

# Quarterly Report

to 30 June 2010



————— Q2

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Rolls-Royce  
Motor Cars Limited



**BMW Group**

# BMW Group in figures

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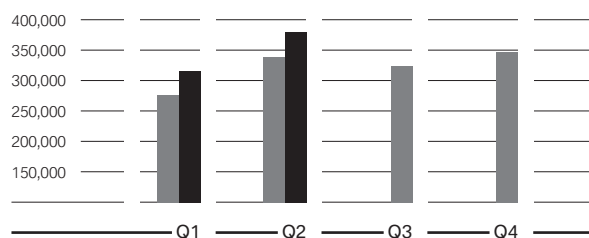
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		2nd quarter 2010	2nd quarter 2009	Change in %
<b>Deliveries to customers</b>				
Automobiles	units	380,412	338,190	12.5
Motorcycles <sup>1</sup>	units	36,175	29,742	21.6
<b>Vehicle production</b>				
Automobiles	units	385,140	306,009	25.9
Motorcycles <sup>2</sup>	units	31,893	21,152	50.8
<b>Workforce at end of quarter</b>				
BMW Group		95,502	98,261	-2.8
<b>Financial figures</b>				
Operating cash flow <sup>3</sup>	euro million	2,111	987	-
Revenues	euro million	15,348	12,971	18.3
Profit before financial result (EBIT)	euro million	1,717	169	-
— Automobiles	euro million	1,317	-31	-
— Motorcycles	euro million	54	26	-
— Financial Services	euro million	379	75	-
— Other Entities	euro million	-81	26	-
— Eliminations	euro million	48	73	-34.2
Profit before tax	euro million	1,299	151	-
— Automobiles	euro million	938	-158	-
— Motorcycles	euro million	53	24	-
— Financial Services	euro million	379	81	-
— Other Entities	euro million	-70	18	-
— Eliminations	euro million	-1	186	-
Income taxes	euro million	-465	-30	-
Net profit	euro million	834	121	-
Earnings per share <sup>4</sup>	euro	1.27 / 1.28	0.18 / 0.19	- / -

<sup>1</sup> excluding Husqvarna Motorcycles (3,020 motorcycles)<sup>2</sup> excluding Husqvarna Motorcycles (3,468 motorcycles)<sup>3</sup> cash inflow from operating activities of the Automobiles segment<sup>4</sup> for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

