

**Interim Report**  
for the period ending  
30 September 2001



**BMW Group**



## The BMW Group: an Overview

(units/euro million)

	3rd quarter 2001	3rd quarter 2000	Change
<b>Vehicle production</b>			
Automobiles <sup>1</sup>	213,333	200,805	6.2 %
Motorcycles <sup>2</sup>	17,966	14,158	26.9 %
<b>Deliveries to customers</b>			
Automobiles <sup>3</sup>	211,995	195,994	8.2 %
Motorcycles <sup>4</sup>	19,416	16,766	15.8 %
<b>Workforce at the end of quarter<sup>5</sup></b>	<b>96,865</b>	<b>93,551</b>	<b>3.5 %</b>
<b>Cash flow</b>	<b>729</b>	<b>1,029</b>	<b>-29.2 %</b>
<b>Sales</b>	<b>8,196</b>	<b>7,465</b>	<b>9.8 %</b>
<b>Profit from ordinary activities</b>	<b>567</b>	<b>596</b>	<b>-4.9 %</b>
Thereof:			
BMW Automobiles	418	565	-26.0 %
BMW Motorcycles	-5	-6	16.7 %
Financial Services	106	109	-2.8 %
Miscellaneous, consolidations	48	-72	
<b>Taxes on profit</b>	<b>252</b>	<b>150</b>	<b>68.0 %</b>
<b>Net profit</b>	<b>315</b>	<b>446</b>	<b>-29.4 %</b>
<b>DVFA/SQ earnings per share in euro</b>	<b>0.54</b>	<b>0.67</b>	<b>-19.4 %</b>

<sup>1</sup> includes 12,290 MINI vehicles in the 3rd quarter 2001

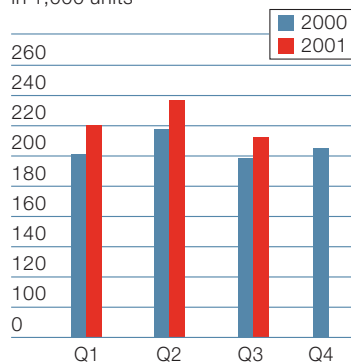
<sup>2</sup> excludes 1,194 C1 in the 3rd quarter 2001 (3rd quarter 2000: 5,617)

<sup>3</sup> includes 4,674 MINI vehicles in the 3rd quarter 2001

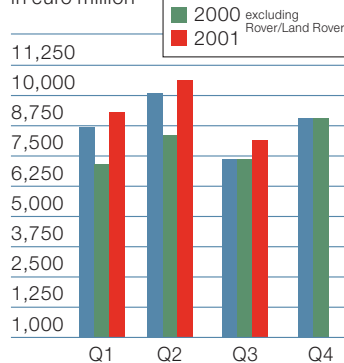
<sup>4</sup> excludes 3,070 C1 in the 3rd quarter 2001 (3rd quarter 2000: 2,067)

<sup>5</sup> after adjusting for the disposal of the supplier plant Powertrain Ltd., Bracknell, the comparable number of employees at 30 September 2000 was 91,911.

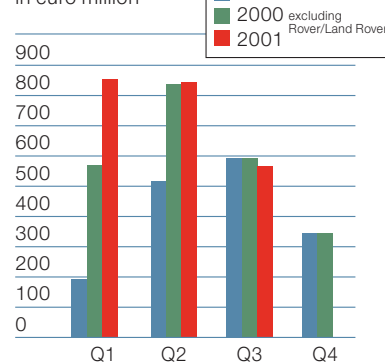
**Deliveries of  
BMW and MINI Automobiles**  
in 1,000 units



**Sales**  
in euro million



**Profit from ordinary  
activities**  
in euro million



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	1 January to 30 September 2001	1 January to 30 September 2000	Change
<b>Vehicle production</b>			
Automobiles <sup>1,2</sup>	685,039	614,951	11.4 %
Motorcycles <sup>3</sup>	71,447	57,876	23.4 %
<b>Deliveries to customers</b>			
Automobiles <sup>4,5</sup>	671,830	616,949	8.9 %
Motorcycles <sup>6</sup>	69,533	62,392	11.4 %
<b>Workforce at the end of quarter<sup>7</sup></b>	<b>96,865</b>	<b>93,551</b>	<b>3.5 %</b>
<b>Cash flow</b>	<b>2,729</b>	<b>2,233</b>	<b>22.2 %</b>
<b>Sales</b>	<b>28,169</b>	<b>26,290</b>	<b>7.1 %</b>
<b>Profit from ordinary activities</b>	<b>2,267</b>	<b>1,315</b>	<b>72.4 %</b>
Thereof:			
BMW Automobiles	1,995	1,855	7.5 %
Rover Automobiles		-762	
BMW Motorcycles	54	42	28.6 %
Financial Services	314	299	5.0 %
Miscellaneous, consolidations	-96	-119	19.3 %
<b>Taxes on profit<sup>8</sup></b>	<b>1,018</b>	<b>550</b>	<b>85.1 %</b>
<b>Net profit</b>	<b>1,249</b>	<b>765</b>	<b>63.3 %</b>
<b>DVFA/SG earnings per share in euro</b>	<b>2.06</b>	<b>1.18</b>	<b>74.6 %</b>

<sup>1</sup> excludes 192,236 Rover/Land Rover vehicles for the six month period to 30.6.2000

<sup>2</sup> includes 14,607 MINI vehicles for the nine month period to 30.9.2001

<sup>3</sup> excludes 8,934 C1 for the nine month period to 30.9.2001 (15,563 for the nine month period to 30.9.2000)

<sup>4</sup> excludes 189,753 Rover/Land Rover vehicles for the six month period to 30.6.2000

<sup>5</sup> includes 4,674 MINI vehicles for the nine month period to 30.9.2001

<sup>6</sup> excludes 8,890 C1 for the nine month period to 30.9.2001 (5,716 for the nine month period to 30.9.2000)

<sup>7</sup> after adjusting for the disposal of the supplier plant Powertrain Ltd., Bracknell, the comparable number of employees at 30 September 2000 was 91,911

<sup>8</sup> thereof euro 181 million recorded in the first quarter 2001 as a result of the tax reform in Germany (deferred taxes)

## The BMW Group continues to achieve steady growth

The BMW Group continued to its successful progress in the third quarter 2001. With sales and production volumes showing robust growth, the group's performance compared well in the light of the generally negative trends currently being experienced by the international markets. This was largely attributable to the fact that the BMW Group has consistently positioned itself within the premium sectors of the market.

