012 to 2016 in the USA. Starting with a step-by-step reduction in model year 2012, the new vehicle fleets of all manufacturers are expected to come down to an average value of 250 g of CO_2 per mile in model year 2016. The Japanese government has also set ambitious targets to reduce consumption, including statutory regulations for 2010 and 2015. The government in China is currently discussing the introduction of fuel consumption requirements (more stringent than current ones) planned to come into force in 2012.

Political discussions are currently being held worldwide regarding potential new legislation for the period up to 2020 and beyond. Increased expectations for alternative drive systems and fuels pose new challenges. We are addressing these challenges with our technological expertise and innovative strength to achieve significant and consistent reductions in CO_2 emissions. The need to reduce both consumption and emissions is an integral part of the Group's product innovation process. We are therefore carrying out studies into the interplay of energy management, aerodynamics, lightweight construction, performance and CO_2 emissions. The Efficient Dynamics concept was adopted some years ago: a combination of highly efficient engines, improved aerodynamics, lightweight construction and energy management reduces the average fuel consumption and emissions across the vehicle fleet. In the medium term we will achieve greater fuel economy through electrifying the drive train and developing comprehensive hybrid systems. We are also working on solutions for sustainable mobility in densely populated areas. For example, large-scale field trials are currently being carried out with the MINI E in the UK, Germany, France, the USA, China and Japan. The BMW ActiveE, an electrically powered vehicle based on the BMW 1 Series Coupé, will be on the roads from 2011. The practical experience gained from these two trials is continually being incorporated in the ongoing series development of our electric vehicles. The Megacity Vehicle will be launched as a series production electric vehicle as from 2013. The use of hydrogen gained from various renewable sources to power engines also remains an important component in our long-term strategy towards sustainable mobility.

The BMW Group's Efficient Dynamics strategy enables it to comply with legal standards. There is a risk that these standards will be further raised.

Operating risks

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

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. We continue to assess and manage supplier performance during the series production phase, thus creating the basis for enduring and stable working relationships with our suppliers.

Close cooperation between manufacturers and suppliers is usual in the automotive sector, and although this provides economic benefits, it also creates a certain degree of mutual dependence. Delivery delays and cancellations due to strikes, natural catastrophes, fire or insolvencies can lead to production stoppages and thus have a negative impact on profitability. A consistent strategy of intervention management enabled all supplier-related crises to be successfully mastered.

Risks relating to the provision of financial services

The economic recovery seen over the past year has had a favourable impact on the overall risk situation. Risks

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are identified, measured, monitored, evaluated and managed in the BMW Group on the basis of recognised standards and regulations that generally apply worldwide in this line of business. Risk management is based on concepts, methods and procedures developed and continuously being updated within the regulated banking sector, e.g. the "Minimum Requirements for Risk Management" (MaRisk) applicable in Germany.

The main categories of risk relating to the provision of financial services are credit and counterparty risk, residual value risk, interest rate risk, liquidity risk and operating risks. We have developed internal methodologies and techniques that comply with national and international standards and regulatory requirements such as Basel II 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 arise in conjunction with lending to retail customers (leasing, credit financing) and commercial customers (dealers, fleet customers, importers). Counterparty risks arise on financial transactions with banks and financial institutions entered into to refinance business and manage risk. Advanced scoring and rating models are employed to assess customers' creditworthiness as part of the risk management process for lending. Lending is based on a conservative evaluation of collateral (normally the financed vehicle or object).

The recoverability of the value of collateral is continuously checked and measured in order to assess the level of unsecured risks. Stress tests and back-testing procedures ensure that the measurement of our portfolios is up to date. Modern credit-value-at-risk methods, incorporating binding and fixed limits for credit risks, are used for measurement purposes. These limits are regularly reviewed every quarter. In order to minimise risk, we employ typical banking instruments such as retrospective collateral, multiple collateral, retention of vehicle documents and higher upfront payments.

In addition, close and regular contact with borrowers, a good understanding of the leased or financed vehicles involved (including subsequent disposal of the asset) and prudent measurement of collateral all help to minimise risk substantially. Lending based on typical banking sector criteria and guidelines together with principles derived from MaRisk, such as segregation of duties between front-office and back-office functions, dual control at all stages of the credit decision, risk-based upfront payments and mandatory authorisation matrices, are integral components of the Group's risk-based credit processes.

All process steps, such as segregation of duties, or the use of techniques to recognise risks at an early stage, are required to be applied worldwide. Appropriate testing is carried out to ensure that the systems are up to date and working properly. Local, regional and centralised credit audits are regularly performed to test compliance with lending guidelines applicable throughout the Group, credit processes and the underlying IT systems.

We continue to develop standardised credit decision processes for the BMW Group worldwide and are constantly endeavouring to improve the quality of credit applications, the Group's rating methodology and procedures used to select employees within the worldwide counterparty risk network.

Risk criteria with worldwide applicability, such as retail customer arrears, bad debt ratios, the expense for allocations to bad debt allowances and the proportion of dealer financing volumes subject to problems are calculated and analysed on a monthly or quarterly basis and used in the context of proactive risk management. This information is provided to local, regional and centralised management along with appropriate recommendations for action as the basis for decision-making. The measures taken enabled us to present, measure and manage credit risk more transparently in 2010 and to reduce its level accordingly. The provision for credit risks in the field of dealer financing was raised in 2010 as a consequence of the delayed effect of the financial crisis. This field is only likely to return to anywhere near normal levels after a delay of one to three years.

All credit risk decisions relating to international dealers, importers and fleet customers are made in a three-stage credit decision process. Alongside the total credit amount (before and after deduction of collateral), the credit rating allocated and the requirement to comply with stipulated credit risk guidelines provide the basis for this process. The final decision is made by the national, regional or global credit committee, and the back-office input to the relevant committees cannot be overruled. Specific and general allowances are recognised at the appropriate amounts to cover identified risks.

In the case of vehicles which remain with the BMW 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. The risk of incurring residual value losses in the Financial Services segment has increased accordingly.

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 residual values by model and market. We also compute the return ratio for leased vehicles. 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 situation on used car markets stabilised during the financial year 2010. For this reason, the level of provision did not need to be raised further in this area. We counteract 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. We take account of qualitative as well as quantitative aspects 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

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".

Like all enterprises, we are exposed to the risk of warranty claims, product liability claims and other legal disputes which are typical for the sector or which arise as a consequence of realigning our product or purchasing strategy to suit changed market conditions. Adequate provisions have been recognised in the balance sheet to cover any such claims. Part of the risk, especially where the US 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.

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Apart from the issues discussed above, the BMW Group is not currently involved in any court or arbitration proceedings that could have a significant impact on its financial condition.

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

Personnel risks

As an attractive employer, for many years we have enjoyed a favourable position in the intense competition for qualified technical and management staff. A high level of employee satisfaction helps to minimise the risk of know-how drift.

The further development of programmes for new recruits from specific target groups also plays an important part in both recruiting and furthering the careers of highly qualified staff. In 2010, various programmes for management trainees and school leavers were revised and started afresh. Further progress was made in the programme set up for doctoral postgraduates to encourage highly motivated recruits to engage in innovative activities for the BMW Group.

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 businesses to an increasing degree in the coming years. We see demographic change as one of our main challenges and we are taking a proactive 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.

Our diversity strategy is also increasing our ability to perform well in the long term. Thanks to the diverse structure of our workforce, we have access to a body of knowledge which ensures that existing sales markets are optimally served, new markets tapped and the inherent strength of the business maintained.

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 or longer life expectancies can also have an impact on pension obligations. The final tranche of pension obligations in Germany was transferred to an external fund in 2010. The corresponding level of assets was transferred to BMW Trust e.V. In the UK, the USA and a number of other countries, funds intended to cover the pension benefits of our employees are also held in pension funds which are kept separate from corporate assets. As a consequence, the level of funds required to finance pension payments out of operations will be substantially reduced in the future. Pension assets of the BMW Group comprise interest-bearing securities with a high level of creditworthiness, equities, property and other investment classes.

Risk indicators (e.g. value-at-risk) are regularly computed in order to identify risks at an early stage and used to develop measures to mitigate risk. 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 asset management have been defined for each pension fund and are monitored continuously.

Information and IT risks

We attach great importance to the protection of data, business secrets and innovative 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 our comprehensive risk and security concept.

The requirement to apply uniform standards across the Group is embedded in our core principles and documented in detailed working instructions. These instructions require employees to handle information appropriately, ensure that information systems are properly used and that risks pertaining to information technology (IT risks) are dealt with transparently. Purposeful communication and training measures create a high degree of security and risk 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.

Potential IT risks resulting from the use of information technology and from the processing of information are regularly documented and reported on as part of the risk management process. Senior management is responsible for all decisions involving the assumption, mitigation or avoidance of risks.

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 Group-wide to ensure compliance with security specifications. Regular analyses and rigorous security management ensure high-quality protection. This includes the activities of our centralised IT Security Operation Centre, 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.

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The economic environment in 2011

We think it likely that the global economic upswing that began in the second half of 2009 will continue during 2011, albeit with a significantly lower rate of growth. Some persisting risks could, however, result in temporary setbacks for the global economy.

Economic growth in the USA is again predicted to be moderate in 2011. The slow recovery of the employment and real estate markets as well as the high level of debt in private households is likely to dampen consumer spending in the USA in 2011 compared with the years before the crisis. The strongest contribution to growth is more likely to come from private investment, while exports are set to drop slightly.

Economic growth in Europe as a whole will remain lower than in the USA. Germany will again be the economic driving force in the region, although to a far lesser degree than in 2010. Whereas exports are being affected by the slowing down of the global economy, domestic demand is proving to be quite robust thanks to positive trends on the employment market. The French economy will continue to grow at a similar pace and hence somewhat slower than in Germany. In Italy growth is likely to remain modest, whereas Spain's economy should grow in 2011 for the first time in four years, even if the situation as a whole remains weak in the face of high unemployment and downward adjustments on the property market. In contrast, markets in the UK are likely to grow robustly again in 2011, despite the government's drastic saving plans.

The slow-down of the global economy and the strong yen could well hold down Japan's exports compared with the past year. Consumer spending will also rise only moderately after the strong performance in 2010, which could well lead to significant slowing down, thus fuelling deflation.

The prime drivers of global economic growth will again be the emerging markets in Asia, Latin America and Eastern Europe, with China and India at the forefront. China's government is likely to undertake massive efforts in 2011 to keep the lid on the economic growth rate, particularly for investment activities, while simultaneously attempting to encourage private spending. Although still at a high level, growth in China could well see a slowing down in 2011. With the pace of growth in India continuing unabated, the economies of the two countries are set to expand similarly in 2011. The economy in Brazil is also set to cool down slightly in 2011 after an exceedingly good performance over the past year. Russia, too, will probably grow at a marginally lower rate than in the years prior to the financial crisis.

Euro set to remain strong

The US dollar is expected to remain slightly undervalued in 2011. The loss in confidence in the euro caused by the turmoil on European state bond markets should prevent another collapse of the US dollar. Low interest rates, public budget and current account deficits are all likely to have a negative impact on the US currency. The British pound continues to be weak against the euro. However, as the economy recovers, it could well gain in value in the long term. The Japanese yen should remain strong against the euro in 2011 due to the fact that it continues to be seen as a safe investment and to benefit from Japan's current account surplus. Bearing in mind the high liquidity surpluses still being generated on emerging markets, it is likely that currencies here will remain strong against the US dollar and the euro.

Car markets in 2011

International car markets should continue to expand in 2011, although somewhat less dynamically than in the past year. China, currently the world's largest car market, is forecast to grow somewhat more slowly than in the past two years. Recovery in the USA is set to continue gradually in 2011, similar to the rate recorded in 2010.

In the European Union, the situation is expected to return to a normal level, now that the effects of state-funded stimulus programmes are coming to an end. Overall, the region's economy should grow slightly, largely on the back of economic recovery in Eastern Europe. The picture in Western Europe still varies greatly from country to country. Whereas Germany is expected to grow again after the setback caused by the expiry of the scrappage bonus scheme, the car market in France is expected to contract again in 2011. Markets in the UK, Italy and Spain are forecast to tread water to a large extent.

The Japanese market is also likely to stagnate after two years of sales being driven by the state-sponsored stimulus programme.

India could well see the fastest rate amongst the major emerging markets, while growth in Brazil and Russia is expected to be more moderate.

Motorcycle markets in 2011
Despite the economic recovery in many countries, motorcycle markets contracted sharply again in 2010. We expect the situation to stabilise in some regions in 2011 and market performance as a whole is likely to display a lateral movement. For the 500 cc plus segment, however, we forecast a low single-digit growth rate.

Financial Services market in 2011
There are favourable signs that the global economic upswing will continue in 2011, although probably at a less pronounced rate than in 2010. Given the substantial spare capacities and moderate inflation rates currently prevailing in the major industrial countries, central banks are likely to continue their expansionary monetary policies for the time being.

The US Reserve Bank has extended the range of expansionary monetary policy measures taken. Given the overcast economic outlook, the zero-interest-rate policy being pursued in the USA is unlikely to be abandoned before the beginning of 2012. The European Central Bank will not raise its refinancing interest rate before the fourth quarter 2011 as long as there is a risk of a renewed debt crisis. During the first half of the year the European Central Bank could reduce excess liquidity step by step, which could well cause interest rates in the medium-term maturity segment to rise.

Providers of financial services are exposed on the one hand to risks arising from uncertainties and volatility on financial markets. On the other hand, however, measures to reduce public spending could result in tax increases worldwide and hence force down domestic demand.

The process of consolidating dealer organisations will continue in a number of markets in 2011. As a result of the related increase in risk, further credit-related losses for the sector cannot be entirely ruled out for 2011.

It is currently very difficult to predict how used car markets will develop. Prices for pre-owned cars are likely to stagnate during the coming twelve months. If the economy falters, prices could fall again.

Outlook for the BMW Group in 2011
We expect macro-economic conditions to remain stable in 2011. However, the threat of temporary setbacks caused by knock-on effects from the recent crisis cannot be ignored. International car markets are likely to continue performing well and the Group's growth markets are expected to expand rapidly. Economic recovery should continue to make progress in the USA and give our sales volumes another boost. Taking all of these factors into consideration, the BMW Group will continue to perform well in 2011.

Over the past year new models, innovative technologies and attractive design have additionally driven customer demand, which was already at a high level. Following on from the introduction of new BMW 5 Series Sedan, the new BMW 5 Series Touring has been available since mid-autumn 2010. The BMW X1 is proving to be exceedingly popular worldwide. The MINI range has been expanded since autumn 2010 to include a fourth model, the MINI Countryman. The Rolls-Royce Ghost is also experiencing a high level of customer demand. On the heels of the models introduced over the past year, we will be continuing our new product initiative throughout 2011. In this context we are currently rejuvenating the BMW 6 Series: the Convertible will be available in Europe and Asia in the spring, followed by the USA and other markets at the beginning of May. The 6 Series Coupé will be launched in autumn 2011. The new BMW X3, currently enjoying great success in its class, will be launched worldwide over the course of the year. The BMW 1 Series M Coupé will come on to the markets in May, followed by the new BMW M5 in autumn after its world debut at the IAA. The new generation of the BMW 1 Series will also go on sale from autumn 2011 onwards. The MINI Coupé will become the fifth MINI model variant to join the family.

Engagement on growth markets, particularly Latin America and Asia, and a wider international production network resulting from the expansion of our plants in the USA and China are helping us strengthen the BMW Group in competitive terms. We are therefore laying the foundation for profitable growth in the future.

We will continue to pursue a policy of rigorous cost management in 2011, centred on the management of fixed costs and working capital. The strategy also includes the efficient utilisation of resources. The use of modular and industrial standards is helping us to generate benefits of scale and reduce production costs, an important element in our new efficient development strategy, and reflected in our R & D ratio of 4.6% (2009: 4.8%).

Our Strategy Number ONE remains the basis for the BMW Group's strategic realignment. Improvements

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achieved in efficiency and profitability are opening up new opportunities for us. We will therefore continue to invest in the technologies of the future and foster our ability to innovate. The strategy includes the continued optimisation of the combustion engine and intelligent lightweight construction in conjunction with the Efficient Dynamics technology package as well as the development of alternative drive systems and new mobility concepts resulting from our forward-looking "project i". Environmental protection legislation in place around the world provides the necessary institutional framework conditions.

We also remain committed to the use of innovative technologies to reduce the fuel consumption and emission levels of combustion engines. Our Efficient Dynamics concept combines technological innovations in the area of lightweight construction and drive systems, improved aerodynamics and intelligent management of energy flows within the vehicle. Efficient Dynamics is a global strategy across all models. It is incorporated as a standard feature of all the vehicles we produce and therefore impacts the whole model range.

Ongoing field trials being conducted in the USA and Europe with more than 600 MINI E vehicles are providing an important insight into the requirements of future series of electrically powered vehicles.

We are using the BMW ActiveE to intensify our research into electromobility for every-day operation and extending field trials to determine the feasibility of producing electric cars on a large-series scale. With a test fleet of over 1,000 vehicles in the USA, Europe and China, the BMW ActiveE will provide further useful information regarding daily usage as from 2011. At the same time, drive components and energy storage systems to be used in the Megacity Vehicle (MCV) will be tested at the pre-series stage. The knowledge thus gained will be subsequently incorporated directly in the series development of the MCV.

After its launch in 2013, the MCV will be the BMW Group's first series-built electrically driven car. This innovative vehicle, specifically developed for use in the world's major metropolitan regions, will have zero emissions and set new standards in terms of sustainability.

The up-front expenditure incurred will also put us in good stead to take advantage of any new medium- or long-term opportunities that present themselves in a changing environment. Our premium products and services will continue to meet our customers' needs in the best possible way.

In 2011 we aim to achieve a higher full-year Group profit before tax than in 2010. The forecast earnings level represents a further key step towards achieving the targets set out in our Strategy Number ONE.

Automobiles segment
Sales volume performance in 2011 will benefit from the impetus provided by our new and attractive models. Sales volumes are therefore likely to grow at a faster pace in the first half of the year than in the second. If macroeconomic conditions remain stable and demand on major car markets continues to revive as expected, we forecast a sales volume of more than 1.5 million BMW, MINI and Rolls-Royce brand vehicles in 2011. New record sales levels are being targeted for all three brands.

Thanks to the competitive strength of the BMW Group, we are confident of being able to confirm our position as the world's leading premium car manufacturer. The progress being made in the areas of efficiency and profitability also provides a sound foundation for the future success of the business. We therefore aim to achieve an EBIT margin of over 8% and a ROCE of more than 26% for the Automobiles segment.

Motorcycles segment
We forecast a further sales volume increase for the Motorcycles segment in 2011, albeit less pronounced than the rise seen in 2010. The new K 1600 GT and K 1600 GTL models in particular and the segment's highly attractive model range in general will provide the basis for another fine performance in 2011.

Financial Services segment
The Financial Services segment is set to remain in good shape in 2011. A noticeably less tense situation on used car markets, an improved risk profile in the credit line of business as well as excellent liquidity and refinancing conditions will also make a major contribution to business performance. We will continue our strategy of expanding business on a targeted basis on growth markets. Building BMW Bank Germany into a credit institution operating throughout Europe will make us more flexible in terms of liquidity and equity allocation. In addition to the entities in Spain, Portugal and Italy which have

already been integrated in the BMW Bank, further entities will be converted into branch offices in the future. At the same time, the strategic reorientation of the various lines of business will provide a boost to earnings.

Assuming the risk profile remains stable, we again aim to achieve a return on equity of over 18 % for the Financial Services segment.

Profitability targets for 2012 confirmed
We are also working on the basis that macro-economic conditions will remain stable in 2012. Against this background we will continue the process of rejuvenating our product portfolio as planned. Attractive new models will provide further momentum for increases in sales volumes, revenues and earnings. We are also working with great determination to achieve the challenging targets resulting from the BMW Group's strategic realignment. These include the profitability targets already announced for the year 2012. We continue to target a return on capital employed (ROCE) in excess of 26% and an EBIT margin of between 8% and 10% for the Automobiles segment. By applying a rigorous value-added approach to business, we will succeed in achieving the challenging targets we have set ourselves.

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 2010	Group 2009	Automobiles 2010	Automobiles 2009
Revenues	7	**60,477**	50,681	**54,137**	43,737
Cost of sales	8	**–49,562**	–45,356	**–44,703**	–39,616
Gross profit		**10,915**	**5,325**	**9,434**	**4,121**
Sales and administrative costs	9	**–5,529**	–5,040	**–4,778**	–4,329
Other operating income	10	**766**	808	**508**	443
Other operating expenses	10	**–1,058**	–804	**–809**	–500
Profit/loss before financial result		**5,094**	**289**	**4,355**	**–265**
Result from equity accounted investments	11	**98**	36	**98**	42
Interest and similar income	12	**685**	856	**556**	560
Interest and similar expenses	12	**–966**	–1,014	**–871**	–1,055
Other financial result	13	**–75**	246	**–251**	130
Financial result		**–258**	**124**	**–468**	**–323**
Profit/loss before tax		**4,836**	**413**	**3,887**	**–588**
Income taxes	14	**–1,602**	–203	**–1,280**	149
Net profit/loss		**3,234**	**210**	**2,607**	**–439**
Attributable to minority interest		**16**	6	**15**	6
Attributable to shareholders of BMW AG		**3,218**	**204**	**2,592**	**–445**
Earnings per share of common stock in euro	15	**4.91**	0.31		
Earnings per share of preferred stock in euro	15	**4.93**	0.33		
Dilutive effects		**–**	–		
Diluted earnings per share of common stock in euro	15	**4.91**	0.31		
Diluted earnings per share of preferred stock in euro	15	**4.93**	0.33		

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Statement of Comprehensive Income for Group
in euro million

	Note	2010	2009
Net profit		**3,234**	**210**
Available-for-sale securities		**–16**	4
Financial instruments used for hedging purposes		**–520**	295
Exchange differences on translating foreign operations		**683**	318
Actuarial gains/losses relating to defined benefit pension and similar plans		**–277**	–1,198
Deferred taxes relating to components of other comprehensive income		**263**	190
Other comprehensive income for the period after tax	17	**133**	**–391**
Total comprehensive income		**3,367**	**–181**
Total comprehensive income attributable to minority interests		**16**	6
Total comprehensive income attributable to shareholders of BMW AG		**3,351**	**–187**

	Motorcycles 2010	Motorcycles 2009	Financial Services 2010	Financial Services 2009	Other Entities 2010	Other Entities 2009	Eliminations 2010	Eliminations 2009
Revenues	**1,304**	1,069	**16,617**	15,798	**4**	3	**–11,585**	–9,926
Cost of sales	**–1,095**	–925	**–14,798**	–14,880	**–**	–	**11,034**	10,065
Gross profit	**209**	**144**	**1,819**	**918**	**4**	**3**	**–551**	**139**
Sales and administrative costs	**–140**	–126	**–589**	–560	**–16**	–16	**–6**	–9
Other operating income	**3**	2	**72**	41	**224**	352	**–41**	–30
Other operating expenses	**–1**	–1	**–101**	–44	**–253**	–309	**106**	50
Profit / loss before financial result	**71**	**19**	**1,201**	**355**	**–41**	**30**	**–492**	**150**
Result from equity accounted investments	**–**	–	**–**	–	**–**	–6	**–**	–
Interest and similar income	**7**	3	**4**	3	**1,984**	1,778	**–1,866**	–1,488
Interest and similar expenses	**–13**	–11	**–7**	–8	**–2,058**	–1,852	**1,983**	1,912
Other financial result	**–**	–	**16**	15	**160**	101	**–**	–
Financial result	**–6**	**–8**	**13**	**10**	**86**	**21**	**117**	**424**
Profit / loss before tax	**65**	**11**	**1,214**	**365**	**45**	**51**	**–375**	**574**
Income taxes	**–20**	–3	**–446**	–147	**22**	13	**122**	–215
Net profit / loss	**45**	**8**	**768**	**218**	**67**	**64**	**–253**	**359**
Attributable to minority interest	**–**	–	**1**	–	**–**	–	**–**	–
Attributable to shareholders of BMW AG	**45**	**8**	**767**	**218**	**67**	**64**	**–253**	**359**
Earnings per share of common stock in euro								
Earnings per share of preferred stock in euro								
Dilutive effects								
Diluted earnings per share of common stock in euro								
Diluted earnings per share of preferred stock in euro								

BMW Group
Balance Sheets for Group and Segments at 31 December

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Assets

in euro million	Note	Group 2010	Group 2009	Automobiles 2010	Automobiles 2009
Intangible assets	19	**5,031**	5,379	**4,892**	5,230
Property, plant and equipment	20	**11,427**	11,385	**11,216**	11,181
Leased products	21	**17,791**	17,973	**182**	187
Investments accounted for using the equity method	22	**212**	137	**189**	114
Other investments	22	**177**	232	**3,263**	2,678
Receivables from sales financing	23	**27,126**	23,478	**–**	–
Financial assets	24	**1,867**	1,519	**662**	475
Deferred tax	25	**1,393**	1,266	**1,888**	1,514
Other assets	26	**692**	640	**2,473**	2,114
Non-current assets		**65,716**	**62,009**	**24,765**	**23,493**
Inventories	27	**7,766**	6,555	**7,468**	6,289
Trade receivables	28	**2,329**	1,857	**1,983**	1,608
Receivables from sales financing	23	**18,239**	17,116	**–**	–
Financial assets	24	**3,262**	3,215	**1,911**	1,666
Current tax	25	**1,166**	950	**1,068**	789
Other assets	26	**2,957**	2,484	**15,871**	14,863
Cash and cash equivalents	29	**7,432**	7,767	**5,585**	4,331
Current assets		**43,151**	**39,944**	**33,886**	**29,546**
Total assets		**108,867**	**101,953**	**58,651**	**53,039**

Equity and liabilities

in euro million	Note	Group 2010	Group 2009	Automobiles 2010	Automobiles 2009
Subscribed capital	30	**655**	655		
Capital reserves	30	**1,939**	1,921		
Revenue reserves	30	**23,447**	20,426		
Accumulated other equity	30	**–2,967**	–3,100		
Minority interest	30	**26**	13		
Equity		**23,100**	**19,915**	**23,993**	**22,101**
Pension provisions	31	**1,563**	2,972	**349**	1,652
Other provisions	32	**2,721**	2,706	**2,348**	2,295
Deferred tax	33	**2,933**	2,769	**1,726**	1,694
Financial liabilities	34	**35,833**	34,391	**1,164**	259
Other liabilities	35	**2,583**	2,281	**2,873**	3,401
Non-current provisions and liabilities		**45,633**	**45,119**	**8,460**	**9,301**
Other provisions	32	**2,826**	2,058	**2,336**	1,759
Current tax	33	**1,198**	836	**1,026**	650
Financial liabilities	34	**26,520**	26,934	**961**	4,736
Trade payables	36	**4,351**	3,122	**3,713**	2,556
Other liabilities	35	**5,239**	3,969	**18,162**	11,936
Current provisions and liabilities		**40,134**	**36,919**	**26,198**	**21,637**
Total equity and liabilities		**108,867**	**101,953**	**58,651**	**53,039**

Assets	Motorcycles 2010	Motorcycles 2009	Financial Services 2010	Financial Services 2009	Other Entities 2010	Other Entities 2009	Eliminations 2010	Eliminations 2009
Intangible assets	**42**	39	**97**	110	**–**	–	**–**	–
Property, plant and equipment	**192**	184	**19**	20	**–**	–	**–**	–
Leased products	**–**	–	**20,868**	20,608	**–**	–	**–3,259**	–2,822
Investments accounted for using the equity method	**–**	–	**–**	–	**23**	23	**–**	–
Other investments	**–**	–	**8**	8	**5,134**	5,380	**–8,228**	–7,834
Receivables from sales financing	**–**	–	**27,126**	23,478	**–**	–	**–**	–
Financial assets	**–**	–	**7**	28	**1,622**	1,186	**–424**	–170
Deferred tax	**1**	–	**603**	575	**320**	355	**–1,419**	–1,178
Other assets	**–**	–	**1,176**	1,375	**12,538**	10,389	**–15,495**	–13,238
Non-current assets	**235**	**223**	**49,904**	**46,202**	**19,637**	**17,333**	**–28,825**	**–25,242**
Inventories	**290**	258	**8**	9	**–**	–	**–**	–1
Trade receivables	**114**	123	**231**	123	**1**	3	**–**	–
Receivables from sales financing	**–**	–	**18,239**	17,116	**–**	–	**–**	–
Financial assets	**–**	–	**815**	924	**854**	916	**–318**	–291
Current tax	**–**	–	**31**	28	**67**	133	**–**	–
Other assets	**44**	–	**3,248**	4,071	**29,224**	27,179	**–45,430**	–43,629
Cash and cash equivalents	**4**	–	**1,227**	2,803	**616**	633	**–**	–
Current assets	**452**	**381**	**23,799**	**25,074**	**30,762**	**28,864**	**–45,748**	**–43,921**
Total assets	**687**	**604**	**73,703**	**71,276**	**50,399**	**46,197**	**–74,573**	**–69,163**

Equity and liabilities	Motorcycles 2010	Motorcycles 2009	Financial Services 2010	Financial Services 2009	Other Entities 2010	Other Entities 2009	Eliminations 2010	Eliminations 2009
Subscribed capital								
Capital reserves								
Revenue reserves								
Accumulated other equity								
Minority interest								
Equity	**–**	**–**	**5,216**	**4,268**	**5,261**	**4,118**	**–11,370**	**–10,572**
Pension provisions	**18**	74	**32**	24	**1,164**	1,222	**–**	–
Other provisions	**93**	68	**250**	311	**30**	32	**–**	–
Deferred tax	**2**	2	**3,691**	3,191	**3**	9	**–2,489**	–2,127
Financial liabilities	**–**	–	**12,202**	10,848	**22,891**	23,454	**–424**	–170
Other liabilities	**314**	257	**13,619**	10,455	**22**	133	**–14,245**	–11,965
Non-current provisions and liabilities	**427**	**401**	**29,794**	**24,829**	**24,110**	**24,850**	**–17,158**	**–14,262**
Other provisions	**47**	21	**337**	274	**103**	1	**3**	3
Current tax	**–**	–	**121**	85	**51**	101	**–**	–
Financial liabilities	**–**	–	**13,746**	13,673	**12,131**	8,816	**–318**	–291
Trade payables	**199**	167	**433**	385	**6**	14	**–**	–
Other liabilities	**14**	15	**24,056**	27,762	**8,737**	8,297	**–45,730**	–44,041
Current provisions and liabilities	**260**	**203**	**38,693**	**42,179**	**21,028**	**17,229**	**–46,045**	**–44,329**
Total equity and liabilities	**687**	**604**	**73,703**	**71,276**	**50,399**	**46,197**	**–74,573**	**–69,163**

BMW Group
Cash Flow Statements for Group and Segments

in euro million	Note	Group 2010	Group 2009[1]
Net profit/loss		**3,234**	210
Reconciliation between net profit/loss and cash inflow from operating activities			
Current tax		**1,430**	338
Other interest and similar income/expenses		**42**[2]	–113[2]
Depreciation of leased products		**5,381**	5,476
Depreciation and amortisation of other tangible, intangible and investment assets		**3,861**	3,603
Change in provisions		**911**	1
Change in deferred taxes		**340**	–95
Other non-cash income and expense items		**–454**	17
Gain/loss on disposal of tangible, intangible and investment assets		**5**	–35
Result from equity accounted investments		**–98**	–36
Changes in working capital		**–403**	1,802
Change in inventories		**–1,170**	855
Change in trade receivables		**–427**	506
Change in trade payables		**1,194**	441
Change in other operating assets and liabilities		**572**	–894
Income taxes paid		**–1,318**	–349
Interest received		**148**[2]	346[2]
Cash inflow from operating activities	39	**13,651**	**10,271**
Investment in intangible assets and property, plant and equipment		**–3,263**	–3,471
Proceeds from the disposal of intangible assets and property, plant and equipment		**55**	169
Expenditure for investments		**–80**	–53
Proceeds from the disposal of investments		**23**	15
Investment in leased products		**–11,898**	–10,433
Disposals of leased products		**7,422**	6,515
Additions to receivables from sales financing		**–61,120**	–49,629
Payments received on receivables from sales financing		**56,264**	47,847
Cash payments for the purchase of marketable securities		**–2,723**	–2,908
Cash proceeds from the sale of marketable securities		**798**	620
Cash outflow from investing activities	39	**–14,522**	**–11,328**
Issue of treasury shares		**–**	6
Payments into equity		**18**	7
Payment of dividend for the previous year		**–197**	–197
Interest paid		**–223**[2]	–224[2]
Proceeds from the issue of bonds		**4,578**	9,762
Repayment of bonds		**–3,406**	–6,440
Internal financing		**–**	–
Change in other financial liabilities		**–292**	–1,307
Change in commercial paper		**32**	–255
Cash inflow/outflow from financing activities	39	**510**	**1,352**
Effect of exchange rate and changes in composition of Group on cash and cash equivalents	39	**26**	**18**
Change in cash and cash equivalents		**–335**	**313**
Cash and cash equivalents as at 1 January		**7,767**	7,454
Cash and cash equivalents as at 31 December	39	**7,432**	**7,767**

[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.

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Automobiles 2010	Automobiles 2009[1]	Financial Services 2010	Financial Services 2009[1]	
2,607	–439	**768**	218	Net profit/loss
				Reconciliation between net profit/loss and cash inflow from operating activities
1,145	251	**277**	152	Current tax
150	255	**2**[2]	4[2]	Other interest and similar income/expenses
6	7	**4,823**	5,732	Depreciation of leased products
3,762	3,502	**22**	25	Depreciation and amortisation of other tangible, intangible and investment assets
869	42	**–49**	93	Change in provisions
27	–448	**440**	69	Change in deferred taxes
116	–170	**–408**	307	Other non-cash income and expense items
4	–29	**1**	1	Gain/loss on disposal of tangible, intangible and investment assets
–98	–43	**–**	–	Result from equity accounted investments
–374	1.806	**5**	6	Changes in working capital
–1,163	871	**1**	–	Change in inventories
–364	513	**–43**	–	Change in trade receivables
1,153	422	**47**	6	Change in trade payables
999	214	**–176**	309	Change in other operating assets and liabilities
–1,199	–369	**–147**	–99	Income taxes paid
136	342	**–**[2]	–[2]	Interest received
8,150	**4,921**	**5,558**	**6,817**	**Cash inflow from operating activities**
–3,183	–3,409	**–10**	–10	Investment in intangible assets and property, plant and equipment
59	98	**1**	2	Proceeds from the disposal of intangible assets and property, plant and equipment
–577	–261	**–**	–	Expenditure for investments
23	33	**–**	–	Proceeds from the disposal of investments
–172	–197	**–11,726**	–10,236	Investment in leased products
171	271	**7,251**	6,215	Disposals of leased products
–	–	**–61,120**	–49,629	Additions to receivables from sales financing
–	–	**56,264**	47,847	Payments received on receivables from sales financing
–2,620	–2,787	**–103**	–121	Cash payments for the purchase of marketable securities
757	577	**41**	43	Cash proceeds from the sale of marketable securities
–5,542	**–5,675**	**–9,402**	**–5,889**	**Cash outflow from investing activities**
–	6	**–**	–	Issue of treasury shares
18	7	**–**	–	Payments into equity
–197	–197	**–**	–	Payment of dividend for the previous year
–212	–76	**–**[2]	–[2]	Interest paid
–	–	**2,361**	658	Proceeds from the issue of bonds
–52	–	**–364**	–1,230	Repayment of bonds
2,703	180	**204**	722	Internal financing
–2,117	–874	**68**	–351	Change in other financial liabilities
–1,519	964	**–**	–	Change in commercial paper
–1,376	**10**	**2,269**	**–201**	**Cash inflow/outflow from financing activities**
22	**2**	**–1**	**23**	**Effect of exchange rate and changes in composition of Group on cash and cash equivalents**
1,254	**–742**	**–1,576**	**750**	**Change in cash and cash equivalents**
4,331	5,073	**2,803**	2,053	Cash and cash equivalents as at 1 January
5,585	**4,331**	**1,227**	**2,803**	**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 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 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**
Premium arising on capital increase relating to preferred stock	–	18	–	–	–	–	–	–	–	**18**
Dividends paid	–	–	–197	–	–	–	–	–	–	**–197**
Comprehensive income 2010	–	–	3,218	683	–11	–336	–203	–	16	**3,367**
Other changes	–	–	–	–	–	–	–	–	–3	**–3**
31 December 2010	**655**	**1,939**	**23,447**	**–1,064**	**9**	**–127**	**–1,785**	**–**	**26**	**23,100**

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1 — Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW Group Financial Statements or Group Financial Statements) at 31 December 2010 have been drawn up in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU. The designation "IFRSs" also includes all valid International Accounting Standards (IASs). All Interpretations of the IFRS Interpretations Committee (IFRICs) mandatory for the financial year 2010 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.

A Statement of Comprehensive Income is presented at Group level reconciling the net profit to comprehensive income for the year.

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

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 pages 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 Interpretation SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group Financial Statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. The balance sheet value of the assets sold at 31 December 2010 totalled euro 7.5 billion (2009: euro 7.8 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 have the same year-end as BMW AG with the exception of BMW India Private Limited, New Delhi (year-end: 31 March).

The Group Financial Statements, drawn up in accordance with § 315 a HGB, and the Management Report for the financial year 2010 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 15 February 2011.

2 — Consolidated companies

The BMW Group Financial Statements include, besides BMW AG, all material subsidiaries, six special purpose securities funds and 19 special purpose trusts (almost all used for asset-backed financing transactions).

The number of subsidiaries, special purpose securities funds and other special purpose entities included in the Group Financial Statements changed in 2010 as follows:

	Germany	Foreign	**Total**
Included at 31 December 2009	32	149	**181**
Included for the first time in 2010	–	4	**4**
No longer included in 2010	2	7	**9**
Included at 31 December 2010	**30**	**146**	**176**

51 subsidiaries (2009: 53), either dormant or generating a negligible volume of business, are not consolidated on the grounds that their inclusion would not influence the economic decisions of users of the Group Financial Statements. Non-inclusion of operating subsidiaries reduces total Group revenues by 0.3% (2009: 0.6%).

The joint venture BMW Brilliance Automotive Ltd., Shenyang, and the investment in Cirquent GmbH, Munich, are accounted for using the equity method. The entities SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, (all joint ventures with the SGL Carbon Group), are also accounted for using the equity method. 13 (2009: 15) participations are not consolidated using the equity method on the grounds of immateriality. They are included in the balance sheet in the line "Other investments", measured at cost less, where applicable, accumulated impairment losses.

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

Husqvarna Motorcycles North America LLC, Wilmington, DE, and Husqvarna Motorcycles S.r.l., Cassinetta di Biandronno, were consolidated for the first time at 31 December 2010.