## Deliveries of automobiles

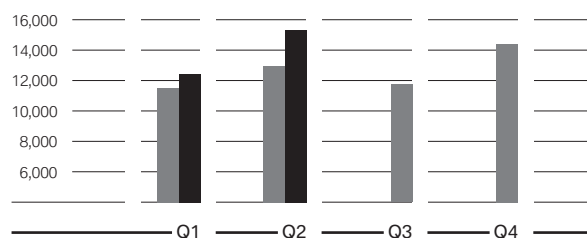
in units



2009 — 277,264 338,190 324,100 346,756  
 2010 — 315,614 380,412

## Revenues

in euro million



2009 — 11,509 12,971 11,759 14,442  
 2010 — 12,443 15,348

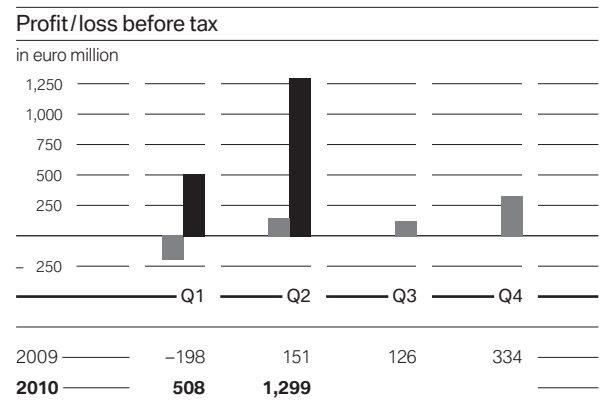
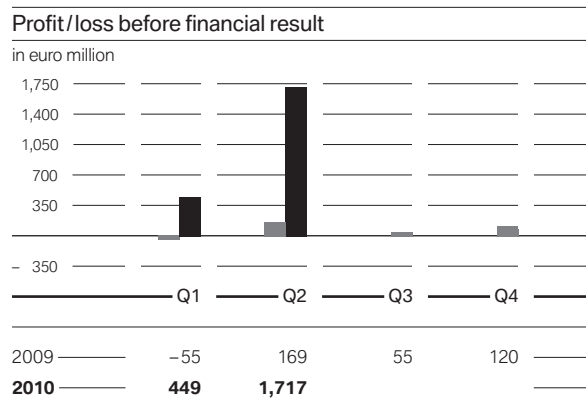
		1 January to 30 June 2010	1 January to 30 June 2009	Change in %
<b>Deliveries to customers</b>				
Automobiles	units	<b>696,026</b>	615,454	13.1
Motorcycles <sup>1</sup>	units	<b>57,015</b>	46,974	21.4
<b>Vehicle production</b>				
Automobiles	units	<b>705,201</b>	573,646	22.9
Motorcycles <sup>2</sup>	units	<b>62,115</b>	50,263	23.6
<b>Workforce at end of quarter</b>				
BMW Group		<b>95,502</b>	98,261	-2.8
<b>Financial figures</b>				
<b>Operating cash flow</b> <sup>3</sup>	euro million	<b>2,408</b>	<b>2,109</b>	<b>14.2</b>
<b>Revenues</b>	euro million	<b>27,791</b>	<b>24,480</b>	<b>13.5</b>
<b>Profit before financial result (EBIT)</b>	euro million	<b>2,166</b>	<b>114</b>	<b>-</b>
— Automobiles	euro million	<b>1,608</b>	-282	-
— Motorcycles	euro million	<b>86</b>	54	59.3
— Financial Services	euro million	<b>592</b>	145	-
— Other Entities	euro million	<b>-74</b>	38	-
— Eliminations	euro million	<b>-46</b>	159	-
<b>Profit/loss before tax</b>	euro million	<b>1,807</b>	<b>-47</b>	<b>-</b>
— Automobiles	euro million	<b>1,158</b>	-629	-
— Motorcycles	euro million	<b>83</b>	50	66.0
— Financial Services	euro million	<b>601</b>	153	-
— Other Entities	euro million	<b>-73</b>	42	-
— Eliminations	euro million	<b>38</b>	337	-88.7
<b>Income taxes</b>	euro million	<b>-649</b>	<b>16</b>	<b>-</b>
<b>Net profit/net loss</b>	euro million	<b>1,158</b>	<b>-31</b>	<b>-</b>
<b>Earnings per share</b> <sup>4</sup>	euro	<b>1.76/1.77</b>	<b>-0.05/-0.04</b>	<b>-/-</b>

<sup>1</sup> excluding Husqvarna Motorcycles (4,659 motorcycles)

<sup>2</sup> excluding Husqvarna Motorcycles (5,387 motorcycles)

<sup>3</sup> cash inflow from operating activities of the Automobiles segment

<sup>4</sup> for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.



# Interim Group Management Report

## The BMW Group – an Overview

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### Good performance in first half of 2010

The evident market recovery since the beginning of the year continued to gain pace during the second quarter 2010. We performed exceedingly well on the international markets with a range of new and attractive models. Compared to the same period last year, sales volumes in the Automobiles and Motorcycles segments rose sharply and the business volume of the Financial Services segment expanded.

### Dynamic growth for all brands

The BMW Group maintained its leading position on the international car markets in the second quarter 2010 with sharply rising sales volume figures. New models, dynamic growth in China and generally improved business conditions on international automobile markets resulted in a very strong sales volume performance, both in the second quarter and over the six-month period. With 380,412 BMW, MINI and Rolls-Royce cars sold in the second quarter 2010, we delivered 12.5% more vehicles to customers than in the same period last year. The total number of vehicles sold in the six-month period rose by 13.1% to 696,026 units.

Our Motorcycles segment performed extremely well, despite unfavourable market conditions. 36,175 BMW motorcycles were sold during the second quarter, 21.6% more than one year earlier. Sales volume for the first six months of the year was up by 21.4% to 57,015 units.

Our Financial Services segment continued to perform successfully. The number of lease and financing contracts in place with dealers and retail customers rose by 3.0% compared to the end of the second quarter 2009 and totalled 3,119,340 contracts at 30 June 2010.

### Revenues and earnings well up

Second-quarter Group revenues rose by 18.3% to euro 15,348 million, bringing the six-month revenue figure up to euro 27,791 million, or 13.5% ahead of the previous year. Adjusted for exchange rate factors, Group revenues were up by 10.7%.

Our strong position on international car markets and highly profitable business in our Financial Services segment also had a positive impact on our performance. Earnings before financial result (EBIT) for the second quarter amounted to euro 1,717 million (2009: euro 169 million). The six-month EBIT also jumped sharply, finishing at euro 2,166 million (2009: euro 114 million).

The profit before tax also benefited from this strong performance and amounted to euro 1,299 million for the

second quarter 2010 (2009: euro 151 million). The profit before tax for the six-month period was euro 1,807 million (2009: loss before tax of euro 47 million).

Group net profit for the second quarter totalled euro 834 million (2009: euro 121 million) and euro 1,158 million (2009: loss of euro 31 million) for the six-month period.