Unit sales of the BMW Automobiles segment in the third quarter 2001 increased overall by 8.2 % or 16,001 vehicles against the same period in the previous year. 207,321 BMW automobiles were delivered to customers, a 5.8 % increase compared to the corresponding quarter of the previous year. On top of this, 4,674 MINI vehicles were sold during the quarter for the first time.

Including the MINI brand, 671,830 units were delivered worldwide during the first three quarters of 2001 representing a growth of 8.9 % compared to the corresponding period in the previous year.

The BMW Motorcycles segment continues to achieve record figures. Sales of 19,416 units in the third quarter 2001 exceeded the volume achieved in the same period last year by 15.8 %. The number of units delivered during the first nine months of 2001 rose to 69,533 (+11.4 %) which is a new sales record.

Total sales of the Group in the third quarter 2001 were euro 8,196 million, an increase of 9.8 % compared to the equivalent period in 2000. For the first three quarters of 2001, Group sales increased by 7.1 % to euro 28,169 million. Excluding Rover sales in the first half of 2000 (euro 3,500 million), this represents a growth rate of 23.6 %.

The profit from ordinary activities of the BMW Group in the third quarter 2001 was euro 567 million, down euro 29 million against the same period last year. As a result of the events on 11 September, the Group recorded impairment losses of euro 30 million on its share portfolio (BMW Automobiles segment) and of euro 87 million in the area of intangible assets (Miscellaneous, consolidations segment). The Group was able to increase its profit from ordinary activities during the first three quarters of 2001 to euro 2,267 million, a rise of 72.4 % against the same period last year.

The net profit for the third quarter 2001 was euro 315 million which is 29.4 % below the net profit recorded in the same period last year. For the first nine months of 2001 the net profit amounted to euro 1,249 million, an increase of 63.3 %.

Due to the positive progress made in the current financial year, the BMW Group has increased its workforce – mainly in the areas of production, development and sales – by over 3,000 employees worldwide. The BMW Group had a total of 96,865 employees at 30 September 2001. After adjustment for the disposal of the supplier plant Powertrain, Bracknell, which was sold to the Phoenix Consortium in May 2001, the comparable number of employees at 30 September 2000 was 91,911. The workforce has therefore increased by 5.4 %.

### Product offensive: several new products launched

The BMW Group has continued its product offensive during the third quarter 2001. The MINI was launched successfully in Great Britain in July and in other European countries at the beginning of September 2001. Early sales figures indicate that the MINI is establishing itself as a premium product in the small vehicle

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segment, thus confirming the Group's positive expectations.

The BMW 3 Series model update was also launched successfully in September. The BMW X5 4.6is and the new BMW 7 Series were presented for the first time at the Frankfurt International Motorshow. The new F 650 CS Scarver was also presented in Frankfurt for the first time, a motorcycle aimed primarily at younger customers.

Customer interest for all of these new products was very positive, thus supporting the BMW Group's expectations of continued steady sales growth.

#### **Financial year 2001 targets will be met**

On the basis of information available to date, the economic effect of the terrorist attacks in the USA will be manageable for the BMW Group. Business is expected to continue to progress positively in the fourth quarter 2001, with sales volume forecast at over 900,000 BMW and MINI automobiles for the full year. This represents a sales volume increase of over 9 % compared to the previous year. This confirms the belief that the excellent result achieved by the BMW Automobiles segment in 2000 will be exceeded, even during a phase of increased expenditure for the on-going product and market offensive. At a Group level, the results for 2001 will show a considerable improvement on the previous year with a return on sales of over 6 %.

#### **Significant sales growth planned on a long-term basis**

The BMW Group will continue to achieve sales growth in the future, both in volume and absolute terms, by means of the continued product and market offensive. The planned launch of some twenty new models and three new engine ranges for the various market

segments in the next few years will result in sustained sales volume growth and a corresponding increase in reported sales.

All these measures will significantly strengthen the market position of the BMW Group. In the near future the new BMW 6 and 1 Series as well as the extension of the X family will significantly expand the BMW product range. From 2003 the BMW Group will sell Rolls-Royce vehicles in the supreme top-end segment.

The basis for this targeted growth is the high level of expenditure currently being incurred to develop new products and to expand the sales organisation, together with a capital expenditure programme for the planned increase in capacity, including the new production plant in Leipzig. As in the past, these capital expenditure items will be financed out of cash flow.

## BMW Automobiles continues to achieve steady growth

(units/euro million)

	3rd quarter 2001	3rd quarter 2000	Change
Production <sup>1</sup>	213,333	200,805	6.2 %
Deliveries to customers <sup>1</sup>	211,995	195,994	8.2 %
Sales <sup>1</sup>	7,228	6,540	10.5 %
Profit from ordinary activities <sup>1</sup>	418	565	-26.0 %
Workforce at end of quarter	88,904	83,991	5.8 %

<sup>1</sup> including the MINI brand

	1 January to 30 September 2001	1 January to 30 September 2000	Change
Production <sup>1</sup>	685,039	614,951	11.4 %
Deliveries to customers <sup>1</sup>	671,830	616,949	8.9 %
Sales <sup>1</sup>	24,659	21,149	16.6 %
Profit from ordinary activities <sup>1</sup>	1,995	1,855	7.5 %

<sup>1</sup> including the MINI brand

The third quarter 2001 saw another successful performance by the BMW Automobiles segment. Sales and production volumes grew steadily yet again.

Overall, the BMW Group sold 211,995 units in the third quarter 2001, 8.2% more than in the third quarter 2000. A total of 207,321 BMW automobiles was delivered to customers during the period from July to September 2001, a significant increase of 5.8% against the same period last year. On top of this 4,674 MINI automobiles were delivered. Taking BMW and MINI together, a total of 671,830 vehicles (including 667,156 BMW automobiles) were delivered to customers during the first three quarters of 2001, an increase of 8.9% compared to the corresponding period of the previous year.