BMW Ingenieur-Zentrum Verwaltungs GmbH, Dingolfing, was merged with BMW Ingenieur-Zentrum GmbH+Co oHG, Dingolfing, (until 16 July 2010: BMW Ingenieur-Zentrum GmbH+Co., Dingolfing) with retrospective effect from 1 January 2010. As a result, by dint of German law, BMW Ingenieur-Zentrum GmbH+Co oHG, Dingolfing, automatically became a part of BMW AG, Munich. BMW Ingenieur-Zentrum Verwaltungs GmbH, Dingolfing, and BMW Ingenieur-Zentrum GmbH+Co oHG, Dingolfing, therefore both ceased to be consolidated companies. In addition, BMW Polska Sp. z o. o., Warsaw, was merged with BMW Vertriebs GmbH, Salzburg, and therefore also ceased to be a consolidated company.

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

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.

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3 — Consolidation principles

The equity of subsidiaries is consolidated in accordance with IFRS 3 (Business Combinations). IFRS 3 requires that all business combinations are accounted for using the acquisition method under which identifiable assets and liabilities acquired are measured at the acquisition date 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.

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

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

4 — 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	
	31.12.2010	31.12.2009	**2010**	2009
US Dollar	**1.34**	1.43	**1.33**	1.39
British Pound	**0.86**	0.89	**0.86**	0.89
Chinese Renminbi	**8.80**	9.78	**8.97**	9.52
Japanese Yen	**108.61**	133.17	**116.29**	130.37

5 — Accounting policies

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

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

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

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

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

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

Non-current assets also include assets relating to **leases**. The BMW Group uses property, plant and equipment as lessee 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 the contractual value. Residual value provisions are treated as write-downs and offset against leased products on the assets side of the balance sheet.

The imputed residual value of leased products is computed by the BMW Group on the basis of forecasts issued by external institutes (e.g. EurotaxSchwacke) or actual realised market values. Measurement also takes account of other relevant up-to-date information. The underlying assumptions are validated regularly in conjunction with internal back-testing procedures.

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. If there is no indication of impairment during the year, an annual impairment test is carried out at the year-end for intangible assets not yet available for use, for intangible assets with an indefinite useful life and for goodwill acquired as part of a business combination. In all other cases, an impairment test is carried out when changed circumstances or events indicate that the asset may be impaired. 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. This does not, however, apply to goodwill: previously recognised impairment losses on goodwill are not reversed.

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

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

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

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

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

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

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

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

Loans and receivables which are not held for trading, 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 customer retail business, the existence of overdue balances or the incidence of similar events in the past are examples of such objective evidence. In the event of overdue receivables, impairment losses are always recognised individually based on the length of period of the arrears. In the case of dealer financing receivables, the allocation of the dealer to a corresponding rating category is also deemed to represent objective evidence of impairment. If there is no objective evidence of impairment, impairment losses are recognised on financial assets using a portfolio approach based on similar groups of assets. Company-specific loss probabilities and loss ratios, derived from historical data, are used to measure impairment losses on similar groups of assets.

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

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

Derivative financial instruments are only used within the BMW Group for hedging purposes in order to reduce currency, interest rate, fair value and market price risks from operating activities and related financing requirements. All derivative financial instruments (such as interest, currency and combined interest/currency swaps as well as forward currency and forward commodities contracts) are measured in accordance with IAS 39 at their fair value, irrespective of their purpose or the intention for which they are held. The fair values of derivative financial instruments are measured using market information and recognised valuation techniques. In those cases where hedge accounting is applied, changes in fair value are recognised either in income or directly in equity un-

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der 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 calculation is based on an independent actuarial valuation which takes into account all relevant biometric factors.

Actuarial gains and losses arising on defined benefit pension and similar obligations 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. In addition, estimates used to measure warranty provisions were refined on the basis of current information. The positive impact of this change in estimate amounted to euro 201 million and has been recognised in cost of sales in 2010.

6 — New financial reporting rules

(a) Financial reporting rules applied for the first time in the financial year 2010

The following Standards and Revised/Amended Standards and Interpretations were applied for the first time in the financial year 2010:

Standard/Interpretation		Date of mandatory application	Endorsed by EU at 31.12.2010	Impact on BMW Group
IFRS 1	Additional Exceptions for First-time Adopters	1.1.2010	Yes	None
IFRS 1	First-time Adoption of IFRS	1.1.2010	Yes	None
IFRS 2	Accounting for Cash-settled Share-based and Separate Financial Statements	1.1.2010	Yes	None
IFRS 3/IAS 27	Business Combinations/Consolidated and Separate Financial Statements	1.1.2010	Yes	Significant in principle: Revised accounting treatment for business combinations
IAS 39	Exposures Qualifying for Hedge Accounting	1.1.2010	Yes	None
	Annual Improvements to IFRS*	1.1.2010	Yes	Insignificant
IFRIC 17	Distributions of Non-cash Assets to Owners	1.1.2010	Yes	None
IFRIC 18	Transfers of Assets from Customers	1.1.2010	Yes	None

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

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(b) New financial reporting rules issued in 2010

The following Standards and Revised/Amended Standards, which had been issued by the IASB by the end of the financial year 2010, but which were not mandatory for the reporting period, have not been applied by the BMW Group in the financial year 2010:

Standard		Published by IASB	Date of mandatory application	Endorsed by EU at 31.12.2010	Expected impact on BMW Group
IFRS 1	Exemption from Comparative IFRS 7 Disclosures	28.1.2010	1.1.2011	Yes	None
IFRS 1	Amendments with Respect to Transition Dates and Severe Inflation	20.12.2010	1.1.2012	No	None
IFRS 7	Financial Instruments: Disclosures	7.10.2010	1.1.2012	No	Insignificant
IFRS 9	Additions to IFRS 9 for Financial Liabilities Accounting	28.10.2010	1.1.2013	No	Insignificant
IAS 12	Recovery of Underlying Assets	20.12.2010	1.1.2012	No	Insignificant
	Annual Improvements to IFRS*	6.5.2010	1.1.2011	No	Insignificant

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

7 — Revenues

Revenues by activity comprise the following:

in euro million	2010	2009
Sales of products and related goods	**44,838**	36,126
Income from lease instalments	**5,181**	5,641
Sale of products previously leased to customers	**6,139**	5,294
Interest income on loan financing	**2,604**	2,582
Other income	**1,715**	1,038
Revenues	**60,477**	**50,681**

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

8 — Cost of sales

Cost of sales comprises:

in euro million	2010	2009
Manufacturing costs	**29,173**	24,930
Research and development costs	**3,082**	2,587
Warranty expenditure	**928**	996
Cost of sales directly attributable to financial services	**11,110**	10,092
Interest expense relating to financial services business	**2,112**	2,879
Expense for risk provisions and write-downs for financial services business	**893**	1,310
Other cost of sales	**2,264**	2,562
Cost of sales	**49,562**	**45,356**

Cost of sales include euro 14,115 million (2009: euro 14,281 million) relating to financial services business.

As in the previous year, manufacturing costs do not contain any impairment losses on intangible assets and property, plant and equipment. Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to euro 36 million (2009: euro 27 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	2010	2009
Research and development costs	**3,082**	2,587
Amortisation	**–1,260**	–1,226
New expenditure for capitalised development costs	**951**	1,087
Total research and development expenditure	**2,773**	**2,448**

9 — Sales and administrative costs

Sales costs amounted to euro 4,020 million (2009: euro 3,647 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative costs amounted to euro 1,509 million (2009: euro 1,393 million) and comprise expenses for administration not attributable to development, production or sales functions.

10 — Other operating income and expenses

in euro million	2010	2009
Exchange gains	**547**	455
Income from the reversal of provisions	**69**	84
Income from the reversal of impairment losses and write-downs	**38**	16
Gains on the disposal of assets	**15**	84
Sundry operating income	**97**	169
Other operating income	**766**	**808**
Exchange losses	**–677**	–482
Expense for additions to provisions	**–186**	–78
Expenses for impairment losses and write-downs	**–40**	–85
Sundry operating expenses	**–155**	–159
Other operating expenses	**–1,058**	**–804**
Other operating income and expenses	**–292**	**4**

Other operating income includes public-sector grants of euro 30 million (2009: euro 14 million).

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11 — Result from equity accounted investments

The profit from equity accounted investments of euro 98 million (2009: euro 36 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. It also includes for the first time the Group's share of the results of the joint ventures SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers, LLC, Dover, DE.

12 — Net interest result

in euro million	2010	2009
Expected return on plan assets	**476**	379
Other interest and similar income	**209**	477
— thereof from subsidiaries: euro 13 million (2009: euro 6 million)		
Interest and similar income	**685**	**856**
Expense from reversing the discounting of pension obligations	**–588**	–532
Expense from reversing the discounting of other long-term provisions	**–124**	–115
Write-downs on marketable securities	**–3**	–3
Other interest and similar expenses	**–251**	–364
— thereof to subsidiaries: euro – million (2009: euro – million)		
Interest and similar expenses	**–966**	**–1,014**
Net interest result	**–281**	**–158**

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

13 — Other financial result

in euro million	2010	2009
Income from investments	5	4
— thereof from subsidiaries: euro 5 million (2008: euro 4 million)		
Impairment losses on investments in subsidiaries	–179	–3
Income from reversal of impairmant losses on investments in subsidiaries	3	–
Result on investments	**–171**	**1**
Losses and gains relating to financial instruments	96	245
Sundry other financial result	**96**	**245**
Other financial result	**–75**	**246**

The result on investments in 2010 arose mainly as a result of the impairment loss recognised on the investment in the Husqvarna Group.

The positive sundry other financial result was largely attributable to fair value gains on stand-alone commodities derivatives.

14 — Income taxes

Taxes on income comprise the following:

in euro million	2010	2009
Current tax expense	1,430	338
Deferred tax income / expense	172	–135
Income taxes	**1,602**	**203**

Deferred taxes are recognised on temporary differences between the carrying amount of assets and liabilities for IFRS purposes and their tax bases. The deferred tax expense of euro 172 million (2009: deferred tax income of euro 135 million) is stated after offsetting deferred tax income of euro 212 million (2009: deferred tax expense of euro 228 million) arising on new or reversed temporary differences. 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%, unchanged from the previous year. The tax rates for companies outside Germany also remained in an unchanged range of between 12.5% and 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 below:

	Deferred tax assets		Deferred tax liabilities	
in euro million	**2010**	2009	**2010**	2009
Intangible assets	**2**	1	**1,338**	1,490
Property, plant and equipment	**33**	38	**281**	410
Leased products	**415**	443	**4,651**	4,281
Investments	**6**	5	**3**	8
Other current assets	**2,672**	2,175	**4,007**	3,559
Tax loss carryforwards	**1,453**	1,838	**–**	–
Provisions	**1,950**	1,388	**46**	47
Liabilities	**3,113**	3,316	**1,613**	1,444
Consolidations	**1,870**	1,564	**566**	482
	11,514	**10,768**	**12,505**	**11,721**
Valuation allowance	**–549**	–550	**–**	–
Netting	**–9,572**	–8,952	**–9,572**	–8,952
Deferred taxes	**1,393**	**1,266**	**2,933**	**2,769**
Net			**1,540**	1,503

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

Deferred tax assets on tax losses available for carryforward and on capital losses decreased on a net basis. Tax losses available for carryforward – for the most part usable without restriction – decreased to euro 2.6 billion (2009: euro 5.2 billion) mainly as a result of a tax field audit at the level of BMW AG. A valuation allowance of euro 33 million (2009: euro 31 million) was recognised at 31 December 2010 on deferred tax assets relating to these tax losses. In the entities affected, a net surplus of deferred tax assets over deferred tax liabilities is reported amounting to euro 587 million (2009: euro 618 million). Capital losses in the United Kingdom were unchanged at the end of the reporting period at euro 1.9 billion. As in previous years, deferred tax assets recognised on these tax losses – amounting to euro 516 million at the end of the reporting period (2009: euro 519 million) – were fully written down since they can only be utilised against future capital gains. Capital losses are not connected to on-going business operations.

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 756 million (2009: euro 493 million), an increase of euro 263 million (2009: euro 190 million) compared to the previous year. The change also includes a euro 6 million (2009: euro 12 million) reduction in deferred taxes arising on foreign currency translation.

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

in euro million	**2010**	2009
Deferred taxes at 1 January	**1,503**	1,891
Deferred tax expenses recognised through income statement	**172**	–135
Change in deferred taxes recognised directly in equity	**–269**	–202
Exchange rate impact and other changes*	**134**	–51
Deferred taxes at 31 December	**1,540**	**1,503**

* including effect of first-time consolidations

Deferred taxes are not recognised on retained profits of euro 16.2 billion (2009: euro 15.9 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 2010 of euro 1,602 million (2009: euro 203 million) is euro 142 million (2009: euro 79 million higher) higher than the expected tax expense of euro 1,460 million (2009: euro 124 million) which would theoretically arise if the tax rate of 30.2% applicable for German companies, and unchanged from the previous year, was applied across the Group. The difference between the expected and actual tax expense is attributable to the following:

in euro million	2010	2009
Expected tax expense	**1,460**	**124**
Variances due to different tax rates	**–50**	38
Tax increases (+)/tax reductions (–) as a result of non-taxable income and non-deductible expenses	**105**	68
Tax expense (+)/benefits (–) for prior periods	**141**	–26
Other variances	**–54**	–1
Actual tax expense	**1,602**	**203**

Tax increases as a result of non-deductible expenses relate mainly to the impact of non-recoverable withholding taxes on intra-group dividends. This line also includes write-downs recorded in the current year on investments. The line "Tax expense (+)/benefits (–) for prior years" mainly reflects the impact of tax field audits in Germany and abroad.

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 7 million (2009: euro 3 million). 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 18 million (2009: euro 10 million).

15 — Earnings per share

		2010	2009
Net profit for the year after minority interest	euro million	**3,218.1**	203.6
Profit attributable to common stock	euro million	**2,958.3**	186.5
Profit attributable to preferred stock	euro million	**259.8**	17.1
Average number of common stock shares in circulation	number	**601,995,196**	601,995,196
Average number of preferred stock shares in circulation	number	**52,663,822**	51,833,937
Earnings per share of common stock	euro	**4.91**	0.31
Earnings per share of preferred stock	euro	**4.93**	0.33
Dividend per share of common stock	euro	**1.30**	0.30
Dividend per share of preferred stock	euro	**1.32**	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 correspond to undiluted earnings per share.

16 — Other disclosures relating to the income statement

The income statement includes personnel costs as follows:

in euro million	2010	2009
Wages and salaries	**6,109**	5,299
Social security, retirement and welfare costs	**1,285**	1,267
— thereof pension costs: euro 740 million (2008: euro 744 million)		
Personnel costs	**7,394**	**6,566**

Personnel costs include euro 116 million (2009: euro 171 million) of expenditure incurred to reduce the size of the workforce.

The average number of employees during the year was:

	2010	2009
Employees	**88,933**	90,755
Apprentices and students gaining work experience	**5,513**	5,452
	94,446	**96,207**

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

The fee expense pursuant to § 314 (1) no. 9 HGB recognised in the financial year 2010 for the Group auditors amounted to euro 19 million (2009: euro 20 million) and consists of the following:

in Mio. Euro	2010	2009
Audit of financial statements	**11**	10
— thereof KPMG Europe LLP	5	4
Other attestation services	**1**	1
— thereof KPMG Europe LLP	–	–
Tax advisory services	**5**	6
— thereof KPMG Europe LLP	4	4
Other services	**2**	3
— thereof KPMG Europe LLP	1	3
Fee expense	**19**	**20**
— thereof KPMG Europe LLP	10	11

The total fee comprises expenses recorded by BMW AG and consolidated subsidiaries.

Fee expense relating to KPMG Europe LLP comprise services provided by KPMG AG Wirtschaftsprüfungsgesellschaft and its affiliated companies in the United Kingdom, Switzerland, Spain, Belgium, the CIS (former USSR) countries and the Netherlands. The prior year expense incurred by the subsidiary in the CIS countries (which did not entail a significant amount) was not reported in the previous year.

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17 — Disclosures relating to total comprehensive income

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

in euro million	2010	2009
Available-for-sale securities		
Gains / losses in the period	–19	11
Amounts reclassified to income statement	3	–7
	–16	4
Financial instruments used for hedging purposes		
Gains / losses in the period	–794	358
Amounts reclassified to income statement	274	–63
	–520	295
Exchange differences on translating foreign operations	683	318
Actuarial gains / losses relating to defined benefit pension and similar plans	–277	–1,198
Deferred taxes relating to components of other comprehensive income	263	190
Other comprehensive income for the period after tax	**133**	**–391**

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

in euro million	2010			2009		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Available-for-sale securities	–16	5	–11	4	–1	3
Financial instruments used for hedging purposes	–520	184	–336	295	–131	164
Exchange differences on translating foreign operations	683	–	683	318	–	318
Actuarial gains / losses relating to defined benefit pension and similar plans	–277	74	–203	–1,198	322	–876
Other comprehensive income	**–130**	**263**	**133**	**–581**	**190**	**–391**

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

	Acquisition and manufacturing cost					
in euro million	1.1.2010[1]	Translation differences	Additions	Reclassi-fications	Disposals	**31.12.2010**
Development costs	8,695	–	951	–	499	**9,147**
Other intangible assets	859	12	77	–	38	**910**
Intangible assets	**9,554**	**12**	**1,028**	**–**	**537**	**10,057**
Land, titles to land, buildings, including buildings on third party land	7,353	118	94	52	46	**7,571**
Plant and machinery	22,715	221	1,422	430	622	**24,166**
Other facilities, factory and office equipment	2,056	54	109	14	91	**2,142**
Advance payments made and construction in progress	567	21	610	–496	2	**700**
Property, plant and equipment	**32,691**[1]	**414**	**2,235**	**–**	**761**	**34,579**
Leased products	**24,417**	**982**	**9,334**	**–**	**10,776**	**23,957**
Investments accounted for using the equity method	**137**	**–**	**103**	**–**	**28**	**212**
Investments in non-consolidated subsidiaries	307	2	120	–	178	**251**
Participations	8	–	4	–	–	**12**
Non-current marketable securities	4	–	–	–	4	–
Other investments	**319**	**2**	**124**	**–**	**182**	**263**

[1] including the acquisition cost of property, plant and equipment in conjunction with the first-time consolidation of the Husqvarna Group totalling euro 14 million
[2] including assets under construction of euro 582 million

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	Reclassi-fications	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

Depreciation and amortisation						Carrying amount		
1.1.2010[1]	Translation differences	Current year	Disposals	Reversal of impairment losses	**31.12.2010**	**31.12.2010**	31.12.2009	
3,761	–	1,260	499	–	**4,522**	**4,625**	4,934	Development costs
414	7	119	36	–	**504**	**406**	445	Other intangible assets
4,175	**7**	**1,379**	**535**	**–**	**5,026**	**5,031**	**5,379**	**Intangible assets**
2,936	47	226	23	–	**3,186**	**4,385**	4,404	Land, titles to land, buildings, including buildings on third party land
16,732	165	1,933	595	–	**18,235**	**5,931**	5,983	Plant and machinery
1,623	43	144	80	–	**1,730**	**412**	433	Other facilities, factory and office equipment
1	–	–	–	–	**1**	**699**[2]	565	Advance payments made and construction in progress
21,292	**255**	**2,303**	**698**	**–**	**23,152**	**11,427**	**11,385**	**Property, plant and equipment**
6,444	**259**	**2,817**	**3,354**	**–**	**6,166**	**17,791**	**17,973**	**Leased products**
–	**–**	**–**	**–**	**–**	**–**	**212**	**137**	**Investments accounted for using the equity method**
82	1	179	177	3	**82**	**169**	225	Investments in non-consolidated subsidiaries
5	–1	–	–	–	**4**	**8**	3	Participations
–	–	–	–	–	**–**	**–**	4	Non-current marketable securities
87	**–**	**179**	**177**	**3**	**86**	**177**	**232**	**Other investments**

Depreciation and amortisation						Carrying amount		
1.1.2009[1]	Translation differences	Current year	Disposals	Reversal of impairment losses	**31.12.2009**	**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**

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19 — Intangible assets

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

In addition, intangible assets include a brand-name right amounting to euro 41 million (2009: euro 40 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 pages 96 et seq.

20 — 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 pages 96 et seq.

Property, plant and equipment include a total of euro 55 million (2009: euro 57 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 46 million (2009: euro 48 million) run for periods up to 2028 at the latest. Some of the leases contain extension and purchase options. The leases for plant and machinery and other equipment at the Oxford plant, with a carrying amount of euro 3 million (2009: euro 4 million) at 31 December, run until 2011. 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 equipment at the Hams Hall plant, with a carrying amount of euro 3 million (2009: euro 1 million) at 31 December, runs until 2018. Neither a lease extension option nor a purchase option has been agreed.

Minimum lease payments of the relevant leases are as follows:

in euro million	31.12.2010	31.12.2009
Total of future minimum lease payments		
due within one year	**89**	75
due between one and five years	**116**	166
due later than five years	**95**	117
	300	**358**
Interest portion of the future minimum lease payments		
due within one year	**5**	7
due between one and five years	**25**	25
due later than five years	**28**	36
	58	**68**
Present value of future minimum lease payments		
due within one year	**84**	68
due between one and five years	**91**	141
due later than five years	**67**	81
	242	**290**

21 — 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 8,070 million (2009: euro 7,686 million) from non-cancellable operating leases fall due as follows:

in euro million	31.12.2010	31.12.2009
within one year	**4,303**	4,257
between one and five years	**3,766**	3,428
later than five years	**1**	1
Leased products	**8,070**	**7,686**

Contingent rents of euro 47 million (2009: euro 39 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 pages 96 et seq.

22 — Investments accounted for using the equity method and other investments

Investments accounted for using the equity method include the BMW Group's interests in BMW Brilliance Automotive Ltd., Shenyang, SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE (all joint ventures) and in Cirquent GmbH, Munich. The aggregated interests of the Group are as follows:

in euro million	31.12.2010	31.12.2009
Disclosures relating to the income statement		
Income	**1,240**	835
Expenses	**–1,142**	–797
Profit	**98**	**38**
Disclosures relating to the balance sheet		
Non-current assets	**318**	222
Current assets	**572**	287
Equity	**271**	164
Non-current liabilities	**36**	15
Current liabilities	**583**	330
Balance sheet total	**890**	**509**

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

Additions to investments in non-consolidated subsidiaries relate primarily to the foundation of BMW India Financial Services Pvt. Ltd., New Delhi, and to a capital increase at the level of Husqvarna Motorcycles S.r.l., Cassinetta di Biandronno.

The write-downs on investments in affiliated companies relates primarily to investments in the Husqvarna Group. The new strategic direction being taken for these investments gave rise to an impairment loss of euro 178 million, reflecting the fact that the recoverable amount (value in use) was lower than the relevant carrying amounts. Most of this expense was recorded by the Automobile segment. Fair values were calculated by discounting future cash flows using a risk-adjusted interest rate of 12.0% (unchanged from the previous year).

Changes in investments in non-consolidated subsidiaries also reflect the capital increase, impairment and first-time consolidation of the Husqvarna Group.

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 pages 96 et seq.

23 — Receivables from sales financing

Receivables from sales financing, totalling euro 45,365 million (2009: euro 40,594 million), comprise euro 35,460 million (2009: euro 31,971 million) for credit financing for retail customers and dealers and euro 9,905 million (2009: euro 8,623 million) for finance leases. Finance leases are analysed as follows:

in euro million	31.12.2010	31.12.2009
Gross investment in finance leases		
due within one year	**3,922**	3,477
due between one and five years	**7,185**	6,269
due later than five years	**56**	28
	11,163	**9,774**
Present value of future minimum lease payments		
due within one year	**3,409**	3,056
due between one and five years	**6,446**	5,542
due later than five years	**50**	25
	9,905	**8,623**
Unrealised interest income	**1,258**	**1,151**

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Contingent rents recognised as income (generally relating to the distance driven) amounted to euro 3 million (2009: euro 3 million). Write-downs on finance leases amounting to euro 68 million (2009: euro 58 million) were measured and recognised on the basis of specific credit risks. There are no guaranteed residual values that fall to the benefit of the lessor (2009: euro 3 million).

Receivables from sales financing include euro 27,126 million (2009: euro 23,478 million) with a remaining term of more than one year.

Allowance for impairment and credit risk

in euro million	31.12.2010	31.12.2009
Gross carrying amount	**46,961**	41,950
Allowance for impairment	**–1,596**	–1,356
Net carrying amount	**45,365**	**40,594**

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

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

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**

At the end of the reporting period, impairment allowances of euro 203 million (2009: euro 161 million) were recognised on a group basis on gross receivables from sales financing totalling euro 24,477 million (2009: euro 19,509 million). Impairment allowances of euro 1,393 million (2009: euro 1,195 million) were recognised at 31 December 2010 on a specific item basis on gross receivables from sales financing totalling euro 10,722 million (2009: euro 10,581 million).

Receivables from sales financing which were not overdue at the end of the reporting period amounted to euro 11,762 million (2009: euro 11,860 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 19,282 million (2009: euro 15,600 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 35 million (2009: euro 40 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.

24 — Financial assets

Financial assets comprise:

in euro million	31.12.2010	31.12.2009
Derivative instruments	**2,781**	2,433
Marketable securities and investment funds	**1,566**	1,648
Loans to third parties	**58**	23
Credit card receivables	**262**	266
Other	**462**	364
Financial assets	**5,129**	**4,734**
thereof non-current	**1,867**	1,519
thereof current	**3,262**	3,215

The change in derivative instruments mainly reflects the positive development of fair values of commodity derivatives.

Marketable securities and investment funds decreased mainly as a result of the maturing of fixed-interest securities, the funds from which were not fully reinvested.

Investment funds are held to secure obligations relating to pre-retirement part-time work arrangements. These funds were transferred to BMW Trust e.V., Munich, as part of Contractual Trust Arrangements (CTAs) 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 50 million (2009: euro 28 million) is reported under other financial assets.

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

in euro million	31.12.2010	31.12.2009
Stocks	**1**	–
Fixed income securities	**1,565**	1,647
Sundry marketable securities	**–**	1
Marketable securities and investment funds	**1,566**	**1,648**

The contracted maturities of debt securities are as follows:

in euro million	31.12.2010	31.12.2009
Fixed income securities		
due within three months	**282**	302
due later than three months	**1,283**	1,345
Sundry marketable securities		
due within three months	**–**	–
due later than three months	**–**	1
Debt securities	**1,565**	**1,648**

Allowance for impairment and credit risk

Receivables relating to credit card business comprise the following:

in euro million	31.12.2010	31.12.2009
Gross carrying amount	**277**	283
Allowance for impairment	**–15**	–17
Net carrying amount	**262**	**266**

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

2010 in euro million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January	17	–	**17**
Allocated/reversed	27	–	**27**
Utilised	–30	–	**–30**
Exchange rate impact and other changes	1	–	**1**
Balance at 31 December	**15**	**–**	**15**

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**

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25 — Income tax assets

Income tax assets can be analysed as follows:

31 December 2010 in euro million	Maturity within one year	Maturity later than one year	**Total**
Deferred tax	–	1,393	**1,393**
Current tax	302	864	**1,166**
Income tax assets	**302**	**2,257**	**2,559**

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**

26 — Other assets

Other assets comprise:

in euro million	**31.12.2010**	31.12.2009
Other taxes	**564**	445
Receivables from subsidiaries	**688**	485
Receivables from other companies in which an investment is held	**258**	171
Prepayments	**847**	898
Collateral receivables	**474**	507
Sundry other assets	**818**	618
Other assets	**3,649**	**3,124**
thereof non-current	**692**	640
thereof current	**2,957**	2,484

Receivables from subsidiaries include trade receivables of euro 89 million (2009: euro 70 million) and financial receivables of euro 599 million (2009: euro 415 million). They include euro 259 million (2009: euro 145 million) with a remaining term of more than one year.

Receivables from other companies in which an investment is held include euro 251 million (2009: euro 171 million) due within one year.

Prepayments of euro 847 million (2009: euro 898 million) relate mainly to prepaid interest, development costs not eligible for capitalisation as non-current assets, insurance premiums and rent. Prepayments of euro 542 million (2009: euro 568 million) have a maturity of less than one year.

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

27 — Inventories

Inventories comprise the following:

in euro million	31.12.2010	31.12.2009
Raw materials and supplies	**663**	536
Work in progress, unbilled contracts	**683**	542
Finished goods and goods for resale	**6,420**	5,477
Inventories	**7,766**	**6,555**

At 31 December 2010, inventories measured at their net realisable value amounted to euro 416 million (2009: euro 355 million) and are included in total inventories of euro 7,766 million (2009: euro 6,555 million). Write-downs to net realisable value amounting to euro 18 million (2009: euro 58 million) were recognised in 2010.

28 — Trade receivables

Trade receivables amounting in total to euro 2,329 million (2009: euro 1,857 million) include euro 41 million due later than one year (2009: euro 40 million).

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Allowance for impairment and credit risk

in euro million	31.12.2010	31.12.2009
Gross carrying amount	**2,424**	1,942
Allowance for impairment	**–95**	–85
Net carrying amount	**2,329**	**1,857**

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

2010 in euro million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January	76	9	**85**
Allocated/reversed	17	3	**20**
Utilised	–12	–1	**–13**
Exchange rate impact and other changes	2	1	**3**
Balance at 31 December	**83**	**12**	**95**

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

As at the end of the previous year, there were no trade receivables at the balance sheet date which have been re-negotiated and which were otherwise overdue or 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	31.12.2010	31.12.2009
1–30 days overdue	**148**	149
31–60 days overdue	**41**	49
61–90 days overdue	**15**	26
91–120 days overdue	**11**	28
More than 120 days overdue	**39**	69
	254	**321**

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

29 — Cash and cash equivalents

Cash and cash equivalents of euro 7,432 million (2009: euro 7,767 million) comprise cash on hand and at bank, all with a maturity of under three months.

30 — Equity

Number of shares issued

At 31 December 2010 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 53,163,412 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 2010, a total of 499,590 shares of preferred stock was sold to employees at a reduced price of euro 26.99 per share in conjunction with an employee share scheme. These shares are entitled to receive dividends with effect from the financial year 2011. 1,540 shares of preferred stock were bought back via the stock exchange in order to service the Company's employee share scheme.

Issued share capital increased by euro 0.5 million as a result of the issue to employees of 498,050 shares of non-voting preferred stock. The Authorised Capital of BMW AG amounted to euro 4 million at the end of the reporting period. The Company is authorised to issue shares of non-voting preferred stock amounting to nominal euro 5 million prior to 13 May 2014. The share premium of euro 18 million arising on the share capital increase in 2010 was transferred to capital reserves.

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

Capital reserves

Capital reserves include premiums arising from the issue of shares and totalled euro 1,939 million (2009: euro 1,921 million). The change related to the share capital increase in conjunction with the issue of shares of preferred stock to employees.

Revenue reserves

Revenue reserves comprise the post-acquisition and non-distributed earnings of consolidated companies. In addition, 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 23,447 million. The figure was increased by the amount of the net profit attributable to shareholders of BMW AG (euro 3,218 million) and reduced by the payment of the dividend for 2009 (euro 197 million).

The unappropriated profit of BMW AG of euro 852 million for 2010 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 26 million (2009: euro 13 million). This includes a minority interest of euro 16 million (2009: 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	31.12.2010	31.12.2009
Equity attributable to shareholders of BMW AG	**23,074**	19,902
Proportion of total capital	**27.0%**	24.5%
Non-current financial liabilities	**35,833**	34,391
Current financial liabilities	**26,520**	26,934
Total financial liabilities	**62,353**	61,325
Proportion of total capital	**73.0%**	75.5%
Total capital	**85,427**	**81,227**

Equity attributable to shareholders of BMW AG increased during the financial year by 2.5 percentage points, mainly reflecting the increase in revenue reserves compared to the previous year. The decrease in the proportion of financial liabilities mainly reflects the fact that financing requirements for financial services business only increased slightly.

BMW AG is officially rated by the international rating agencies, Standard & Poor's (S & P) and Moody's, and adjudged to be highly creditworthy. The long-term and short-term ratings issued to BMW AG by the two rating agencies have been robust for many years now.

In September 2010 Moody´s and S & P raised their ratings for the Company's outlook from negative to stable as a result of the recovery of sales markets and improved macro-economic conditions.

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

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With their current long-term ratings of A– (S & P) and A3 (Moody's), the agencies continue to confirm BMW AG's robust creditworthiness for debt with a term of more than one year. BMW AG's creditworthiness for short-term debt is also classified by the rating agencies as good, thus enabling it to obtain refinancing funds on competitive conditions.

31 — 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 93 million (2009: euro 70 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 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 2010 was euro 10 million (2009: euro 7 million). The provisions for the medical care of employees in the USA compare with reimbursement claims of euro 8 million recognised in accordance with IAS 19.104A.

Post-employment benefit plans are classified as either defined contribution or defined benefit plans. Under defined contribution plans, an enterprise pays fixed contributions into a separate entity or fund and does not assume any other obligations. The total pension expense for defined contribution plans within the BMW Group amounted to euro 30 million (2009: euro 31 million). Employer contributions paid to state pension insurance schemes totalled euro 406 million (2009: euro 356 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 the financial year 2010, as previously planned, BMW AG transferred a further portion of its pension obligations to BMW Trust e.V., Munich, in conjunction with Contractual Trust Agreements (CTAs). As a result, almost all of the obligations in Germany are now covered by fund assets. Obligations not covered by assets held by the fund are covered by pension provisions. The main other countries with funded plans were the UK, the USA, Switzerland, the Netherlands, Belgium, South Africa and Japan.

Pension obligations are computed on an actuarial basis at the level of the defined benefit obligation. The actuarial computation requires the use of estimates, based on assumptions relating to life expectancy and the parameters stated below that depend on the economic situation in each particular country. The following weighted average values have been used for Germany, the UK and other countries:

31 December	Germany		United Kingdom		Other	
in %	**2010**	2009	**2010**	2009	**2010**	2009
Discount rate	**4.75**	5.30	**5.30**	5.40	**5.32**	5.54
Salary level trend	**3.25**	3.25	**4.10**	4.00	**3.89**	3.45
Pension level trend	**2.25**	2.30	**3.60**	3.38	**2.12**	1.96

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

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

Actuarial gains or losses may result from increases or decreases in either the present value of the defined benefit obligation or the fair value of the plan assets. Causes of actuarial gains or losses include the effect of changes in the measurement parameters, changes in estimates caused by the actual development of risks impacting on pension obligations and differences between the actual and expected return on plan assets. 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	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Present value of pension benefits covered by accounting provisions	**3**	3	**–**	–	**86**	70	**89**	73
Present value of funded pension benefits	**5,289**	4,616	**6,014**	5,743	**616**	499	**11,919**	10,858
Defined benefit obligations	**5,292**	4,619	**6,014**	5,743	**702**	569	**12,008**	10,931
Fair value of plan assets	**5,207**	3,144	**4,812**	4,487	**436**	346	**10,455**	7,977
Net obligation	**85**	1,475	**1,202**	1,256	**266**	223	**1,553**	2,954
Past service cost not yet recognised	**–**	–	**–**	–	**6**	4	**6**	4
Amount not recognised as an asset because of the limit in IAS 19.58	**–**	–	**–**	3	**3**	7	**3**	10
Balance sheet amounts at 31 December	**85**	**1,475**	**1,202**	**1,259**	**275**	**234**	**1,562**	**2,968**
thereof pension provision	**85**	1,475	**1,202**	1,259	**276**	238	**1,563**	2,972
thereof pension assets (–)	**–**	–	**–**	–	**–1**	–4	**–1**	–4

Pension provisions relating to pension plans in other countries amounted to euro 276 million (2009: euro 238 million). This includes euro 190 million (2009: euro 168 million) relating to externally funded plans.

The increase in defined benefit obligations results mainly from the change in the discount rate used in Germany for the actuarial computation. The impact of this on pension provisions was, however, more than offset by a further transfer of assets to BMW Trust e.V., Munich, in Germany and by positive fair value changes in fund assets.

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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	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Balance sheet amounts at 1 January	**1,475**	2,693	**1,259**	345	**234**	273	**2,968**	3,311
Effect of first-time consolidation	**–**	–	**–**	–	**1**	–	**1**	–
Expense from pension obligations	**119**	237	**135**	77	**50**	43	**304**	357
Pension payments or transfers to external funds	**–1,851**	–1,746	**–112**	–99	**–38**	–58	**–2,001**	–1,903
Actuarial gains (–) and losses (+) on defined benefit obligations	**441**	522	**–7**	946	**25**	–4	**459**	1,464
Actuarial gains (–) and losses (+) on plan assets	**–102**	–234	**–110**	–40	**–15**	–15	**–227**	–289
Employee contributions	**2**	2	**–**	–	**–**	–	**2**	2
Translation differences and other changes	**1**	1	**37**	30	**18**	–5	**56**	26
Balance sheet amounts at 31 December	**85**	1,475	**1,202**	1,259	**275**	234	**1,562**	2,968
thereof pension provision	**85**	1,475	**1,202**	1,259	**276**	238	**1,563**	2,972
thereof pension assets (–)	**–**	–	**–**	–	**–1**	–4	**–1**	–4

The defined benefit plans of the BMW Group gave rise to an **expense from pension obligations** in the financial year 2010 of euro 304 million (2009: euro 357 million), comprising the following components:

	Germany		United Kingdom		Other		Total	
in euro million	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Current service cost	**122**	103	**57**	52	**38**	33	**217**	188
Expense from reversing the discounting of pension obligations	**241**	228	**315**	275	**32**	29	**588**	532
Past service cost	**–42**	–	**9**	7	**–**	–	**–33**	7
Expected return on plan assets (–)	**–202**	–94	**–246**	–257	**–20**	–19	**–468**	–370
Expense from pension obligations	**119**	237	**135**	77	**50**	43	**304**	357

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. The asset portfolio also includes equity instruments, property and alternative investments.
The expected rate of return is derived on the basis of

the specific investment strategy applied to each individual pension fund. This is determined on the basis of the rates of return from the individual investment classes taking account of costs and unplanned risks. This approach resulted in the following expected rates of return on plan assets (disclosed on the basis of weighted averages):

	Germany		United Kingdom		Other	
in %	**2010**	2009	**2010**	2009	**2010**	2009
Expected rate of return on plan assets	**5.30**	6.12	**5.40**	6.03	**5.51**	6.55

Compared to the expected return of euro 468 million (2009: euro 370 million), fund assets actually increased in the financial year 2010 by euro 695 million (2009: increase in fund assets of euro 659 million) as a result of positive market price developments, giving rise to actuarial gains on fund assets of euro 227 million (2009: actuarial gains of euro 289 million). The actuarial gains on fund assets compare with actuarial losses of euro 459 million (2009: actuarial losses of euro 1,464 million) on benefit obligations. The actuarial losses in 2010 arose mainly as a result of the application of a lower discount rate in Germany.