### Workforce size reduced

The BMW Group had a worldwide workforce of 95,502 employees at the end of the second quarter 2010, 2.8% fewer than one year earlier.

### Attractive models added to vehicle portfolio

After the successful launching of the new BMW X1, 5 Series Gran Turismo, ActiveHybrid X6, ActiveHybrid 7 and 5 Series Sedan models as well as the revised versions of the X5, 3 Series Coupé and Convertible in the first half of 2010, we will continue to rejuvenate our range of vehicles during the remainder of the year. Mid-September will see the launching of the new BMW 5 Series Touring and the introduction of the extended wheelbase version of the BMW 5 Series Sedan in China. The new BMW 5 Series Touring is the epitome of driving pleasure and efficiency combined with versatility and sporting elegance. The model is also outstanding for its extensive range of convenience and safety features, including numerous exclusive BMW driver assistance systems. The new BMW X3 will also be available on the markets from autumn onwards. The second generation of this Sports Activity Vehicle is winning customers over with its greater spaciousness, optimised functionality and smoother ride. The Auto Start Stop function will be utilised for the first time with a six-cylinder engine and eight-gear automatic transmission in the new BMW X3.

The MINI Countryman will be added to the MINI model range from September onwards. On a similar time scale, the revised models of the MINI, the MINI Clubman and the MINI Convertible will also become available at dealerships. The MINI family will be equipped with a range of new features, including a wider choice of engines and various design modifications. Two more models based on the MINI Coupé Concept and MINI Roadster Concept, originally presented as concept studies at the IAA Motor Show in Frankfurt, will be launched soon after.

After the highly successful introduction of the S 1000 RR Supersport bike, the model revision of the R 1200 RT and the technical revision of the R 1200 GS, the Motorcycles segment presented a number of special enduro models in spring 2010. In order 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 paint-work and high-quality equipment will go on sale. The new K 1600 GT and K 1600 GTL models will be presented to the public for the first time at the INTERMOT International Motorcycle Fair this coming autumn. For the first time in the segment's history, both of these models will be fitted with six-cylinder in-line engines and offer comfortable travel, safety and plenty of features as well as the dynamic riding experience typical for the BMW brand.

### **International car markets performing dynamically in emerging countries**

In the first half of 2010, sales on car markets worldwide were up by 14% on the previous year. The markets have therefore compensated for more than one half of the slump in demand caused by the international economic and financial crisis. Performance during the six-month period under report varied from market to market.

The car market in China, which had already grown by approximately one half in 2009, grew again by an additional quarter during the first six months of 2010. China therefore continues to be the largest car market worldwide.

The US market, which slumped last year to its lowest point since 1982, grew by 17% during the first half of 2010, but still short of the level seen in recent years.

European markets performed inconsistently. As a result of the expiry of the scrappage bonus scheme, the German market was approximately one third down on the record level registered in the first half of 2009. In other countries, however, scrappage bonus programmes continued into the first half of 2010, helping to stabilise those markets. Sales volumes in Italy and France for the six-month period were roughly at the previous year's level. The UK car market also benefited during the first six months of 2010 from the ongoing scrappage bonus programme, surpassing the previous year's volume by approximately 16%. The recovery in Spain was particularly pronounced: after contracting by approximately one half over the course of the financial crisis, the market grew by 38% during the first half of 2010. The European market as a whole was one per cent down on the previous year.

In Japan government-funded stimulus programmes based on ecological criteria resulted in demand rising by about one fifth in the six-month period.

Most emerging markets again recorded double-digit growth figures in the first half of 2010. The number of cars sold in

Brazil rose by around 15%. The market in India grew by roughly one third compared to the previous year. In Russia the scrappage bonus scheme introduced in 2010 helped to stabilise the market at the previous year's level over the six-month period, after contracting by one half the previous year.

### **International motorcycle markets still in decline**

Most of the world's motorcycle markets in the 500 cc plus class relevant for the BMW Group contracted in the second quarter 2010 and the markets were 10.7% down on a six-month basis. European markets shrank by 8.4% during the first six months of 2010. Only the Spanish market recorded a significant increase (+45.2%) after the heavy losses recorded in 2009. By contrast, the other major European motorcycle markets continued to contract, such as Germany (-7.9%), France (-7.0%), the UK (-18.4%) and Italy (-12.9%).

In the USA the 500 cc plus segment was 13.7% down on a six-month basis. Motorcycle sales in Japan during the period from January to June 2010 were 6.5% lower than one year earlier.

### **Financial markets still dominated by uncertainty**

International financial markets continued to be fraught with uncertainty during the first half of 2010, additionally exacerbated by the debt crisis in Europe. Towards the end of the period, governments and central banks were forced to intervene massively to stabilise the markets.