The BMW 3 Series model update launched in September has been received positively by the market. The third quarter 2001 saw a slight decrease (-1.7%) in units sold in advance of the launch of the model update.

A total of 126,939 BMW 3 Series vehicles were delivered during the period. On a nine-month basis, sales of BMW 3 Series vehicles worldwide increased by 3.2% to 403,932 units. The sales volumes of the BMW 3 Series touring vehicle (+23.4%) and the new BMW 3 Series convertible (+67.1%) were particularly pleasing. The BMW 3 Series saloon range held up well with 232,287 units being sold, a decrease of only 0.7% compared to the volume

achieved in the first nine months of 2000.

Sales of the BMW 5 Series developed extremely well, with 42,283 units sold during the third quarter 2001, an increase of 14.1% compared to the same period in 2000. During the first nine months of 2001, 150,091 units of the BMW 5 Series were delivered to customers, a 6.3% increase against the same period last year. The BMW 5 Series touring vehicle with a sales volume of 32,327 units (+11.6%), contributed in particular to this development.

Sales of the BMW 7 Series were affected by the discontinuation of production of the previous model in July 2001 and the introduction of the new model in November 2001. For the first three quarters of 2001, the sales volume of the BMW 7 Series went down, in line with expectations, by 14.8% to 24,995 units.

Demand for the BMW X5 Sports Activity Vehicle continues to be strong above average. 22,088 units were delivered during the third quarter 2001, almost double (+97.6%) the number sold during the corresponding period of the previous year.

During the first three quarters of 2001, the Group delivered 57,677 BMW X5 to customers, an increase of 36,166 units or +168.1%. Over 100,000 BMW X5 have left the factory at Spartanburg since production was commenced two years ago and production capacity has been doubled during the last twelve months.

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During the third quarter 2001 7,613 BMW Z3 were sold, a decrease of 11.2 % compared to the third quarter 2000. In the period January to September 2001 a total of 28,628 BMW Z3 cars was sold, a decrease of 12.4 % against the same period last year.

During the first three quarters of 2001, the Group sold 1,829 units of the exclusive BMW Z8 model, more than double the number sold during the corresponding period of the previous year.

The market share of diesel vehicles continues to grow. In total, BMW Group sold 159,566 diesel-powered vehicles during the first three quarters of 2001. This represents 24 % of the worldwide sales of BMW automobiles. In Germany, one in three BMW automobiles sold is now a diesel.

### The MINI makes a good start

Following the successful launch of the MINI One and MINI Cooper in Great Britain in July, these models were launched on the other European markets at the beginning of September 2001. Even before the launch, the new brand had received an extremely good response which resulted in the expected high demand. 4,674 units were delivered during the third quarter 2001. In the spring of 2002, the MINI Cooper S will be added to the two models presently on offer. This powerful model, with its 163 h.p. engine and impressive driving qualities, will further enhance the range of MINI vehicles.

### Steady sales volumes in all markets

With a sales volume of 181,917 units in the first nine months of 2001, Germany continues to be the most important market for BMW Automobiles. Sales volume for this market during the first nine months of 2001 was marginally down (-0.8 %) compared with the previous year's levels, whereby this decrease was lower than the overall decrease in the market. In the rest of Europe, 5.6 % more automobiles were sold in the period from January to September. The sales figures for Great Britain, where sales were up 13.1 % during the first nine months of the year, were particularly pleasing.

The sales volume to the USA during the first nine months totalled 160,484 units, an incre-

ase of 18.7 % compared to the same period in 2000, thus continuing the upward trend experienced over the last ten years.

Sales volumes went up markedly in almost all other markets. On a nine-month basis, for example, sales volumes increased by 4.2 % in Japan, 17.2 % in South Africa, 25.1 % in Australia and 90.5 % in Mexico.

### Production volumes increased again

In the period from July to September 2001, the BMW Group manufactured 213,333 automobiles, including 12,290 of the MINI range, and thus exceeded the high levels attained in the equivalent period in 2000 by 6.2 %.

In total, production in the first three quarters of 2001 increased by 11.4 % to 685,039 units, including 14,607 of the MINI range manufactured at the new plant in Oxford.

### Positive development of sales

Sales in the BMW Automobiles segment continued to grow during the third quarter 2001. Sales in the period amounted to euro 7,228 million, an increase of 10.5 % compared to the third quarter 2000. Overall, sales for the first three quarters of 2001 rose to euro 24,659 million, an increase of 16.6 %. As in the previous two quarters in 2001, this above-average growth is attributable to the larger share of models with more powerful engines and a higher level of equipment.

The profit from ordinary activities in the BMW Automobiles segment for the third quarter 2001 went down by 26.0 % to euro 418 million compared to the third quarter of the previous year. This was attributable, as already indicated, to the on-going product and market offensive, the expenditure incurred in conjunction with the BMW 7 Series model change and the market launch of the MINI.

The profit from ordinary activities in the BMW Automobiles segment for the first nine months of 2001 was euro 1,995 million, up 7.5 % against the same period last year.

As at 30 September 2001 a total of 88,904 employees was employed in the BMW Automobiles segment, 5.8 % more than at the end of September 2000.



## BMW Motorcycles still performing successfully

(units/euro million)

	3rd quarter 2001	3rd quarter 2000	Change
Production <sup>1</sup>	17,966	14,158	26.9 %
Deliveries to customers <sup>2</sup>	19,416	16,766	15.8 %
Sales	246	204	20.6 %
Profit from ordinary activities	-5	-6	16.7 %
Workforce at the end of the quarter	2,682	2,387	12.4 %

<sup>1</sup> excludes 1,194 C1 (3rd quarter 2000: 5,617)

<sup>2</sup> excludes 3,070 C1 (3rd quarter 2000: 2,067))

	1 January to 30 September 2001	1 January to 30 September 2000	Change
Production <sup>3</sup>	71,447	57,876	23.4 %
Deliveries to customers <sup>4</sup>	69,533	62,392	11.4 %
Sales	873	751	16.2 %
Profit from ordinary activities	54	42	28.6 %

<sup>3</sup> excludes 8,934 C1 (six month period to 30 September 2000: 15,563)

<sup>4</sup> excludes 8,890 C1 (six month period to 30 September 2000: 5,716)

Following on the strong start made in the first half of the year, motorcycle sales in the third quarter 2001 were again at a very high level. With total deliveries of 19,416 units, the sales volume for the quarter was 15.8 % ahead of the volume achieved during the corresponding period in 2000.