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	**2010**	2009	**2010**	2009	**2010**	2009
1 January	**4,619**	3,848	**–3,144**	–1,155	**1,475**	2,693
Expense from pension obligations and expected return on plan assets	**321**	331	**–202**	–94	**119**	237
Payments to external funds	**–**	–	**–1,740**	–1,642	**–1,740**	–1,642
Employee contributions	**29**	27	**–27**	–25	**2**	2
Payments on account and pension payments	**–119**	–111	**8**	7	**–111**	–104
Actuarial gains (–) and losses (+)	**441**	522	**–102**	–234	**339**	288
Translation differences and other changes	**1**	2	**–**	–1	**1**	1
31 December	**5,292**	**4,619**	**–5,207**	**–3,144**	**85**	**1,475**

United Kingdom

	Defined benefit obligation		Plan assets		Net obligation	
in euro million	**2010**	2009	**2010**	2009	**2010**	2009
1 January	**5,743**	4,403	**–4,487**	–4,059	**1,256**	344
Expense from pension obligations and expected return on plan assets	**381**	334	**–246**	–257	**135**	77
Payments to external funds	**–**	–	**–112**	–99	**–112**	–99
Employee contributions	**1**	1	**–1**	–1	**–**	–
Payments on account and pension payments	**–282**	–264	**282**	264	**–**	–
Actuarial gains (–) and losses (+)	**–7**	946	**–110**	–40	**–117**	906
Translation differences and other changes	**178**	323	**–138**	–295	**40**	28
31 December	**6,014**	**5,743**	**–4,812**	**–4,487**	**1,202**	**1,256**

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Other

in euro million	Defined benefit obligation 2010	2009	Plan assets 2010	2009	Net obligation 2010	2009
1 January	**569**	537	**–346**	–277	**223**	260
Effect of first-time consolidation	**1**	–	**–**	–	**1**	–
Expense from pension obligations and expected return on plan assets	**70**	62	**–20**	–19	**50**	43
Payments to external funds	**–**	–	**–35**	–54	**–35**	–54
Employee contributions	**2**	2	**–2**	–2	**–**	–
Payments on account and pension payments	**–18**	–19	**15**	15	**–3**	–4
Actuarial gains (–) and losses (+)	**25**	–4	**–15**	–15	**10**	–19
Translation differences and other changes	**53**	–9	**–33**	6	**20**	–3
31 December	**702**	**569**	**–436**	**–346**	**266**	**223**

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

Components of plan assets

in euro million	Germany 2010	2009	United Kingdom 2010	2009	Other countries 2010	2009	Total 2010	2009
Equity instruments	**1,368**	1,020	**1,082**	823	**197**	165	**2,647**	2,008
Debt securities	**3,167**	1,835	**2,843**	2,951	**153**	142	**6,163**	4,928
Real estate	**–**	–	**430**	315	**26**	20	**456**	335
Other	**672**	289	**457**	398	**60**	19	**1,189**	706
31 December	**5,207**	**3,144**	**4,812**	**4,487**	**436**	**346**	**10,455**	**7,977**

A substantial portion of plan assets is invested in debt securities in order to minimise the effect of capital market fluctuations. Other investment classes, such as stocks and shares, serve to generate higher rates of return. This is necessary to cover risks (such as changes in morbidity tables) not taken into account in the actuarial assumptions applied. The financial risk of pension payments having to be made for longer than the calculated period is also hedged for pensioners in the UK by a so-called "longevity hedge".

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

in euro million	2010	2009	2008	2007	2006
Defined benefit obligation	**12,008**	10,931	8,788	10,631	11,430
Fair value of plan assets	**10,455**	7,977	5,491	6,029	6,432
Net obligation	**1,553**	2,954	3,297	4,602	4,998
Actuarial gains (–) and losses (+) on defined benefit obligations	**459**	1,464	–919	–557	–400
Actuarial gains (–) and losses (+) on plan assets	**–227**	–289	868	44	–117

Actuarial gains on benefit obligations, mostly attributable to experience adjustments, amounted to euro 76 million (2009: euro 22 million). Experience adjustments relating to fund assets also resulted in actuarial gains of euro 221 million in the financial year under report (2009: euro 289 million).

32 — Other provisions

Other provisions comprise the following items:

in euro million	31.12.2010 Total	31.12.2010 thereof due within one year	31.12.2009 Total	31.12.2009 thereof due within one year
Obligations for personnel and social expenses	**1,392**	**941**	960	445
Obligations for ongoing operational expenses	**2,960**	**1,233**	2,816	1,031
Other obligations	**1,195**	**652**	988	582
Other provisions	**5,547**	**2,826**	**4,764**	**2,058**

Provisions for obligations for personnel and social expenses comprise mainly performance-related remuneration components, early retirement part-time working arrangements and employee long-service awards. Provisions for obligations for on-going operational expenses comprise primarily warranty obligations. Provisions for other obligations cover numerous specific risks and obligations of uncertain timing and amount.

Other provisions changed during the year as follows:

in euro million	1.1.2010*	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2010
Obligations for personnel and social expenses	961	9	916	1	468	27	**1,392**
Obligations for ongoing operational expenses	2,826	59	944	108	874	103	**2,960**
Other obligations	991	34	605	8	336	107	**1,195**
Other provisions	**4,778**	**102**	**2,465**	**117**	**1,678**	**237**	**5,547**

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

Income from the reversal of other provisions amounting to euro 168 million (2009: euro 509 million) is included in costs by function in the income statement.

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33 — Income tax liabilities

31 December 2010 in euro million	Maturity within one year	Maturity later than one year	**Total**
Deferred tax	–	2,933	**2,933**
Current tax	649	549	**1,198**
Income tax liabilities	**649**	**3,482**	**4,131**

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**

Current tax liabilities of euro 1,198 million (2009: euro 836 million) comprise euro 189 million (2009: euro 197 million) for taxes payable and euro 1,009 million (2009: euro 639 million) for tax provisions. There was no income from the reversal of tax provisions in the period under report (2009: euro 60 million).

34 — 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 2010 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	6,681	17,883	3,004	**27,568**
Liabilities to banks	3,514	3,676	550	**7,740**
Liabilities from customer deposits (banking)	7,590	3,076	23	**10,689**
Commercial paper	5,242	–	–	**5,242**
Asset backed financing transactions	1,793	5,713	–	**7,506**
Derivative instruments	944	1,033	33	**2,010**
Other	756	454	388	**1,598**
Financial liabilities	**26,520**	**31,835**	**3,998**	**62,353**

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**

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	EUR 874 million	1.9	3.1
	variable	USD 90 million	2.1	0.8
	fixed	AUD 250 million	4.0	7.3
	fixed	EUR 12,820 million	5.8	4.8
	fixed	GBP 300 million	7.0	5.3
	fixed	NOK 450 million	4.0	5.8
	fixed	RON 44 million	3.0	11.4
	fixed	SEK 1,000 million	2.0	5.0
	fixed	USD 1,250 million	4.5	4.9
BMW (UK) Capital plc, Bracknell	variable	CZK 1,080 million	3.0	1.6
	variable	EUR 550 million	1.6	1.0
	variable	JPY 33,900 million	4.1	0.2
	variable	SEK 300 million	1.5	2.0
	variable	USD 100 million	1.5	0.3
	fixed	CHF 500 million	5.0	2.1
	fixed	GBP 300 million	8.0	5.0
	fixed	JPY 27,000 million	4.7	2.5
BMW US Capital, LLC, Wilmington, DE	variable	EUR 75 million	1.0	1.0
	variable	MXN 405 million	5.0	4.9
	variable	USD 633 million	2.4	0.3
	fixed	CHF 700 million	4.9	3.3
	fixed	EUR 4,000 million	6.3	5.5
	fixed	MXN 1,725 million	4.4	7.8
	fixed	USD 1,416 million	7.0	5.1
BMW Australia Finance Ltd., Melbourne, Victoria	variable	AUD 180 million	1.2	5.8
	variable	EUR 285 million	1.5	1.6
	variable	JPY 4,000 million	2.0	0.7
	variable	SEK 2,600 million	1.5	2.0
	variable	USD 375 million	1.9	1.1
	fixed	AUD 85 million	2.6	5.8
	fixed	CHF 450 million	4.1	2.1
	fixed	EUR 150 million	1.3	1.5
	fixed	JPY 8,000 million	2.0	0.9
	fixed	USD 100 million	2.5	1.1
Other	variable	JPY 14,600 million	1.3	0.2
	variable	USD 200 million	3.0	1.8
	variable	ZAR 2,500 million	1.8	6.7
	fixed	CAD 750 million	3.0	3.2
	fixed	JPY 33,600 million	3.5	1.1

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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 40 million	26.0	1.0
	GBP 30 million	108.0	1.0
	JPY 5,100 million	62.5	0.2
	USD 97 million	31.8	0.5
BMW Finance N.V., The Hague	EUR 3,009 million	47.0	0.9
BMW Malta Finance Ltd., St. Julians	EUR 505 million	42.1	1.0
BMW US Capital, LLC, Wilmington, DE	EUR 2,055 million	27.0	0.4

35 — **Other liabilities**

Other liabilities comprise the following items:

31 December 2010 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Other taxes	560	–	–	**560**
Social security	40	17	7	**64**
Advance payments from customers	738	35	–	**773**
Deposits received	120	82	–	**202**
Payables to subsidiaries	57	1	–	**58**
Payables to other companies in which an investment is held	4	–	–	**4**
Deferred income	1,130	2,115	265	**3,510**
Other	2,590	54	7	**2,651**
Other liabilities	**5,239**	**2,304**	**279**	**7,822**

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**

Deferred income comprises the following items:

in euro million	31.12.2010 Total	31.12.2010 thereof due within one year	31.12.2009 Total	31.12.2009 thereof due within one year
Deferred income from lease financing	**1,273**	**720**	1,082	658
Deferred income relating to service contracts	**1,928**	**307**	1,602	345
Grants	**241**	**38**	276	46
Other deferred income	**68**	**65**	174	60
Deferred income	**3,510**	**1,130**	**3,134**	**1,109**

Deferred income relating to service contracts relates to service and repair work to be provided under commitments given at the time of the sale of a vehicle (multi-component arrangements). Grants comprise primarily public funds to promote regional structures and which have been invested in the production 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.

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36 — Trade payables

31 December 2010 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Trade payables	4,327	24	–	**4,351**

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**

The total amount of financial liabilities, other liabilities and trade payables with a maturity later than five years amounts euro 4,277 million (2009: euro 5,372 million).

37 — 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	31.12.2010	31.12.2009
Guarantees	**13**	158
Performance guarantees	**11**	10
Other	**66**	64
Contingent liabilities	**90**	**232**

Contingent liabilities relate entirely to non-group entities. In the previous year, guarantees included an amount of euro 8 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 land, buildings, plant and machinery, tools, office and other facilities. The leases run for periods of one to 92 years and in some cases contain extension and/or purchase options as well as price escalation clauses. In 2010 an amount of euro 200 million (2009: euro 199 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	31.12.2010	31.12.2009
Nominal total of future minimum lease payments		
— due within one year	**205**	208
— due between one and five years	**609**	598
— due later than five years	**589**	697
Other financial obligations	**1,403**	**1,503**

The above amounts include euro 4 million (2009: euro 1 million) in respect of non-consolidated subsidiaries and, as in the previous year, euro 1 million for back-to-back operating leases.

Purchase commitments for property, plant and equipment amount to euro 1,193 million (2009: euro 1,697 million).

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38 — Financial instruments

The carrying amounts and fair values of financial instruments are assigned to IAS 39 categories and cash funds as follows[1]:

31 December 2010 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	–	–	46,416	45,365	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	–	–	–	–
Loans to third parties	–	–	58	58	–	–
Credit card receivables	–	–	262	262	–	–
Other	–	–	462	462	–	–
Cash and cash equivalents	7,432	7,432	–	–	–	–
Trade receivables	–	–	2,329	2,329	–	–
Other assets						
Receivables from subsidiaries	–	–	688	688	–	–
Receivables from companies in which an investment is held	–	–	258	258	–	–
Collateral receivables	474	474	–	–	–	–
Other	–	–	274	274	–	–
Total	**7,906**	**7,906**	**50,747**	**49,696**	**–**	**–**
Liabilities						
Financial liabilities						
Bonds	–	–	–	–	–	–
Liabilities to banks	–	–	–	–	–	–
Liabilities from customer deposits (banking)	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Asset backed financing transactions	–	–	–	–	–	–
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Other	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Other liabilities						
Payables to subsidiaries	–	–	–	–	–	–
Payables to other companies in which an investment is held	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**

[1] For reasons of clarity, the carrying amounts of cash flow and fair value hedges are assigned to the category "Held for trading".
[2] Carrying amount corresponds to fair value.

Other liabilities		Available-for-sale	Fair value option	Held for trading	
Fair value	Carrying amount	Carrying amount[2]	Carrying amount[2]	Carrying amount[2]	
					Assets
–	–	177	–	–	Other investments
–	–	–	–	–	Receivables from sales financing
					Financial assets
					Derivative instruments
–	–	–	–	900	Cash flow hedges
–	–	–	–	1,102	Fair value hedges
–	–	–	–	779	Other derivative instruments
–	–	1,566	–	–	Marketable securities and investment funds
–	–	–	–	–	Loans to third parties
–	–	–	–	–	Credit card receivables
–	–	–	–	–	Other
–	–	–	–	–	Cash and cash equivalents
–	–	–	–	–	Trade receivables
					Other assets
–	–	–	–	–	Receivables from subsidiaries
–	–	–	–	–	Receivables from companies in which an investment is held
–	–	–	–	–	Collateral receivables
–	–	–	–	–	Other
–	**–**	**1,743**	**–**	**2,781**	**Total**
					Liabilities
					Financial liabilities
27,655	27,568	–	–	–	Bonds
7,726	7,740	–	–	–	Liabilities to banks
10,723	10,689	–	–	–	Liabilities from customer deposits (banking)
5,240	5,242	–	–	–	Commercial paper
7,464	7,506	–	–	–	Asset backed financing transactions
					Derivative instruments
–	–	–	–	921	Cash flow hedges
–	–	–	–	375	Fair value hedges
–	–	–	–	714	Other derivative instruments
1,598	1,598	–	–	–	Other
4,351	4,351	–	–	–	Trade payables
					Other liabilities
58	58	–	–	–	Payables to subsidiaries
4	4	–	–	–	Payables to other companies in which an investment is held
3,137	3,137	–	–	–	Other
67,956	**67,893**	**–**	**–**	**2,010**	**Total**

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						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	–	–	–	–
Loans to third parties	–	–	23	23	–	–
Credit card receivables	–	–	266	266	–	–
Other	–	–	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	–	–
Total	**8,274**	**8,274**	**44,668**	**44,085**	**–**	**–**
Liabilities						
Financial liabilities						
Bonds	–	–	–	–	–	–
Liabilities to banks	–	–	–	–	–	–
Liabilities from customer deposits (banking)	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Asset backed financing transactions	–	–	–	–	–	–
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Other	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Other liabilities						
Payables to subsidiaries	–	–	–	–	–	–
Payables to other companies in which an investment is held	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**

* Carrying amount corresponds to fair value.

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	Other liabilities		Available-for-sale	Fair value option	Held for trading
	Fair value	Carrying amount	Carrying amount*	Carrying amount*	Carrying amount*
Assets					
Other investments	–	–	232	–	–
Receivables from sales financing	–	–	–	–	–
Financial assets					
Derivative instruments					
Cash flow hedges	–	–	–	–	619
Fair value hedges	–	–	–	–	1,080
Other derivative instruments	–	–	–	–	734
Marketable securities and investment funds	–	–	1,648	–	–
Loans to third parties	–	–	–	–	–
Credit card receivables	–	–	–	–	–
Other	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	–
Trade receivables	–	–	–	–	–
Other assets					
Receivables from subsidiaries	–	–	–	–	–
Receivables from companies in which an investment is held	–	–	–	–	–
Collateral receivables	–	–	–	–	–
Other	–	–	–	–	–
Total	**–**	**–**	**1,880**	**–**	**2,433**
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					
Cash flow hedges	–	–	–	–	321
Fair value hedges	–	–	–	–	282
Other derivative instruments	–	–	–	–	490
Other	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	–	–	–
Total	**65,705**	**65,481**	**–**	**–**	**1,093**

Fair value measurement of financial instruments

The fair values shown are computed using market information available at the balance sheet date, on the basis of prices quoted by the contract partners or using appropriate measurement methods, e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 December 2010 on the basis of the following interest rates:

ISO-Code in %	EUR	USD	GBP	JPY
Interest rate for six months	0.85	0.31	0.63	0.23
Interest rate for one year	0.94	0.39	0.71	0.30
Interest rate for five years	2.51	2.22	2.69	0.56
Interest rate for ten years	3.39	3.55	3.69	1.18

Interest rates taken from interest rate curves were adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument.

Derivative financial instruments are measured at their fair value. The fair values of derivative financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. The supply of data to the model used to calculate fair values was refined in 2010. Observable financial market price spreads (e.g. for liquidity risks) are now taken into account in the measurement of derivative financial instruments, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on the disposal of those instruments.

Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 7. This includes financial instruments that are
1 measured at their fair values in an active market for identical financial instruments (level 1),
2 measured at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (level 2) or
3 using input factors not based on observable market data (level 3).

The following table shows the amounts allocated to each measurement level at 31 December 2010:

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31 December 2010	Level hierarchy in accordance with IFRS 7		
in euro million	Level 1	Level 2	Level 3
Marketable securities and investment fund shares – available-for-sale	1,566	–	–
Derivative instruments (assets)			
Cash flow hedges	–	900	–
Fair value hedges	–	1,102	–
Other derivative instruments	–	779	–
Derivative instruments (liabilities)			
Cash flow hedges	–	921	–
Fair value hedges	–	375	–
Other derivative instruments	–	714	–

31 December 2009	Level hierarchy in accordance with IFRS 7		
in euro million	Level 1	Level 2	Level 3
Marketable securities and investment fund shares – available-for-sale	543	1,105	–
Derivative instruments (assets)			
Cash flow hedges	–	619	–
Fair value hedges	–	1,080	–
Other derivative instruments	–	734	–
Derivative instruments (liabilities)			
Cash flow hedges	–	321	–
Fair value hedges	–	282	–
Other derivative instruments	1	489	–

Other investments (available-for-sale) amounting to euro 177 million (2009: 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.

As in the previous year, there were no significant reclassifications within the level hierarchy during the financial year 2010.

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	2010	2009
Held for trading		
Gains/losses from the use of derivative instruments	**15**	338
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)	**–175**	–23
Income from investments	**5**	4
Accumulated other equity		
Balance at 1 January	**20**	17
Total change during the year	**–11**	3
of which recognised in the income statement during the period under report	**3**	–7
Balance at 31 December	**9**	20
Loans and receivables		
Impairment losses/reversals of impairment losses	**–581**	–801
Other income/expenses	**–69**	–49
Other liabilities		
Income/expenses	**–90**	–113

Gains/losses from the use of derivatives relate primarily to fair value gains or losses arising on stand-alone derivatives.

Interest income and expense from interest rate and interest rate/currency swaps amounted to a net expense of euro 178 million (2009: net expense of euro 294 million).

Write-downs of euro 3 million (2009: euro 3 million) on available-for-sale securities, for which fair value changes were previously recognised directly in equity, were recognised as expense in 2010. As in the previous year, there were no reversals of write-downs on current marketable securities recognised directly in equity.

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	2010	2009
Balance at 1 January	**209**	45
Total changes during the year	**–336**	164
of which recognised in the income statement during the period under report	**274**	–63
Balance at 31 December	**–127**	**209**

During the period under report, an expense of euro 24 million (2009: euro 44 million) was recognised in the income statement to reflect forecasting errors and consequent over-hedging of currency exposures. In addition, the ineffective portion of cash flow hedges relating to raw materials expensed in the income statement amounted to euro 3 million (2009: –).

At 31 December 2010 the BMW Group held derivative instruments with terms of up to 60 months (2009:

46 months) to hedge currency risks attached to future transactions. It is expected that euro 110 million of net losses, recognised in equity at the end of the reporting period, will be recognised in the income statement in 2011.

At 31 December 2010 the BMW Group held derivative instruments with terms of up to 72 months (2009: 84 months) to hedge interest rate risks. It is expected that euro 42 million of net losses, recognised in equity at the end of the reporting period, will be recognised in the income statement in 2011.

At 31 December 2010 the BMW Group held derivative instruments with terms of up to 35 months (2009: 35 months) to hedge raw material price risks attached to future transactions. It is expected that euro 88 million of net gains, recognised in equity at the end of the reporting period, will be recognised in the income statement in 2011.

Cash flow hedges are generally used to hedge cash flows arising in conjunction with the supply of vehicles to subsidiaries and to hedge raw material price fluctuations.

Fair value hedges

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

in euro million	31.12.2010	31.12.2009
Gains / losses on hedging instruments designated as part of a fair value hedge relationship	**–808**	–398
Gains / loss from hedged items	**763**	446
	–45	48

The difference between the gains / losses on hedging instruments and the result recognised on hedged items represents the ineffective portion of fair value hedges.

Fair value hedges are mainly used to hedge the market prices of bonds, other financial liabilities and receivables from sales financing.

Credit risk

Notwithstanding the existence of collateral accepted, the carrying amounts of financial assets generally take account of the maximum credit risk arising from the possibility that the counterparties will not be able to fulfil their contractual obligations. The maximum credit risk for irrevocable credit commitments relating to credit card business amounts to euro 1,020 million (2009: euro 1,513 million). The equivalent figure for dealer financing is euro 14,388 million (2009: euro 12,634 million).

In the case of performance relationships underlying non-derivative financial instruments, collateral will be required, information on the credit-standing of the counterparty obtained or historical data based on the existing business relationship (i.e. payment patterns to date) reviewed in order to minimise the credit risk, all depending on the nature and amount of the exposure that the BMW Group is proposing to enter into.

Within the financial services business, the financed items (e.g. vehicles, equipment and property) in the retail customer and dealer lines of business serve as first-ranking collateral with a recoverable value. Security is also put up by customers in the form of collateral asset pledges, asset assignment and first-ranking mortgages, supplemented where appropriate by warranties and guarantees. If an item previously accepted as collateral is acquired, it undergoes a multi-stage process of repossession and disposal in accordance with the legal situation prevailing in the relevant market. The assets involved are generally vehicles which can be converted into cash at any time via the dealer organisation.

Impairment losses are recorded as soon as credit risks are identified on individual financial assets, using a methodology specifically designed by the BMW Group. More detailed information regarding this methodology is provided in the section on accounting policies.

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 conjunction with financial instruments.

Further disclosures relating to credit risk, in particular impairment losses recognised, are provided in the notes to the relevant category of receivables on page 102 and pages 104 et seq.

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Liquidity risk

The following table shows the maturity structure of expected contractual cash flows (undiscounted) for financial liabilities:

31 December 2010 in euro million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	–7,812	–19,567	–3,197	**–30,576**
Liabilities to banks	–3,594	–4,029	–587	**–8,210**
Liabilities from customer deposits (banking)	–8,089	–3,210	–25	**–11,324**
Commercial paper	–5,246	–	–	**–5,246**
Asset backed financing transactions	–1,810	–5,811	–	**–7,621**
Derivative instruments	–1,244	–1,375	–35	**–2,654**
Trade payables	–4,327	–24	–	**–4,351**
Other financial liabilities	–771	–532	–525	**–1,828**
	–32,893	**–34,548**	**–4,369**	**–71,810**

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*	–690	–447	–240	**–1,377**
Trade payables	–3,106	–16	–	**–3,122**
Other financial liabilities	–859	–162	–118	**–1,139**
	–32,562	**–34,688**	**–5,711**	**–72,961**

* previous year's figures restated

The cash flows shown comprise principal repayments and the related interest. The amounts disclosed for derivatives comprise only cash flows relating to derivatives that have a negative fair value at the balance sheet date.

Solvency is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling cash flow forecast. The resulting funding requirements are secured by a variety of instruments placed on the world's financial markets. The objective is to minimise risk by matching maturities for the Group's financing requirements within the framework of the target debt ratio. The BMW Group has good access to capital markets as a result of its solid financial position and a diversified refinancing strategy. This is underpinned by the longstanding long- and short-term ratings issued by Moody's and S & P.

Short-term liquidity is managed primarily by issuing money market instruments (commercial paper). In this area too, competitive refinancing conditions can be achieved thanks to Moody's und S & P short-term ratings of 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. Intra-group cash flow fluctuations are evened out by the use of daily cash pooling arrangements.

Market risks

The principal market risks to which the BMW Group is exposed are currency risk and interest rate risk.

Protection against such risks is provided in the first instance though natural hedging which arises when the values of non-derivative financial instruments have matching maturities and amounts (netting). Derivative financial instruments are used to reduce the risk remaining after netting. Financial instruments are only used to hedge underlying positions or forecast transactions.

The scope of permitted transactions, responsibilities, financial reporting procedures and control mechanisms used for financial instruments are set out in internal guidelines. This includes, above all, a clear separation of duties between trading and processing. Currency and interest rate risks are managed at a corporate level.

Further disclosures relating to risk management are provided in the 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 2010 derivative financial instruments were in place to hedge exchange rate risks, in particular for the currencies Chinese renminbi, US dollar, British pound and Japanese yen. The hedging contracts comprise mainly option and forward currency contracts.

A description of how these risks are managed is provided in the Group Management Report on pages 63 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	**31.12.2010**	31.12.2009
Euro/Chinese Renminbi	**6,256**	3,119
Euro/US Dollar	**3,888**	3,696
Euro/British Pound	**3,056**	2,446
Euro/Japanese Yen	**1,086**	902

In the next stage, these exposures are compared to all hedges that are in place. The net cash flow surplus represents an uncovered risk position. The cash-flow-at-risk approach involves allocating the impact of potential exchange rate fluctuations to operating cash flows on the basis of probability distributions. Volatilities and correlations serve as input factors to assess the relevant probability distributions.

The potential negative impact on earnings for the current period is computed on the basis of current market prices and exposures to a confidence level of 95% and a holding period of up to one year for each currency. Aggregation of these results creates a risk reduction effect due to correlations between the various portfolios.

The following table shows the potential negative impact for the BMW Group – measured on the basis of the cash-flow-at-risk approach – attributable at the balance sheet date to unfavourable changes in exchange rates for the principal currencies.

in euro million	**31.12.2010**	31.12.2009
Euro/Chinese Renminbi	**265**	201
Euro/US Dollar	**103**	174
Euro/British Pound	**184**	188
Euro/Japanese Yen	**30**	17

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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	**31.12.2010**	31.12.2009
Euro	**4,290**	5,514
US Dollar	**7,429**	6,628
British Pound	**2,599**	2,031

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 67.

As stated there, the BMW Group applies a value-at-risk approach for internal reporting purposes and to manage interest rate risks. This is based on a variance-covariance method, in which the potential future fair value losses of the interest rate portfolios are compared across the Group with expected amounts measured on the basis of a holding period of ten days and a confidence level of 99%. Aggregation of these results creates a risk reduction effect due to correlations between the various portfolios.

In the following table the potential volume of fair value fluctuations – measured on the basis of the value-at-risk approach – are compared with the expected value for the interest rate relevant positions of the BMW Group for the three principal currencies:

in euro million	**31.12.2010**	31.12.2009
Euro	**11**	47
US Dollar	**27**	139
British Pound	**4**	10

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 64. 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 2010, the Group profit before tax would have been euro 50 million higher (euro 50 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 page 67. Information regarding the residual value risk from operating leases is provided on pages 83 et seq.

39 — 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 (Statement of Cash Flows), cash flows are classified into cash flows from operating, investing and financing activities. The Group and segment cash flow statements are presented on pages 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 from the end of the reporting period 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 2010 was euro 22 million (2009: euro 40 million).

The cash flows from investing and financial 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 lessor 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.

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 5 million (2009: euro 4 million).

40 — 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 intermediary entities. Significant influence over the financial and operating policies of the BMW Group is presumed when a party holds 20% or more of the voting power of BMW AG. In addition, the requirements contained in IAS 24 relating to key management personnel and close members of their families or intermediary entities are also applied. In the case of the BMW Group, this applies to members of the Board of Management and Supervisory Board.

For the financial year 2010, 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 members of BMW AG's Board of Management and Supervisory Board.

The BMW Group maintains normal business relationships with affiliated, non-consolidated entities. Transactions with these entities are small in scale, arise in the normal course of business and are conducted on the basis of arm's length principles.

Transactions of BMW Group companies with the joint venture, BMW Brilliance Automotive Ltd., Shenyang, all arise in the normal course of business and are conducted on the basis of arm's length principles. Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during 2010 for an amount of euro 1,046 million (2009: euro 532 million). At 31 December 2010, receivables of Group companies from BMW Brilliance

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Automotive Ltd., Shenyang, amounted to euro 260 million (2009: euro 170 million).

In the financial year 2010, Group entities disbursed loans to the joint ventures, SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, und SGL Automotive Carbon Fibers LLC, Dover, DE. As a result, loans receivable amounting to euro 20 million were owed by joint ventures to Group entities at 31 December 2010 (2009: -). The loans were disbursed on the basis of arm's length principles. All other business transactions with the aforesaid joint ventures were concluded on the basis of arm's length principles and are not material for the BMW Group.

Business transactions between BMW Group entities and participations all arise in the normal course of business and are conducted on the basis of arm's length principles. With the exception of Cirquent GmbH, Munich, business relationships with such entities are on a small scale. In 2010 Group entities purchased services and goods from Cirquent GmbH, Munich, amounting to euro 56 million (2009: euro 52 million). At 31 December 2010 payables of Group entities to Cirquent GmbH, Munich, totalled euro 4 million (2009: euro 10 million). There were no receivables from Cirquent GmbH, Munich at the end of the reporting period (2009: euro 1 million).

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 2010. In addition, companies of the DELTON Group acquired vehicles on the basis of arm's length principles from the BMW Group, mostly in the form of leasing contracts. These service and sales contracts, which are not material for the BMW Group, all arise in the normal course of business and are conducted on the basis of arm's length principles.

Susanne Klatten is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairman of the Supervisory Board of Altana AG, Wesel, which purchased vehicles from the BMW Group during the financial year 2010. Susanne Klatten is also a shareholder and a member of the Supervisory Board of SGL Carbon SE, Wiesbaden, subsidiaries of which supplied components to the BMW Group in 2010. Susanne Klatten also 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 the transactions referred to above, companies of the BMW Group did not enter into any contracts with members of the Board of Management or Supervisory Board of BMW AG. The same applies to close members of the families of those persons.

BMW Trust e.V., Munich, administers assets on a trustee basis to secure obligations relating to pensions and pre-retirement part-time work arrangements in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity, which is a registered association (eingetragener Verein) under German law, does not have any assets of its own. It did not have any income or expenses during the year under report. BMW AG bears expenses incurred by BMW Trust e.V., Munich, on a minor scale and renders services on the association's behalf.

41 — **Principal subsidiaries of BMW AG**

	Equity in euro million	Net result in euro million	Capital investment in %
Domestic[1]			
BMW INTEC Beteiligungs GmbH, Munich[2]	3,554	–	100
BMW Bank GmbH, Munich[2]	1,016	–	100
BMW Finanz Verwaltungs GmbH, Munich	212	1	100
BMW Maschinenfabrik Spandau GmbH, Berlin	45	1	100
BMW Leasing GmbH, Munich[2]	16	–	100
BMW Hams Hall Motoren GmbH, Munich[3]	15	–	100
BMW Fahrzeugtechnik GmbH, Eisenach[2]	11	–	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich[2]	–[4]	–	100

[1] In the case of German subsidiaries, based on financial statements drawn up in accordance with HGB.
[2] profit and loss transfer agreement with BMW AG
[3] profit and loss transfer agreement with a subsidiary of BMW AG
[4] below euro 500,000

	Equity in euro million	Net result in euro million	Capital investment in %
Foreign*			
BMW Österreich Holding GmbH, Steyr	1,168	538	100
BMW China Automotive Trading Ltd., Beijing	1,051	947	100
BMW Motoren GmbH, Steyr	764	123	100
BMW Russland Trading OOO, Moscow	199	117	100
BMW Austria Gesellschaft m.b.H., Salzburg	49	–1	100
BMW Holding B.V., The Hague	6,072	907	100
BMW (South Africa) (Pty) Ltd., Pretoria	628	144	100
BMW Finance N.V., The Hague	398	43	100
— BMW Overseas Enterprises N.V., Willemstad	66	–	100
BMW (Schweiz) AG, Dielsdorf	364	62	100
BMW Japan Corp., Tokyo	362	265	100
— BMW Japan Finance Corp., Tokyo	292	31	100
BMW Italia S.p.A., Milan	354	–36	100
BMW Australia Finance Ltd., Melbourne, Victoria	223	35	100
BMW Belgium Luxembourg S.A./N.V., Bornem	216	5	100
BMW Canada Inc., Whitby	128	67	100
BMW France S.A., Montigny-le-Bretonneux	126	–65	100
BMW Sverige AB, Stockholm	52	34	100
BMW Korea Co., Ltd., Seoul	44	31	100
BMW Portugal Lda., Lisbon	44	1	100
BMW Automotive (Ireland) Ltd., Dublin	19	–2	100
BMW Hellas Trade of Cars SA, Athens	13	–13	100
BMW New Zealand Ltd., Auckland	10	1	100
BMW Nederland B.V., The Hague	–2	4	100
BMW Australia Ltd., Melbourne, Victoria	–100	17	100
BMW (UK) Holdings Ltd., Bracknell	537	–30	100
BMW (UK) Manufacturing Ltd., Bracknell	1,037	24	100
BMW (UK) Ltd., Bracknell	738	31	100
BMW Financial Services (GB) Ltd., Hook	341	107	100
BMW (UK) Capital plc, Bracknell	218	61	100
BMW Malta Ltd., St. Julians	1,038	84	100
— BMW Malta Finance Ltd., St. Julians	882	42	100
—— BMW Coordination Center V.o.F., Bornem	592	–	100
BMW España Finance S.L., Madrid	369	4	100
— BMW Ibérica S.A., Madrid	305	2	100
— BMW de Mexico, S.A. de C.V., Mexico City	12	16	100
BMW (US) Holding Corporation, Wilmington, DE	1,264	–6	100
BMW Financial Services NA, LLC, Wilmington, DE	732	261	100
BMW Manufacturing, LLC, Wilmington, DE	683	63	100
BMW of North America, LLC, Wilmington, DE	362	25	100
BMW US Capital, LLC, Wilmington, DE	309	12	100

* 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.

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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 142 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 27.66% of the issued common and preferred stock shares, of which 16.10% relates to Stefan Quandt, Bad Homburg v.d.H. and 11.56% 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 22.2 million (2009: euro 13.0 million) and comprised the following:

in euro million	2010	2009
Short-term employment benefits	**21.3**	12.3
Post-employment benefits	**0.9**	0.7
Compensation	**22.2**	**13.0**

The total remuneration of the members of the Board of Management for the financial year 2010 amounted to euro 18.2 million (2009: euro 10.7 million). This comprised fixed components of euro 3.7 million (2009: euro 3.7 million) and variable components of euro 14.5 million (2009: euro 7.0 million).

In addition, an expense of euro 0.9 million (2009: euro 0.7 million) has been granted to current members of the Board of Management for the period after the end of their employment relationship. This relates to the expense for allocations to pension provisions (service cost). Provisions for pension obligations to current members of the Board of Management in accordance with IAS 19 stood at euro 17.4 million (2009: euro 13.8 million).

The remuneration of former members of the Board of Management and their surviving dependants amounted to euro 3.7 million (2009: euro 3.8 million).

Pension obligations to former members of the Board of Management and their dependants are fully covered by pension provisions amounting to euro 49.7 million (2009: euro 46.7 million), computed in accordance with IAS 19.

The compensation of the members of the Supervisory Board for the financial year 2010 amounted to euro 3.1 million (2009: euro 1.6 million). This comprised fixed components of euro 1.6 million (2009: euro 1.6 million) and variable components of euro 1.5 million (2009: –).

The compensation system for members of the Board of Management and the Supervisory Board does not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components.

No advances or loans were granted by the Company to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Further details about the remuneration of current members of the Board of Management and of the Supervisory Board can be found in the Compensation Report on pages 154 to 161. 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 pages 143 to 146.

45 — Application of exemptions pursuant to § 264 (3) and § 264 b HGB

A number of companies and incorporated partnerships (as defined by § 264 a HGB) which are affiliated, consolidated entities of BMW AG and for which the Group Financial Statements of BMW AG represent exempting consolidated financial statements, apply the exemptions available in § 264 (3) and § 264 b HGB with regard to the drawing up of a management report. The exemptions have been applied by:

- Bavaria Wirtschaftsagentur GmbH, Munich
- BMW Fahrzeugtechnik GmbH, Eisenach
- BMW Hams Hall Motoren GmbH, Munich
- BMW M GmbH Gesellschaft für individuelle Automobile, Munich
- 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 § 264 b HGB with regard to publication:

- Bavaria Wirtschaftsagentur GmbH, Munich
- BMW Fuhrparkmanagement Beteiligungs GmbH, Munich
- BMW Hams Hall Motoren GmbH, Munich
- BMW INTEC Beteiligungs GmbH, Munich
- BMW Vertriebs GmbH & Co. oHG, Dingolfing
- Rolls-Royce Motor Cars GmbH, Munich

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Information on reportable segments

For the purposes of presenting segment information, the activities of the BMW Group are divided into operating segments in accordance with IFRS 8 (Operating Segments). Operating segments are identified on the same basis that is used internally to manage and report on performance and takes account of the organisational structure of the BMW Group based on the various products and services of the reportable segments.

The activities of the BMW Group are broken down into the operating segments 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 Motorcycles segment develops, manufactures, assembles and sells BMW and Husqvarna brand motorcycles as well as spare parts and accessories.

The principal lines of business of the Financial Services segment are car leasing, fleet business, retail customer and dealer financing, customer deposit business and insurance activities.

Holding and Group financing companies are included in the Other Entities segment. This segment also includes operating companies – BMW Services Ltd., Bracknell, BMW (UK) Investments Ltd., Bracknell, Bavaria Lloyd Reisebüro GmbH, Munich, and MITEC Mikroelektronik Mikrotechnik Informatik GmbH, Dingolfing – which are not allocated to one of the other segments.

Eliminations comprise the effects of eliminating business relationships between the operating segments.

Internal management and reporting

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. 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 e.g. trade payables.

The performance of the Financial Services segment is measured on the basis of profit or loss before tax. Net assets, defined as all assets less all liabilities, are used as the basis for assessing the allocation of resources.

The performance of the Other Entities segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Other Entities segment is total assets less tax receivables and investments.