The reference interest rates of the major central banks again remained more or less stable during the second quarter 2010. Only Canada, Australia and New Zealand raised their reference interest rates by 25 basis points.

Pressure on lease and credit financing business on the one hand and dealer/importer financing business on the other eased somewhat during the period due to economic recovery on the world's major car markets.

The situation also improved on the used car markets in continental Europe during the first half of 2010. Used car markets in North America and Great Britain continued to stabilise in the second quarter 2010.

# Interim Group Management Report

## Automobiles

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### Strong sales volume growth

The recovery of many of the world's automobile markets had a positive impact on both second-quarter and six-month business performance. During the period from April to June 2010, we sold a total of 380,412 BMW, MINI and Rolls-Royce brand cars (+ 12.5%). The total number sold during the six-month period increased by 13.1% to 696,026 units.

With a second-quarter sales volume of 319,946 units, BMW brand sales were 14.2% up on the previous year. The MINI brand recorded a 3.2% increase to 59,775 units. Sales growth for Rolls-Royce Motor Cars was particularly strong with the number of cars sold in the quarter more than quadrupling to 691 units (2009: 155 units).

During the six-month period under report we sold 585,755 BMW brand cars worldwide (+ 14.1%). Sales volume for the MINI in the same period rose by 7.6% to 109,301 units. Sales of Rolls-Royce brand cars almost tripled to 970 units (2009: 329 units).

### Sales volume growth on most markets

In Europe we delivered a total of 212,800 BMW, MINI and Rolls-Royce brand cars during the second quarter 2010 (+ 3.6%). Sales in this region for the six-month period increased by 4.0% to 389,831 units. The number of vehicles handed over to customers in Germany during the period from April to June 2010 decreased by 9.0% to 73,482 units compared to the same quarter last year. Six-month sales were down by 6.6% to 132,266 units. By contrast, we recorded a sharp sales volume increase (+ 34.2%) in Great Britain, with 40,859 units sold in the second quarter. The six-month sales volume figure for this market also rose steeply (+ 20.6%) to 73,129 units. Compared to the first half of the previous year, sales volumes were also well up in France (34,247 units/+ 11.6%) and Spain (23,431 units/+ 35.9%). In Italy, on the other hand, we handed over 34,078 vehicles during the six-month period under report, 15.4% fewer than one year earlier.

The North American market was back on the road to recovery with 76,245 units (+ 5.4%) sold in the second

quarter 2010 and 136,979 units in the six-month period (+ 7.1%). A second-quarter growth rate of 5.6% was achieved in the USA with a total of 66,771 units handed over to customers. During the first half of the year we sold 121,912 units on this market (+ 6.4%).

The number of cars sold in Asia climbed particularly steeply, both on a quarterly and a six-month basis. Second-quarter sales volume rose by 59.4% to 69,927 units and the six-month figure grew by 57.7% to 128,845 units. Growth on the Chinese markets (China, Hong Kong, Taiwan) was extremely dynamic, with second-quarter sales up 98.6% to 45,200 units. During the period from January to June 2010 we handed over 81,807 vehicles to customers, almost doubling our sales volume on these markets (+ 99.5%). The Japanese market is also beginning to recover: the number of vehicles sold here edged up by 1.5% to 20,921 units.

### Strong growth for the BMW brand

Now in the seventh year since its market launch, the six-month sales volume of 103,819 units for the BMW 1 Series remained short of the previous year's performance (– 5.1%). By contrast, sales of the BMW 3 Series during this period increased by 3.0% (199,027 units).

The new BMW 5 Series Sedan and the BMW 5 Series Gran Turismo in particular helped the 5 Series to achieve 10.8% growth during the period from January to June 2010 (94,699 units). The BMW 5 Series Touring will be available as of September 2010 and will create additional momentum in the final quarter of the year.

Due to model life-cycle factors, at 3,085 units, the six-month sales volume for the BMW 6 Series was 37.4% down on last year's figure. The BMW Z4 is performing extremely well and became the market leader in its segment worldwide during the first half of 2010. In total, we sold 14,236 units of the Z4 (+ 74.7%) during the period. The BMW 7 Series also headed the market worldwide in its segment during the first half of 2010. In total, 30,711 units were handed to customers during the period from January to June (+ 50.0%).