A total of 69,533 motorcycles was delivered to customers during the period from January to September 2001, an increase of 11.4 % against the same period in the previous year.

As in the first half of the year, the BMW Motorcycles segment was able to increase business in virtually all markets during the third quarter 2001. For the first three quarters of 2001, sales increased particularly strongly in France (+43.4 %), Great Britain (+17 %) and Japan (+21.5 %).

The best-selling motorcycle in the third quarter of the current year was again the F 650 GS, with deliveries to customers, including the

F 650 GS Dakar model, of 3,965 units. In September, the F 650 CS Scarver was presented to the public at the Frankfurt International Motorshow as the Group's second single cylinder motorcycle. This new model, with its distinctive design and product characteristics, is aimed primarily at younger customers. The European introduction of the F 650 CS will be on 24 November 2001. Initial press and public reaction indicate that the model will perform well.

Within the category larger than 750 cc, the best-selling motorcycle in the third quarter 2001 was the R 1150 RT with 3,270 units. On a nine-month basis, however, the R 1150 GS continues to head the list with 12,456 units sold.

In addition some 800 motorcycles were delivered during the third quarter 2001 to public authorities in various countries.



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A total of 3,070 BMW C1, the alternative transport means within cities and built-up areas was sold during the third quarter 2001. Total sales volume for the first three quarters was therefore 8,890 units.

A total of 17,966 motorcycles was manufactured at the factory in Berlin during the third quarter 2001, an increase of 26.9 % compared to the third quarter 2000. Overall, 71,447 motorcycles were manufactured during the first three quarters of 2001, an increase of 23.4 % compared to the previous year. In addition, 1,194 C1 were assembled during the third quarter 2001 by the Italian production partner, Bertone, so that the total C1 production during the first three quarters of 2001 was 8,934 units.

Sales in the BMW Motorcycles segment amounted to euro 246 million during the third quarter 2001, exceeding the same quarter in the previous year by 20.6 %. Overall for the first three quarters of 2001, sales rose by 16.2 % to euro 873 million, a new record on a nine month basis.

The result from ordinary activities in the BMW Motorcycles segment went down in the third quarter 2001 in line with normal seasonal fluctuations to a loss of euro 5 million. This represented an improvement of euro 1 million or 16.7 % compared to the third quarter 2000. During the first three quarters of 2001, the profit from ordinary activities in the BMW Motorcycles segment was euro 54 million, an improvement of 28.6 % against the same period last year.

As at 30 September 2001, a total of 2,682 employees was employed in the BMW Motorcycles segment, 12.4 % more than at 30 September 2000.

## BMW Financial Services in the third quarter 2001

(units/euro million)

	3rd quarter 2001	3rd quarter 2000	Change
New contracts	311,280	251,468	23.8 %
Volume of business (at end of period)	23,915	25,145	-4.9 %
Sales	1,959	2,077	-5.7 %
Profit from ordinary activities	106	109	-2.8 %
Workforce at the end of the quarter	1,915	1,652	15.9 %

	1 January to 30 September 2001	1 January to 30 September 2000	Change
New contracts	941,781	936,628	0.6 %
Sales	5,678	5,270	7.7 %
Profit from ordinary activities	314	299	5.0 %

BMW Financial Services continued in the third quarter 2001 to expand its strategic operations in fleet management, multibrand financing and direct banking in line with plan.

A total of 311,280 financing and lease contracts were signed worldwide during the third quarter 2001, up 23.8 % in comparison with the same period last year.

The number of new financing and leasing contracts for customers signed in the third quarter 2001 was 139,592, 14.9 % higher than in the third quarter 2000. The number of new dealer financing contracts was up in the third quarter to 171,688, an increase of 32.1 % over the same period last year.

The increase in new business in the first nine months of 2001 was sufficient to compensate for the loss of Rover/Land Rover business: 941,781 contracts were signed, an increase of 0.6 % compared to the same period in the previous year.

As a result of the scheduled reduction of Rover/Land Rover vehicle financing, the number of financing and leasing contracts for

customers fell by 8.5 % with 412,296 new contracts signed during the period from January to September 2001.

The number of new dealer financing contracts went up by 9.0 % during the first three quarters to a total of 529,485 contracts.

Overall, as a result of the scheduled reduction of Rover/Land Rover vehicle financing, the total contract portfolio at 30 September 2001 fell by 8.1 % to 1,072,286 compared to 30 September 2000.

As at 30 September 2001 the overall portfolio of business was euro 23.9 billion. This decrease of euro 1.2 billion or 4.9 % compared to 30 September 2000 is largely attributable to the scheduled reduction of Rover/Land Rover vehicle financing.

Total deposit business as at 30 September 2001 amounted to euro 2.3 billion. This represents an increase of approximately euro 500 million or 35.3 % over the same period last year.

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The BMW Bank GmbH recorded a pleasing increase in its investment fund business. Since the inception of the new MultiManager Funds in June 2001, 4,187 fund accounts had been opened by 30 September 2001 and the total amount invested stood at over euro 41 million.

At euro 1,959 million, reported sales of the BMW Financial Services segment in the third quarter 2001 were down 5.7 % against the same period last year. Sales for the first three quarters of 2001, at euro 5,678 million, were 7.7 % higher than in the corresponding period in the previous year.

The profit from ordinary activities of BMW Financial Services decreased in the third quarter 2001 by 2.8 % to euro 106 million compared to the same period last year. On a nine-month basis, the profit from ordinary activities was up by 5.0 % to euro 314 million.

As at 30 September 2001, a total of 1,915 employees was employed in the BMW Financial Services segment, 15.9 % more than at 30 September 2000.