Segment information by operating segment is as follows:

Segment information by operating segment

in euro million	Automobiles 2010	Automobiles 2009	Motorcycles 2010	Motorcycles 2009
External revenues	**44,221**	35,613	**1,291**	1,059
Inter-segment revenues	**9,916**	8,124	**13**	10
Total revenues	**54,137**	**43,737**	**1,304**	**1,069**
Segment result	**4,355**	–265	**71**	19
Capital expenditure on non-current assets	**3,355**	3,606	**70**	52
Depreciation and amortisation on non-current assets	**3,592**	3,509	**74**	73

in euro million	Automobiles 31.12.2010	Automobiles 31.12.2009	Motorcycles 31.12.2010	Motorcycles 31.12.2009
Segment assets	**9,665**	11,887	**402**	389

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Financial Services 2010	Financial Services 2009	Other Entities 2010	Other Entities 2009	Reconciliation to Group figures 2010	Reconciliation to Group figures 2009	Group 2010	Group 2009	
14,964	14,008	**1**	1	**–**	–	**60,477**	50,681	External revenues
1,653	1,790	**3**	2	**–11,585**	–9,926	**–**	–	Inter-segment revenues
16,617	**15,798**	**4**	**3**	**–11,585**	**–9,926**	**60,477**	**50,681**	**Total revenues**
1,214	365	**45**	51	**–849**	243	**4,836**	413	Segment result
11,736	10,246	**–**	–	**–2,564**	–1,787	**12,597**	12,117	Capital expenditure on non-current assets
4,845	5,757	**–**	–	**–2,012**	–2,050	**6,499**	7,289	Depreciation and amortisation on non-current assets

Financial Services 31.12.2010	Financial Services 31.12.2009	Other Entities 31.12.2010	Other Entities 31.12.2009	Reconciliation to Group figures 31.12.2010	Reconciliation to Group figures 31.12.2009	Group 31.12.2010	Group 31.12.2009	
5,216	4,268	**44,985**	40,400	**48,599**	45,009	**108,867**	101,953	Segment assets

Interest and similar income of the Financial Services segment totalling euro 4 million (2009: euro 3 million) are included in segment result. Interest and similar expenses of the Financial Services segment amounted to euro 7 million (2009: euro 8 million). The Other Entities segment result includes interest and similar income amounting to euro 1,984 million (2009: euro 1,778 million) and interest and similar expenses amounting to euro 2,058 million (2009: euro 1,852 million).

Also included in the Other Entities segment result is the result from equity accounted investments amounting to euro zero million in 2010 (2009: negative result of euro 6 million).

Segment assets of the Other Entities segment at 31 December 2010 included investments accounted for using the equity method amounting to euro 23 million (2009: euro 23 million).

The information disclosed for capital expenditure and depreciation and amortisation relates to property, plant and equipment, intangible assets and leased products.

Segment figures can be reconciled to the corresponding Group figures as follows:

in euro million	2010	2009
Reconciliation of segment result		
Total for reportable segments	**5,685**	170
Financial result of Automobiles segment and Motorcycles segment	**–474**	–331
Elimination of inter-segment items	**–375**	574
Group profit before tax	**4,836**	**413**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	**15,161**	13,904
Elimination of inter-segment items	**–2,564**	–1,787
Total Group capital expenditure on non-current assets	**12,597**	**12,117**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	**8,511**	9,339
Elimination of inter-segment items	**–2,012**	–2,050
Total Group depreciation and amortisation on non-current assets	**6,499**	**7,289**
Reconciliation of segment assets		
Total for reportable segments	**60,268**	56,944
Non-operating assets – Other Entities segment	**5,414**	5,797
Operating liabilities – Financial Services segment	**68,487**	67,008
Interest-bearing assets – Automobiles and Motorcycles segments	**30,300**	25,826
Liabilities of Automobiles and Motorcycles segments not subject to interest	**18,971**	15,541
Elimination of inter-segment items	**–74,573**	–69,163
Total Group assets	**108,867**	**101,953**

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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 2010	External revenues 2009	Non-current assets 2010	Non-current assets 2009
Germany	**11,207**	11,436	**21,257**	21,136
USA	**11,638**	10,628	**9,380**	9,836
China	**8,444**	4,039	**9**	9
Rest of Europe	**18,581**	16,989	**4,784**	4,751
Rest of the Americas	**2,530**	1,805	**1,273**	1,246
Other	**8,077**	5,784	**805**	581
Eliminations	**–**	–	**–3,259**	–2,822
Group	**60,477**	**50,681**	**34,249**	**34,737**

Munich, 15 February 2011

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Dr.-Ing. Norbert Reithofer

Frank-Peter Arndt | Dr.-Ing. Herbert Diess

Dr.-Ing. Klaus Draeger | Dr. Friedrich Eichiner

Harald Krüger | Ian Robertson

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, 15 February 2011

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Dr.-Ing. Norbert Reithofer

Frank-Peter Arndt   Dr.-Ing. Herbert Diess

Dr.-Ing. Klaus Draeger   Dr. Friedrich Eichiner

Harald Krüger   Ian Robertson

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BMW Group
Auditor's 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 2010. 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, 25 February 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schindler	Pastor
Wirtschaftsprüfer	Wirtschaftsprüfer

Corporate governance – acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis – is a comprehensive issue for the BMW Group embracing all areas of the enterprise. Corporate culture within the BMW Group is founded on transparent reporting and internal communication, a policy of corporate governance aimed at the interests of stakeholders, fair and open dealings between the Board of Management, the Supervisory Board and employees and compliance with the law. The Board of Management reports in this declaration, also on behalf of the Supervisory Board, on important aspects of corporate governance pursuant to § 289 a HGB and section 3.10 of the German Corporate Governance Code (GCGC).

Information on the Company's Governing Constitution

The designation "BMW Group" comprises Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and its group entities. BMW AG is a stock corporation (Aktiengesellschaft) based on the German Stock Corporation Act (Aktiengesetz). It has three representative bodies: the Annual General Meeting, the Supervisory Board and the Board of Management. The duties and authorities of those bodies derive from the Stock Corporation Act and the Articles of Incorporation of BMW AG. Shareholders, as the owners of the business, exercise their rights at the Annual General Meeting. The Annual General Meeting decides in particular on the utilisation of unappropriated profit, the ratification of the acts of the members of the Board of Management and of the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation, specified capital measures and elects the shareholders' representatives to the Supervisory Board. The Board of Management manages the enterprise under its own responsibility. Within this framework, it is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, at any time, revoke an appointment if there is an important reason. The Board of Management keeps the Supervisory Board informed of all significant matters regularly, promptly and comprehensively, following the principles of conscientious and faithful accountability and in accordance with prevailing law and the reporting duties allocated to it by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain major transactions. The Supervisory Board is not, however, authorised to undertake management measures itself.

In accordance with the requirements of the German Co-determination Act for companies that generally employ more than 20,000 people, the Supervisory Board of BMW AG is required to comprise ten shareholder representatives elected at the Annual General Meeting (Supervisory Board members representing equity or shareholders) and ten employees elected in accordance with the provisions of the Co-determination Act (Supervisory Board members representing employees). The ten Supervisory Board members representing employees comprise seven Company employees, including one senior staff representative, and three members elected following nomination by unions.

The close interaction between Board of Management and Supervisory Board in the interests of the enterprise as described above is also known as a "two-tier board structure".

The composition of the Board of Management the Supervisory Board and of any sub-committees established by the Supervisory Board is disclosed on pages 143 et seq. of the Annual Report. Further information on the work procedures of the Board of Management and the Supervisory Board can be found on pages 147 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 on whether the officially published and relevant recommendations issued by the "German Government Corporate Governance Code Commission", as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been or are not being applied, stating the reason or reasons.

At the joint meeting held in December 2010, the Board of Management and Supervisory Board of BMW AG issued the annual Declaration of Compliance and posted it on the BMW Group's website. In accordance with that declaration, in future BMW AG will comply with the recommendations published on 2 July 2010 in the electronic Federal Gazette (Code version dated 26 May 2010) without exception.

In the past the Board of Management and the Supervisory Board have adopted the Group's own Corporate Governance Code based on the GCGC in order to provide interested parties with a comprehensive and standalone document covering the corporate governance practices applied by the BMW Group. The BMW Group's

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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 Supervisory Board.

The Corporate Governance Code for the BMW Group, together with the Declaration of Compliance, Articles of Incorporation and other information, can be viewed and/or downloaded from the BMW Group's website at www.bmwgroup.com/ir under the menu item "Corporate Facts" and "Corporate Governance".

The full text of the declaration is also provided on page 142 of this Annual Report.

Declaration of the Board of Management and of the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft with respect to the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to § 161 German Stock Corporation Act

The Board of Management and Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft ("BMW AG") declare the following regarding the recommendations of the "Government Commission on the German Corporate Governance Code":

1. BMW AG will in future comply with all of the recommendations published on 2 July 2010 in the electronic Federal Gazette (Code version dated 26 May 2010).

2. During the period since filing the most recent declaration in December 2009, BMW AG complied with all of the recommendations published on 5 August 2009 in the electronic Federal Gazette (Code version dated 18 June 2009), except for the divergence from section 3.8 paragraph 3 GCGC referred to in that declaration: as stated there, the amount of excess agreed for the members of the Supervisory Board under a D & O liability insurance policy was not changed at that stage in view of the differing financial circumstances and incomes of board members.

   This recommendation will also be complied with in future.

Munich, December 2010

Bayerische Motoren Werke
Aktiengesellschaft

Supervisory Board	Board of Management
Prof. Dr.-Ing. Joachim Milberg Chairman	Dr.-Ing. Norbert Reithofer Chairman

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Members of the Board of Management

Dr.-Ing. Norbert Reithofer (born 1956)
Chairman

Frank-Peter Arndt (born 1956)
Production

Mandates
- **—** BMW Motoren GmbH (Chairman)
- **—** TÜV Süd AG (since 16.04.2010)
- — BMW (South Africa) (Pty) Ltd. (Chairman)
- — Leipziger Messe GmbH

Dr.-Ing. Herbert Diess (born 1958)
Purchasing and Supplier Network

Dr.-Ing. Klaus Draeger (born 1956)
Development

Dr. Friedrich Eichiner (born 1955)
Finance

Mandates
- **—** Allianz Deutschland AG
- — BMW Brilliance Automotive Ltd. (Deputy Chairman)

Harald Krüger (born 1965)
Human Resources, Industrial Relations Director

Ian Robertson (born 1958)
Sales and Marketing

Mandates
- — Rolls-Royce Motor Cars Limited (Chairman)

General Counsel:
Dr. Dieter Löchelt

— Membership of other statutory supervisory boards
— Membership of equivalent national or foreign boards of business enterprises

Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg (born 1943)
Chairman
Former Chairman of the Board of Management of BMW AG

Chairman of the Presiding Board, Personnel Committee and Nomination Committee; member of Audit Committee and the Mediation Committee

Mandates
— Bertelsmann AG
— FESTO AG
— SAP AG
— ZF Friedrichshafen AG
— Deere & Company

Manfred Schoch[1] (born 1955)
Deputy Chairman
Chairman of the European and General Works Council
Industrial Engineer

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

Stefan Quandt (born 1966)
Deputy Chairman
Entrepreneur

Member of the Presiding Board, Personnel Committee, Audit Committee, Nomination Committee and Mediation Committee

Mandates
— DELTON AG (Chairman)
— Karlsruher Institut für Technologie (KIT)
— AQTON SE (Chairman)
— DataCard Corp.

Stefan Schmid[1] (born 1965)
Deputy Chairman
Chairman of the Works Council, Dingolfing

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

Dr. jur. Karl-Ludwig Kley (born 1951)
Deputy Chairman (since 18. 05. 2010)
Chairman of the Executive Management of Merck KGaA

Chairman of the Audit Committee and Independent Finance Expert; member of the Presiding Board, Personnel Committee and Nomination Committee (in each case from 18. 05. 2010)

Mandates
— Bertelsmann AG
— 1. FC Köln GmbH & Co. KGaA (Chairman)

Prof. Dr. Jürgen Strube (born 1939)
(until 18. 05. 2010)
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
— Bertelsmann AG (Deputy Chairman)
— Fuchs Petrolub AG (Chairman)

Bertin Eichler[2] (born 1952)
Executive Member of the Executive Board of IG Metall

Mandates
— BGAG Beteiligungsgesellschaft der Gewerkschaften GmbH (Chairman)
— ThyssenKrupp AG (Deputy Chairman)

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[1] Employee representatives (company employees).
[2] Employee representatives (union representatives).
[3] Employee representative (member of senior management).
— Membership of other statutory supervisory boards
— Membership of equivalent national or foreign boards of business enterprises

Franz Haniel (born 1955)
Engineer, MBA

Mandates
- DELTON AG (Deputy Chairman)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- Metro AG (Chairman) (until 15.05.2010)
- secunet Security Networks AG
- Giesecke & Devrient GmbH
- TBG Limited

Prof. Dr. rer. nat. Dr. h. c. E. h. Reinhard Hüttl (born 1957)
Chairman of the Executive Board of Helmholtz-Zentrum Potsdam Deutsches GeoForschungsZentrum – GFZ
University professor

Prof. Dr. rer. nat. Dr.-Ing. E. h. Henning Kagermann (born 1947)
(since 18.05.2010)
President of acatech – Deutsche Akademie der Technikwissenschaften e. V.

Mandates
- Deutsche Bank AG
- Deutsche Post AG
- Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München
- Nokia Corporation
- Wipro Limited

Susanne Klatten (born 1962)
Entrepreneur

Mandates
- ALTANA AG (Deputy Chairman)
- SGL Carbon SE
- UnternehmerTUM GmbH (Chairman)

Prof. Dr. rer. pol. Renate Köcher (born 1952)
Director of Institut für Demoskopie Allensbach Gesellschaft zum Studium der öffentlichen Meinung mbH

Mandates
- Allianz SE
- Infineon Technologies AG
- MAN SE

Dr. h. c. Robert W. Lane (born 1949)
Former Chairman and Chief Executive Officer of Deere & Company

Mandates
- Deere & Company (Chairman) (until 24.02.2010)
- General Electric Company
- Northern Trust Corporation
- Verizon Communications Inc.

Horst Lischka[2] (born 1963)
General Representative of IG Metall Munich

Mandates
- KraussMaffei AG
- MAN Nutzfahrzeuge AG

Willibald Löw[1] (born 1956)
Chairman of the Works Council, Landshut

Wolfgang Mayrhuber (born 1947)
Chairman of the Board of Management of Deutsche Lufthansa AG (until 31. 12. 2010)

Mandates
- **—** Fraport AG (until 30. 06. 2010)
- **—** Lufthansa Technik AG
- **—** Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München
- — Austrian Airlines AG
- — HEICO Corporation
- — SN Airholding NV (until 31. 12. 2010)
- — UBS AG (since 14. 04. 2010)

Werner Neugebauer[2] (born 1950)
(until 31. 12. 2010)
General Representative of the Executive Board of IG Metall Bavaria

Mandates
- **—** ZF Sachs AG

Franz Oberländer[1] (born 1952)
Member of the Works Council, Munich

Anton Ruf[3] (born 1953)
Head of Development "Small Model Series"

Maria Schmidt[1] (born 1954)
Member of the Works Council, Dingolfing

Jürgen Wechsler[2] (born 1955)
(since 10. 02. 2011)
Regional Head of IG Metall Bavaria

Mandates
- **—** Schaeffler GmbH (Deputy Chairman)

Werner Zierer[1] (born 1959)
Chairman of the Works Council, Regensburg

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[1] Employee representatives (company employees).
[2] Employee representatives (union representatives).
[3] Employee representative (member of senior management).
— Membership of other statutory supervisory boards
— Membership of equivalent national or foreign boards of business enterprises

Information on Work Procedures of the Board of Management 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 (portfolios) is shown on page 143.

The Board of Management governs the enterprise under its own responsibility, acting in the interests of the BMW Group with the aim of achieving sustainable growth in value. The interests of shareholders, employees and other stakeholders are also taken into account in the pursuit of this aim.

The Board of Management determines the strategic orientation of the enterprise, agrees upon it with the Supervisory Board and ensures its implementation. The Board of Management is responsible for ensuring that all provisions of law and internal regulations are complied with. Further information relating to compliance within the BMW Group can be found on pages 163 et seq. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

During their period of employment for BMW AG, members of the Board of Management are bound by a comprehensive non-competition clause. They are required to act in the enterprise's best interests and may not pursue personal interests in their decisions or take advantage of business opportunities intended for the enterprise. They may only undertake ancillary activities, in particular supervisory board mandates outside the BMW Group, with the approval of the Supervisory Board's Personnel Committee. Each member of the Board of Management of BMW AG is obliged to disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

Following the appointment of a new member to the Board of Management, the BMW Corporate Governance Officer informs the new member of the framework conditions under which the board member's duties are to be carried out – in particular those enshrined in the BMW Group's Corporate Governance Code – as well as the duty to cooperate when a transaction or event triggers reporting requirements or requires the approval of the Supervisory Board.

The Board of Management consults and takes decisions as a collegiate body 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 matter being discussed, invite non-voting advisers to participate at meetings.

Terms of reference approved by the Board of Management contain a planned allocation of divisional responsibilities between the individual board members. These terms of reference also incorporate the principle that the full Board of Management bears joint responsibility for all matters of particular importance and scope. In addition, each member of the Board of Management manages the relevant portfolio of duties under their responsibility, whereby case-by-case rules can be put in place for cross-divisional projects. Board members continually provide the Chairman of the Board of Management with all information regarding major transactions and developments within their area of responsibility. The Chairman of the Board of Management coordinates cross-divisional matters with the overall targets and plans of the BMW Group, involving other board members to the extent that divisions within their area of responsibility are affected.

The Board of Management takes its decisions at meetings generally held on a weekly basis which are convened, coordinated and headed by the Chairman of the Board of Management. At the request of the Chairman, decisions can also be taken outside of board meetings if none of the board members object to this procedure. A meeting is quorate if all Board of Management members are invited to the meeting in good time. Members unable to attend any meeting are entitled to vote in writing, by fax or by telephone. Votes cast by phone must be subsequently confirmed in writing. Except in urgent cases, matters relating to a division for which the responsible board member is not present will only be discussed and decided upon with that member's consent.

Unless stipulated otherwise by law or in BMW AG's statutes, the Board of Management makes decisions on the basis of a simple majority of votes cast at meetings. Outside of board meetings, decisions are taken on the basis of a simple majority of board members. In the event of a tied vote, the Chairman of the Board of Management has the casting vote. Any changes to the board's terms of reference must be passed unanimously. A board meeting may only be held if more than half of the board members are present.

In the event that the Chairman of the Board of Management is not present or is unable to attend a meeting, the Member of the Board responsible for Finances will represent him.

Minutes are taken of all meetings and the Board of Management's resolutions and signed by the Chairman. Decisions taken by the Board of Management are binding for all employees.

The rules relating to meetings and resolutions adopted by the full Board of Management are also applicable for its committees.

Members of the Board of Management not represented in a committee are provided with the agendas and minutes of committee meetings. Committee matters are dealt with in full board meetings if the committee considers it necessary or at the request of a member of the Board of Management.

The secretariat for Board of Management matters assists the Chairman and other board members with the preparation and follow-up work connected with board meetings.

At Product Board meetings (generally held twice a month), the full board takes decisions at 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). If the committee chairman is not present or unable to attend a meeting, the Member of the Board responsible for Production represents him. Resolutions taken at meetings of the Operations Committee are made online.

The full board usually convenes twice a year in its function as Sustainability Board in order to define strategy with regard to sustainability and decide upon measures to implement that strategy. The Head of Group Communication and the Group Representative for Sustainability and Environmental Protection participate in these meetings in an advisory capacity.

The Board's Committee for Executive Management Matters deals with enterprise-wide issues affecting executive managers of the BMW Group, either in their entirety or individually (such as the executive management structure, potential candidates for executive management, nominations for or promotions to senior management positions). This committee has, on the one hand, an advisory and preparatory role (e.g. making suggestions for promotions to the two remuneration groups below board level and preparing decisions to be taken at board meetings with regard to human resources principles with the emphasis on executive management issues) and a decision-taking function on the other (e.g. deciding on appointments to senior management positions and promotions to higher remuneration groups or the wording of human resources principles decided on by the full board). The Committee has two members who are entitled to vote at meetings, namely the Chairman of the Board of Management, Dr.-Ing. Norbert Reithofer (who also chairs the meetings) and the board member responsible for Human Resources, Harald Krüger. The Head of Human Resources, Personnel Network and Human Resources International and the Head of Human Resources Senior Management also participate in an advisory function. At the request of the Chairman, resolutions may also be passed outside of committee meetings by casting votes in writing, by fax or by telephone if the other member entitled to vote does not object immediately. As a general rule, between five and ten meetings are held each year.

The Board of Management is represented by its Chairman in its dealings with the Supervisory Board. The Chairman of the Board of Management maintains regular contact with the Chairman of the Supervisory Board and keeps him informed of all important matters. The Supervisory Board has passed a resolution specifying the information and reporting duties of the Board of Management. As a general rule, in the case of reports required by dint of law, the Board of Management submits its reports to the Supervisory Board in writing. To the extent possible, documents required as a basis for taking decisions are sent to the members of the Supervisory Board in good time before the relevant meeting. Regarding transactions of fundamental importance, the Supervisory Board has stipulated specific transactions which require the approval of the Supervisory Board. Whenever necessary, the Chairman of the Board of Management obtains the approval of the Supervisory Board and ensures that reporting duties to the Supervisory Board are complied with. In order to fulfil these tasks, the Chairman is supported by all members of the Board of Management. The fundamental principle followed when reporting to the Supervisory Board is that the latter should be kept informed regularly, without delay and

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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

Overviews of members of the Supervisory Board, the Presiding Board and committees can be found on pages 144 et seq. (members of the Supervisory Board and their mandates) and on page 152 (Supervisory Board committees, meetings).

BMW AG's Supervisory Board, comprising ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected by employees in accordance with the German Co-determination Act), has the task of advising and supervising the Board of Management in its governance of the BMW Group. It is involved in all decisions of fundamental importance for the BMW Group. The Supervisory Board appoints the members of the Board of Management and decides upon the level of compensation they are to receive. The Supervisory Board can revoke appointments for important reasons. Together with the Personnel Committee and 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 2010. One meeting each year is planned to cover a number of days and is used, amongst other things, to enable an in-depth exchange on strategic and technological matters. The main emphases of meetings in 2010 are described in the Report of the Supervisory Board (pages 06 et seq.).

In line with the suggestion contained in the German Corporate Governance Code, the shareholder representatives and employee representatives prepare the Supervisory Board meetings separately and, if necessary, together with members of the Board of Management.

The Chairman of the Supervisory Board coordinates work within the Supervisory Board, chairs its meetings, handles the external affairs of the Supervisory Board and represents it in its dealings with the Board of Management.

The Supervisory Board is quorate if all members have been invited to the meeting and at least half of its members participate in the vote on a particular resolution. A resolution relating to an agenda item not included in the invitation is only valid if none of the members of the Supervisory Board 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 tie.

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 their vote cast by another Supervisory Board member if an appropriate request has been made in writing, by fax or in electronic form. This rule also applies to the casting of the second vote by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board can also accept the retrospective casting of votes by any members not present at a meeting if this is done within the time limit previously set. In special cases, resolutions may also be taken outside of meetings, i.e. in writing, by fax or by electronic means. Minutes are taken of each meeting and any resolutions made are signed by the Chairman of the Supervisory Board.

After its meetings, the Supervisory Board is generally provided with 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 co-operate when a transaction or event triggers reporting requirements or is subject to the approval of the Supervisory Board. New Supervisory Board members are also given the opportunity to become better acquainted with the business outside of Supervisory Board meetings by means of an information programme.

All members of the Supervisory Board of BMW AG are required to ensure that they have sufficient time to perform their mandate. If members of the Supervisory Board of BMW AG are also members of the management board of a listed company, they may not accept more than a total of three mandates on non-BMW Group supervisory boards of listed companies or in other bodies with comparable requirements.

The Supervisory Board examines the efficiency of its activities on a regular basis. Joint discussions are also held at plenum meetings, prepared on the basis of a questionnaire previously devised by and distributed to the members of the Supervisory Board. The Chairman of the Supervisory Board is open to suggestions for improvement at all times.

Each member of the Supervisory Board of BMW AG is bound to act in the enterprise's best interests. Members of the Supervisory Board may not pursue personal interests in their decisions or take advantage of business opportunities intended for the benefit of the enterprise.

Members of the Supervisory Board are obliged to inform the full Supervisory Board of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners, enabling the Supervisory Board to report to the shareholders at the Annual General Meeting on how it has dealt with such issues. Material conflicts of interest and those not merely temporary in nature result in the termination of the mandate of the relevant Supervisory Board member.

With regard to nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board in its entirety has the required knowledge, skills and expert experience to perform its tasks in a proper manner.

The Supervisory Board has set out specific targets for its own composition. Further information about these objectives and their implementation status can be found on page 153.

The members of the Supervisory Board are responsible for undertaking appropriate basic and further training measures such as may be necessary to carry out the tasks assigned to them. The Company provides appropriate assistance to members of the Supervisory Board in this respect.

The ability of the Supervisory Board to supervise and advise the Board of Management independently is also assisted by the fact that the Supervisory Board of BMW AG is required, based on its own assessment, to have a sufficient number of independent members. Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg is the only person on the Supervisory Board to have previously served on the Board of Management, of which he ceased to be a member in 2002. Supervisory Board members do not exercise directorships or similar positions or undertake advisory tasks for important competitors of the BMW Group.

Taking into account the specific circumstances of the BMW Group and the number of board members, the Supervisory Board has set up a Presiding Board and four committees, namely the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee (see overview on page 152). Such committees serve to raise the efficiency of the Supervisory Board's work and facilitate the handling of complex issues. The establishment and function of a Mediation Committee is prescribed by law. The person chairing a committee reports in detail on its work at each plenum meeting.

The composition of the Presiding Board and the various committees is based on legal requirements, BMW AG's Articles of Incorporation, terms of reference and corporate governance principles. The expertise and technical skills of its members are also taken into account.

According to the relevant terms of reference, the Chairman of the Supervisory Board is, in this capacity, automatically a member of the Presiding Board, the Personnel Committee and the Nomination Committee, and also chairs these committees.

The number of meetings held by the Presiding Board and the committees depends on current requirements. The Presiding Board, the Personnel Committee and the Audit Committee normally hold several meetings in the course of the year (further information regarding the number of meetings held in 2010 can be found on page 152 and in the Report of the Supervisory Board, page 06).

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 the various committees may call on experts and other suitably informed persons to attend meetings to give advice on specific matters.

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The Supervisory Board, the Presiding Board and the committees also meet without the Board of Management if necessary.

BMW AG ensures that the Supervisory Board and its committees are sufficiently equipped to carry out their duties. This includes the services provided by a centralised secretariat to support the chairmen in coordinating the work of the Supervisory Board.

In accordance with the relevant terms of reference, the Presiding Board comprises the Chairman of the Supervisory Board and board deputies. The Presiding Board prepares Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee. This includes, for example, preparing the annual Declaration of Compliance with the German Corporate Governance Code and the Supervisory Board's efficiency examination.

The Personnel Committee prepares the decisions of the Supervisory Board with regard to the appointment and revocation of appointment of members of the Board of Management and, together with the full Supervisory Board and the Board of Management, ensures that long-term successor planning is in place. For information regarding the criteria applied, see pages 08 et seq. The Personnel Committee also prepares the decisions of the Supervisory Board with regard to the Board of Management's compensation and the Supervisory Board's regular review of the Board of Management's compensation system. In conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management, the Personnel Committee is responsible for drawing up, amending and revoking service/employment contracts or, when necessary, other relevant contracts with members of the Board of Management. In specified cases, the Personnel Committee also has the authority to give the necessary approval for a particular transaction (instead of the Supervisory Board). This includes loans to members of the Board of Management or Supervisory Board, specified contracts with members of the Supervisory Board (in each case taking account of the consequences of related party transactions), as well as other activities of members of the Board of Management, including the acceptance of non-BMW Group supervisory mandates.

The Audit Committee deals in particular with issues relating to the supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements and compliance. It also monitors the external audit, auditor independence and any additional work performed by the external auditor. It prepares the proposal for the election of the external auditor at the Annual General Meeting, issues the audit engagement letter and agrees on points of emphasis as well as the auditor's fee. The Audit Committee prepares the Supervisory Board's resolution relating to the Company and Group Financial Statements and discusses interim reports with the Board of Management before publication. The Audit Committee also decides on the Supervisory Board's agreement to use the Authorised Capital 2009 (Article 4 point 5 of the Articles of Incorporation) and on amendments to the Articles of Incorporation which only affect their wording.

In line with the recommendations of the German Corporate Governance Code, the Chairman of the Audit Committee is independent and not a former Chairman of the Board of Management. He or she 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.

The establishment and composition of a Mediation Committee are required by the German Co-determination Act. The Mediation Committee has the task of making proposals to the Supervisory Board if a resolution for the appointment of a member of the Board of Management has not been carried by the necessary two-thirds majority of members' votes. In accordance with statutory requirements, the Mediation Committee comprises the Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.

Overview of Supervisory Board Committees, Meetings

Principal duties, basis for activities	Members	Number of meetings 2010	Average attendance
Presiding Board			
– preparation of Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee – activities based on terms of reference	Joachim Milberg[1] Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley	4	100 %
Personnel Committee			
– preparation of decisions relating to the appointment and revocation of appointment of members of the Board of Management, the compensation and the regular review of the Board of Management's compensation system – conclusion, amendment and revocation of employment contracts (in conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management) and other contracts with members of the Board of Management – decisions relating to the approval of ancillary activities of Board of Management members, including acceptance of non-BMW Group supervisory mandates as well as the approval of transactions requiring Supervisory Board approval by dint of law (e.g. loans to Board of Management or Supervisory Board members) – set up in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Joachim Milberg[1] Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley	4	100 %
Audit Committee			
– supervision of the financial reporting process, effectiveness of the internal control system, risk management system, internal audit arrangements and compliance – supervision of external audit, in particular auditor independence and additional work performed by external auditor – preparation of proposals for election of external auditor at Annual General Meeting, engagement of external auditor and compliance of audit engagement, determination of areas of audit emphasis and fee agreements with external auditor – preparation of Supervisory Board's resolution on Company and Group Financial Statements – discussion of interim reports with Board of Management prior to publication – decision on approval for utilisation of Authorised Capital 2009 – amendments to Articles of Incorporation only affecting wording – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Karl-Ludwig Kley[1, 2] Joachim Milberg Manfred Schoch Stefan Quandt Stefan Schmid	4 plus 3 telephone conferences	100 %
Nomination Committee			
– identification of suitable candidates (male / female) as shareholder representatives on the Supervisory Board, to be put forward for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Joachim Milberg[1] Stefan Quandt Karl-Ludwig Kley (In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.)	1	100 %
Mediation Committee			
– proposal to Supervisory Board if resolution for appointment of Board of Management member has not been carried by the necessary two-thirds majority of Supervisory Board members' votes – committee required by law	Joachim Milberg Manfred Schoch Stefan Quandt Stefan Schmid (In accordance with statutory requirements, the Mediation Committee comprises the Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.)	–	–

[1] Chair
[2] Independent financial expert within the meaning of § 100 (5) AktG and § 107 (4) AktG

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Composition of the Supervisory Board
The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, skills and experience required to properly complete its tasks.

To this end, a resolution has been passed by BMW AG's Supervisory Board specifying the following concrete objectives regarding its composition:

- At least four of the members of the Supervisory Board should have international experience or specialist knowledge with regard to one or more of the non-German markets important to the company.
- If possible, the Supervisory Board should include seven members who have acquired in-depth knowledge and experience from within the company. The Supervisory Board should not, however, include more than two former members of the Board of Management.
- At least three of the shareholder representatives in the Supervisory Board should be entrepreneurs or persons who have already gained experience in the management or supervision of another medium-sized or large company.
- Ideally, three members of the Supervisory Board should be figures from the worlds of business, science or research who have gained experience in areas relevant to the BMW Group – e.g. chemistry, energy supply, information technology, or who have acquired specialist knowledge in subjects relevant for the future of the BMW Group e.g. customer requirements, mobility, resources and sustainability.
- When seeking suitably qualified individuals for the Supervisory Board whose specialist skills and leadership qualities are most likely to strengthen the Board as a whole, consideration should also be given to diversity. When preparing nominations, the extent to which the work of the Supervisory Board would benefit from diversified professional and personal backgrounds (including international aspects) and from an appropriate representation of both genders should also be taken into account. In view of the proportion of women in the workforce of BMW AG (31 December 2010: 13.2%), the Supervisory Board is of the opinion that the current proportion of three female members out of a total of twenty members (15%) is satisfactory as far as gender mix is concerned, but that an increase would be desirable. If possible, the selection process in the near future will therefore be carried out with the aim of having four female members (20%) by the Annual General Meeting in 2015.
- The Supervisory Board should have at least seven independent members, two of whom must be independent individuals with expert knowledge of accounting or auditing.
- No persons carrying out directorship functions or advisory tasks for important competitors of the company may belong to the Supervisory Board. In compliance with prevailing legislation, the members of the Supervisory Board will strive to ensure that no persons will be nominated for election with whom a serious conflict of interests could arise (other than temporarily) due to other activities and functions carried out by them outside the BMW Group; this includes in particular advisory activities or directorships with customers, suppliers, creditors or other business partners.
- As a general rule, the age limit for membership of the Supervisory Board should be set at 70 years. In exceptional cases, members may be allowed to remain on the Board up until the Annual General Meeting following their 73rd birthday in order to fulfil legal requirements or to facilitate smooth succession in the case of persons with key roles or specialist qualifications.

The time schedule set by the Supervisory Board for achieving the above-mentioned composition targets is the Annual General Meeting 2015, by which time elections will have taken place for all positions on the Supervisory Board.

Future proposals for nomination made by the Supervisory Board at the Annual General Meeting – insofar as they apply to shareholder Supervisory Board members – should take account of these objectives in such a way that they can be achieved with the support of the appropriate resolutions at the Annual General Meeting. The Annual General Meeting is not bound by nominations for election proposed by the Supervisory Board. The freedom of employees to vote for the employee members of the Supervisory Board is also protected (for information on the legal conditions relating to the composition of the Supervisory Board please refer to page 140). Under the procedural rules stipulated by the German Co-Determination Act, the Supervisory Board does not have the right to nominate employee representatives for election. The objectives which the Supervisory Board has set itself with regard to its composition are therefore not intended to be instructions to those entitled to vote or restrictions on their freedom to vote. More to the point, they reflect the composition which the current Supervisory Board believes should be striven for in future by those entitled to nominate and elect board members, in view of the advisory and supervisory needs of BMW AG's Supervisory Board.

Apart from the desired increase in the number of female Supervisory Board members, the present composition of the Supervisory Board (see pages 144 et seq.) fulfils the composition objectives detailed above.

Compensation Report

The following section describes the principles relating to the compensation of the Board of Management and the stipulations set out in the statutes relating to the compensation of the Supervisory Board. In addition to discussing the compensation system, the components of compensation are also disclosed in absolute figures. Furthermore, the compensation of each member of the Board of Management and the Supervisory Board for the financial year 2010 is disclosed by name and analysed into components.

1. Compensation of the Board of Management

Responsibilities; approval by shareholders in 2010

The Supervisory Board is responsible for determining and regularly reviewing the Board of Management's compensation. The Personnel Committee plays a preparatory role in this process.

The compensation system in place for the Board of Management for the financial year 2010 was approved by shareholders at the Annual General Meeting 2010 as part of a consultative process ("Say on Pay") with a majority vote of 97.66%.

Principles of compensation

The compensation structure is designed to promote sustainable business development. At the same time, the compensation model used for the Board of Management should be attractive in the context of the competitive environment for highly qualified executives. All compensation components should be appropriate, both individually and in total, and should not encourage the Board of Management to take on inappropriate risks for the company.

The compensation of members of the Board of Management is determined by the full Supervisory Board on the basis of performance criteria and after taking into account any remuneration received from Group companies. The 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, the economic situation, the performance and future prospects of the BMW Group as well as comparable levels of compensation in the relevant sector and the compensation structure in place elsewhere within the organisation.

Variable compensation in the form of corporate related earnings- and performance-related bonus is based on a period stretching over several years, during which both positive and negative developments are taken into account.

The Personnel Committee and the Supervisory Board engaged external experts to test the compatibility of the compensation system in place in 2009 with the Act on the Appropriateness of Management Board Remuneration (VorstAG). The understanding gained in that process was taken into account in amended contracts agreed on mutual terms with all members of the Board of Management with effect from 1 January 2010.

The Supervisory Board reviews the compensation system at regular intervals, with regard to both the structure and amount of the compensation of the Board of Management. The Personnel Committee also makes use of remuneration studies. Recommendations made by an independent external remuneration expert and suggestions made by investors and analysts are also considered in the consultative process. The Supervisory Board also considers the compensation structures and the levels of compensation of staff and managers within the BMW Group.

Compensation system, compensation components

The compensation of the Board of Management comprises both fixed and variable remuneration. 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. Contracts with members of the Board of Management signed before 1 January 2010 contain a performance-related fixed amount (defined benefit). In certain circumstances, Board of Management members are entitled under contracts signed before 1 January 2010 to receive so-called "transitional payments" until their retirement.

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 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 (bonus) 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

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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 for the amount of the bonus 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 (bonus) is 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 in a single earnings factor) and the level of the dividend (common stock). The corporate earnings-related bonus is derived by multiplying the target amount fixed for each member of the Board of Management by the earnings factor and by the dividend factor. In exceptional circumstances, for instance when there have been major acquisitions or disposals, the Supervisory Board may adjust the level of the corporate earnings-related bonus.

An earnings and dividend factor of 1.00 gives rise to an earnings-based bonus of 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 during the second period of appointment. 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 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.

The personal performance-related bonus is derived by multiplying the target amount set for each member of the Board of Management by a performance factor. The Supervisory Board sets the performance factor on the basis of its assessment of the contribution of the relevant Board of Management member to sustainable and long-term oriented business development. In setting the factor, consideration is given equally to personal performance and decisions taken in previous forecasting periods, key decisions affecting the future development of the business and the effectiveness of measures taken in response to changing external conditions as well as other activities aimed at safeguarding the future viability of the business to the extent not included directly in the basis of measurement.

The target bonus and the key figures used to determine the corporate earnings-related bonus, have been fixed for a period of three financial years, during which time target bonus and the key figures may not be amended retrospectively.