## Automobiles

	2nd quarter 2010	2nd quarter 2009	Change in %
Deliveries to customers	380,412	338,190	12.5
Production	385,140	306,009	25.9
Revenues	13,669	10,827	26.2
Profit/loss before financial result (EBIT)	1,317	– 31	–
Profit/loss before tax	938	– 158	–
Workforce at end of quarter	88,578	91,344	– 3.0

## Automobiles

	1 January to 30 June 2010	1 January to 30 June 2009	Change in %
Deliveries to customers — units	696,026	615,454	13.1
Production — units	705,201	573,646	22.9
Revenues — euro million	24,341	20,432	19.1
Profit/loss before financial result (EBIT) — euro million	1,608	-282	-
Profit/loss before tax — euro million	1,158	-629	-

The BMW X1 is proving extremely popular with customers and 46,705 units were sold worldwide during the six-month period under report. Altogether, more than 55,000 units of

this model have been sold since its market launch in October 2009. With the BMW X3 now coming to the end of its product life-cycle, the six-month sales volume of this

## Deliveries of BMW automobiles by model variant

in units

	1 January to 30 June 2010	1 January to 30 June 2009	Change in %
<b>BMW 1 Series</b>			
Three-door	17,535	21,322	-17.8
Five-door	59,695	60,805	-1.8
Coupé	12,692	11,414	11.2
Convertible	13,897	15,802	-12.1
	<b>103,819</b>	<b>109,343</b>	<b>-5.1</b>
<b>BMW 3 Series</b>			
Sedan	120,616	103,005	17.1
Touring	36,693	42,315	-13.3
Coupé	22,641	27,137	-16.6
Convertible	19,077	20,729	-8.0
	<b>199,027</b>	<b>193,186</b>	<b>3.0</b>
<b>BMW 5 Series</b>			
Sedan	68,785	67,473	1.9
Touring	14,111	18,003	-21.6
Gran Turismo	11,803	-	-
	<b>94,699</b>	<b>85,476</b>	<b>10.8</b>
<b>BMW 6 Series</b>			
Coupé	1,623	2,442	-33.5
Convertible	1,462	2,484	-41.1
	<b>3,085</b>	<b>4,926</b>	<b>-37.4</b>
<b>BMW 7 Series</b>			
	<b>30,711</b>	<b>20,479</b>	<b>50.0</b>
<b>BMW X1</b>			
	<b>46,705</b>	<b>-</b>	<b>-</b>
<b>BMW X3</b>			
	<b>24,841</b>	<b>27,955</b>	<b>-11.1</b>
<b>BMW X5</b>			
	<b>46,459</b>	<b>44,231</b>	<b>5.0</b>
<b>BMW X6</b>			
	<b>22,173</b>	<b>19,847</b>	<b>11.7</b>
<b>BMW Z4</b>			
	<b>14,236</b>	<b>8,148</b>	<b>74.7</b>
<b>BMW total</b>	<b>585,755</b>	<b>513,591</b>	<b>14.1</b>

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model (24,841 units) was 11.1 % down against the previous year, in line with expectations. The new X3 will be launched in October 2010 and should boost demand during the final quarter of the year. The availability of the BMW X5 Series model revision since spring 2010 pushed sales of this model up by 5.0 % to 46,459 units. The BMW X6 also performed well during the period under report, with sales up by 11.7 % to 22,173 units.

### MINI brand sales volume up on previous year

Sales of the MINI brand increased by 3.2 % worldwide to 59,775 units in the second quarter and by 7.6 % to 109,301 units for the six-month period under report. MINI sales went up by 7.5 % (to 76,080 units), while the Convertible recorded a growth rate of 39.0 % (16,958 units). Only the Clubman, with a sales volume of 16,263 units, fell short of the previous year's figure (-12.4 %). The

### Deliveries of MINI automobiles by model variant

in units

	1 January to 30 June 2010	1 January to 30 June 2009	Change in %
<b>MINI</b>			
One	23,382	16,635	40.6
Cooper	37,033	37,396	-1.0
Cooper S	15,665	16,740	-6.4
	<b>76,080</b>	<b>70,771</b>	<b>7.5</b>
<b>MINI Convertible</b>			
One	1,922	167	-
Cooper	8,722	6,988	24.8
Cooper S	6,314	5,042	25.2
	<b>16,958</b>	<b>12,197</b>	<b>39.0</b>
<b>MINI Clubman</b>			
One	1,282	655	95.7
Cooper	10,357	12,460	-16.9
Cooper S	4,624	5,451	-15.2
	<b>16,263</b>	<b>18,566</b>	<b>-12.4</b>
<b>MINI total</b>	<b>109,301</b>	<b>101,534</b>	<b>7.6</b>

model revisions of the MINI, the MINI Convertible and the MINI Clubman will go on sale in September. The new MINI Countryman will also be launched at that stage, giving us good reason to believe that demand for the MINI brand will receive additional impetus towards the end of the year.

### Sharp sales volume increase for Rolls-Royce

The Rolls-Royce brand performed particularly well on both a quarterly and six-month basis, with 691 units handed over to customers worldwide during the period from April to June 2010 (2009: 155 units) and sales almost tripling for the six-month period to 970 units (2009: 329 units).