### Miscellaneous, consolidations

(units/euro million)

	3rd quarter 2001	3rd quarter 2000	Change
Sales	-1,237	-1,356	8.8 %
Profit/loss from ordinary activities	48	-72	
Workforce at the end of the quarter <sup>1</sup>	3,364	5,521	-39.1 %

<sup>1</sup> at 30 September 2000 the figure includes 1,640 employees of the supplier plant Powertrain Ltd., Bracknell

	1 January to 30 September 2001	1 January to 30 September 2000	Change
Sales	-3,041	-4,776	36.3 %
Loss from ordinary activities	-96	-119	19.3 %

Miscellaneous, consolidations include the Softlab Group and the supplier plant in Swindon (press parts). As already reported, the supplier plant Powertrain (excluding gearbox production for the MINI) was transferred to the Phoenix Consortium in May 2001 and has not been consolidated after that date.

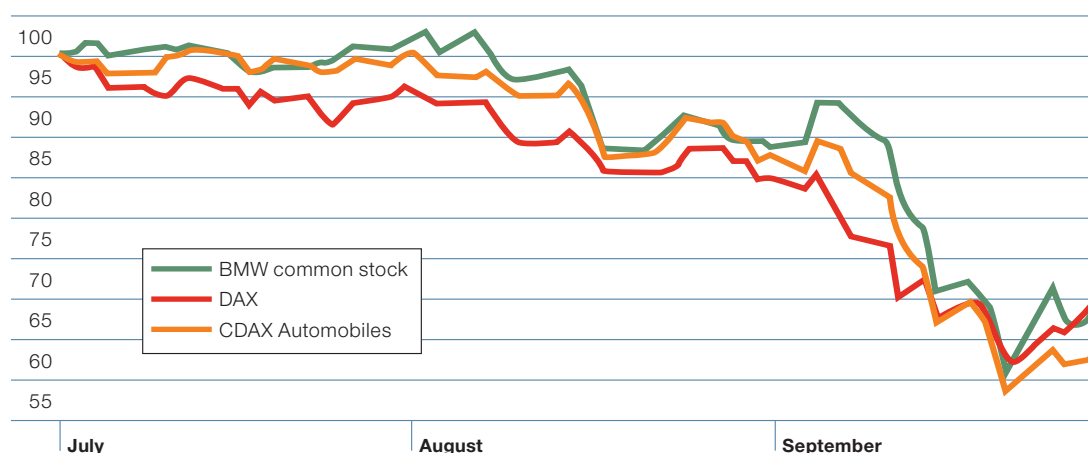
Following the launch of the MINI in July 2001, the figures of the Oxford plant are now included in the BMW Automobiles segment.

Total reported sales in this segment are negative in the third quarter due to the elimination of inter-company sales at a group level. External sales amounted to euro 117 million in the third quarter 2001, down 33.5% compared to the corresponding period in the previous year.

No new restructuring costs were recorded in the segment Miscellaneous, consolidations for the Oxford plant during the third quarter 2001. In addition, the lower level of amounts eliminated for inter-company profits have had a beneficial impact on results so that the profit from ordinary activities from this segment was euro 48 million compared to a loss in the third quarter 2000 of euro 72 million.

## Stock markets under pressure after terrorist attacks

(Index: 2 July 2001 = 100)



The stock markets have been overshadowed in the third quarter by the terrorist attacks in the USA. Already on the weak side, the markets suffered a significant fall in value after the events of 11 September. This fall was even sharper in Germany than on the American stock exchanges.

The DAX stock index, which had already lost some 25 % of its value as a consequence of increased economic uncertainty in Europe, continued to fall after 11 September down to a level of 3,787 points. The index closed on 28 September 2001 at 4,308 points which was 28.9 % lower than its closing level at the end of the second quarter 2001 and 36.6 % lower than its closing level at the end of the third quarter 2000.

Up to the middle of August 2001, automotive stocks in the CDAX Automobiles stock index had, to a large extent, been able to stave off the general downwards trend. In the first week of September, however, the index fell by approximately 15 %. As a consequence of the markets' evaluation of the prospects of the automotive industry after 11 September, the CDAX Automobile stock index fell by almost 30 % to

a low of 242.29 points before recovering slightly. On 28 September 2001 the index closed at 266.52 points which was 33.4 % lower than its closing level at the end of the second quarter 2001 and 27.8 % lower than its closing level at the end of third quarter 2000.

Up to the middle of August 2001, the market price of BMW common stock had more or less been edging sideways. Prior to 10 September, and despite a temporary market price drop of almost 10 %, the market price of BMW common stock had nevertheless developed more favourably than the DAX index. As a consequence of the general downturn in the stock market after 11 September, BMW stock lost almost one third of its value on heavy trading and on 20 September 2001 reached a new low for the year at euro 24.01. By the end of September, the market price had recovered somewhat and stood at euro 27.95 at 28 September 2001, 16 % above the low for the year. The market price for BMW common stock at that date was therefore 28.5 % lower than the price at the end of the second quarter 2001 and 27.8 % lower than the price at the end of the third quarter 2000.

## BMW Group Balance Sheet

<b>Assets</b>	30. 09. 2001 euro million	31. 12. 2000 euro million
Intangible and tangible assets	5,971	5,813
Financial assets	995	950
<b>Fixed assets</b>	<b>6,966</b>	<b>6,763</b>
Inventories	3,197	2,809
Leased products	7,384	7,206
Receivables from sales financing	11,046	10,372
Assets from sales financing	18,430	17,578
Trade receivables	1,602	1,449
Other receivables	3,087	3,646
Marketable securities and notes	759	751
Liquid funds	3,433	2,879
<b>Current assets</b>	<b>30,508</b>	<b>29,112</b>
	<b>37,474</b>	<b>35,875</b>
<b>Shareholders' equity and liabilities</b>	30. 09. 2001 euro million	31. 12. 2000 euro million
Subscribed capital	672	672
Capital reserve	1,914	1,914
Other shareholders' equity	3,144	2,310
<b>Shareholders' equity</b>	<b>5,730</b>	<b>4,896</b>
<b>Provisions</b>	<b>8,491</b>	<b>8,173</b>
Liabilities to banks	1,777	2,316
Trade payables	1,976	1,831
Other liabilities	2,543	2,489
<b>Liabilities</b>	<b>6,296</b>	<b>6,636</b>
<b>Liabilities from sales financing</b>	<b>16,957</b>	<b>16,170</b>
	<b>37,474</b>	<b>35,875</b>