As in previous years, the compensation system for 2010 does not include any stock options, value appreciation rights or other share-based components incorporating other long-term incentives. The Supervisory Board did, however, decide in December 2010 to add a further component to the compensation system for financial years from 1 January 2011 onwards, requiring Board of Management members to invest the equivalent of 20% of their total bonuses (after tax) for financial years from 2011 onwards in BMW common stock and to hold these shares for a minimum of four years. One half of the amount required to finance this investment will be provided by the Company. As part of a matching plan, the Board of Management members will, at the end of the holding period, receive from the Company either one additional share of common stock or an equivalent cash amount for three shares of common stock held, to be decided at the discretion of the Company. The new requirement is aimed at creating further long-term incentives to encourage sustainable governance.

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 the average salaries of employees.

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 was 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). 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. No changes were made to existing arrangements in 2010.

In the event of the termination of mandate, current members of the Board of Management are entitled to receive certain defined benefits in accordance with the pension scheme rules. Pensions are paid to former members of the Board of Management who have either reached the age of 65 or, if their mandate was terminated earlier and not extended, to members who have either reached the age of 60 or who are unable to work due to ill-health or accident, or who have entered into early retirement in accordance with a special arrangement. The amount of the pension is unchanged from the previous year and comprises a basic monthly amount of 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 when the civil servants remuneration level B6 (excluding allowances) is increased by more than 5% or 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.

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 amounted 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 in monthly amounts. The guaranteed minimum rate of return p.a. corresponds to the maximum interest rate used to calculate insurance reserves for life insurance policies (guaranteed interest on life insurance policies).

In the case of invalidity or death, a minimum of 60% of the potential annual contributions will be paid until the person concerned would have reached the age of 60. At the changeover to the new system, current members of the Board of Management were credited with a starting balance of equivalent value to any entitlements already vested.

The starting balance and all contributions subsequently credited to board members under the new scheme have been externally financed in conjunction with a trust model that is also used to fund pension obligations to employees.

Pensions are increased annually by an amount of 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 will be made either.

Retired board members are entitled to use company and lease vehicles in line with the rules applicable for senior heads of departments.

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If a board member's mandate is terminated early without important reason, there are no contractual commitments to pay compensation. Similarly, there are no commitments to pay compensation for early termination in the event of a change of control or a takeover offer.

No members of the Board of Management received any payments or benefits from third parties in 2010 on account of their activities as members of the Board of Management of BMW AG.

Overview of compensation system and compensation components

Component	Parameter / measurement base
Salary	
	Member of the Board of Management: – euro 420,000 p.a. (first term of appointment) – euro 480,000 p.a. (from second term of appointment onwards) Chairman of the Board of Management: – euro 840,000 p.a.
Variable compensation	
Bonus: (if target is 100% achieved, the ratio of salary and bonus will be approximately 20 : 80)	Target bonuses (if target is 100 % achieved): – euro 1.5 million (first term of appointment) – euro 1.75 million (from second term of appointment onwards) – euro 3.00 million (Chairman of the Board of Management)
a) Corporate earnings-related bonus (corresponds to 50 % of target bonus if target is 100 % achieved)	– Quantitative criteria fixed in advance for a period of three financial years – Formula: 50 % of target bonus x earnings factor x dividend factor (common stock) – the earnings factor is derived from the Group net profit and the Group post-tax return on sales – Corridor: 0 – 150 %* (fixed upper limit)
b) Performance-related bonus (corresponds to 50 % of target bonus if target is 100 % achieved)	– Primarily qualitative criteria, expressed in terms of a performance factor aimed at measuring the board members contribution to sustainable and long-term performance and the future viability of the business – Formula: 50 % of target bonus x performance factor – Other criteria for performance factor: innovation (economic and ecological, e.g. reduction of CO_2 emissions), leadership skills and attractiveness as employee, corporate social responsibility, progress in implementing diversity concept – Corridor: 0 – 150 %* (fixed upper limit)
Share-based compensation components	– introduction planned for financial years from 1 January 2011 onwards – requirement for board members to invest 20 % of their total bonuses (after tax) for financial years from 1 January 2011 onwards in BMW AG common stock – one half of the amount required to finance this investment to be provided by Company. – minimum holding period of four years – at the end of the holding period, board member receives either one additional share or an equivalent cash amount (at option of Company)
Special bonus payments	May be paid in justified circumstances on appropriate basis, no entitlement
Other remuneration	
	Contractual agreement, main points: use of company cars, insurance premiums, contributions towards security systems, medical check-up
Compensation entitlements on termination of contract, compensation entitlements in event of change of control or takeover bid	
	No contractual entitlements

Retirement and surviving dependants' benefits

Model	Principal features
a) Defined benefits (only applies to board members appointed for the first time before 1 January 2010; based on legal right to receive the benefits already promised to them, this group of persons is entitled to opt between (a) and (b))	Pension of base amount of euro 10,000 (Chairman: euro 15,000) plus fixed amounts based on length of company and board service, in certain circumstances transitional payments
b) Defined contribution system since 1 January 2010 with guaranteed minimum rate of return	Pension based on amounts credited to individual savings accounts for contributions paid and interest earned Annual contribution for board member (Chairman) for 2010: euro 240,000 (euro 425,000) for 2011: euro 270,000 (euro 475,000) for financial year 2012 and thereafter: euro 300,000 (euro 525,000) Various forms of disbursement No transitional payments

* Upper limit for financial year 2011 and thereafter will increase to 250 %.

Compensation of the Board of Management for the financial year 2010 (total)

The total remuneration of the current members of the Board of Management of BMW AG amounted to euro 18.2 million (2009: euro 10.7 million). The amount comprises fixed components (including other remuneration) of euro 3.7 million (2009: euro 3.7 million) and variable components of euro 14.5 million (2009: euro 7.0 million). The composition of the Board of Management was unchanged in 2010 compared to the previous year. The rules determining the level of board members' salaries remained unchanged during the financial year 2010; differences in salaries compared to the previous year resulted from the timing of appointment periods. Other remuneration decreased due to the lower level of fringe benefits paid in the year under report. Variable remuneration includes special bonus payments amounting to euro 770,000 (2009: –) (euro 100,000 per board member, euro 170,000 to the Chairman). The Supervisory Board authorised these amounts in the context of the special bonus payments to employees of BMW AG, based on the principle of consistency and taking into account senior management compensation (below board level). This was in recognition of the fact that the Board of Management has undertaken structural measures that have made it easier for the BMW Group to overcome the economic and financial crisis.

in euro million	2010		2009	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	**3.7**	**20.3**	3.7	34.6
Variable compensation	**14.5**	**79.7**	7.0	65.4
Total compensation	**18.2**	**100.0**	**10.7**	**100.0**

In addition, an expense of euro 0.9 million (2009: euro 0.7 million) was recognised in the financial year 2010 for current members of the Board of Management for the period after the end of their service relationship. This relates to the expense for allocations to pension provisions (service cost).

Compensation of the individual members of the Board of Management for the financial year 2010 (2009)

in euro	Fixed compensation			Variable compensation*	**Compensation Total**
	Salary	Other compensation	Total		
Norbert Reithofer	840,000	17,716	857,716	3,438,500	**4,296,216**
	(840,000)	(16,215)	(856,215)	(1,725,000)	(2,581,215)
Frank-Peter Arndt	480,000	21,529	501,529	2,006,625	**2,508,154**
	(440,000)	(23,591)	(463,591)	(910,417)	(1,374,008)
Herbert Diess	435,000	18,944	453,944	1,802,344	**2,256,288**
	(420,000)	(13,773)	(433,773)	(862,500)	(1,296,273)
Klaus Draeger	480,000	20,016	500,016	2,006,625	**2,506,641**
	(430,000)	(74,237)	(504,237)	(886,458)	(1,390,695)
Friedrich Eichiner	435,000	24,747	459,747	1,802,344	**2,262,091**
	(420,000)	(93,785)	(513,785)	(862,500)	(1,376,285)
Harald Krüger	420,000	20,473	440,473	1,734,250	**2,174,723**
	(420,000)	(78,028)	(498,028)	(862,500)	(1,360,528)
Ian Robertson	420,000	13,987	433,987	1,734,250	**2,168,237**
	(420,000)	(54,993)	(474,993)	(862,500)	(1,337,493)
Total	**3,510,000**	**137,412**	**3,647,412**	**14,524,938**	**18,172,350**
	(3,390,000)	(354,622)	(3,744,622)	(6,971,875)	(10,716,497)

* Variable remuneration for the financial year 2010 includes special bonus payments of euro 100,000 per board member (Chairman: euro 170,000).

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Pension benefits

in euro	Allocated to pension provisions in financial year 2010[1]	Present value of pension obligations (defined benefit plans), in accordance with IFRS[2, 3]	Present value of pension obligations (defined benefit plans), in accordance with HGB[2]	Balance on pension accounts at 31.12.2010 (defined benefit plans)[2]
Norbert Reithofer	168,018	4,393,600	4,092,763	**3,493,226**
	(131,815)	(3,583,214)	(3,583,214)	(–)
Frank-Peter Arndt	94,937	2,972,820	2,769,243	**2,389,511**
	(73,233)	(2,440,806)	(2,440,806)	(–)
Herbert Diess	123,733	2,079,474	1,915,385	**1,646,141**
	(93,685)	(1,619,404)	(1,619,404)	(–)
Klaus Draeger	95,435	2,736,323	2,539,567	**2,226,217**
	(74,495)	(2,223,687)	(2,223,687)	(–)
Friedrich Eichiner	109,474	2,931,281	2,741,092	**2,340,081**
	(86,612)	(2,406,328)	(2,406,328)	(–)
Harald Krüger	70,062	1,570,426	1,408,702	**1,213,803**
	(51,300)	(1,187,492)	(1,187,492)	(–)
Ian Robertson	238,584	714,664	660,951	**532,713**
	(189,682)	(381,011)	(381,011)	(–)
Gesamt[2]	**900,243**	**17,398,588**	**16,127,703**	**13,841,692**
	(700,822)	(13,841,942)	(13,841,942)	(–)

[1] Corresponds to service cost in accordance with IFRS.
[2] Based on legal right to receive the benefits already promised to them, current board members were given the option of choosing between the old and new models at the time the Company changed from a defined benefit to a defined contribution system.
[3] Defined benefit obligations (DBO)

The amount paid to former members of the Board of Management and their dependants was euro 3.7 million (2009: euro 3.8 million). Pension obligations to former members of the Board of Management and their dependants are fully covered by pension provisions amounting to euro 49.7 million (2009: euro 46.7 million), computed in accordance with IAS 19.

2. Compensation of the Supervisory Board

Responsibilities, regulation pursuant to Articles of Incorporation

The compensation of the Supervisory Board is determined by shareholders' resolution at the Annual General Meeting. The compensation regulation valid for the financial year 2010 was resolved by shareholders at the Annual General Meeting on 8 May 2008 and is set out in Article 15 of BMW AG's Articles of Incorporation, which can be viewed and/or downloaded at www.bmwgroup.com\ir under the menu items "Corporate Facts" and "Corporate Governance".

Compensation principles, compensation components

The Supervisory Board of BMW AG receives both fixed and corporate performance-related compensation. Earnings per share of common stock form the basis for corporate performance-related compensation.

Each member of the Supervisory Board receives, in addition to the reimbursement of expenses, a fixed amount of euro 55,000 (payable at the end of the year) as well as a corporate performance-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) exceed 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 performance-related compensation.

With this combination of fixed and corporate performance-related compensation, the compensation structure in place for BMW AG's Supervisory Board complies with the recommendation contained in section 5.4.6 of the German Corporate Governance Code. The German Corporate Governance Code also recommends that the exercising of chair and deputy chair positions in the Supervisory Board as well the chair and membership of committees should also be considered when determining the level of compensation.

Accordingly, the Articles of Incorporation of BMW AG stipulate that the Chairman of the Supervisory Board shall receive three times the amount and each Deputy Chairman shall receive twice the amount of the remuneration of a Supervisory Board member. Provided the relevant committee convened for meetings on at least three days during the financial year, each chairman of the Supervisory Board's committees receives twice the amount and each member of a committee receives one and a half times the amount of the remuneration of a Supervisory Board member. If a member of the Supervisory Board exercises more than one of the functions referred to above, the compensation is measured only on the basis of the function which is remunerated with the highest amount, 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.

In order to be able to perform his duties, the Chairman of the Supervisory Board is provided with secretariat and chauffeur services.

Compensation of the Supervisory Board for the financial year 2010 (total)

In accordance with Article 15 of the Articles of Incorporation, the compensation of the Supervisory Board for activities during the financial year 2010 amounted to euro 3.1 million (2009: euro 1.6 million). This comprised a fixed component of euro 1.6 million (2009: euro 1.6 million) and a variable component of euro 1.5 million (2009: –), reflecting the fact that the relevant criteria stipulated in the Articles of Incorporation were satisfied again for the first time in two years (minimum EPS of euro 2.30).

in euro million	**2010**		2009	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	**1.6**	**51.6**	1.6	100.0
Variable compensation	**1.5**	**48.4**	–	–
Total compensation	**3.1**	**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. Market research into the premium segment for cars in Germany, for which the Institut für Demoskopie Allensbach had been engaged in 2009, was completed in 2010 as agreed. Of the total fee of euro 79,600, the final instalment of euro 26,533 was incurred in 2010. 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 in 2009 prior to signing the contract.

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Compensation of the individual members of the Supervisory Board for the financial year 2010 (2009)

in euro	Fixed compensation	Attendance fee	Variable compensation	**Total**[4]
Joachim Milberg (Chairman)	165,000 (165,000)	10,000 (10,000)	172,260 (–)	**347,260** (175,000)
Manfred Schoch (Deputy Chairman)	110,000 (110,000)	10,000 (10,000)	114,840 (–)	**234,840** (120,000)
Stefan Quandt (Deputy Chairman)	110,000 (110,000)	10,000 (10,000)	114,840 (–)	**234,840** (120,000)
Stefan Schmid (Deputy Chairman)	110,000 (110,000)	10,000 (10,000)	114,840 (–)	**234,840** (120,000)
Jürgen Strube (Deputy Chairman)[1]	41,589 (110,000)	2,000 (10,000)	43,419 (–)	**87,008** (120,000)
Karl-Ludwig Kley (Deputy Chairman[2])	89,356 (55,000)	10,000 (8,000)	93,288 (–)	**192,644** (63,000)
Bertin Eichler	55,000 (55,000)	10,000 (10,000)	57,420 (–)	**122,420** (65,000)
Franz Haniel	55,000 (55,000)	10,000 (8,000)	57,420 (–)	**122,420** (63,000)
Reinhard Hüttl	55,000 (55,000)	8,000 (10,000)	57,420 (–)	**120,420** (65,000)
Henning Kagermann[3]	34,356 (–)	6,000 (–)	35,868 (–)	**76,224** (–)
Susanne Klatten	55,000 (55,000)	10,000 (10,000)	57,420 (–)	**122,420** (65,000)
Renate Köcher	55,000 (55,000)	10,000 (10,000)	57,420 (–)	**122,420** (65,000)
Robert W. Lane	55,000 (34,959)	10,000 (6,000)	57,420 (–)	**122,420** (40,959)
Horst Lischka	55,000 (34,959)	10,000 (8,000)	57,420 (–)	**122,420** (42,959)
Willibald Löw	55,000 (55,000)	10,000 (10,000)	57,420 (–)	**122,420** (65,000)
Wolfgang Mayrhuber	55,000 (55,000)	6,000 (8,000)	57,420 (–)	**118,420** (63,000)
Werner Neugebauer	55,000 (55,000)	4,000 (8,000)	57,420 (–)	**116,420** (63,000)
Franz Oberländer	55,000 (55,000)	8,000 (4,000)	57,420 (–)	**120,420** (59,000)
Anton Ruf	55,000 (55,000)	10,000 (10,000)	57,420 (–)	**122,420** (65,000)
Maria Schmidt	55,000 (55,000)	10,000 (10,000)	57,420 (–)	**122,420** (65,000)
Werner Zierer	55,000 (55,000)	10,000 (10,000)	57,420 (–)	**122,420** (65,000)
Total	**1,430,301** (1,430,302)	**184,000** (184,000)	**1,493,235** (–)	**3,107,536** (1,614,302)

[1] Member and Deputy Chairman of the Supervisory Board until 18 May 2010
[2] Deputy Chairman of the Supervisory Board since 18 May 2010
[3] Member of the Supervisory Board since 18 May 2010
[4] Figures for the previous year include the remuneration of members of the Supervisory Board who left office during the financial year 2009.

3. Other
No advances or loans were granted by the Company to Members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Reportable securities transactions (“Directors Dealings”)
Pursuant to § 15 a of the German Securities Trading Act (WpHG), members of the Board of Management and the Supervisory Board any persons related to those members, are required to give notice to BMW AG and the Federal Agency for the Supervision of Financial Services of transactions with BMW stock or related financial instruments if the total sum of such transactions exceeds an amount of euro 5,000 during any given calendar year. All transactions notified to BMW AG are disclosed on its website at www.bmwgroup.com/ir and in its Annual Document pursuant to § 10 (1) of the German Securities Prospectus Act. During the financial year 2010, Dr. Karl-Ludwig Kley gave notice of the sale of 1,320 shares of common stock at an average selling price of euro 62.94.

Shareholdings of members of the Board of Management and the Supervisory Board
The members of the Supervisory Board of BMW AG hold in total 27.66% of the Company’s shares of common and preferred stock, of which 16.10% relates to Stefan Quandt, Bad Homburg v.d.H. and 11.56% to Susanne Klatten, Bad Homburg v.d.H. The shareholding of the members of the Board of Management totals 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 2010 employees were able, at their own discretion, to acquire packages of between 5 and 25 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 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. A total of 499,590 shares of preferred stock were acquired by employees under the scheme in 2010; 498,050 of these shares were drawn from the Authorised Capital 2009, the remainder were bought back via the stock exchange. Every year the Board of Management of BMW AG decides whether the scheme is to be continued.

Information on corporate governance practices applied beyond mandatory requirements

Core principles
Within the BMW Group, the Board of Management, the Supervisory Board and the employees base their actions on twelve core principles which are the cornerstone of the success of the BMW Group.

Customer focus
The success of our company is determined by our customers. They are at the heart of everything we do. The results of all our activities must be valued in terms of the benefits they will generate for our customers.

Peak performance
We aim to be the best – a challenge to which all of us must rise. Each and every employee must be prepared to deliver peak performance. We strive to be among the elite, but without being arrogant. It is the company and its products that count – and nothing else.

Responsibility
Every BMW Group employee takes personal responsibility for the company’s success. When working in a team, each employee must assume personal responsibility for his or her actions. In doing so we are fully aware that we are working towards achieving the company’s goals. For this reason, we work together in the best interests of the company.

Effectiveness
The only results that count for the company are those which have a sustainable impact. In assessing leadership, we must consider the effectiveness of performance on results.

Adaptability
In order to ensure our long-term success we must adapt to new challenges with speed and flexibility. We therefore see change as an opportunity – adaptability 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 we agree upon will then be consistently implemented by all those involved.

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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 among the most important we ever make.

Leading by example
Every manager must lead by example.

Sustainability
In our view, sustainability constitutes a lasting contribution to the success of the company. This is the basis upon which we assume ecological and social responsibility.

Society
Social responsibility is an integral part of our corporate self-image.

Independence
We secure the corporate independence of the BMW Group through sustained profitable growth.

The core principles are also available at www.bmwgroup.com under the menu items "Responsibility" and "Employees".

Social responsibility towards employees and along the supplier chain
The BMW Group stands by its social responsibilities. Our corporate culture combines the drive for success with a willingness to be open, trustworthy and transparent. We are well aware of our responsibility towards society. Our models for sustainable social responsibility towards employees and for ensuring compliance with international social standards are based on various internationally recognised guidelines. The BMW Group is committed to adhering to the OECD's guidelines for multinational companies and the contents of the ICC Business Charter for Sustainable Development. Details of the contents of these guidelines and other relevant information can be found under www.oecd.org und www.iccwbo.org. The Board of Management signed the United Nations Global Compact in 2001 and, in 2005, together with employee representatives, issued a Joint Declaration on Human Rights and Working Conditions in the BMW Group. 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 as well as for the purposes of evaluating suppliers. Potential suppliers must submit a full disclosure when completing BMW's sustainability questionnaire, an inherent component of the acceptance procedure for potential new suppliers. The BMW Group also insists that its suppliers ensure that their sub-contractors comply with set standards. Purchasing terms and conditions and other information relating to purchasing can be found in the publicly available section of the BMW Group Partner Portal at https://b2b.bmw.com.

Compliance in the BMW Group
Responsible and lawful conduct is fundamental to the success of the BMW Group. This approach is an integral part of our corporate culture and is the reason why customers, shareholders, business partners and the general public place their trust in us. The Board of Management and the employees of the BMW Group are obliged to act responsibly and in compliance with applicable laws and regulations.

This principle has been embedded in BMW's internal "Rules of Conduct" for many years now. In order to ensure protection against compliance-related risks and reputational risk, the Board of Management created a Compliance Committee in 2007, mandated to establish a worldwide Compliance Organisation throughout the BMW Group.

The BMW Group Compliance Committee comprises the heads of the following departments: Legal 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 ensure compliance with the law (Legal Compliance). These activities include training, information and communication measures, following up cases of non-compliance and implementing compliance requirements.

The Compliance Committee reports regularly to the Board of Management on all compliance-related issues, including the progress made in setting up and developing the Compliance Organisation, details of investigations performed, known infringements of the law, sanctions imposed and corrective / preventative measures implemented. The BMW Group Compliance Committee operates through the Compliance Committee Office, which is allocated in organisational terms to the Chairman of the Board of Management.

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 implementation of the BMW Group Compliance Organisation began in 2008 and was completed in November 2009. The BMW Group Compliance Organisation comprises the entire set of measures taken to ensure that the BMW Group, its representative bodies, its managers and its staff act in a lawful manner. It is supplemented by a whole range of internal 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 right 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 supplementary compliance measures.

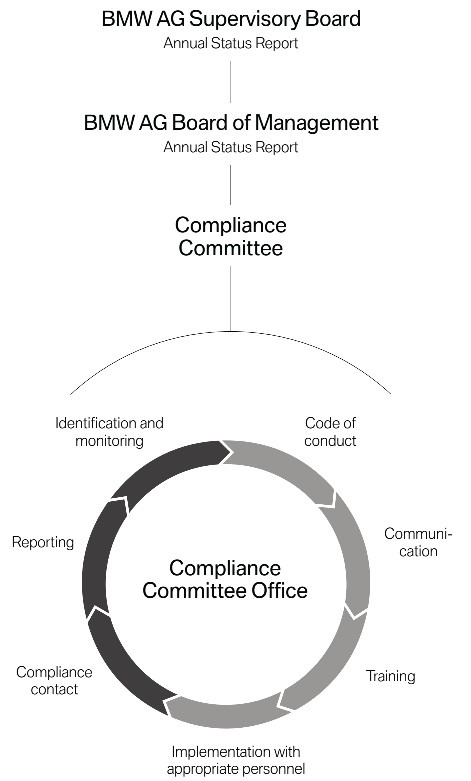
The BMW Group Legal Compliance Code is at the core of the Compliance Organisation. This document explains the significance of legal compliance and provides an overview of the various areas relevant for the BMW Group. The Legal Compliance Code is available both as a printed brochure and to download in German and English. In addition, translations into nine other languages (French, Spanish, Italian, Portuguese, Russian, Mandarin, Japanese, Thai and Korean) have been available since 2009.

Managers in particular bear a high degree of responsibility and must set a good example in the process of preventing infringements. All managers are required to inform the staff working for them of the content and significance of the Legal Compliance Code and to make 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.

More than 11,000 managers and staff have received training worldwide in essential compliance matters since the introduction of the BMW Group Compliance Organisation. The training material is available on an internet-based training platform in German and English and includes a final test. Successful participation in the training programme, which is documented by a certificate, is mandatory for all BMW Group managers. Appropriate processes are in place to ensure that all newly recruited managers and promoted staff undergo compliance training.

In addition to this basic training, in-depth training is also provided to certain groups of staff on specific com-

Compliance Committee



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pliance issues. In 2010, for example, a European Union-related training programme was prepared ("Compliance Advanced – Competition and Antitrust Law") aimed at employees who come into contact with antitrust-related issues as a result of their functions within sales or purchasing.

In order to avoid legal risks, all members of staff are expected to discuss matters with their managers and with the relevant departments within the BMW Group, in particular 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 for both 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, the Group Internal Audit Department, the Group Security Department and legal departments may be called upon to assist in the investigation process.

A reporting system has been established for the Compliance Organisation which enables compliance-relevant issues to be reported to the Compliance Committee on a regular basis, and, if necessary, on an ad hoc basis. To this end, a current total of 132 Compliance Managers (at 31 December 2010) report on compliance matters covering all areas of the BMW Group. The first full set of compliance reporting was completed in 2010. This included reporting on the compliance status of the relevant entities, identified legal risks and incidences of non-compliance as well as the corrective and preventative measures implemented.

Both the compliance with and the implementation of the Legal Compliance Code are reviewed regularly by Group Internal Audit and Group Security. For this purpose, the Group Internal Audit Department performs on-site audits and interviews employees.

The Board of Management keeps track of and analyses compliance-related developments and trends on the basis of the Group's compliance reporting and input from the BMW Group Compliance Committee. Against the background of rising expectations placed on the systematic approach and effectiveness of compliance organisations, in autumn 2010 the Board of Management decided to expand the existing range of compliance measures. This included additional measures aimed at avoiding corruption, strengthening controls and introducing regionally structured compliance management.

It is essential that employees are aware of and comply with applicable regulations. The BMW Group does not tolerate violations of law by its employees. Culpable violations of law result in employment-contract sanctions and may involve personal liability consequences for the employee involved.

In order to avoid this, the BMW Group's employees are kept fully informed of the 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. The website contains a special service area where various practical tools and aids are made available to employees, which help them deal with typical compliance-related matters. With effect from the beginning of 2010, employees also have access on the website to an electronically supported authorisation process for invitations in connection with business partners.

Compliance is also an important factor in terms of safeguarding the future of the BMW Group's workforce. With this in mind, in 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 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.

BMW Group Ten-year Comparison

		2010	2009	2008	2007
Deliveries to customers					
Automobiles	units	**1,461,166**	1,286,310	1,435,876	1,500,678
Motorcycles[3]	units	**110,113**	100,358	115,196	102,467
Production					
Automobiles	units	**1,481,253**	1,258,417	1,439,918	1,541,503
Motorcycles[4]	units	**112,271**	93,243	118,452	104,396
Financial Services					
Contract portfolio	contracts	**3,190,353**	3,085,946	3,031,935	2,629,949
Business volume (based on balance sheet carrying amounts)[5]	euro million	**66,233**	61,202	60,653	51,257
Income Statement					
Revenues	euro million	**60,477**	50,681	53,197	56,018
Gross profit margin Group[6]	%	**18.0**	10.5	11.4	21.8
Profit before financial result	euro million	**5,094**	289	921	4,212
Profit before tax	euro million	**4,836**	413	351	3,873
Return on sales (earnings before tax / revenues)	%	**8.0**	0.8	0.7	6.9
Income taxes	euro million	**1,602**	203	21	739
Effective tax rate	%	**33.1**	49.2	6.0	19.1
Net profit for the year	euro million	**3,234**	210	330	3,134
Balance Sheet					
Non-current assets	euro million	**65,716**	62,009	62,416	56,619
Current assets	euro million	**43,151**	39,944	38,670	32,378
Equity	euro million	**23,100**	19,915	20,273	21,744
Equity ratio Group	%	**21.2**	19.5	20.1	24.4
Non-current provisions and liabilities	euro million	**45,633**	45,119	41,526	33,469
Current provisions and liabilities	euro million	**40,134**	36,919	39,287	33,784
Balance sheet total	euro million	**108,867**	101,953	101,086	88,997
Cash Flow Statement					
Cash and cash equivalents at balance sheet date	euro million	**7,432**	7,767	7,454	2,393
Operating cash flow[7]	euro million	**8,150**	4,921	4,471	6,246
Capital expenditure	euro million	**3,263**	3,471	4,204	4,267
Capital expenditure ratio (capital expenditure / revenues)	%	**5.4**	6.8	7.9	7.6
Personnel					
Workforce at the end of year[8]		**95,453**	96,230	100,041	107,539
Personnel cost per employee	euro	**83,141**	72,349	75,612	76,704
Dividend					
Dividend total	euro million	**852**	197	197	694
Dividend per share of common stock / preferred stock	euro	**1.30 / 1.32**	0.30 / 0.32	0.30 / 0.32	1.06 / 1.08

1 adjusted for new accounting treatment of pension obligations
2 reclassified after harmonisation of internal and external reporting systems
3 excluding C1, sales volume to 2003: 32,859 units, including Husqvarna Motorcycles
4 excluding C1 production by Bertone, production volume C1 up to 2002: 33,489 units, including Husqvarna Motorcycles
5 amount computed on the basis of balance sheet figures: until 2007 from the Group balance sheet, from 2008 onwards from the Financial Services segment balance sheet
6 research and development costs included in cost of sales with the effect from 2008
7 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.
8 Figures exclude dormant employment contracts, employees in the non-work phases of pre-retirement part-time arrangements and low wage earners.
9 adjustment to dividend due to buy-back of treasury shares

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	2006	2005	2004[1]	2003	2002[2]	2001
Deliveries to customers						
Automobiles	1,373,970	1,327,992	1,208,732	1,104,916	1,057,344	905,657
Motorcycles[3]	100,064	97,474	92,266	92,962	92,599	84,713
Production						
Automobiles	1,366,838	1,323,119	1,250,345	1,118,940	1,090,258	946,730
Motorcycles[4]	103,759	92,012	93,836	89,745	93,010	90,478
Financial Services						
Contract portfolio	2,270,528	2,087,368	1,843,399	1,623,425	1,443,236	1,297,702
Business volume (based on balance sheet carrying amounts)[5]	44,010	40,428	32,556	28,647	26,505	25,306
Income Statement						
Revenues	48,999	46,656	44,335	41,525	42,411	38,463
Gross profit margin Group[6]	23.1	22.9	23.2	22.7	22.8	25.3
Profit before financial result	4,050	3,793	3,774	3,353	3,505	3,356
Profit before tax	4,124	3,287	3,583	3,205	3,297	3,242
Return on sales (earnings before tax / revenues)	8.4	7.0	8.1	7.7	7.8	8.4
Income taxes	1,250	1,048	1,341	1,258	1,277	1,376
Effective tax rate	30.3	31.9	37.4	39.3	38.7	42.4
Net profit for the year	2,874	2,239	2,242	1,947	2,020	1,866
Balance Sheet						
Non-current assets	50,514	47,556	40,822	36,921	34,667	31,282
Current assets	28,543	27,010	26,812	24,554	20,844	19,977
Equity	19,130	16,973	16,534	16,150	13,871	10,770
Equity ratio Group	24.2	22.8	24.4	26.3	25.0	21.0
Non-current provisions and liabilities	31,372	29,509	26,517	22,090	20,028	19,223
Current provisions and liabilities	28,555	28,084	24,583	23,235	21,612	21,266
Balance sheet total	79,057	74,566	67,634	61,475	55,511	51,259
Cash Flow Statement						
Cash and cash equivalents at balance sheet date	1,336	1,621	2,128	1,659	2,333	2,437
Operating cash flow[7]	5,373	6,184	6,157	4,970	4,553	4,304
Capital expenditure	4,313	3,993	4,347	4,245	4,042	3,516
Capital expenditure ratio (capital expenditure / revenues)	8.8	8.6	9.8	10.2	9.5	9.1
Personnel						
Workforce at the end of year[8]	106,575	105,798	105,972	104,342	101,395	97,275
Personnel cost per employee	76,621	75,238	73,241	73,499	69,560	66,711
Dividend						
Dividend total	458	419[9]	419	392	351	350
Dividend per share of common stock / preferred stock	0.70 / 0.72	0.64 / 0.66	0.62 / 0.64	0.58 / 0.60	0.52 / 0.54	0.52 / 0.54

BMW Group Locations

The BMW Group is present in the world markets with 25 production and assembly plants, 43 sales subsidiaries and a research and development network.

— H **Headquarters**

— R Research and Development

BMW Group Research and Innovation Centre (FIZ), Munich
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

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— P **Production**

Berlin plant
Dingolfing plant
Eisenach plant
Goodwood plant, GB (headquarters of Rolls-Royce Motor Cars Limited)
Hams Hall plant, GB
Landshut plant
Leipzig plant
Munich plant
Oxford plant, GB
Regensburg plant
Rosslyn plant, South Africa
BMW Brilliance Automotive Ltd., Shenyang, China (joint venture with Brilliance China Automotive Holdings)
Spartanburg plant, USA
Steyr plant, Austria
Swindon plant, GB
Wackersdorf plant
Husqvarna Motorcycles S.r.l., Cassinetta di Biandronno, Italy

— C **Contract production**

Magna Steyr Fahrzeugtechnik, Austria

— A **Assembly plants**

CKD production Cairo, Egypt
CKD production Chennai, India
CKD production Jakarta, Indonesia
CKD production Kaliningrad, Russia
CKD production Kulim, Malaysia
CKD production Manaus, Brazil
CKD production Rayong, Thailand

— S **Sales subsidiary markets / Locations Financial Services**

Argentina
Australia
Austria
Belgium
Brazil
Bulgaria
China
Canada
Czech Republic
Denmark
Dubai*
Finland
France
Germany
Great Britain
Greece
Hungary
India
Indonesia*
Ireland
Italy
Japan
Malaysia
Malta*
Mexico
Netherlands
New Zealand
Norway
Panama*
Poland
Portugal
Romania
Russia
Singapore
Slovakia
Slovenia
South Africa
South Korea
Spain
Sweden
Switzerland
Thailand
USA

* sales locations only

ACEA
Abbreviation for "Association des Constructeurs Européens d'Automobiles" (European Automobile Manufacturers Association).

CFRP
Abbreviation for carbon-fibre reinforced polymer. CFRP is a composite material, consisting of carbon-fibres surrounded by a plastic matrix (resin). On a comparative basis, CFRP is approximately 50% lighter than steel and 30% lighter than aluminium.

Common stock
Stock with voting rights (cf. preferred stock).

Connected Drive
Under the term Connected Drive, the BMW Group already unites a unique portfolio of innovative features that enhance comfort, raise infotainment to new levels and significantly boost safety in BMW Group vehicles.

Cost of materials
Comprises all expenditure to purchase raw materials and supplies.

DAX
Abbreviation for "Deutscher Aktienindex", the German Stock Index. The index is based on the weighted market prices of the 30 largest German stock corporations (by stock market capitalisation).

Deferred taxes
Accounting for deferred taxes is a method of allocating tax expense to the appropriate accounting period.

Derivatives
Financial products, whose measurement is derived principally from market price, market price fluctuations and expected market price changes of the underlying instrument (e.g. indices, stocks or bonds).

DJSI World
Abbreviation for "Dow Jones Sustainability Index World". A family of indexes created by Dow Jones and the Swiss investment agency SAM Sustainability Group for companies with strategies based on a sustainability concept. The BMW Group has been one of the leading companies in the DJSI since 1999.

EBIT
Abbreviation for "Earnings Before Interest and Taxes". The profit before income taxes, minority interest and financial result.

EBITDA
Abbreviation for "Earnings Before Interest, Taxes, Depreciation and Amortisation". The profit before income taxes, minority interest, financial result and depreciation/amortisation.

Effectiveness
The degree to which offsetting changes in fair value or cash flows attributable to a hedged risk are achieved by the hedging instrument.

Efficient Dynamics
The aim of Efficient Dynamics is to reduce consumption and emissions whilst simultaneously increasing dynamics and performance. This involves a holistic approach to achieving optimum automobile potential, ranging from efficient engine technologies and lightweight construction to comprehensive energy and heat management inside the vehicle.

Equity ratio
The proportion of equity (= subscribed capital, reserves, accumulated other equity and minority interest) to the balance sheet total.

Free cash flow
Free cash flow corresponds to the cash inflow from operating activities of the Automobiles segment less the cash outflow for investing activities of the Automobiles segment adjusted for net investment in marketable securities.

Gross margin
Gross profit as a percentage of revenues.

IFRSs
International Financial Reporting Standards, intended to ensure global comparability of financial reporting and consistent presentation of financial statements. The IFRSs are issued by the International Accounting Standards Board and include the International Accounting Standards (IASs), which are still valid.

ISO 14001
An internationally recognised standard for environmental management systems.

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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, seven assembly plants and one contract production plant. Within this network, the plants supply one another with systems and components and are all characterised by a high level of productivity, agility and flexibility.

Rating
Standardised evaluation of a company's credit standing which is widely accepted on the global capital markets. Ratings are published by independent rating agencies, e.g. Standard & Poor's or Moody's, based on their analysis of a company.

Return on sales
Pre-tax: Profit before tax as a percentage of revenues.
Post-tax: Profit as a percentage of revenues.

Risk management
An integral component of all business processes. Following enactment of the German Law on Control and Transparency within Businesses (KonTraG), all companies listed on a stock exchange in Germany are required to set up a risk management system. The purpose of this system is to identify risks at an early stage which could have a significant adverse effect on the assets, liabilities, financial position and results of operations, and which could endanger the continued existence of the company. This applies in particular to transactions involving risk, errors in accounting or financial reporting and violations of legal requirements. The Board of Management is required to set up an appropriate system, to document that system and monitor it regularly with the aid of the internal audit department.

Sales locations
Sales locations include separate legal entities, non-separate entities and regional offices. In addition, 105 markets are serviced by 97 importers.

Subsidiaries
Subsidiaries are those enterprises which, either directly or indirectly, are under the uniform control of the management of BMW AG or in which BMW AG, either directly or indirectly
- holds the majority of the voting rights
- has the right to appoint or remove the majority of the members of the Board of Management or equivalent governing body, and in which BMW AG is at the same time (directly or indirectly) a shareholder
- has control (directly or indirectly) over another enterprise on the basis of a control agreement or a provision in the statutes of that enterprise.

Supplier relationship management
Supplier relationship management (SRM) uses focused procurement strategies to organise networked supplier relationships, optimise processes for supplier qualification and selection, ensure the application of uniform standards throughout the Group and create efficient sourcing and procurement processes along the whole value added chain.

Sustainability
Sustainability, or sustainable development, gives equal consideration to ecological, social and economic development. In 1987 the United Nations "World Commission on Environment and Development" defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The economic relevance of corporate sustainability to the BMW Group is evident in three areas: resources, reputation and risk.