### Deliveries of Rolls-Royce automobiles by model variant

in units

	1 January to 30 June 2010	1 January to 30 June 2009	Change in %
<b>Rolls-Royce</b>			
Phantom (including Phantom Extended Wheelbase)	155	127	22.0
Drophead Coupé	61	117	-47.9
Coupé	37	85	-56.5
Ghost	717	-	-
<b>Rolls-Royce total</b>	<b>970</b>	<b>329</b>	<b>194.8</b>

One of the main factors contributing to this performance was the new Rolls-Royce Ghost model, which received broad acclaim from the media and customers alike.

### **Car production increased**

Production volumes were increased during the period under review in response to significantly higher demand and the start-up of various new models. During the second quarter 2010 we manufactured 385,140 BMW, MINI and Rolls-Royce brand cars (+25.9%). This figure comprises 326,092 BMW (+27.5%), 58,193 MINI (+16.0%) and 855 Rolls-Royce brand vehicles (2009: 109 units).

Total production volume for the six-month period was increased by 22.9% to 705,201 units. Altogether, 592,891 BMW brand vehicles (+23.5%) and 110,881 MINI brand vehicles (+19.0%) rolled off the production lines during this period. Rolls-Royce Motor Cars manufactured 1,429 units (2009: 259 units) during the six-month period.

### **Automobiles segment revenues and earnings increased sharply**

In line with the good sales volume performance, Automobiles segment revenues increased both on a quarterly and a six-month basis. Second-quarter revenues climbed by 26.2% to euro 13,669 million, in the first six months revenues increased to euro 24,341 million (+19.1%).

Measures taken to boost profitability are also having an increasingly positive impact on segment earnings. Thanks to an even stronger position on the car markets, second-quarter EBIT turned around from a loss of euro 31 million to a profit of euro 1,317 million, while the six-month EBIT improved to euro 1,608 million (2009: loss of euro 282 million). The segment result before tax totalled euro 938 million for the second quarter (2009: loss of euro 158 million) and euro 1,158 million (2009: loss of euro 629 million) for the six-month period.

### **Automobiles segment workforce reduced**

The Automobiles segment had a worldwide workforce of 88,578 employees at 30 June 2010, 3.0% fewer than one year earlier.

# Interim Group Management Report

## Motorcycles

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### Motorcycle sales volume well up

The Motorcycles segment performed well during the reporting period amidst unfavourable business conditions, recording sales volume growth on both a quarterly and a six-month basis. In total, 36,175 motorcycles were handed over to customers during the period from April to June 2010 (+21.6%); the figure for the first six months was 57,015 motorcycles (+21.4%). We significantly strengthened our competitive position with this performance and are now market leaders in the 500 cc plus segment in countries such as Germany, Italy, the Netherlands, Belgium, Austria and South Africa. The number of motorcycles sold during the first half of the year rose by 24.0% to 41,066 units, with growth recorded across all markets. The growth rate in Germany, where 9,071 units were sold, was 18.6%. The six-month sales volume figures climbed extremely steeply in Spain (4,187 units/+48.1%) and France (5,191 units/+49.6%). Pleasing growth was also achieved in Italy (9,774 units/+17.3%) and Great Britain (3,805 units/+13.5%).

In the USA we sold a total of 5,767 BMW motorcycles (+16.1%) during the period from January to June 2010. At 1,426 units, the sales volume in Japan was also up on the previous year (+2.5%).

### Motorcycle production increased

Motorcycle production was also brought in line with higher demand and 31,893 units left the production lines during the second quarter (+50.8%). A total of 62,115 units were manufactured during the six-month period (+23.6%).

### Motorcycle segment revenues and EBIT up on previous year

The sharp rise in sales volumes is reflected in increased segment revenues, both on a quarterly and a six-month basis. Second-quarter revenues rose by 30.7% to euro 439 million. Revenues grew by 26.2% to euro 790 million for the six-month period. EBIT rose to euro 54 million (2009: euro 26 million) for the second quarter and to euro 86 million (+59.3%) for the six-month period. The profit before tax improved to euro 53 million (2009: euro 24 million) for the period from April to June 2010 and to euro 83 million (+66.0%) for the six-month period.

### Slight increase in workforce

The BMW Group employed 2,910 people in the Motorcycles segment at 30 June 2010, marginally up (+0.7%) compared to one year earlier.