BMW Group Financial Statements

## BMW Group Profit and Loss Account

	3rd quarter 2001 euro million	3rd quarter 2000 euro million	1 January to 30. Sept. 2001 euro million	1 January to 30. Sept. 2000 euro million
<b>Sales</b>	<b>8,196</b>	<b>7,465</b>	<b>28,169</b>	<b>26,290</b>
Cost of sales	-6,447	-5,971	-22,485	-21,437
<b>Gross profit</b>	<b>1,749</b>	<b>1,494</b>	<b>5,684</b>	<b>4,853</b>
Sales & marketing costs, general administration costs	-1,173	-997	-3,344	-3,370
Other operating income and expenses	3	42	-88	-298
<b>Profit before financial result and taxes</b>	<b>579</b>	<b>539</b>	<b>2,252</b>	<b>1,185</b>
Financial result	-12	57	15	130
<b>Profit from ordinary activities</b>	<b>567</b>	<b>596</b>	<b>2,267</b>	<b>1,315</b>
Taxes	-252	-150	-1,018	-550
<b>Net profit</b>	<b>315</b>	<b>446</b>	<b>1,249</b>	<b>765</b>
<b>Earnings per share according to DVFA/SG in euro</b>	<b>0.54</b>	<b>0.67</b>	<b>2.06</b>	<b>1.18</b>



## BMW Group Cash Flow Statement

	1 January to 30 Sept. 2001 euro million	1 January to 30 Sept. 2000 euro million
Net profit	1,249	765
Depreciation of fixed assets	1,384	1,368
Write-downs of leased products	1,467	1,843
Increase/decrease in provisions*	1,222	-298
Change in deferred taxes	535	-149
Change in net current assets and other items	-743	-2,386
<b>Cash inflow from operating activities</b>	<b>5,114</b>	<b>1,143</b>
<b>Cash outflow from investing activities</b>	<b>-4,606</b>	<b>-1,842</b>
<b>Cash inflow from financing activities</b>	<b>93</b>	<b>392</b>
<b>Effect of exchange rates and changes in the consolidated group on liquid funds</b>	<b>-47</b>	<b>48</b>
<b>Change in liquid funds</b>	<b>554</b>	<b>-259</b>

\* including net increase of pension provisions: euro 96 million (previous year: euro 100 million)

## Notes to the interim financial statements for the third quarter 2001

### Basic Principles

The interim financial statements for the third quarter 2001 were prepared using the same accounting and valuation methods as the financial statements for the 2000 financial year. In addition, this Interim Report complies with German Accounting Standard No. 6 (GAS 6) – Interim Financial Reporting – published by the German Accounting Standards Committee e.V. (GASC).

### Consolidated companies

The following changes in the reporting entity took place during the current financial year. Softlab Ltd., Bracknell, ceased to be a consolidated entity with effect from 1 April 2001 after parts of the company's activities were transferred to the newly established company Softlab Ltd, Solihull. This new company has been included in the group from 1 April 2001. Powertrain Ltd, Bracknell, a supplier plant, also ceased to be a consolidated entity with effect from 31 May 2001. Only gearbox pro-

duction operations for the MINI at the Powertrain plant remained within the BMW Group. The gearbox operations were transferred to the newly established company Midland Gears Ltd, Bracknell, which is consolidated from 1 June 2001. These changes in the reporting entity do not have a material impact on the assets, financial and profit position of the BMW Group.

The former Rover Group is still fully included in the Group Profit and Loss Account for the first quarter 2000. In the second quarter 2000, with effect from 9 May 2000, the development, production and distribution of Rover Cars was taken over by Techtronic (2000) Limited, Birmingham (Phoenix Consortium) in conjunction with the restructuring of the

BMW Group. Land Rover operations, which were acquired by Ford Motor Company, Dearborn, Michigan, are included until 30 June 2000. The Group Profit and Loss Account figures for the first two quarters of 2001 thus only include those activities of the former Rover Group which have remained within the BMW Group and are therefore not comparable with the Group Profit and Loss Account figures for the corresponding periods in the previous year. Comparability with the corresponding period in the previous year is only possible in the third quarter 2001. The following table thus shows the impact of the operations of the former Rover Group on the BMW Group Profit and Loss Account in the period from 1 January to 30 September 2000:

	1 January to 30 September 2000 euro million
Sales	3,500
Cost of Sales	-3,330
<b>Gross profit</b>	<b>170</b>
Sales & marketing costs, general administration costs	- 717
Other operating income and expenses	- 86
<b>Loss before financial result and taxes</b>	<b>-633</b>
Financial result	- 47
<b>Loss from ordinary activities</b>	<b>-680</b>
Taxes	- 29
<b>Net Loss</b>	<b>-709</b>

The profit from ordinary activities for the Group for the period from 1 January to 30 September 2000 was reduced by the loss recorded by the Rover Automobiles segment amounting to euro 680 million. This figure is the result of

the loss of euro 762 million shown in the Rover Automobiles segment adjusted for intra-group expenditure of euro 82 million.

### Sales by segment in the third quarter

(in euro million)

	External sales		Inter-segment sales		Total sales	
	2001	2000	2001	2000	2001	2000
BMW Automobiles	6,091	5,144	1,137	1,396	7,228	6,540
BMW Motorcycles	245	203	1	1	246	204
Financial Services	1,743	1,942	216	135	1,959	2,077
Miscellaneous, consolidations	117	176	-1,354	-1,532	-1,237	-1,356
<b>BMW Group</b>	<b>8,196</b>	<b>7,465</b>	<b>-</b>	<b>-</b>	<b>8,196</b>	<b>7,465</b>

Group sales were up in the third quarter 2001 by 9.8 % against the same period last year. The lower sales growth rate compared to the second quarter 2001 is attributable to the discontinuation of the previous BMW 7 Series. In addition, the number of BMW 3 Series vehicles sold was lower in advance of the launch of the model update.

In the BMW Automobiles segment, sales to leasing companies within the Group dropped by 18.6 %, this, however, being almost compensated by an increase in external sales. In total, sales in the BMW Automobiles segment rose by 10.5 % compared to the same period last year. The decrease in reported sales in the Financial Services segment was 5.7 % primarily as a consequence of lower termination business and a growing shift from lease to lending financing. External sales for the third quarter 2001 shown in the segment Miscellaneous, consolidations fell as a result of the disposal of Powertrain Ltd., Bracknell, in the second quarter 2001.