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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

Annual Report 2011	13 March 2012
Annual Accounts Press Conference	13 March 2012
Financial Analysts' Meeting	14 March 2012
Quarterly Report to 31 March 2012	3 May 2012
Annual General Meeting	16 May 2012
Quarterly Report to 30 June 2012	1 August 2012
Quarterly Report to 30 September 2012	6 November 2012

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The BMW Group on the Internet

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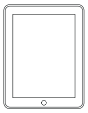

> **The Annual Report 2010 as an iPad app**

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NUMBER ONE

FUTURE — A high-tech material for tomorrow's mobility

GROWTH — From the first BMW 5 Series to an impressive global family

CUSTOMERS — Intelligent communication for individual mobility

PROFITABILITY — Stable performance in an age of global market fluctuations


38


15


58


11


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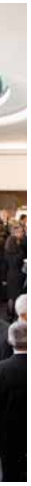
83

NUMBER ONE



NUMBER ONE

With our corporate Strategy Number ONE, we are systematically unlocking the future – opening up access to new customers, new technologies and new markets. Number ONE stands for dynamic growth and strong profitability in equal measure.

What does premium stand for? What does it really mean? And how can it be translated into ideas, action and, not least, products?

For us, one of the things premium means is leadership in the development of sustainable mobility. We are achieving this with dedicated employees and a production network that sets standards worldwide. We define sustainable mobility with groundbreaking vehicles and mobility concepts. We are inventing the future by defining it for ourselves.

One example of this is the high-tech material carbon, which we will be using on a large scale for new vehicle concepts of the future – creating a new dimension in individual mobility. Another example is intelligent networking between drivers, their vehicles and the world around them. Natural hedging and the diversification of the globally successful BMW 5 Series further illustrate our understanding of premium.

Premium sets innovative standards.
Premium is visionary.
Premium is being responsible.

> **The Annual Report 2010 as an iPad app**

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Norbert Reithofer
Chairman of the Board of Management

Dear Ladies and Gentlemen,

A year of new beginnings – what better way to sum up the 2010 financial year from the BMW Group's perspective? Just one year after the global financial crisis, we achieved the best Group earnings in our company's history. The BMW Group remains the world's top-selling manufacturer of premium automobiles – and one that operates more sustainably than any other company in its industry. This was confirmed by the Dow Jones Sustainability Index, which ranked the BMW Group first in its sector for the sixth consecutive year. This is also part of what we understand premium to be. We accept responsibility – for the environment, for society and for our employees at all locations around the world.

2010 was a successful year for the BMW Group – a success made possible by our customers around the world. More than 1.46 million customers purchased a BMW, MINI or Rolls-Royce vehicle, and another 110,000 bought a BMW or Husqvarna brand motorcycle. This shows how much trust consumers place in the BMW Group and its brands, its performance and its innovative strength. For this, I sincerely thank all of our customers.

We think and act with a long-term perspective. It is embedded in our DNA. We set the right course back in 2007 with our Strategy Number ONE, when we defined clear profitability targets for the year 2012 and developed our vision we intend to realise by 2020.

In this annual report, we highlight the measures that form the four pillars of our strategy: "Growth", "Shaping the future", "Profitability" and "Access to technologies and customers". You will be able to meet people we encounter in our day-to-day business and read their stories in four photo articles.

>>

The Megacity Vehicle – creating sustainable mobility for urban centres. To realise mobility, you must be mobile and innovative yourself. Our road to e-mobility is clearly defined.

Step one: Our customers are testing the MINI E. Step two: In 2011, they will test the BMW ActiveE, providing further valuable insights into the use of electro mobility. Step three: In 2013, we will bring the Megacity Vehicle onto the market. No other manufacturer has designed an entire vehicle specifically for electric propulsion. Ours will be the first vehicle with a passenger compartment made of carbon and a unique architecture, comprising separate Life and Drive modules. We will build this highly innovative vehicle in Germany as part of an international network that will manufacture carbon-fibres, and with competent partners such as the SGL Group. Together with the Federal German Chancellor, we marked the start of Germany's first electric-car production facility in autumn 2010 in Leipzig.

The Megacity Vehicle will not be alone. It will be part of a new BMW family marketed under the sub-brand BMW i. In the same way that BMW M offers exceptional performance and individuality, BMW i will stand for highly efficient and sustainable mobility, and will open up many more opportunities for sheer driving pleasure in the future.

The new BMW 5 Series – setting new standards. The sixth generation of the BMW 5 Series shows just how progressive today's premium mobility can be. The new 5 Series Sedan is a huge success and has already won many awards worldwide. Its holistic safety concept earned a five-star rating from Europe's top crash test organisation, the Euro NCAP crash test, as well as from its American counterpart, the US NCAP crash test. Readers of the ADAC motor club magazine also named the new BMW 5 Series Sedan Germany's favourite car in early 2011.

»

The new BMW 5 Series is the first large series-produced model we have developed strictly according to our modular concept. It also demonstrates how we are continuing to refine our fuel efficiency programme Efficient Dynamics. We will be setting ourselves further ambitious targets in the future: We aim to reduce the CO_2 emissions of our vehicle fleet by at least another 25 percent from 2008 to 2020.

BMW ConnectedDrive – taking a new approach to networking. For all of us, digitalisation and networking are increasingly becoming part of everyday life, including our cars. Today, with BMW ConnectedDrive, we already offer intelligent driver assistance systems, such as extended emergency call function, Night Vision with pedestrian recognition, e-mail and Internet access. We are continuing to expand this offering to link drivers, passengers, their vehicles and the world around them even more closely. Learn what happens – or rather, what doesn't happen – when the Emergency Stop Assistant takes over. You can also read about how children discover and experience individual mobility. We asked our young Junior Campus guests to capture the world of BMW ConnectedDrive in their own words. Their answers may surprise you.

Global markets – aiming for balanced growth. The financial crisis clearly demonstrated how volatile markets can be and how difficult it is to predict economic trends. We aim for a good balance between Europe, Asia and the Americas in our business and sales activities. This supports our long-term positioning and makes us more resilient to market and exchange rate fluctuations. Against this background, we invested in our sites once again in 2010 – particularly in Germany, China, India and the US. This report features our US plant in Spartanburg as an example.

The decisive factor is that wherever our associates work in our international production network, they all share a passion for mobility and a strong identification with our company. Teamwork is part of our culture. I would like to thank all of our associates worldwide for their hard work and dedication in 2010 – also on behalf of my fellow members of the Board of Management. Our thanks also extend to our entire retail network, our suppliers and our partners.

2011 – taking advantage of this year's opportunities for long-term success. We will continue to chart our own course. We will create new and innovative solutions for our customers. Our BMW, MINI and Rolls-Royce vehicles are not just automobiles – for many people they reflect their whole attitude to life. Read how our customers feel when they first get the keys to their new BMW, MINI or Rolls-Royce, or their BMW motorcycle. Such "moments of sheer delight" are the best reward for our work we could possibly imagine.

Rethinking mobility and putting it on the road is an incredibly exciting process that challenges and inspires us on a daily basis. That is why we aim to recruit the best experts and managerial staff worldwide, women and men, to work for our company in the future.

We start the 2011 financial year full of drive and confidence. We see it as a "year of opportunity". We will take advantage of this to secure the long-term success of the BMW Group. I would also like to thank our shareholders and investors for their confidence in all of our BMW Group associates. Our company is well positioned to create a promising future for itself and for all of its stakeholders worldwide.

Yours

Norbert Reithofer

FUTURE

MEGACITY VEHICLE

PROFITABILITY

CUSTOMERS

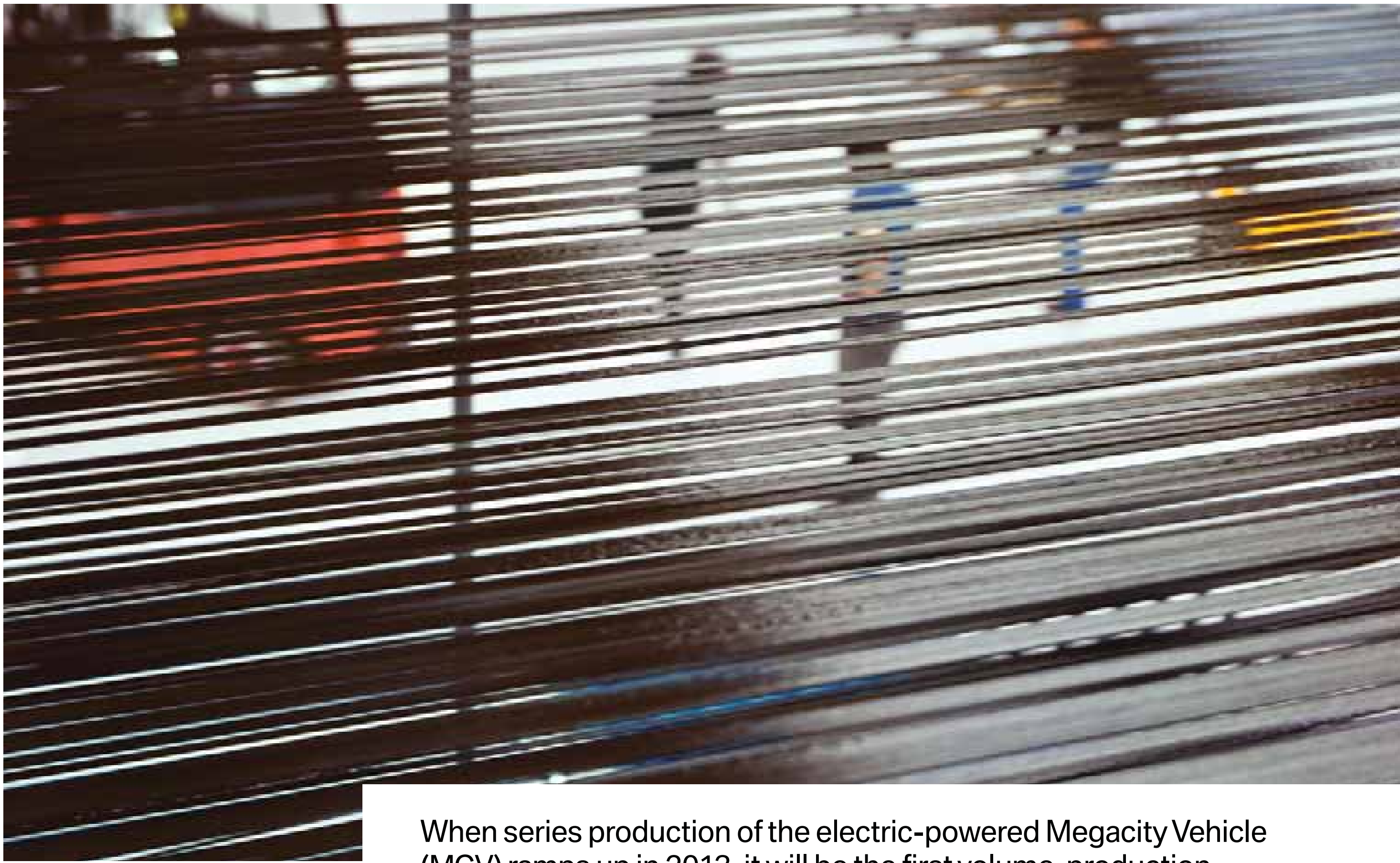
GROWTH

A high-tech material
for tomorrow's mobility

» The heavier the vehicle, the more kinetic energy it uses. The higher its energy consumption, the more power it needs to store. But larger storage units also add to a vehicle's weight. This is the dilemma that has plagued the development of cars with electric batteries and drive trains until now. It is also the reason why the BMW Group has opted for a totally new approach. For the past ten years or so, the company has been working with carbon-fibre reinforced plastic (CFRP) to make future vehicles much lighter, without compromising safety. This is sure to give sustainable mobility an enormous boost.

A NEW ERA OF MOBILITY

- > Moses Lake
- > Wackersdorf
- > Landshut
- > Leipzig



When series production of the electric-powered Megacity Vehicle (MCV) ramps up in 2013, it will be the first volume-production vehicle built with a passenger compartment made of CFRP. This high-tech material is also set to open up a whole new dimension in vehicle design and manufacture.

Johann Wolf — Technology manager for CFRP and Exterior

As technology manager for plastics, Johann Wolf, 50, is responsible for obtaining the materials for, and actually building, the Megacity Vehicle's passenger compartment – key elements of what make this vehicle stand out among other electric cars.

JOHANN WOLF ON THE COUNTDOWN TO THE MEGACITY VEHICLE

Test production of some of the Megacity Vehicle's CFRP components is due to start in just a few months. Aren't you nervous? Not at all. We've been testing, implementing and continuously optimising the innovative production processes we'll be launching in series volumes next year on a smaller scale for quite some time now. We've slashed cycle times for CFRP components from several hours to just a few minutes, for instance. One of the good things about the MCV is that it can be built in a relatively small space. We are quite certain that series production and our new processes will get off to a smooth start.

There are quite a few e-mobility concepts out there now. What is so special about the Megacity Vehicle? Everything. Our mission is to refine the concept of sustainable mobility in all of its ecological, economical and social components. We designed the Megacity Vehicle not just with clean production in mind, but also specifically with regard to its recyclability. We always think in complete cycles. The result is a car that is unmatched, whether you look at the details or the big picture.

What part does the high-tech material CFRP play in all this? An essential, and therefore decisive, factor in achieving broad acceptance for electro mobility will be range. One thing is certain: vehicles with a conventional aluminium or steel body, where the combustion engine has simply been switched for an electric motor, are not a real solution. That is why we have opted for an entirely new concept. The Megacity Vehicle is the first electric car worldwide that is specially designed for this kind of drive technology. With its LifeDrive architecture and passenger compartment made of CFRP, the Megacity Vehicle has two unique components which make it vastly more efficient.

But, like any electric car, there is no engine noise or gear changes in the MCV. What does that mean for BMW's "sheer driving pleasure"? Don't worry – our MCV will be a true BMW. It will still deliver our brand's signature "driving pleasure". Electric motors produce their maximum torque right away – combined with its innovative lightweight construction, this guarantees extreme responsiveness and a high fun factor. The car also accelerates continuously up to its top speed. The Megacity Vehicle does not mean giving up "sheer driving pleasure" – it's just an exciting new way to experience it.

»Making CFRP needs a lot of energy. Nature provides an abundant supply at the Moses Lake location.«

Sometimes it is the little things that make the biggest difference. This particular detail is tiny, in fact, but its potential to change things may well be huge. The diameter of a carbon-fibre measures just 0.007 millimetres – just a seventh of that of a human hair – but the possibilities it opens up are astounding. This ultra-modern composite material, made from a combination of carbon-fibres and synthetic resin, boasts some very impressive properties. **Carbon-fibre reinforced plastic, or CFRP, is more robust than steel, but less than half its weight; resistant but highly malleable; versatile and relatively easy to work with.** Up until now, CFRP was mostly used in the aerospace industry, in racing cars and wind rotors – wherever heavy-duty, lightweight materials with high rigidity and strength are needed. These properties also make CFRP the ideal material for the body of the Megacity Vehicle, a car which will mark the beginning of a brand new chapter in sustainable automobile design and production.

This may seem surprising, since the initial stages in the life of a CFRP are fairly complex. Producing carbon-fibre reinforced plastic entails chemically modifying polyacrylnitrile fibres at different temperatures to make a stable fibre of substantially pure carbon. This is a relatively energy-intensive process. That is why, early in the development process, the Megacity Vehicle project team started looking for a production location with a steady, competitively priced supply of sustainable energy. They found what they were looking for in >>> **Moses Lake**, in the US state of Washington, where the hydroelectric power plants of the Columbia

Human hair in relation to carbon-fibre
Diameter in mm

3 —

— 1

— 2

1 — Looks like dressmaking, but is really high-tech: materials testing for CFRP production in Wackersdorf.

2 — CFRP production waste can even be reused. Here it is being prepared for lab analysis.

3 — At the Wackersdorf plant, four knitting machines the size of railway wagons produce the CFRP used as the basic material for car bodies.

2 —


1 —



— 3


4 —

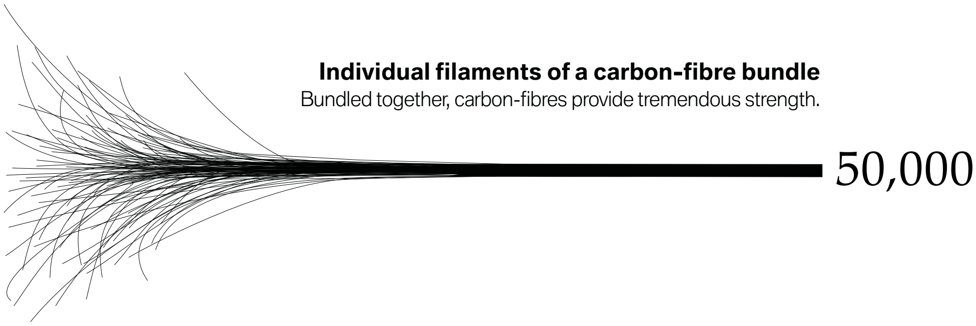
1 — Analysing fibre components in the standards laboratory
2 — Fibre mats are still tested by hand.
3 — Waste carbon-fibre fabric can be fed back into the production chain.
4 — The high-tech material up close

»We are building the car bodies of tomorrow right here on highly efficient knitting machines.«

River generate practically inexhaustible quantities of regenerative power. At the brand-new carbon-fibre plant operated by SGL Automotive Carbon Fibers, a joint venture between the BMW Group and the SGL Group, textile fibres are refined into carbon-fibres. 50,000 of these individual filaments are condensed into fibre bundles at the Moses Lake facility, wound onto coils and shipped to >>> **Wackersdorf** in Bavaria.

It is in Wackersdorf that the BMW Group and its joint-venture partner, the SGL Group, have built a one-of-a-kind textile plant to supply the body construction process. Here the fibre bundles are woven together into textile sheets (so-called fabrics) and wound into rolls. Once different fabrics with different fibre alignments are combined, highly integrated large-surface body panels with completely different strengths and thicknesses can be customised. **This already represents one of the outstanding features of CFRP – the properties of aluminium or steel components, in contrast, can only be customised with great difficulty.** The body of the Megacity Vehicle will therefore use much fewer components than a steel body. This not only simplifies the production process, but also reduces vehicle mass. Lower weight also extends electric vehicles' potential range – which makes the use of CFRP an important factor in jump-starting e-mobility.

However, there are several reasons why this high-tech material has so far been used almost exclusively in small-series production and prototype construction. CFRP components for motor racing and aerospace have mostly been produced by hand in a time-consuming and cost-intensive procedure. After soaking



Individual filaments of a carbon-fibre bundle
Bundled together, carbon-fibres provide tremendous strength.

2 —

— 3

1 —

» CFRP is considered to be a high-tech material of the future. Here in Landshut we've been working with it for years.«

in synthetic resin, the material is left to harden in a closed furnace at temperatures of over 100 degrees Celsius for several hours. This elaborate procedure is the main reason why the material costs so much more than steel.

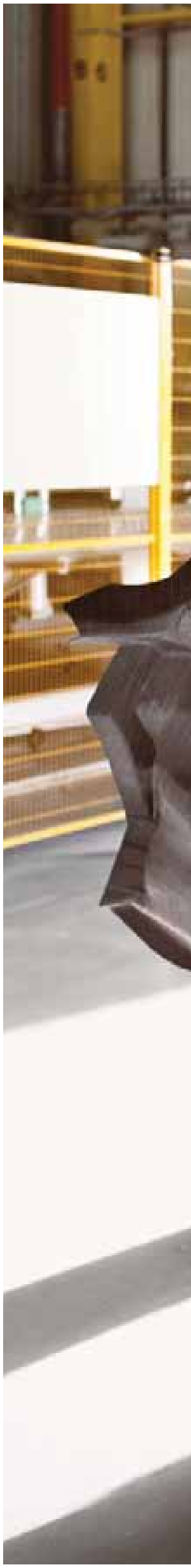
Things are done differently at the BMW Group, which has been making CFRP components in progressively larger quantities in a high-volume industrialised production process since 2003. At the plant in **>>> Landshut** – the next stop in the CFRP production process – roofs are already been built for the BMW M3 and M6 models. To accomplish this, the BMW Group has, in recent years, refined processes, systems, materials and tools to the point where an economical, high-quality volume production of CFRP car body parts is now possible. One example is the specially developed press tools used at the Landshut plant: instead of "baking" at over 100 degrees Celsius, the resin-soaked carbon fabrics harden at no more than 100 degrees Celsius within just a few minutes. Another example is the BMW Group's one-of-a-kind recycling concept, which allows CFRP waste to be reused in the production process.

"We control and optimise every stage of the manufacturing process, from textile fibres to the finished body," explains Jochen Töpker, CFRP expert at the BMW Group. "Applied to conventional automotive engineering, it's almost like a carmaker getting involved in making and recycling steel, besides building cars. But that's how we are gaining such a strong lead in the volume production of CFRP."

1 — Changing rolls during CFRP production.

2 — Carbon fibre fabrics are combined to make highly integrated car body parts with totally different strengths and thicknesses.

3 — Innovative press tools harden the resin-soaked carbon fabrics within minutes at a temperature of 100 degrees Celsius.



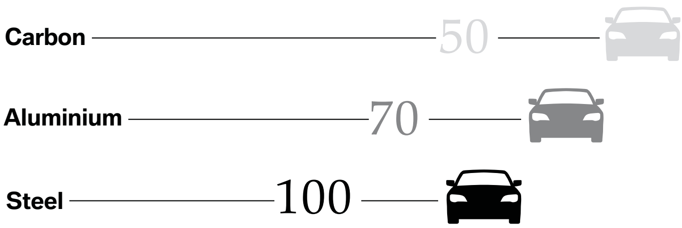
»No other body material is this light and stable.«

It is true that the key to economical and ecological volume production of CFRP lies in complete penetration of the value chain. It also explains why the BMW Group is now able to exploit the potential of a material many consider uniquely superior but too difficult and costly for volume production.

CFRP is not only resistant to temperature fluctuations, acids and corrosion (and therefore much more durable than metal), it is also 30 percent lighter than aluminium and 50 percent lighter than steel. "CFRP is the lightest material that can be used in car-making without compromising safety," according to Nils Borchers of the MCV development team. Crash tests have proved that the Megacity Vehicle can withstand a collision at least as well as conventional steel-body vehicles. This is primarily due to the LifeDrive architecture, a revolutionary combination of a CFRP passenger compartment and a chassis made of aluminium. While the aluminium frame known as the drive module absorbs the collision energy in a crash, the high-strength, carbon-fibre reinforced life module provides comprehensive protection for the Megacity Vehicle's occupants.

Since all of the drive units are located in the crash-proof drive module, there is no need for a transmission tunnel, which typically relays engine power to the rear wheels. This leaves the Megacity Vehicle much more space for passengers – and gives the BMW Group's vehicle designers new scope for interior design. Last but not least, the brilliant two-module design also has consequences for the vehicle's production. At the ››› **Leipzig** plant where the Megacity Vehicle will be assembled, the frame construction means that complex conveyor technology is no longer needed. This makes building a Megacity Vehicle less of an investment, much easier for employees to work with and more flexible than conventional production processes. "We can ramp up MCV production quickly with relatively low outlay," adds Martin Arlt of the development team. Its production will use 70 percent less water and 50 percent less energy than the BMW Group's current plant average. **Its total energy needs will also be met completely from renewable sources.**

Body weight in comparison
in percent



— 1


2 —



— 3

1 — Actually much too light for three people to carry: body side panel made out of carbon.

2 — One of the few jobs performed by hand: adding the final touches to finished CFRP components.

3 — Synthetic resin gives carbon-fibres all the rigidity they need.

»The future of vehicle construction.«

The use of microscopic CFRP fibres is about so much more than just substituting materials. It allows the BMW Group to adopt a radical new approach, explore unique design concepts and realise a new kind of car-building. Over the years and decades ahead, elements of this will be found not only in the Megacity Vehicle, but also in many other BMW Group models.

The use of CFRP in volume production marks the beginning of a whole new era in automotive development and manufacture. For vehicle developers, it represents the most exciting challenge imaginable. For the BMW Group, more than anything else, it represents fascinating prospects for the future.

The Annual Report 2010 as an iPad app

GROWTH

A MODEL OF SUCCESS

PROFITABILITY

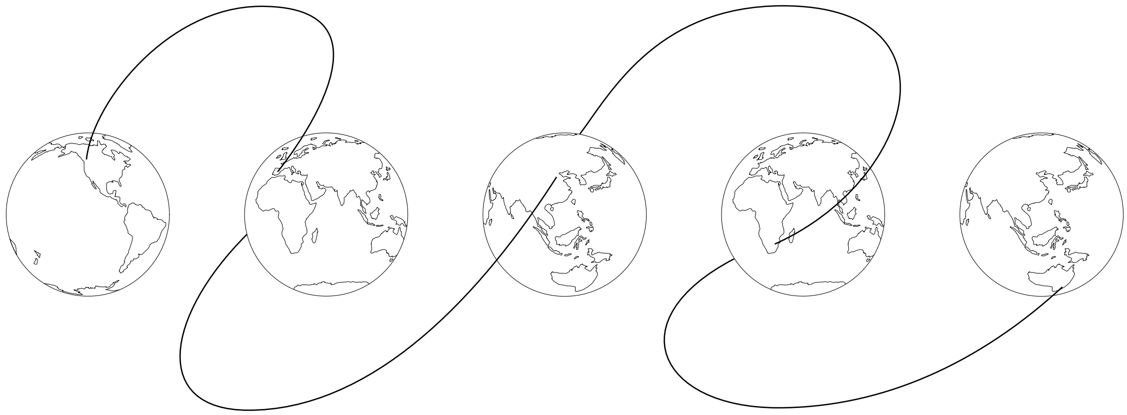
CUSTOMERS

FUTURE

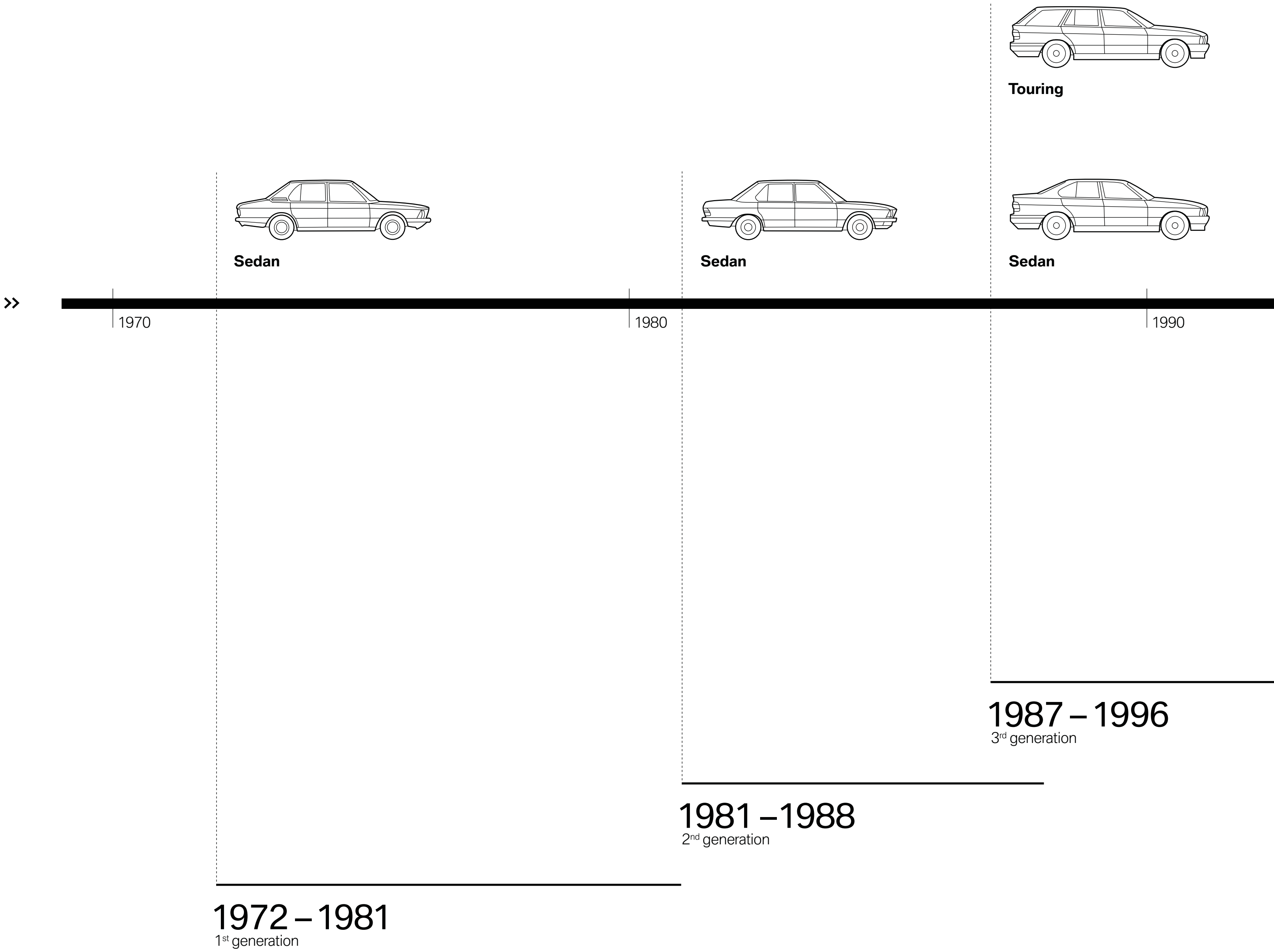
From the first BMW 5 Series
to an impressive global family

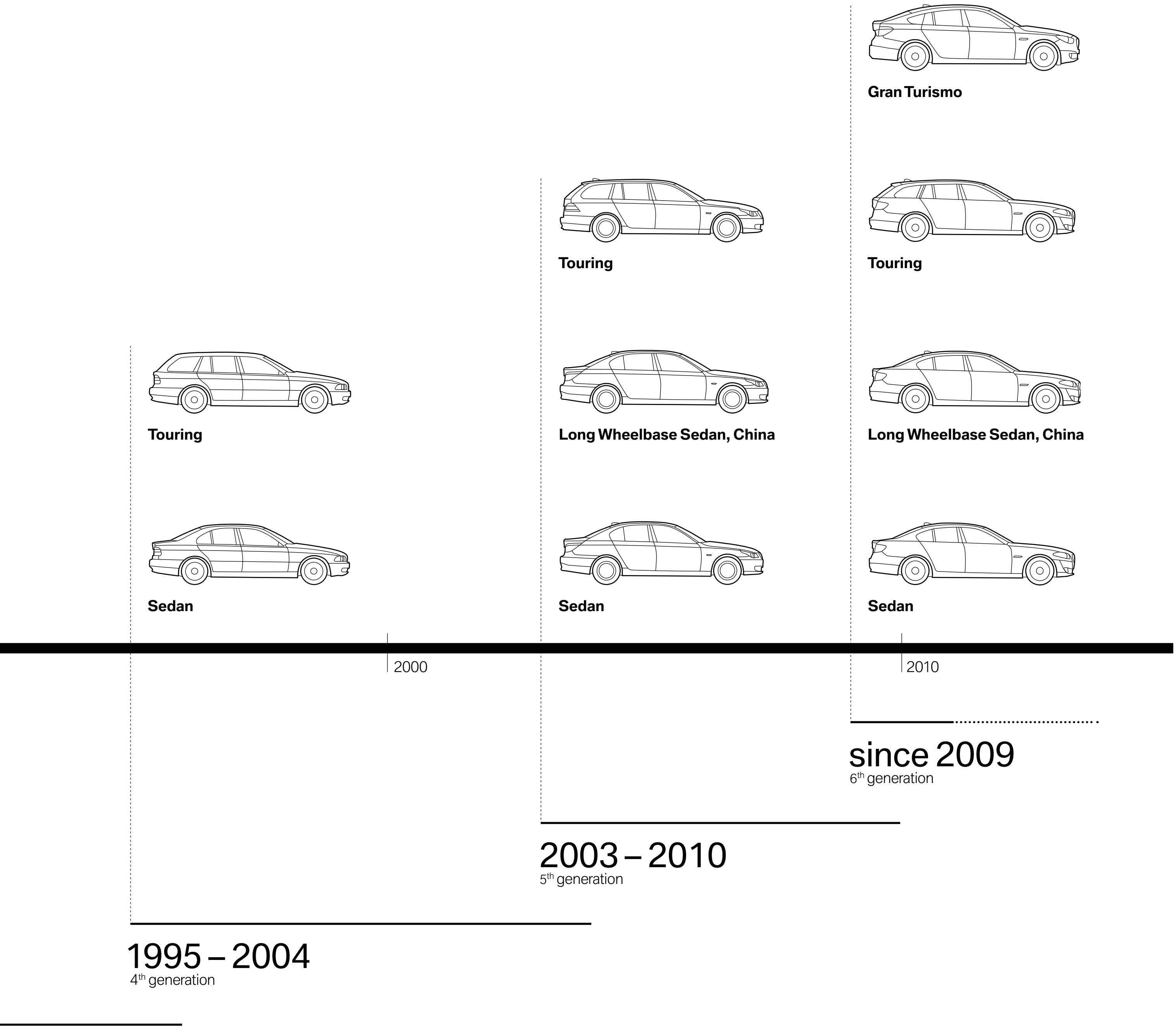
» It always starts out with an idea. The idea becomes a concept, the concept becomes a totally new kind of vehicle, and the car ultimately becomes a class of its own. Time and again, the BMW Group has taken new vehicle concepts like the BMW 5 Series and diversified them to create families with a variety of popular model variants. The sixth generation of this highly successful model is now on the roads – and setting new standards the world over.

THE BMW 5 SERIES SUCCESS STORY



The number 5 has stood for unmistakable driving pleasure in the upper mid-range segment for almost 40 years. Over those past four decades, the 5 Series has brought driving pleasure to more than 5.5 million customers across five continents.


Touring
Sedan
Sedan
Sedan
1970
1980
1990
1987 – 1996
3rd generation
1981 – 1988
2nd generation
1972 – 1981
1st generation



Gran Turismo
Touring
Touring
Touring
Long Wheelbase Sedan, China
Long Wheelbase Sedan, China
Sedan
Sedan
Sedan
2000
2010
since 2009
6th generation
2003 – 2010
5th generation
1995 – 2004
4th generation

Diversification

How an exceptional car became a popular model family

The beginning of a global success story. The launch of the BMW 520 and BMW 520i models at the IAA International Motor Show in 1972 ushered in a new era in the upper mid-range segment. The successors to BMW's so-called "New Class" quickly came to define the perfect balance between sporting performance and elegance in their segment. A year later, the model range was joined by the BMW 525, with its powerful six-cylinder engine – BMW's response to customers' desire for sheer performance. With sales of almost 700,000 BMW 5 Series, the first generation was already a spectacular success, the very essence of aesthetics and driving pleasure in the upper mid-range segment.

Innovation

How a model series can win customers on all continents with a constant stream of new ideas

The story continues. The second generation of the 5 Series family gave rise to the epitome of the dynamic sports sedan, the BMW M5, and the very first 5 Series diesel. Third-generation highlights included a completely new design, the first eight-cylinder models and the first BMW 5 Series Touring. The fourth-generation BMW 5 Series was the first with a light alloy chassis. As the model portfolio continued to grow and new markets were developed, each new generation of the BMW 5 Series could be relied upon to raise the standard over its previous generation.

Americas p. 30
Ron Yaworsky

Europe p. 32
Dr. Jesus Rodriguez

Asia p. 34
He Xialong

Meet 5 of our 5.5 million customers. From 5 different continents.

Start »

Africa p. 36
Abdul Tayob

Australia p. 38
Martin Carolan

The next chapter. The fifth generation of the BMW 5 Series impressed once more with its progressive design and innovative technology. From 2007 on, all versions came with Efficient Dynamics features such as Brake Energy Regeneration and active air vent control as standard, to achieve an optimum ratio between performance and fuel consumption.

— A Totem poles in Stanley Park, Vancouver, Canada
— B BMW 5 Series and admirers at the Granville Island ferry dock
— C Ron Yaworsky at home in the house he designed himself

A

Americas 49° 17' N, 123° 7' W » Vancouver

BMW 5 Series Sedan »

C

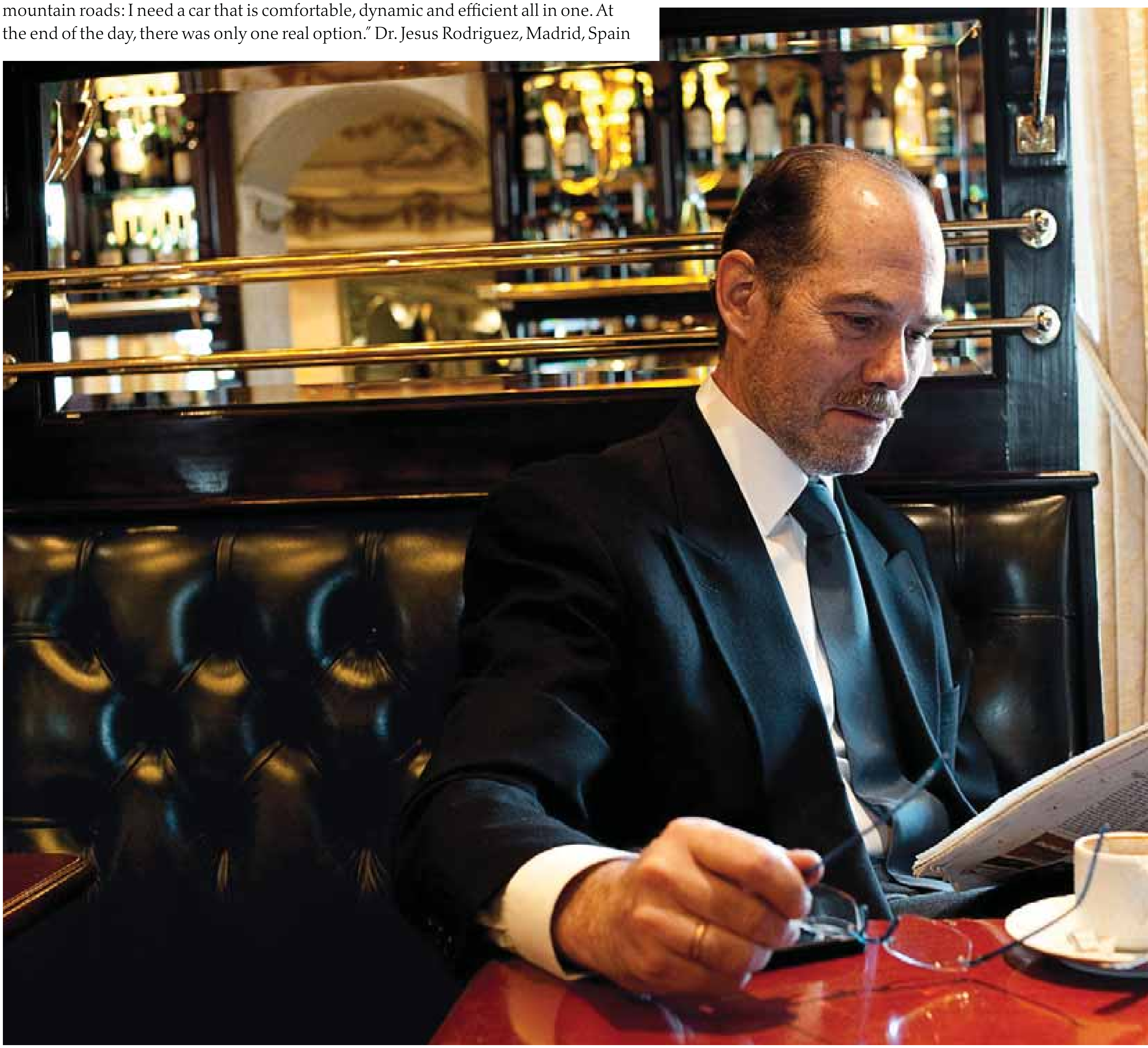
»

“This is the fourth BMW 5 Series I’ve owned out of the last three generations – and each one brought unexpected improvements. The BMW 5 Series is the perfect combination of luxury, good size, excellent performance, reasonable fuel economy and the reassurance of xDrive’s all-weather capabilities.” Ron Yaworsky, Vancouver, Canada

“Generation after generation, there’s always something new.”