## Motorcycles

		2nd quarter 2010	2nd quarter 2009	Change in %
Deliveries to customers <sup>1</sup>	units	36,175	29,742	21.6
Production <sup>2</sup>	units	31,893	21,152	50.8
Revenues	euro million	439	336	30.7
Profit before financial result (EBIT)	euro million	54	26	-
Profit before tax	euro million	53	24	-
Workforce at end of quarter		2,910	2,890	0.7

<sup>1</sup> excluding Husqvarna Motorcycles (3,020 motorcycles)

<sup>2</sup> excluding Husqvarna Motorcycles (3,468 motorcycles)

		1 January to 30 June 2010	1 January to 30 June 2009	Change in %
Deliveries to customers <sup>1</sup>	units	57,015	46,974	21.4
Production <sup>2</sup>	units	62,115	50,263	23.6
Revenues	euro million	790	626	26.2
Profit before financial result (EBIT)	euro million	86	54	59.3
Profit before tax	euro million	83	50	66.0

<sup>1</sup> excluding Husqvarna Motorcycles (4,659 motorcycles)

<sup>2</sup> excluding Husqvarna Motorcycles (5,387 motorcycles)

## Interim Group Management Report

### Financial Services

#### Successful six-month period for Financial Services

The positive trend emerging in recent months was also borne out by developments in the Financial Services segment. The business volume in balance sheet terms was – partly as a result of exchange rate factors – 7.5% higher than one year earlier, reaching a total of euro 65,775 million at 30 June 2010. At that date, a total of 3,119,340 lease and financing contracts was in place with dealers and retail customers, an increase of 3.0% compared to one year earlier.

#### Sharp increase in new business

In the segment's largest line of business, financing and leasing, a total of 283,701 new contracts were signed with retail customers worldwide during the second quarter 2010. This represents a 9.5% increase in new business compared to the same quarter last year. The figure for the six-month period was 527,044 new contracts (+8.5%). Leasing business grew by 4.3%, credit financing by 10.3%. Lease contracts and credit financing accounted for 28.4% and 71.6% of new business respectively. The proportion of new BMW Group cars leased or financed by the Financial Services segment was 46.6%, 0.4 percentage points down on the previous year.

In the pre-owned car financing line of business, 160,438 new contracts for BMW and MINI brand vehicles were signed during the first half of the year (+1.2%).

The total volume of new financing and leasing contracts with retail customers during the first half of 2010 amounted to euro 13,097 million, an increase of 8.9% compared to the corresponding period one year earlier.

At the end of the period under report, a total of 2,886,349 contracts (+3.1%) was in place with retail customers. The increase was spread across all regions. The contract portfolio for the European markets grew by 2.5% while that for the Asia/Oceania/Africa region edged up by 1.9%. The Americas region again registered the highest growth rate (4.6%).

#### Small decrease in fleet business

The BMW Group operates its international multi-brand fleet business under the brand name "Alphabet". Fleet business during the six-month period to 30 June 2010 was slightly down on the previous year. In total, 314,338 fleet vehicle contracts were in place at the end of the period under report (–1.6%).

#### Financial Services

	2nd quarter 2010	2nd quarter 2009	Change in %
New contracts with retail customers	283,701	259,166	9.5
Revenues — euro million	4,198	4,224	–0.6
Profit before financial result (EBIT) — euro million	379	75	–
Profit before tax — euro million	379	81	–
Workforce at end of quarter	3,895	3,912	–0.4

	1 January to 30 June 2010	1 January to 30 June 2009	Change in %
New contracts with retail customers	527,044	485,687	8.5
Revenues — euro million	8,202	8,227	–0.3
Profit before financial result (EBIT) — euro million	592	145	–
Profit before tax — euro million	601	153	–

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## Financial Services

	<b>30.6.2010</b>	31.12.2009	Change in %
Business volume in balance sheet terms*	<b>65,775</b>	61,202	7.5

\* calculated on the basis of the Financial Services segment balance sheet

### Strong performance with multi-brand financing

Multi-brand financing business also benefited from the improved economic climate, with business volumes significantly up on the previous year. 61,188 new contracts were signed during the six-month period, 77.9% more than in the previous year.

### Dealer financing increased

The BMW Group provides financing to dealers for inventories, real estate and equipment, making us a strong and reliable partner for dealerships. As a result of increased demand for vehicles, the total volume of dealer-financing contracts managed by the Financial Services segment increased by 10.8% to euro 9,742 million.

### Deposit business up on previous year

The segment's deposit volume worldwide stood at euro 10,131 million at the end of the reporting period, 2.0% higher than at 31 December 2009. A total of 24,666 securities custodian accounts were under management at 30 June 2010 (-8.6%).

### Insurance business further expanded

As well as financing and leasing, we also offer insurance products to our customers. Demand for these products remained strong throughout the period under report. The number of new contracts signed during the period increased by 14.7% to 321,920 contracts. At 30 June 2010, a total of 1,466,390 insurance contracts were in place (+11.3%).