## Sales by segment from 1 January – 30 September

(in euro million)

	External sales		Inter-segment sales		Total sales	
	2001	2000	2001	2000	2001	2000
BMW Automobiles	21,510	16,935	3,149	4,214	24,659	21,149
Rover Automobiles	-	3,500	-	396	-	3,896
BMW Motorcycles	869	748	4	3	873	751
Financial Services	5,238	4,869	440	401	5,678	5,270
Miscellaneous, consolidations	552	238	-3,593	-5,014	-3,041	-4,776
<b>BMW Group</b>	<b>28,169</b>	<b>26,290</b>	<b>-</b>	<b>-</b>	<b>28,169</b>	<b>26,290</b>

Group sales in the period from 1 January to 30 September 2001 rose by 7.1 % compared to the same period last year. Adjusted for the sales of the former Rover Group in the first half of 2000 (euro 3,500 million), sales of the BMW Group were 23.6 % higher than in the same period last year. Sales of the BMW Automobiles segment were 16.6 % up against the same period last year.

## Profit from ordinary activities by segment

(in euro million)

	3rd quarter 2001 million euro	3rd quarter 2000 million euro	1 January to 30 Sept. 2001 million euro	1 January to 30 Sept. 2000 million euro
BMW Automobiles	418	565	1,995	1,855
Rover Automobiles	-	-	-	-762
BMW Motorcycles	-5	-6	54	42
Financial Services	106	109	314	299
Miscellaneous, consolidations	48	-72	-96	-119
<b>Profit from ordinary activities</b>	<b>567</b>	<b>596</b>	<b>2,267</b>	<b>1,315</b>
Taxes	-252	-150	-1,018	-550
<b>Net profit</b>	<b>315</b>	<b>446</b>	<b>1,249</b>	<b>765</b>

Group profit from ordinary activities in the third quarter 2001 was euro 567 million compared to euro 596 million in the same period last year. Following the events of 11 September, the Group recorded impairment losses of euro 117 million on its share portfolio and intangible assets. The decline in the profit of the BMW Automobiles segment was largely compensated by the improvement of the result in the segment Miscellaneous, consolidations.

Group profit from ordinary activities for the period from 1 January to 30 September 2001 increased by euro 952 million to euro 2,267 million compared to the same period last year. Adjusted for losses in the Rover Automobiles segment totalling euro 680 million in 2000 (see table on page 17), the one-off gain of euro 75 million recorded in the first quarter 2001 on the sale of land not required for business operations and the one-off losses of euro 117 million recorded following the events of 11 September 2001, the Group profit from ordinary activities for the first nine months of 2001 (euro 2,309 million on a comparable basis) is euro 314 million higher than the result in the corresponding period in 2000 (euro 1,995 million on a comparable basis).

This means that the profit from ordinary activities improved on a comparable basis by 15.7 %. The reduction of euro 115 million in the financial result for the first nine months of 2001 was caused by one-off factors, namely the higher level of investment income recorded in the same period in 2000 and the impairment losses on the share portfolio recorded in the current financial year.

The high tax rate disclosed for the third quarter 2001 is due mainly to the effect of write-downs which are not tax deductible in that period.

### Model changes and new products impact the result of the automobile business for the quarter

In the BMW Automobiles segment the profit from ordinary activities of euro 418 million is 26.0 % lower than the same quarter in the previous year. This development is partly caused by the high level of costs incurred in conjunction with the product offensive. In addition, the lower level of sales caused by the discontinuation of the previous BMW 7 Series and the launch of the BMW 3 Series model update have also impacted on the profit. Following the start of series production of the

MINI at the beginning of the third quarter 2001, the Oxford plant, which was still incurring restructuring costs in this period, is now included in the BMW Automobiles segment. In addition, it was necessary to record impairment losses of euro 30 million on the share portfolio as a consequence of the events of 11 September. In the first nine months of 2001, the profit from ordinary activities in the BMW Automobiles segment was up by 7.5 % against the first nine months of 2000.

#### **Profits in the BMW Motorcycles segment still higher than in the previous year**

Sales in the motorcycle segment occur mainly in the first half of the year. Profits are therefore also mainly generated in this period, whereas the third and fourth quarters generally generate losses due to the low volumes in this period. The result of the BMW Motorcycles segment in the third quarter 2001 is in line with that of the third quarter 2000. On a nine month basis, the profit is 28.6 % ahead of the profit in the corresponding period in 2000.

#### **Mixed development in the results of the Financial Services segment**

The profit from ordinary activities in the Financial Services segment in the third quarter 2001 is marginally down on the same period in 2000. The profit in the third quarter went down by euro 12 million (10.2 %) in comparison with the second quarter 2001. This was caused by the lower result from termination business in the third quarter.

Overall, however, the profit for the first three quarters of the current financial year was up euro 15 million or 5.0 % on the corresponding period in the previous year.

#### **Improved results from other subsidiaries and consolidations**

The result from ordinary activities of the segment Miscellaneous, consolidations for the

third quarter 2001 was ahead of the result for the third quarter 2000 and each of the two previous quarters of the current financial year. The amount eliminated for intra-group profits decreased as a result of the lower level of sales with other segments, impacting results favourably. Against this, however, impairment losses of euro 87 million recognised against intangible assets following the events of 11 September impacted the results negatively. Following the start of series production of the MINI at the beginning of the third quarter 2001, the restructuring costs attributable to the Oxford plant are included in the BMW Automobiles segment.

#### **Increase in equity ratio**

The Group's balance sheet total is up by euro 1,599 million, an increase of 4.5 %. On the assets side of the balance sheet, assets from sales financing as well as liquid funds increased significantly. On the liabilities side, shareholders' equity, provisions and liabilities from sales financing increased. In comparison with the balance sheet total, sales financing business has grown at a faster rate than the industrial business. Sales financing liabilities as a proportion of the balance sheet total have increased by 0.2 percentage points since 31 December 2000 and now account for 49.2 % of the balance sheet total.

Compared to the second quarter 2001, the Group's balance sheet total has decreased by euro 1,061 million. The utilisation of provisions, repayment of liabilities to banks and the reduction of sales financing liabilities are reflected on the assets side of the balance sheet by a corresponding decrease in liquid assets and other current assets.