“Pure dynamics. There’s nothing like it.”

“60 kilometres to work and back every weekday. Trips out to the country on the weekends. Family visits once a month, with a long drive to Asturias along winding mountain roads: I need a car that is comfortable, dynamic and efficient all in one. At the end of the day, there was only one real option.” Dr. Jesus Rodriguez, Madrid, Spain



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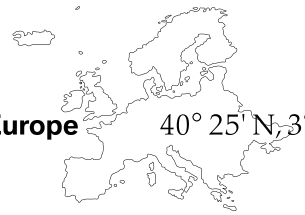
—A

—B



Europe 40° 25' N, 3° 42' W Madrid ›› BMW 5 Series Sedan ››

—A Dr. Jesus Rodriguez sitting in the “Café de Oriente” near the Madrid Opera.
—B BMW 5 Series at Plaza Santa Ana in Madrid
—C Traditional advertising in a Madrid bar

—C

A

BMW 5 Series Long Wheelbase Sedan, China » 39° 56' N, 116° 23' E

C

—A Enthusiastic BMW 5 Series customer He Xialong
—B Lanterns in the Gui Jie district not far from the Forbidden City in Beijing
—C BMW 5 Series Long Wheelbase version and New Year’s decorations over the Forbidden City

B

» **Asia** »

"What does a businessman want from a premium vehicle? Besides exclusivity, comfort and exceptional performance, the main thing is the space inside: the kind of space that makes the BMW 5 Series Long Wheelbase version so very comfortable. And that is something not only I truly appreciate, but also my business friends." He Xialong, Beijing, China

"The moveable office."

“Bold performance and a relaxed way to travel.”

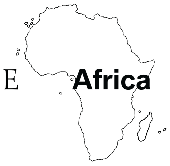
“The BMW 5 Series represents the perfect symbiosis between excellent handling and comfort. In this car, I can enjoy trips into the hills of KwaZulu-Natal as well as driving a cool professional business sedan.” Abdul Tayob, Pietermaritzburg, South Africa

A

B

— A Ready for the road: Abdul Tayob and his son, Mas'ood
— B The Tayobs' home in the Mountain Rise area of the city
— C Abdul Tayob with three of his four children

» 29° 36' S, 30° 23' E



Pietermaritzburg » BMW 5 Series Sedan »

C

A

» **Australia** 33° 51' S, 151° 12' E » Sydney » BMW 5 Series Sedan

C

— A The Olympic swimming pool under Sydney Harbour Bridge …
— B … where Martin Carolan regularly trains before work.
— C Carolan's BMW 5 Series driving towards the Sydney Opera House.

B

"I was actually interested in the BMW X5, but when I saw the new 5 Series and took it for a test drive I made up my mind within five minutes to get the BMW 5 Series M Sport diesel version. My car is a real eye-catcher. It is a real pleasure to be able to drive 900 kilometres on a single tank." Martin Carolan, Sydney, Australia

"It's a real eye-catcher. With the stamina of an athlete."

>>

To be continued. With its sporty, elegant design and the brand's signature driving dynamics and efficiency, as well as innovative comfort and safety features, the sixth generation of the BMW 5 Series business sedan showcases the multifaceted development skills of the world's most successful premium automobile manufacturer. Once again, the BMW Group is defining a whole new vehicle segment with its BMW 5 Series Gran Turismo – and writing the next chapter in a story full of fascinating highlights.

Driving pleasure is anticipated pleasure – now and in the future.

Like all success stories, this one is built around a strong central theme. In the case of the BMW 5 Series, this is the unique combination of aesthetics and driving pleasure, which wins each generation and each model version of the BMW 5 Series more and more enthusiastic customers.

The Annual Report 2010 as an iPad app

CUSTOMERS

CONNECTED DRIVE

PROFITABILITY

FUTURE

GROWTH

Intelligent communication
for individual mobility

» People have never been as mobile as they are today. And they have never had access to a range of in-car digital services as comprehensive as those offered by BMW ConnectedDrive in all series. Driving a car is safer, more efficient and more convenient than ever before, thanks to the BMW Group's portfolio of intelligent communication technologies – all of which make our vehicles increasingly attractive to drive in.

INTELLIGENT MOBILITY [01] — [02] — [03]

» People have never been as mobile as they
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They will keep traffic flowing and prevent road congestion. They will make driving a car safer and more convenient. They will save fuel and help protect the climate. One thing is certain: the intelligent technologies that connect drivers with their vehicles and the world around them have a very promising future ahead of them.

The same applies to the road users of tomorrow. At the Junior Campus at BMW Welt in Munich, children discover mobility with all their senses. We asked three of them to describe the functions of the Connected Drive portfolio in their own words. This is what they had to say.

Junior Campus BMW Welt Munich, 26 January 2011

INTELLIGENT MOBILITY [01] — [02] — [03]

» People have never been as mobile as they
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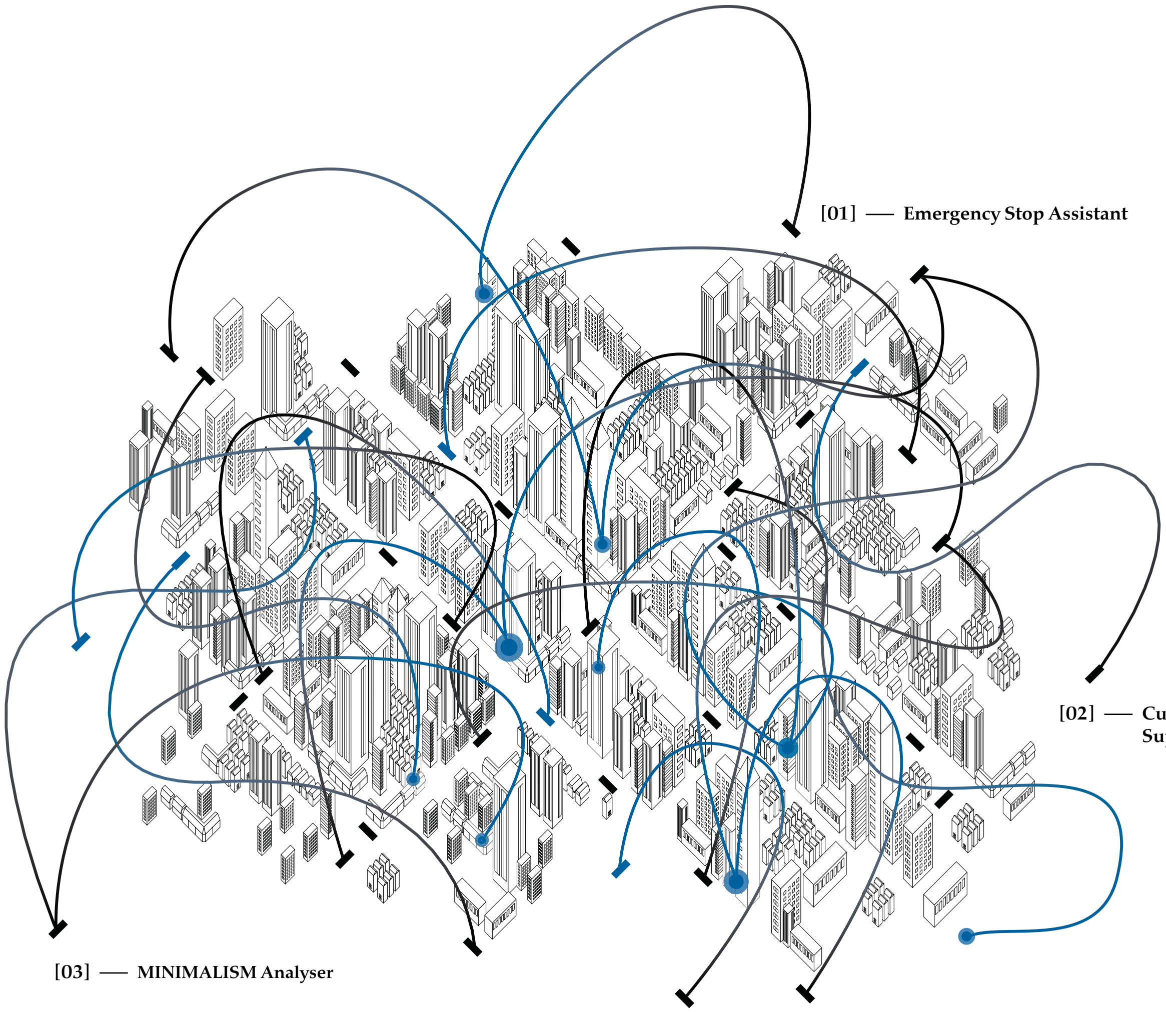
INTELLIGENT MOBILITY [01] — [02] — [03]



It all started more than thirty years ago with an onboard computer that displayed the outside temperature. Milestones along the way included the world's first park distance control and its first fully integrated mobile navigation system. Today, the BMW Group is once again setting the standard for intelligent networking between the driver, the vehicle and the world around them. And that is all just the beginning.

STEERING SAFELY THROUGH AN EMERGENCY

One minute, the BMW 528i is overtaking in the fast lane at 130 km/h. The next, it slows to 80 km/h and safely exits the outside lane to pull in between two vehicles driving in the right-hand lane. The car continues to slow, indicates and changes lanes once more before coming to a gradual standstill on the hard shoulder. Less than one-and-a-half minutes have elapsed between the overtaking manoeuvre at 130 km/h and the vehicle making a controlled stop.

What is remarkable about this driving manoeuvre is that it did not involve the driver at all. The person behind the wheel of the BMW 5 Series suffered a heart attack and lost consciousness as the individual was in the process of passing. Or at least that was the emergency simulated on a test drive on the high-speed track at the BMW testing facility in Aschheim, near Munich in October 2010 – one that occurs for real, time and again, on the roads, often with disastrous consequences. **Intelligent technologies like the Emergency Stop Assistant are set to further reduce the number and severity of such traffic accidents. — [01]**

The prototype of the Emergency Stop Assistant provides a fascinating glimpse of the tremendous opportunities offered by Connected Drive. The BMW Group has been considered the pacemaker for the automotive industry in this field for many years. From the first radar-based distance warning device the company implemented in a concept car back in the seventies, to innovations such as Park Distance Control (PDC) and the first-ever integrated navigation system, BMW Group series models have continually incorporated pioneering technologies to connect drivers, vehicles and their environment. Today, Connected Drive comprises the widest and most sophisticated offering of in-car telematics services in the world.

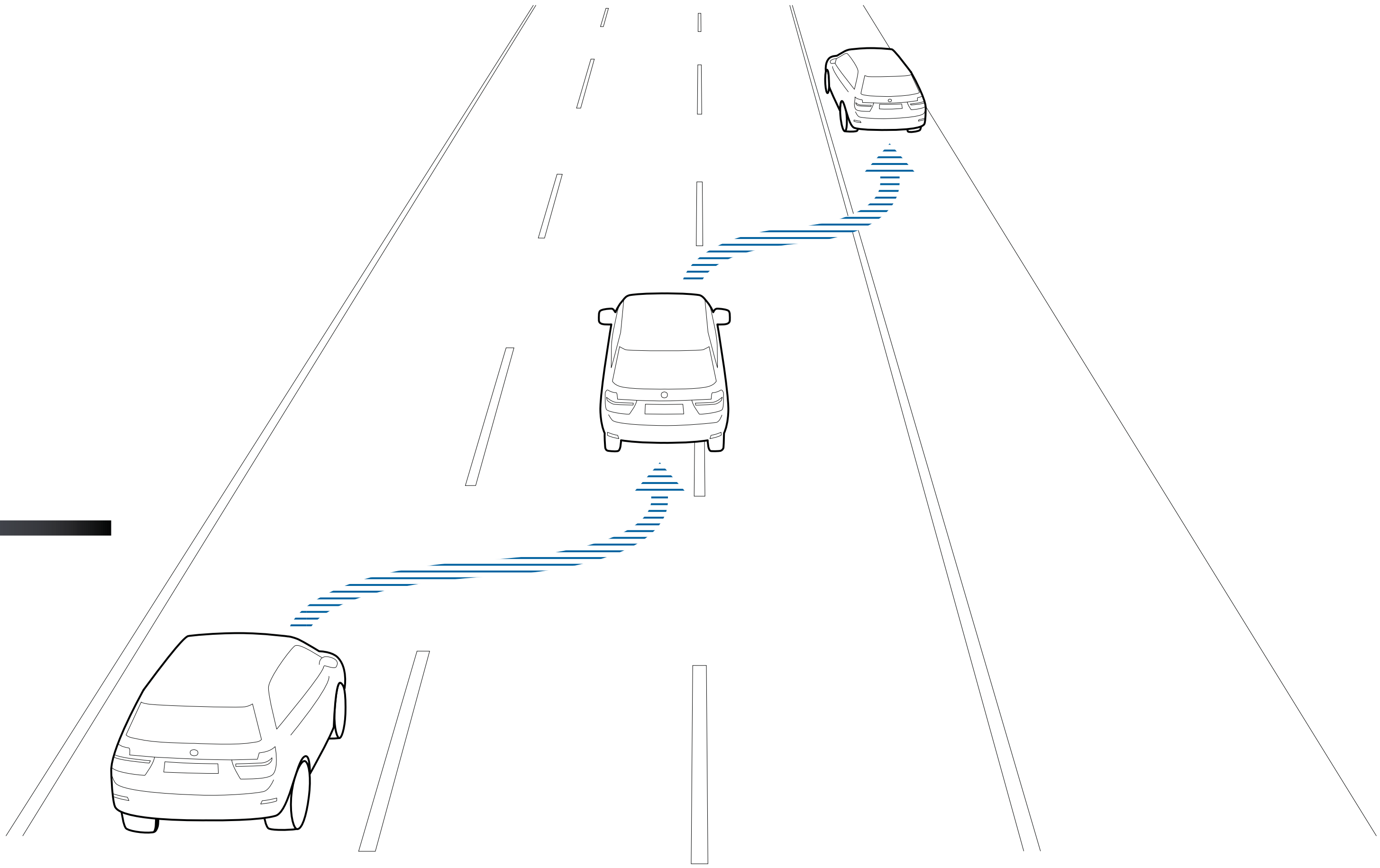
Connected Drive stands for a package of intelligent technologies designed to network driver, passengers, the vehicle and the world around them for greatly enhanced safety, infotainment and convenience. An overview of current options can be found at http://bmw.connecteddrive.info

[01] — "The Emergency Stop Assistant guides me to safety."

“It’s as if the car can see. If you have a heart attack or something, the car can drive to the side of the road and park all on its own. Then it calls the ambulance.”

Vanessa Meyer, 9 years old, explains how the Emergency Stop Assistant works.

[01] — "The Emergency Stop Assistant guides me to safety."



Behind the Emergency Stop Assistant is a complex system of sensors, a high-precision, satellite-based navigation system and special algorithms which allow it to safely take control of the vehicle in an emergency. To do so, the Emergency Stop Assistant automatically analyses the driving and traffic situation and calculates the optimum driving manoeuvre necessary to bring the vehicle safely to a halt. It then triggers the hazard warning lights and places an emergency call to the BMW ConnectedDrive Call Center.

STAYING UP-TO-DATE ON THE GO

Although a few more years of development will be needed before the Emergency Stop Function is ready for series production, other driver assistance systems are already making driving more safe and convenient.

Connected Drive allows driving time to be used much more effectively. However, driver and traffic safety is always top priority. The integrated mail function, for instance, enables drivers to manage their schedule, organise tasks and access email. Incoming emails or text messages are displayed and read aloud in real time, while the forthcoming Message Dictation function will also allow messages to be dictated and sent without drivers having to take their hands off the wheel or their eyes off the road. The BMW Customer Support Centre also ensures all relevant phone numbers, addresses and travel data are at the driver's fingertips. "Your car will increasingly become your mobile office, so you can use your driving time more efficiently as work time," says Eckhard Steinmeier, the manager responsible for Connected Drive. "Our market research has shown that business people and managers in particular really appreciate this added benefit." **Searching is a thing of the past: with the Connected Drive Customer Support Centre, drivers will always have access to all the information they need on the go. — [02]**

The mail function becomes even more attractive when combined with other functions, such as those of the navigation system or a stationary computer. Connected Drive can be used to send addresses from Google Maps or hotel bookings directly from a desktop PC to the vehicle; routes can be planned according to calendar appointments or addresses imported into the navigation system from an Outlook address book. This saves time, since manual data input from the PC into the onboard system through a human-machine interface is no longer required.

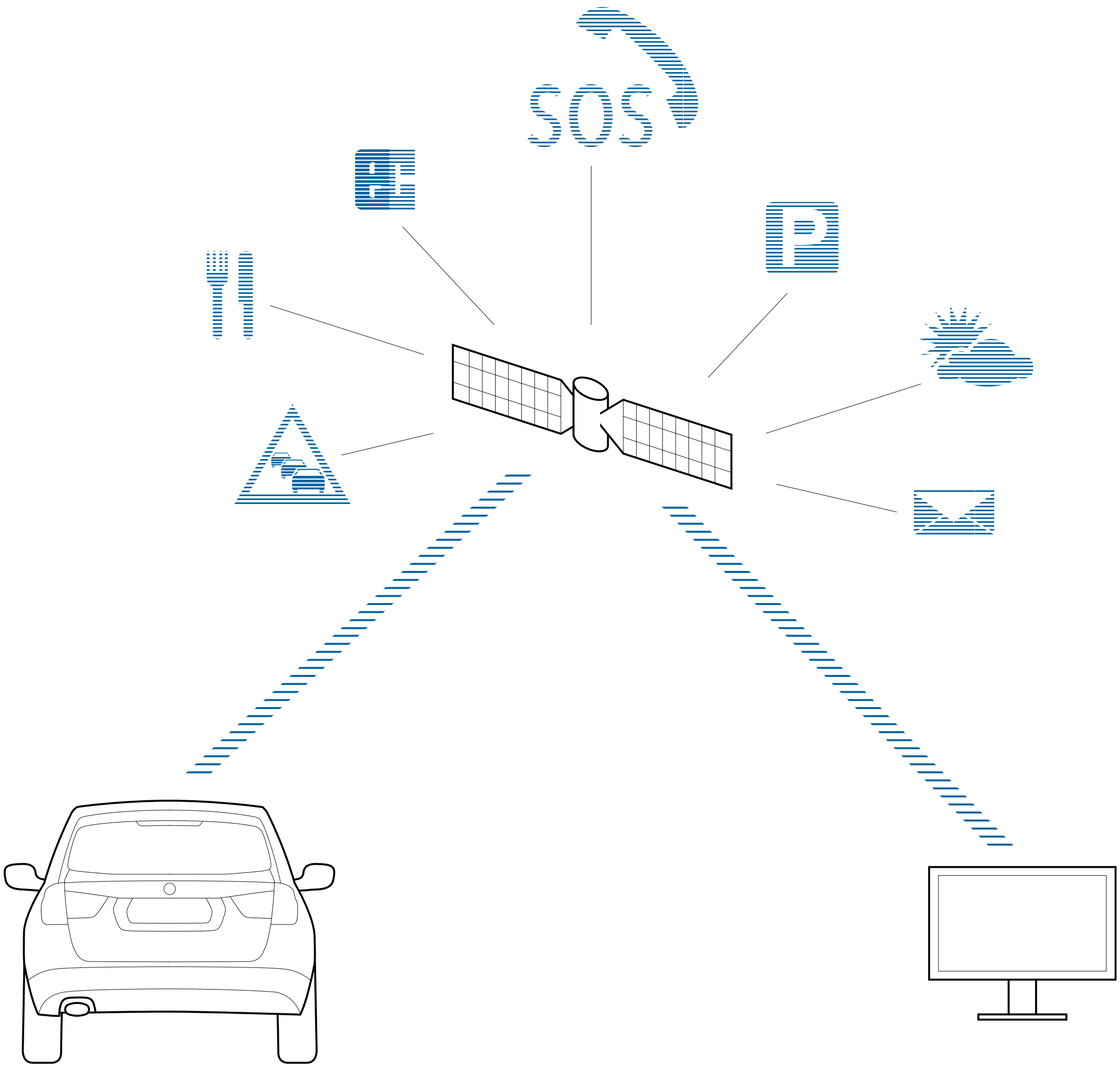
Driver assistance systems further enhance control and safety when driving. Model-specific options range from Adaptive Headlights to the Lane Change Warning System, Lane Departure Warning System, BMW Night Vision with pedestrian recognition and Speed Limit Info, all the way to Active Cruise Control with Stop & Go function including proximity warning with braking function.

[02] — "The Customer Support Centre knows where to find the nearest pizzeria."

“If you are driving in an area you don’t know very well, you can talk to the BMW Customer Support Centre. They can tell you where the next pizzeria is and things like that. And there’s always some-one there if you need help.”

Flynn Traenckner, 10 years old, explains how the BMW Customer Support Centre works.

[02] — “The Customer Support Centre knows where to find the nearest pizzeria.”



BMW Customer Support Centre operators can also help find 24-hour pharmacies, ATMs or golf courses, for example, reserve a table at the best Italian restaurant or book a hotel room at your destination – at up to 30 percent off the online rate. The address is sent straight to the vehicle. The driver does not need to enter any further information and can simply follow the navigation system’s directions. An added bonus is that the BMW Customer Support Centre is available round-the-clock, 365 days a year, and will respond in the driver’s own language throughout Europe.

EFFICIENT, NETWORKED TRAVEL

After becoming the first carmaker to enable Internet, iPod and iPhone integration in its vehicles, the BMW Group is now creating another innovative highlight with its visionary Concept BMW Application Store. It will be possible in the future to download and store individual "apps" (applications) from the car at any time or from a PC at home. The iPhone can already be used to activate the horn and parking lights, switch on the auxiliary heating and unlock the car. **Furthermore, the iPhone application MINI Connected transforms any MINI into a social network on wheels with Internet access and Web radio – by the way, another BMW Group innovation. —— [03]**

Similarly, it will be possible in the future to download regular software updates to run engines even more fuel-efficiently, for instance. "Connected Drive is a fully comprehensive approach designed to maximise the benefits of seamlessly connecting the driver, the vehicle and the world around them," according to Dr. Klaus Draeger, member of the Board of Management of the BMW Group, responsible for Development. "We believe that networking – alongside drive technologies and new materials – will become one of the key forces driving future innovation in the automotive industry."

Individual drivers are not the only ones to gain from this intelligent exchange of data – it also benefits the environment and the overall traffic situation. "Cooperative traffic systems will play an increasingly important role in the future," says traffic expert Dr. Klaus Bogenberger of the Munich-based research institute, Transver. "By the start of the next decade, networking between vehicles and traffic infrastructure will automatically warn of road congestion, icy roads or traffic obstructions and use all data available to help direct traffic more safely and efficiently than at present."

Concept BMW Application Store. The BMW Group is the world's first carmaker to present its vision of vehicle-compatible application stores – so that cars, like mobile phones, can be adapted to meet today's needs and offer almost limitless personalisation in the future.

[03] — "The MINIMALISM Analyser helps you drive greener."

“There’s an app for the iPhone that shows how green your driving is. That earns you stars. If you drive in a really environmentally friendly way, and don’t use much petrol, you get lots of stars.”

Dominik Meyer, 11 years old, explains how the MINIMALISM Analyser works.

[03] — "The MINIMALISM Analyser helps you drive greener."

The MINIMALISM Analyser keeps drivers constantly updated on how economically they are driving and how much power they are using. The MINI Connected system stores fuel consumption data and analyses it at the end of the trip to highlight the roads where the MINI was driven most efficiently. It also offers tips on how to get even better mileage. Points are earned for particularly fuel-thrifty driving and can be posted via iPhone to share with other members of the MINI community.

THE LEADER IN INTELLIGENT AUTOMOBILITY

Communication between the driver, the vehicle and the world around them has become more than just a convenient add-on. As a technology package, it offers tremendous benefits, today and for the future. The sensor data and information from Connected Drive perfectly complement the fuel-saving features of the Efficient Dynamics technology package. With these and its many other applications, Connected Drive helps save both time and fuel, creates smarter traffic flows, makes mobility more efficient, more pleasant and more entertaining – and even saves lives. It is likely to change automobility in the way that the introduction of electric drive trains has.

Efficient Dynamics. The navigation system's "Green Driving Assistant", for instance, displays typical fuel consumption for different routes. This allows an individual time and fuel-optimised route to be calculated for each destination.

Car drivers are increasingly coming to appreciate all of these benefits. In this way, Connected Drive is also strengthening connections between the company and existing and potential customers.

The Annual Report 2010 as an iPad app

PROFITABILITY

GLOBAL BALANCE

FUTURE

CUSTOMERS

GROWTH

Stable performance in an age of
global market fluctuations

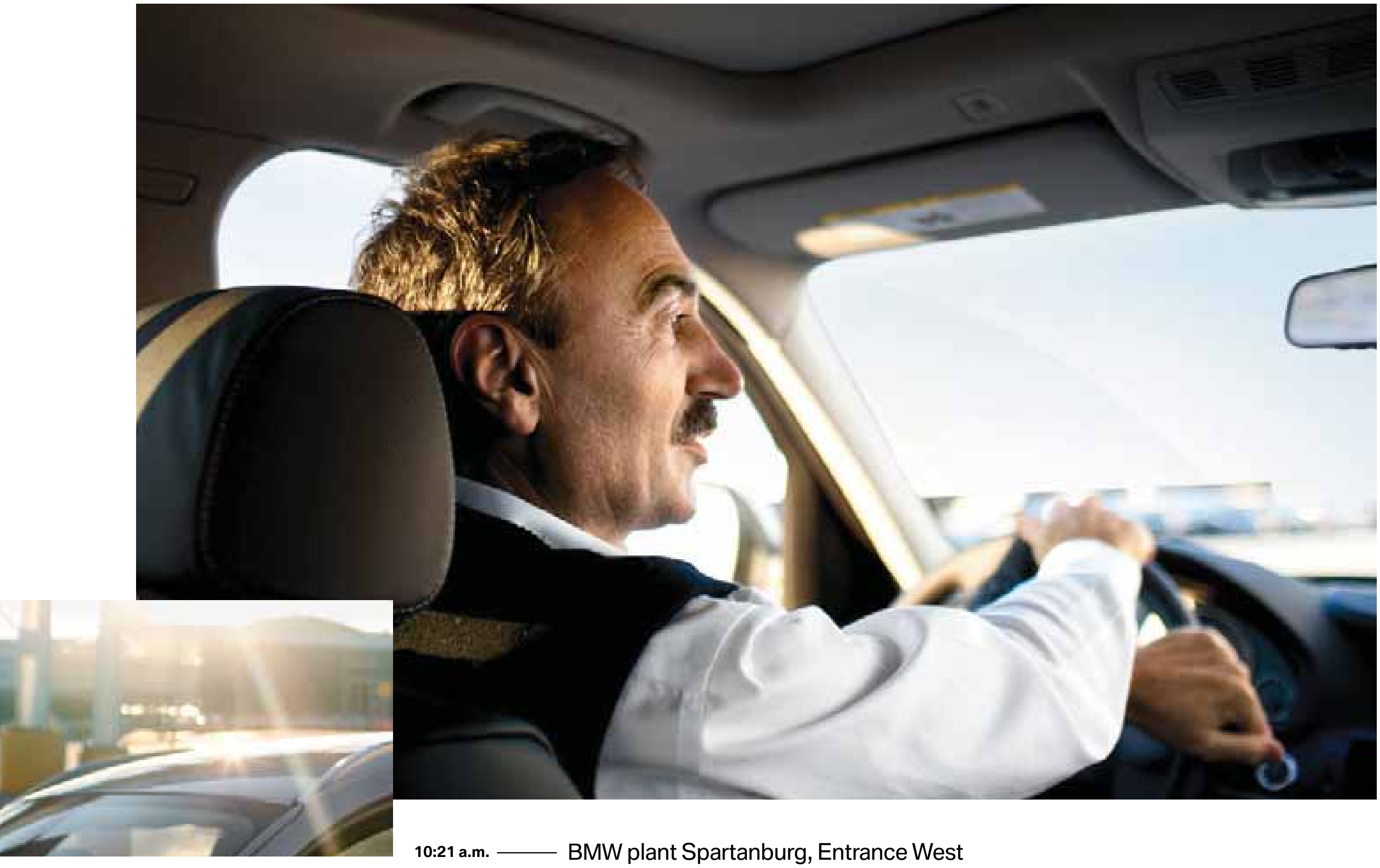
» For a globally successful automobile manufacturer like the BMW Group, exchange rate fluctuations clearly have a substantial impact on results. However, to make the value creation process as independent as possible from market and exchange rate cycles, we rely on instruments such as natural hedging, besides financial hedging. From that perspective, the expansion of the BMW plant in Spartanburg in the US represents an important strategic step towards value creation and profitability.

January morning in sunny South Carolina

SPARTANBURG PLANT EXPANSION

With an annual capacity of 240,000 vehicles, Spartanburg in the US state of South Carolina is one of the most important sites in the BMW Group's production network. To manufacture the new BMW X3, the plant recently underwent a roughly 750-million-dollar expansion. In this way, the BMW Group is using natural hedging to provide even flexibility regarding exchange rate fluctuations.

2° Celsius in the morning



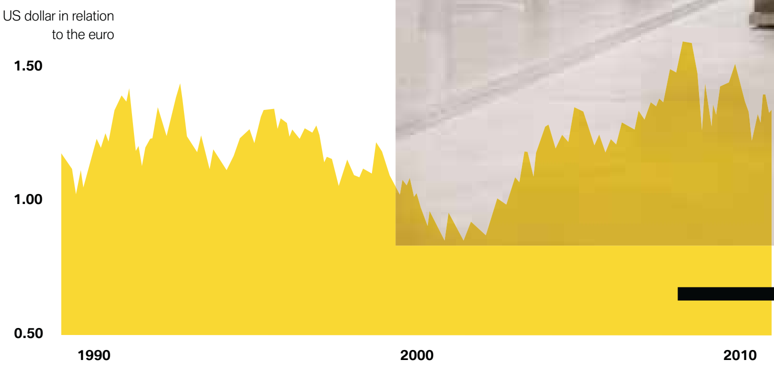
10:21 a.m. ——— BMW plant Spartanburg, Entrance West

The last of the machines are still being installed in the new, 1.6-kilometre-long production hall, but production of the new BMW X3 is already in full swing. The Spartanburg plant is already working at its full, extended capacity to turn out a total of 1,000 vehicles per day, including BMW X5 and X6 models. Plant manager Josef Kerscher certainly has his work cut out.

Spartanburg, South Carolina, USA, 20 January 2011

10:33 a.m. ——— Access control at the gates to the plant

"No country has felt the recent ups and downs in the markets and whole economies more acutely than the United States. Just about everyone here has friends or relatives who lost their jobs or their homes – sometimes both – during the economic crisis. The BMW Group couldn't escape the fallout from the global recession completely, of course. But we have tools to mitigate the effects. One of which is being created right here in front of us."



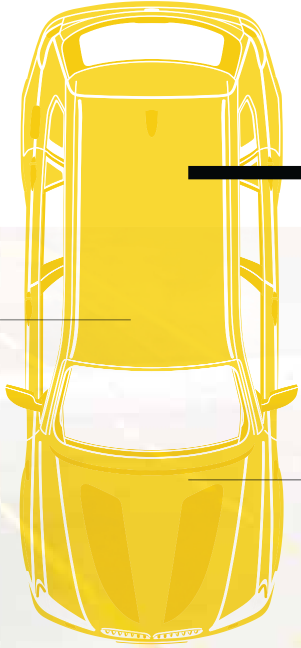
Ups and downs. The US dollar/euro exchange rate fluctuates dramatically. Fluctuations of this kind pose a serious risk for global players.

11:14 a.m. ——— Component testing at the Analysis Centre

“We have been building cars in Spartanburg since 1994 – which has always helped us to optimise our global value creation process. The decision to transfer production of the BMW X3, and to invest 750 million dollars in expanding our capacity from 150,000 to 240,000 vehicles per year, is another important step.

We have taken advantage of the plant expansion over the past two years to modernise our production capacity. Thanks to innovations such as an extremely low-emissions paint finishing line, one of the largest existing fleets of hydrogen forklift trucks, energy generation from methane gas from a nearby landfill and a highly flexible assembly architecture, Spartanburg is one of the most sustainable auto plants in the world today. It’s truly world class.”

Bustling activity at the materials depot



Local value creation. The BMW X family models manufactured at the BMW plant in Spartanburg involve a high percentage of local value creation. This includes purchasing in the NAFTA countries, the US, Canada and Mexico, as well as wage and manufacturing costs in the local currency.

Approx.
70%
US dollar

Approx.
30%
euro
(and other currencies)

12:14 p.m. —— Component delivery by the material train fleet

"One of the things we have mastered to perfection is how to build exceptional premium vehicles. There are other things, of course, that we don't have much control over – such as economic cycles and fluctuations in the exchange rate – but they still have a definite impact on our results. What could be better than minimising such effects of the one so that we can focus our resources and strengths on the other, more crucial matters – building premium cars for our customers?"

Clean air thanks to innovative “integrated paint” paint shops

3:14 p.m. ——— Brief stop at the low-emissions paint finishing line

“We believe production should follow the market. But we have also seen it work the other way around: local manufacturing also helps develop a market. With the 7,000 jobs we have created here and a total investment of 4.6 billion dollars in the Spartanburg plant, we are now considered to be an American company, and one that is highly respected by the American people. We sell a third of the vehicles we build in Spartanburg here in the US. Today, BMW is the best-selling European premium brand in the country. And with all the buzz surrounding the new BMW X3, we should probably be able to expand that lead in the future.”

4:12 p.m. ——— Chassis and brake control test bench

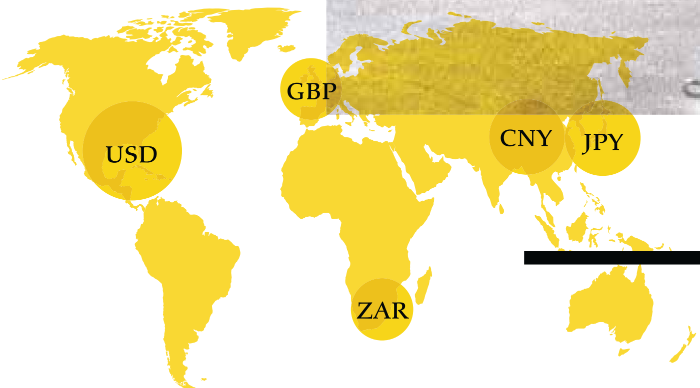
“Some of our employees from Spartanburg are currently assisting with the expansion of the plant in Shenyang; others are helping their colleagues in Chennai in India, where the demand for BMW Group automobiles is also growing steadily. The challenges, production conditions and markets are very different from one place to another, of course. But, at the end of the day, we are all working on the same project: optimising our global value creation.”

A smile means this car passes the test.

4:05 p.m. ——— Final vehicle inspection

“It’s been more than four years since I took over as manager of the Spartanburg plant. Back then, the euro was worth about 1.30 US dollars. Since, it’s been up to about 1.60 and fallen back to 1.20 US dollars. Historically, those fluctuations are actually quite moderate. But they make a huge difference to our profitability.”

Winter sunshine in the loading area



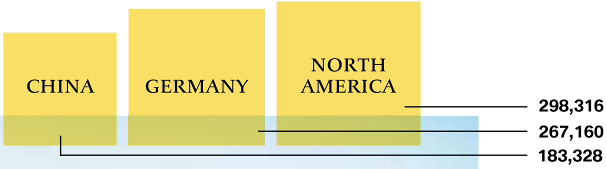
Global balance. The BMW Group uses its world-wide production and purchasing network to balance out economic and currency fluctuations.

5:35 p.m. ——— BMWs on their way to market

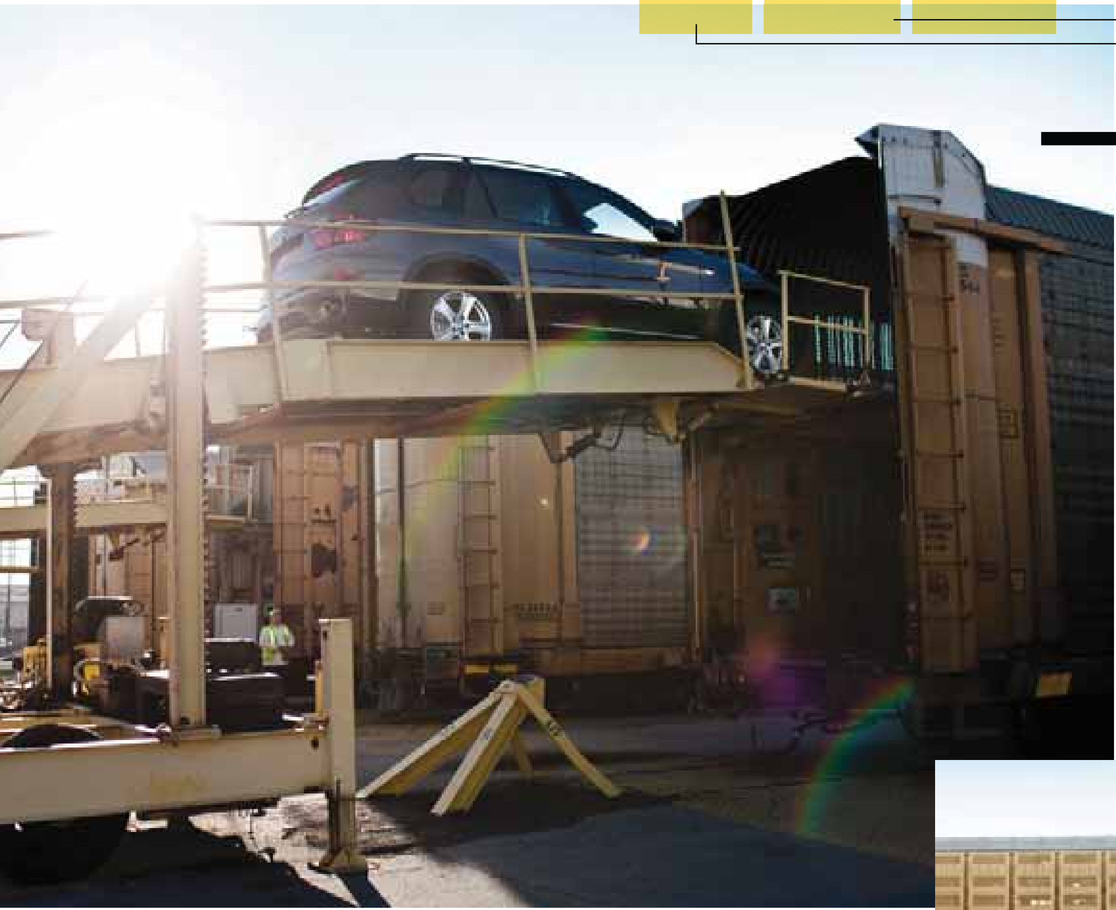
"Sound insulation from South Carolina; injection moulded components from Tennessee; tank systems from Georgia; cable harnesses, control units and headlights from Mexico – the list of parts made somewhere in North America and delivered directly to our assembly line by truck goes on. About two-thirds of our components come from countries across the NAFTA region and are paid for in US dollars. That means we can always stay competitive in North America – regardless of how the dollar performs against the euro.