Group equity has increased by euro 834 million since the end of the previous year due to the Group's profit of euro 1,294 million, less the dividend distribution of euro 310 million,

plus currency effects of euro 105 million. The equity ratio has thus increased by 1.6 percentage points to 15.3%

### **Significantly higher cash inflow from operating activities**

The cash inflow from operating activities amounted to euro 3,971 million and is thus significantly higher than the cash flow for the first three quarters of 2000. This is due to the fact that the Rover and Land Rover business activities generated significant losses and are no longer included in the figures for the first three quarters of 2001.

The cash outflow from investing activities increased by euro 2,764 million to euro 4,606 million in comparison with the first three quarters of 2000.

In the second quarter 2001, the Powertrain plant was sold to the Phoenix Consortium. In the course of the settlement negotiations a payment of euro 105 million (GBP 65 million) was made to the Phoenix Consortium. Loans amounting to euro 274 million (euro 448 million in the same period last year) were also paid to the Phoenix Consortium. Additional payments of euro 409 million were made for further Rover disengagement items.

In the third quarter 2000, the purchase price of euro 2,000 million was received for the sale of Land Rover, thus reducing the cash outflow from investing activities in that period.

Cash outflow for capital expenditure on tangible and intangible fixed assets in the first three quarters of the current financial year, net of proceeds of euro 172 million (euro 21 million during the corresponding period in 2000), totalled euro 1,475 million (euro 1,368 million during the corresponding period in 2000). In the first nine months of 2001 a net amount of euro 2,308 million has been invested in sales financing assets (euro 2,011 million during the corresponding period in 2000). Other

cash outflow items amounted to euro 35 million (euro 15 million during the corresponding period in 2000).

The overall cash inflow from financing activities amounted to euro 93 million which, as a result of the lower level of cash funds raised, was down euro 299 million compared to the same period last year. The cash flow of euro 93 million resulted from a net inflow of cash funds of euro 403 million less the payment of the dividend for the previous year of euro 310 million.

Liquid funds with a term of up to three months increased during the first three quarters of 2001 by euro 554 million to euro 3,433 million. The decrease in liquid funds of euro 405 million compared to the end of the second quarter 2001 is attributable to payments for employee profit participation and holiday pay as well as other payments related to the Rover disengagement. In all, the liquid funds including marketable securities and notes totalled euro 4,192 million (compared to euro 3,630 million at the end of the previous year). The Group's net financial assets, which are defined as liquid funds and marketable securities and notes minus financial liabilities in the industrial business, have increased since the end of the previous year by euro 1,101 million to euro 2,415 million.

### **Capital expenditure financed out of cash flow**

Compared to the same period last year, cash flow for the first nine months of 2001 increased by euro 496 million to euro 2,729 million and thus was more than sufficient to finance capital expenditure of euro 1,475 million in full.

Cash flow for the third quarter 2001 fell by euro 300 million compared to the same period last year as a result of the reduced net profit and the lower level of depreciation.



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## Financial Calendar

### Financial Calendar

Letter to Shareholders	End of January 2002
2001 Annual Report	19 March 2002
Annual Accounts Press Conference	19 March 2002
Financial Analysts Conference	20 March 2002
Annual General Meeting	16 May 2002

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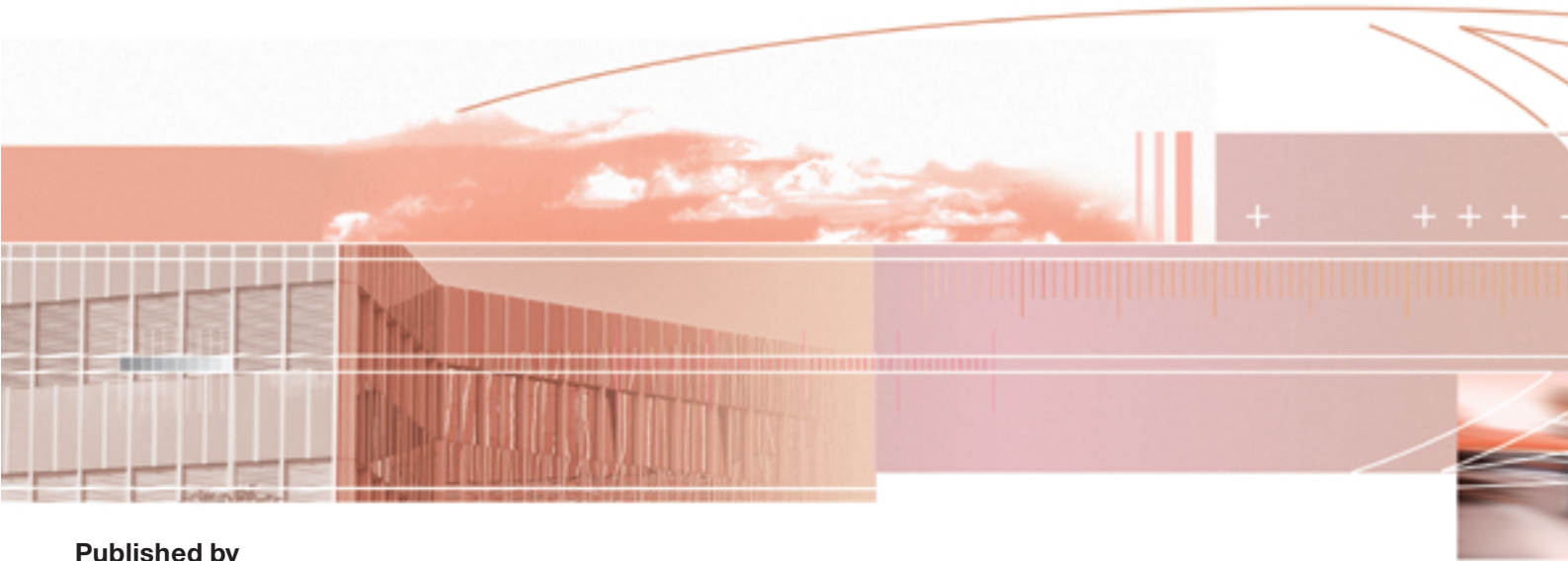
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