We have increased our total purchasing volume in the NAFTA region by another 60 percent in readiness for the start of production of the BMW X3. And our purchasing office in Mexico City is working to boost the percentage of local value creation even further."

Ready for the road



BMW Group sales volumes in 2010



Key markets. BMW is the most popular European premium brand in the United States. The US is the BMW Group's second-largest market after Germany. Worldwide, the company sold almost 1.5 million vehicles last year.

Like all natural hedging instruments, it will take time for the Spartanburg plant to reach its full effect. But it will then provide the BMW Group with much greater, long-term security against currency risks.

The Annual Report 2010 as an iPad app

HIGHLIGHTS OF 2010 »

The joy of
charting a new course

» MOMENTS OF SHEER PLEASURE

More than 1.46 million customers became the proud owners of one of our new vehicles last year.

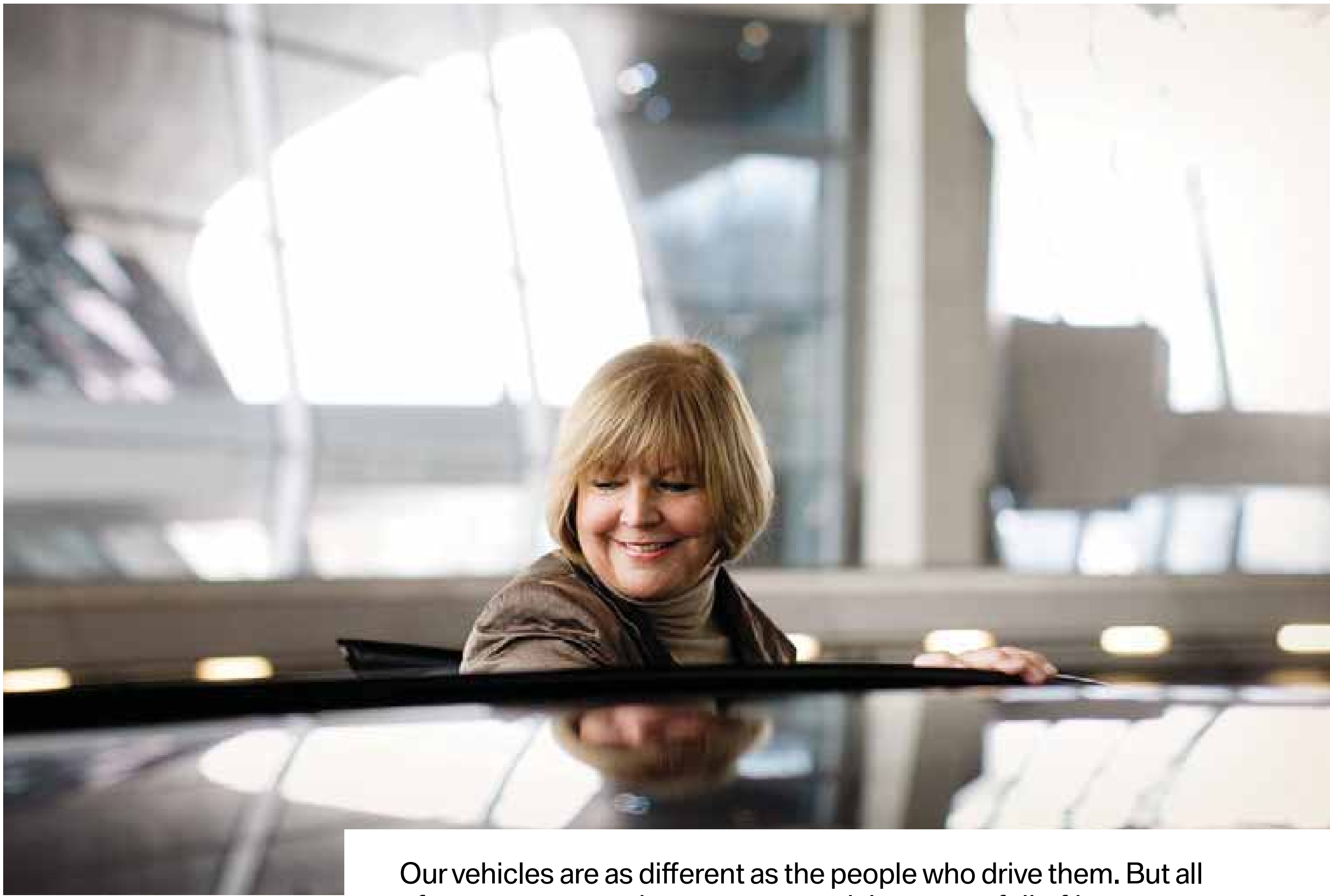
BMW 5 Series Sedan
BMW X3
BMW 5 Series Touring
MINI Countryman
BMW ActiveHybrid 7
BMW R 1200 RT Motorcycle

» AUTO CHINA 2010 IN BEIJING

» BUILDING THE FUTURE

» 50 YEARS OF INDEPENDENCE

MOMENTS OF SHEER PLEASURE



Our vehicles are as different as the people who drive them. But all of our customers share a very special moment full of joy: the moment they get to experience their vehicle for the first time.

What are you most looking forward to?

“The perfect design of the new BMW 5 Series. Cool details like the BMW ConnectedDrive package. Knowing we made exactly the right choice.” Florian Körner and Christina Middrup, 14 December 2010, BMW Welt Munich

1:55 p.m. – BMW Welt Munich: the joy of anticipation

BMW 5 Series Sedan

Sheer driving pleasure comes in many forms. In the new BMW 5 Series Sedan, the epitome of aesthetics and driving dynamics in the upper mid-range segment, it finds its purest expression.

2:53 p.m. – BMW Welt Munich: the joy of driving

2:22 p.m. – BMW Welt Munich: the joy of perfection

9:55 a.m. – BMW Welt Munich: bright prospects

What are you most looking forward to?

"Reliability in all weathers. As well as the xDrive drive train – which can withstand any conditions."

Reiner and Heike Haselhorst, 14 December 2010, BMW Welt Munich

11:23 a.m. – BMW Welt Munich: new beginnings

BMW X3

Wherever the road takes you: With xDrive, the BMW X3 can handle the toughest road and weather conditions, and totally redefines the relationship between performance and elegance at the same time.

10:45 a.m. – BMW Welt Munich: proud owners

What are you most looking forward to?

“Travelling in a car that’s not just elegant, but roomy enough for passengers and luggage – plus my Labrador.”

Ute Kleine and Klaus Trompeter, 15 December 2010, BMW Welt Munich

10:04 a.m. – BMW Welt Munich: a look of anticipation

10:55 a.m. – BMW Welt Munich: a look inside

BMW 5 Series Touring

Convenient mobility means having exactly the type of vehicle the situation demands. You might need space for all your luggage for a longer journey or just room for a quick trip to the supermarket, perhaps with two- or four-legged friends as passengers – either way, the BMW 5 Series Touring is always elegant and flexible, with maximum versatility practically built in.

10:30 a.m. – BMW Welt Munich: a look of joy

What are you most looking forward to?

“To having a car that doesn’t just carry all my gear but also makes a statement about my lifestyle as a professional sportsman: young, dynamic – always on the go.”

Michi Halilovic, 12 November 2010, MINI Munich

1:28 p.m. – MINI Munich: big moment

3:25 p.m. – MINI Munich: big space

2:05 p.m. – MINI Munich: big fun

MINI Countryman

The first four-door MINI is over four metres long – and yet still unmistakably MINI.

1:24 p.m. – BMW Hamburg: hands-on happiness

BMW ActiveHybrid 7

The BMW ActiveHybrid 7 goes its own way – in design, driving dynamics, comfort, safety and efficiency. With its high-performance ActiveHybrid drive train, it brings luxury to the roads in its most responsible form.

1:44 p.m. – BMW Hamburg: preferred seating

What are you most looking forward to?

"To the kind of comfortable motoring I already know and appreciate from many years of driving BMW cars. And having the opportunity to now drive more fuel-efficiently with the innovative ActiveHybrid drive train."

Bernd Schymetzki and Janine Klitz-Schymetzki,
17 December 2010, BMW Hamburg

1:10 p.m. – BMW Hamburg: shared excitement

What are you most looking forward to?

"To total driving fun and 211 horsepower. To having the roof down in the summer. To trips across the Alps down to Lake Garda."

Birgit Kahnes, 24 February 2011, MINI Munich

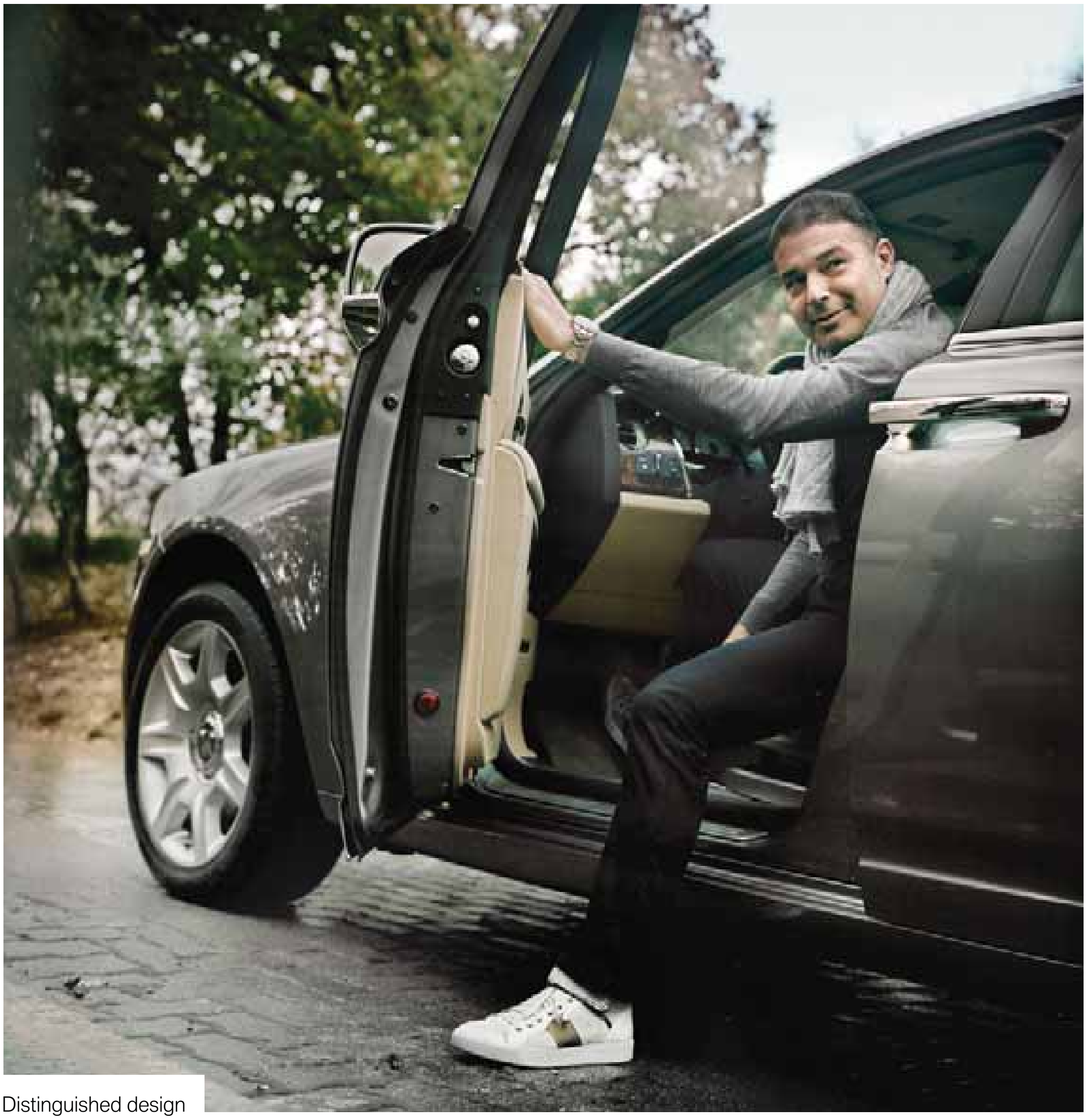
10:12 a.m. – MINI Munich: First impressions

MINI John Cooper Works Cabrio

It's agile. It's fast. It is all about sporty driving fun with a modified 6-speed transmission and a high-performance engine. In other words, the MINI John Cooper Works Convertible is the ideal partner for anyone looking for a dynamic but elegant ride.

11:05 a.m. – MINI Munich: First-class driving fun!

10:21 a.m. – MINI Munich: First encounter



Distinguished design

Rolls-Royce Ghost

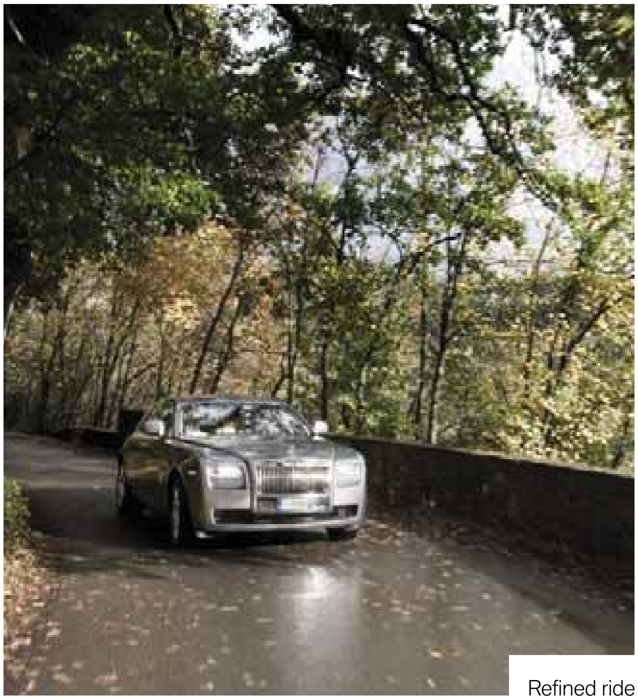
Rolls-Royce is the best in this segment, and it's engaging, too. Everything is simple but functional, which is what modern means to me.

Exquisite elegance

Why a Rolls-Royce?

“I feel like I’m at home when I drive my Ghost.”

Simone Ceruti, Florence, Italy



Refined ride

3:02 p.m. – BMW Motorcycle Centre Munich: all keyed up

BMW R 1200 RT Motorcycle

A sporty yet comfortable R 1200 RT touring bike clocks up tens of thousands of miles. But its fascination begins with the very first one.

What are you most looking forward to?

"To a bike with a sporty design, powerful Boxer engine and optimum wind and weather protection. A bike that automatically guarantees a longer motorcycling season."

Paul Sedlmaier, 26 November 2010, BMW Motorcycle Centre Munich

3:55 p.m. – BMW Motorcycle Centre Munich: all ready to go

3:28 p.m. – BMW Motorcycle Centre Munich: all about the bike

AUTO CHINA 2010 IN BEIJING

23 April–2 May 2010 China International Exhibition Centre, Beijing

1

2

1 CEO Norbert Reithofer writes the Chinese symbol for electricity together with local partners in the MINI E project.
2 Presentation of the BMW 5 Series Long Wheelbase version with electric motor, developed in collaboration with Tongji University and local partners, on the evening before the show

Made in China for China. The BMW Group worked with Tongji University to develop an electric-powered BMW 5 Series Long Wheelbase version for research purposes as part of the ECHO project. The main components for this first German-Chinese development cooperation on battery electric vehicles were built in collaboration with Chinese suppliers and demonstrate local technology potential. The BMW Group has also joined forces with the Chinese energy partners, State Grid and Southern Grid, and the China Automotive Technology and Research Centre (CATARC) to bring a fleet of MINI E cars to China and announced that it would make the BMW ActiveE available to local customers in 2011.

BUILDING THE FUTURE

5 November 2010 BMW plant, Leipzig

1 German Chancellor Angela Merkel and CEO Norbert Reithofer set the ball rolling for the plant expansion.
2 German Chancellor Angela Merkel talks to the BMW Group's Board Member for Development, Klaus Draeger.

1

2

Tomorrow's mobility will be made in Leipzig. The BMW Group is transforming its Leipzig plant into Germany's first site for the production of emissions-free electric vehicles. Roughly 400 million euros will be invested in new buildings and plant by 2013, creating about 800 jobs.

50 YEARS OF INDEPENDENCE

30 November 2010, Gala at the Theresienhöhe Congress Hall in Munich

1

2

Declaration of independence. Fifty years ago, at an historic Annual General Meeting, BMW shareholders chose independence. Fifty years on, a special ceremony celebrates this momentous decision.

The meaning of independence

What people say about BMW

BMW customer from the US

"For me, once you've driven a BMW, you never want to drive any other car."

1+2 Hostesses in petticoats, historic BMW cars and the slogan "Milestones of Joy" greet guests arriving at the gala event held at Munich's Theresienhöhe Congress Hall.
3 Fifty years ago, BMW shareholders made a historic decision – that decision was celebrated on the same spot in 2010.
4 BMW Chairman of the Board of Management Norbert Reithofer, Chairman of the General Works Council Manfred Schoch, Chairman of the Supervisory Board Joachim Milberg and Supervisory Board member Stefan Quandt.

3

4

BMW employee from Munich

"BMW is more than an employer to me, it's my home."

Independence means constantly thinking beyond the now. The prototype of the BMW Vision EfficientDynamics offers a glimpse of the automotive future – BMW style.

Setting the course. The bold decision in favour of independence still shapes and drives the company to this day. This was seen clearly at the gala event held at Munich's Theresienhöhe Congress Hall: The BMW Group remains true to itself by continuing to evolve, as it has done since its foundation.

Apprentice at the Landshut plant

"… vehicles that are ahead of their time."

A promising future lies ahead for the BMW Group. Our three brands, BMW, MINI and Rolls-Royce, are among the strongest, most desirable premium brands in the world. We will continue to pursue our Strategy Number ONE. Our vision is to be the leading provider of premium products and premium services for individual mobility.

Over the next years, we will continue to follow this path: developing innovative technologies, targeting new customer groups and actively shaping the future of individual mobility. This will build the foundation for long-term, profitable growth. We strive to be the best. That's what drives us, day after day.

> The Annual Report 2010 as an iPad app

A FURTHER CONTRIBUTION TOWARDS PRESERVING RESOURCES

BMW Group Annual Report 2010 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-102771 on 4 March 2011.

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	7.9 (8.7)	5.1 (5.4)	6.1 (6.6)	143 (154)
116i 3-door[3]	8.1 (8.9)	5.3 (5.5)	6.3 (6.8)	147 (158)
118i 3-door	7.9 (8.7)	5.1 (5.4)	6.1 (6.6)	143 (154)
120i 3-door	8.6 (8.9)	5.4 (5.3)	6.6 (6.6)	153 (155)
130i 3-door	12.4 (12.5)	6.3 (6.2)	8.5 (8.5)	199 (199)
116d 3-door[1]	**5.4**	**4.0**	**4.5**	**118**
118d 3-door	**5.4 (6.7)**	**4.0 (4.5)**	**4.5 (5.3)**	**119 (140)**
120d 3-door	**5.9 (6.7)**	**4.1 (4.5)**	**4.7 (5.3)**	**125 (140)**
123d 3-door	**6.4 (6.9)**	**4.4 (4.7)**	**5.1 (5.5)**	**135 (145)**
116i 5-door	7.9 (8.7)	5.1 (5.4)	6.1 (6.6)	143 (154)
116i 5-door[3]	8.1 (8.9)	5.3 (5.5)	6.3 (6.8)	147 (158)
118i 5-door	7.9 (8.7)	5.1 (5.4)	6.1 (6.6)	143 (154)
120i 5-door	8.6 (8.9)	5.4 (5.3)	6.6 (6.6)	153 (155)
130i 5-door	12.4 (12.5)	6.3 (6.2)	8.5 (8.5)	199 (199)
116d 5-door[1]	**5.4**	**4.0**	**4.5**	**118**
118d 5-door	**5.4 (6.7)**	**4.0 (4.5)**	**4.5 (5.3)**	**119 (140)**
120d 5-door	**5.9 (6.7)**	**4.1 (4.5)**	**4.7 (5.3)**	**125 (140)**
123d 5-door	**6.4 (6.9)**	**4.4 (4.7)**	**5.1 (5.5)**	**135 (145)**
120i Coupé	8.5 (8.9)	5.3 (5.3)	6.5 (6.6)	152 (154)
125i Coupé	11.8 (11.6)	5.9 (6.1)	8.1 (8.1)	189 (189)
135i Coupé	12.1 (11.7)	6.4 (6.7)	8.5 (8.5)	198 (198)
118d Coupé	**5.3 (6.7)**	**4.0 (4.5)**	**4.5 (5.3)**	**118 (140)**
120d Coupé	**5.9 (6.7)**	**4.0 (4.5)**	**4.7 (5.3)**	**124 (140)**
123d Coupé	**6.4 (6.9)**	**4.3 (4.7)**	**5.1 (5.5)**	**134 (145)**
1er M Coupé[1]	**13.6**	**7.3**	**9.6**	**224**
118i Convertible	8.4 (9.1)	5.4 (5.6)	6.5 (6.9)	152 (162)
120i Convertible	8.8 (9.4)	5.6 (5.6)	6.8 (7.0)	158 (163)
125i Convertible	12.0 (11.8)	6.2 (6.3)	8.3 (8.3)	194 (194)
135i Convertible	12.2 (11.8)	6.5 (6.8)	8.6 (8.6)	200 (200)
118d Convertible	**5.7 (6.9)**	**4.3 (4.7)**	**4.8 (5.5)**	**127 (145)**
120d Convertible	**6.2 (6.9)**	**4.3 (4.7)**	**5.0 (5.5)**	**132 (145)**
123d Convertible	**6.6 (7.1)**	**4.5 (4.8)**	**5.3 (5.7)**	**139 (149)**
316i Sedan[4]	8.1 (8.9)	5.3 (5.5)	6.3 (6.8)	146 (159)
318i Sedan	8.1 (8.7)	5.3 (5.4)	6.3 (6.6)	146 (155)
320i Sedan	8.3 (9.3)	5.3 (5.3)	6.4 (6.8)	148 (159)
325i Sedan	9.8 (10.0)	5.7 (5.9)	7.2 (7.4)	168 (174)
325i xDrive Sedan	11.0 (11.1)	6.4 (6.5)	8.1 (8.2)	188 (192)
330i Sedan	10.0 (10.2)	5.9 (5.9)	7.4 (7.5)	173 (175)
330i xDrive Sedan	11.1 (11.2)	6.5 (6.6)	8.2 (8.3)	191 (193)
335i Sedan	12.0 (12.6)	6.3 (6.5)	8.4 (8.7)	196 (202)
335i xDrive Sedan	12.4 (13.1)	6.7 (6.8)	8.8 (9.1)	205 (212)
316d Sedan[1]	**5.4**	**4.0**	**4.5**	**118**
318d Sedan	**5.4 (6.8)**	**4.0 (4.4)**	**4.5 (5.3)**	**119 (140)**
320d Sedan	**5.9 (6.8)**	**4.0 (4.4)**	**4.7 (5.3)**	**125 (140)**
320d xDrive Sedan	**6.4 (7.2)**	**4.5 (4.8)**	**5.2 (5.7)**	**137 (150)**
320d EfficientDynamics Edition Sedan[1]	**5.0**	**3.6**	**4.1**	**109**
325d Sedan	7.3 (7.9)	4.8 (5.1)	5.7 (6.1)	151 (160)
330d Sedan	7.3 (8.0)	4.8 (5.2)	5.7 (6.2)	152 (164)
330d xDrive Sedan	8.3 (8.8)	5.5 (5.7)	6.5 (6.8)	171 (178)
335d Sedan[2]	9.0	5.2	6.6	174
M3 Sedan	17.7 (15.9)	9.3 (8.5)	12.4 (11.2)	290 (263)
316i Touring[1, 4]	8.1	5.3	6.3	147
318i Touring	8.1 (8.9)	5.3 (5.6)	6.3 (6.8)	147 (159)
320i Touring	8.3 (9.5)	5.3 (5.5)	6.4 (7.0)	149 (164)
325i Touring	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	11.1 (11.2)	6.5 (6.6)	8.2 (8.3)	190 (194)
330i Touring	10.2 (10.7)	6.1 (6.2)	7.6 (7.9)	177 (184)
330i xDrive Touring	11.2 (11.3)	6.6 (6.7)	8.3 (8.4)	193 (195)
335i Touring	12.1 (12.6)	6.4 (6.5)	8.5 (8.7)	199 (203)
335i xDrive Touring	12.4 (13.2)	6.7 (6.9)	8.8 (9.2)	206 (215)
316d Touring[1]	**5.4**	**4.0**	**4.5**	**119**
318d Touring	**5.4 (6.9)**	**4.0 (4.5)**	**4.5 (5.4)**	**120 (142)**
320d Touring	**6.0 (6.9)**	**4.1 (4.5)**	**4.8 (5.4)**	**128 (142)**
320d xDrive Touring	**6.5 (7.3)**	**4.6 (4.9)**	**5.3 (5.8)**	**140 (153)**
320d EfficientDynamics Edition Touring[1]	**5.2**	**3.8**	**4.3**	**114**
325d Touring	7.4 (8.0)	4.9 (5.2)	5.8 (6.2)	153 (163)
330d Touring	7.5 (8.1)	5.0 (5.3)	5.9 (6.3)	155 (165)
330d xDrive Touring	8.4 (8.9)	5.6 (5.8)	6.6 (6.9)	174 (181)
335d Touring[2]	9.1	5.3	6.7	176
316i Coupé[1, 4]	8.1	5.3	6.3	146
318i Coupé[1]	8.1	5.3	6.3	146
320i Coupé	8.6 (9.3)	5.4 (5.3)	6.6 (6.8)	154 (159)
325i Coupé	9.8 (10.0)	5.7 (5.9)	7.2 (7.4)	168 (174)
325i xDrive Coupé	11.0 (11.1)	6.4 (6.5)	8.1 (8.2)	188 (192)
330i Coupé	10.0 (10.2)	5.9 (5.9)	7.4 (7.5)	173 (175)
330i xDrive Coupé	11.1 (11.2)	6.5 (6.6)	8.2 (8.3)	191 (193)
335i Coupé	12.0 (11.8)	6.3 (6.4)	8.4 (8.4)	196 (196)
335i xDrive Coupé	12.4 (13.1)	6.7 (6.8)	8.8 (9.1)	205 (212)
320d Coupé	**5.9 (6.8)**	**4.0 (4.4)**	**4.7 (5.3)**	**125 (140)**
320d xDrive Coupé	**6.4 (7.2)**	**4.5 (4.8)**	**5.2 (5.7)**	**137 (150)**
325d Coupé	7.3 (7.9)	4.8 (5.1)	5.7 (6.1)	151 (160)
330d Coupé	7.3 (8.0)	4.8 (5.2)	5.7 (6.2)	152 (164)
330d xDrive Coupé	8.3 (8.8)	5.5 (5.7)	6.5 (6.8)	171 (178)
335d Coupé[2]	9.0	5.2	6.6	174
M3 Coupé	17.7 (15.9)	9.3 (8.5)	12.4 (11.2)	290 (263)
M3 GTS Coupé	18.4	9.3	12.7	295
318i Convertible[1]	8.4	5.6	6.6	154
320i Convertible	8.8 (9.8)	5.6 (5.8)	6.8 (7.3)	159 (169)
325i Convertible	10.2 (10.6)	5.9 (6.3)	7.5 (7.9)	176 (185)
330i Convertible	10.5 (11.1)	6.2 (6.5)	7.8 (8.2)	182 (190)
335i Convertible	12.4 (12.2)	6.7 (6.8)	8.8 (8.8)	205 (205)
320d Convertible	**6.3 (7.1)**	**4.4 (4.7)**	**5.1 (5.6)**	**135 (149)**
325d Convertible	7.7 (8.2)	5.2 (5.4)	6.1 (6.4)	160 (168)
330d Convertible	7.7 (8.2)	5.2 (5.4)	6.1 (6.4)	162 (170)
M3 Convertible	18.0 (16.0)	9.6 (8.9)	12.7 (11.5)	297 (269)
523i Sedan	10.5 (10.5)	5.9 (5.9)	7.6 (7.6)	177 (178)
528i Sedan	10.4 (10.4)	6.3 (6.0)	7.8 (7.6)	182 (178)
535i Sedan	11.8 (11.9)	6.6 (6.4)	8.5 (8.4)	199 (195)
535i xDrive Sedan[2]	10.9	6.5	8.1	189
550i Sedan[2]	15.4	7.5	10.4	243
550i xDrive Sedan[2]	16.4	7.9	11.0	257
520d Sedan	**5.9 (6.4)**	**4.3 (4.5)**	**4.9 (5.2)**	**129 (137)**
525d Sedan	8.1 (7.7)	5.1 (5.1)	6.2 (6.1)	162 (160)
530d Sedan	8.0 (7.7)	5.3 (5.2)	6.3 (6.1)	166 (160)
530d xDrive Sedan[2]	6.6	5.2	5.7	150
535d Sedan[2]	7.9	5.1	6.1	162
523i Touring	10.9 (10.8)	6.2 (6.1)	7.9 (7.8)	185 (182)
528i Touring	10.8 (10.6)	6.4 (6.2)	8.0 (7.8)	188 (182)
535i Touring	11.9 (11.9)	6.7 (6.5)	8.6 (8.5)	201 (197)
520d Touring	**6.2 (6.5)**	**4.5 (4.6)**	**5.1 (5.3)**	**135 (139)**
525d Touring	8.0 (7.8)	5.3 (5.2)	6.3 (6.2)	164 (162)

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
BMW				
530d Touring	8.1 (8.0)	5.4 (5.3)	6.4 (6.3)	169 (165)
530d xDrive Touring[2]	6.8	5.3	5.8	154
535d Touring[2]	8.1	5.3	6.3	165
535i Gran Turismo[2]	12.3	6.9	8.9	209
535i xDrive Gran Turismo[2]	12.8	7.2	9.3	216
550i Gran Turismo[2]	16.2	8.3	11.2	263
550i xDrive Gran Turismo[2]	16.9	8.8	11.8	275
530d Gran Turismo[2]	8.1	5.6	6.5	173
530d xDrive Gran Turismo[2]	8.5	6.0	6.9	183
535d Gran Turismo[2]	8.3	5.8	6.7	175
535d xDrive Gran Turismo[2]	8.9	6.1	7.1	187
640i Convertible[2]	10.9	6.2	7.9	185
650i Convertible[2]	15.5	7.9	10.7	249
740i[2]	13.8	7.6	9.9	232
740Li[2]	14.0	7.7	10.0	235
750i[2]	16.4	8.5	11.4	266
750i xDrive[2]	17.1	8.9	11.9	278
750Li[2]	16.4	8.5	11.4	266
750Li xDrive[2]	17.1	8.9	11.9	278
760i[2]	18.8	9.5	12.9	299
760Li[2]	18.9	9.6	13.0	303
730d[2]	9.0	5.5	6.8	178
730Ld[2]	9.1	5.6	6.9	180
740d[2]	9.0	5.7	6.9	181
740d xDrive[2]	8.8	5.9	7.0	183
ActiveHybrid 7[2]	12.6	7.6	9.4	219
ActiveHybrid 7L[2]	12.6	7.6	9.4	219
X1 sDrive18i	11.3 (11.5)	6.4 (6.6)	8.2 (8.4)	191 (195)
X1 xDrive28i	9.9 (10.4)	6.7 (6.4)	7.9 (7.9)	183 (183)
X1 sDrive18d	6.1 (7.1)	4.7 (5.2)	5.2 (5.9)	136 (155)
X1 xDrive18d	6.7 (7.7)	5.1 (5.4)	5.7 (6.2)	150 (164)
X1 sDrive20d	6.4 (7.1)	4.7 (5.2)	5.3 (5.9)	139 (155)
X1 xDrive20d	7.0 (7.7)	5.1 (5.4)	5.8 (6.2)	153 (164)
X1 xDrive23d	7.3 (7.8)	5.2 (5.5)	6.0 (6.3)	158 (167)
X3 xDrive28i[2]	12.3	7.1	9.0	210
X3 xDrive35i[2]	11.2	7.4	8.8	204
X3 xDrive20d	6.7 (6.1)	5.0 (5.3)	5.6 (5.6)	149 (147)
X3 xDrive30d[2]	6.8	5.6	6.0	159
X5 xDrive35i[2]	13.2	8.3	10.1	236
X5 xDrive50i[2]	17.5	9.6	12.5	292
X5 xDrive30d[2]	8.7	6.7	7.4	195
X5 xDrive40d[2]	8.8	6.8	7.5	198
X5 M[5]	19.3	10.8	13.9	325
X6 xDrive35i[2]	13.2	8.3	10.1	236
X6 xDrive50i[2]	17.5	9.6	12.5	292
X6 xDrive30d[2]	8.7	6.7	7.4	195
X6 xDrive40d[2]	8.8	6.8	7.5	198
ActiveHybrid X6[2]	10.8	9.4	9.9	231
X6 M[5]	19.3	10.8	13.9	325
Z4 sDrive23i	12.4 (11.8)	6.2 (6.1)	8.5 (8.2)	199 (192)
Z4 sDrive30i	12.4 (11.9)	6.2 (6.2)	8.5 (8.3)	199 (195)
Z4 sDrive35i	13.5 (12.6)	7.0 (6.9)	9.4 (9.0)	219 (210)
Z4 sDrive35is[2]	12.6	6.9	9.0	210

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
MINI				
MINI One	7.2 (8.7)	4.4 (5.1)	5.4 (6.4)	127 (150)
MINI One MINIMALIST[1]	6.5	4.3	5.1	119
MINI Cooper	6.9 (8.7)	4.6 (5.1)	5.4 (6.4)	127 (150)
MINI Cooper S	7.3 (8.9)	5.0 (5.0)	5.8 (6.4)	136 (149)
MINI One D[1]	4.2	3.5	3.8	99
MINI Cooper D	4.2 (6.8)	3.5 (4.1)	3.8 (5.1)	99 (135)
MINI Cooper SD	5.1 (6.9)	3.9 (4.3)	4.3 (5.3)	114 (139)
MINI John Cooper Works[1]	9.4	5.8	7.1	165
MINI One Convertible	7.6 (8.9)	4.6 (5.3)	5.7 (6.6)	133 (154)
MINI Cooper Convertible	7.2 (8.9)	4.9 (5.3)	5.7 (6.6)	133 (154)
MINI Cooper S Convertible	7.5 (9.1)	5.1 (5.1)	6.0 (6.6)	139 (153)
MINI Cooper D Convertible	4.5 (7.0)	3.7 (4.3)	4.0 (5.3)	105 (140)
MINI Cooper SD Convertible	5.3 (7.1)	4.0 (4.4)	4.5 (5.4)	118 (143)
MINI John Cooper Works Convertible[1]	9.6	5.9	7.3	169
MINI One Clubman	7.3 (8.8)	4.5 (5.2)	5.5 (6.5)	129 (152)
MINI Cooper Clubman	7.0 (8.8)	4.7 (5.2)	5.5 (6.5)	129 (152)
MINI Cooper S Clubman	7.4 (8.9)	5.0 (5.0)	5.9 (6.4)	137 (150)
MINI One D Clubman[1]	4.4	3.6	3.9	103
MINI Cooper D Clubman	4.4 (6.9)	3.6 (4.2)	3.9 (5.2)	103 (138)
MINI Cooper SD Clubman	5.2 (7.0)	3.9 (4.3)	4.4 (5.3)	115 (141)
MINI John Cooper Works Clubman[1]	9.5	5.8	7.2	167
MINI One Countryman	7.4 (9.3)	5.2 (6.0)	6.0 (7.2)	139 (168)
MINI Cooper Countryman	7.4 (9.3)	5.2 (6.0)	6.0 (7.2)	140 (168)
MINI Cooper S Countryman	7.5 (9.5)	5.4 (5.7)	6.1 (7.1)	143 (166)
MINI Cooper S Countryman ALL 4	8.2 (10.3)	5.8 (6.2)	6.7 (7.7)	157 (180)
MINI One D Countryman[1]	4.7	4.2	4.4	115
MINI Cooper D Countryman	4.7 (7.2)	4.2 (4.7)	4.4 (5.6)	115 (149)
MINI Cooper SD Countryman	5.2 (7.3)	4.3 (4.8)	4.6 (5.7)	122 (150)
MINI Cooper D Countryman ALL 4	5.3 (7.6)	4.7 (5.0)	4.9 (6.0)	129 (158)
MINI Cooper SD Countryman ALL 4	5.3 (7.7)	4.7 (5.1)	4.9 (6.1)	130 (160)
Rolls-Royce				
Rolls-Royce Ghost[2]	20.5	9.6	13.6	317
Rolls-Royce Phantom[2]	25.0	11.5	16.5	385
Rolls-Royce Phantom EWB[2]	25.1	11.7	16.6	388
Rolls-Royce Phantom Coupé[2]	25.0	11.5	16.5	385
Rolls-Royce Phantom Drophead Coupé[2]	25.0	11.5	16.5	385

Figures in brackets only valid for automatic transmissions.

[1] only available with manual transmission
[2] only available with automatic transmission
[3] variant with 1.6-litre cubic capacity
[4] only available in selected EU countries
[5] 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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