### Financial Services segment earnings well up

The beneficial impact of the worldwide economic recovery was also evident in the Financial Services segment, with increased volumes making a positive contribution to earnings. The second-quarter EBIT increased sharply to euro 379 million (2009: euro 75 million) and profit before tax for the same period improved from euro 81 million to euro

379 million. The six-month EBIT improved to euro 592 million (2009: euro 145 million) and the six-month pre-tax profit amounted to euro 601 million (2009: euro 153 million).

### Workforce slightly reduced

At 30 June 2010, the Financial Services segment had 3,895 employees, marginally fewer (-0.4%) than one year earlier.

## Interim Group Management Report

### BMW Group – Capital Market Activities in the second quarter 2010

#### BMW stock performs well

The second quarter 2010 was overshadowed by negative economic forecasts, public-sector deficits in several euro-zone countries and sovereign debt problems of Greece. Against this backdrop, the German stock index, the DAX, was plagued by high volatility during the second quarter 2010. After achieving another new high for the year in April (in excess of 6,330 points), the index closed the second quarter at 5,965.52 points, 3.1% down on its level at the end of the first quarter. The Prime Automobile sector index performed better, making good the small losses recorded in the first quarter and closing on 30 June 2010 at 623.83 points, 16.7% higher than at the end of the first quarter.

Following on from its strong performance in the first three months, the share price of BMW common stock continued to rise during the second quarter. BMW common stock closed at a price of euro 40.07 at 30 June 2010, 17.2% up on its closing price three months earlier. The share price rose by 26.0% compared with the end of the previous financial year, making BMW common stock the most successful share in the DAX 30 during the first half of 2010. BMW preferred stock also performed well, closing at the end of the second quarter at euro 28.89 (+10.2%). This represented an increase of 25.6% over its closing price at 31 December 2009.

#### Successful refinancing despite volatile environment

The BMW Group has access to a broadly diversified and flexible range of funding sources to finance its operating activities. In addition to bonds, private placements and

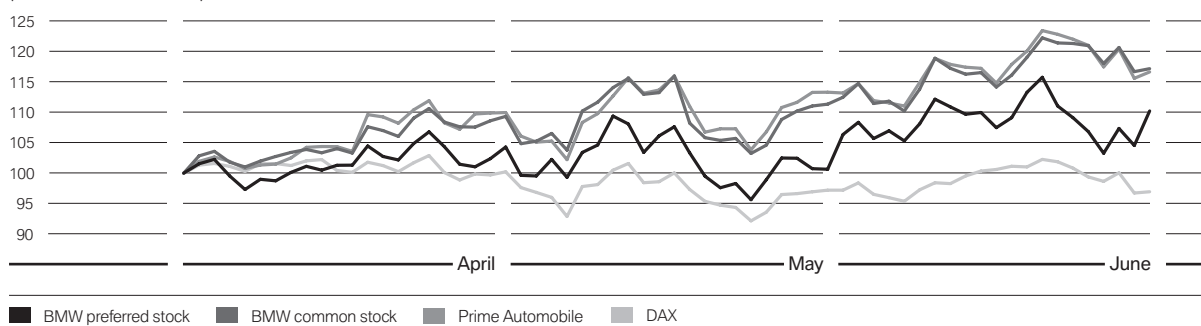
commercial paper, this also includes the use of asset-backed securities, bank credits, loan notes and customer deposits. These funds are used to finance the Group's financial services business.

Ongoing volatility on the international capital markets has also resulted in some distortions on the euro capital markets. The BMW Group was nevertheless able to refinance its business successfully. During the second quarter 2010 for example, we issued a bond for South African rand 2.5 billion and a bond for Swiss franc 500 million. In addition, private placements for a total of more than euro 500 million were executed in various currencies.

New ABS transactions totalling euro 1.3 billion rounded off second-quarter refinancing activities. Alongside privately placed ABS transactions amounting to euro 740 million, one ABS bond with a volume of US dollar 750 million was placed publicly on the US capital market. All issues made were highly sought after on international financial markets thanks to the solid credit rating held by the BMW Group.

#### Development of BMW stock compared to stock exchange indices

(Index: 31.03.2010 = 100)



# Interim Group Management Report

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### Earnings performance

The first signs of recovery from the economic and financial crisis emerged at the beginning of 2010. This upward trend continued during the second quarter 2010. Second-quarter and six-month earnings benefited in particular from our strong competitive position on the international markets with new attractive models in the Automobiles segment and improved margins in the Financial Services segment.

### Earnings performance for the second quarter 2010

Second-quarter Group revenues rose by 18.3% to euro 15,348 million (2009: euro 12,971 million). Adjusted for exchange rate factors, the increase would have been 13.2%. Within Group revenues, external revenues of the Automobiles and Motorcycles segments were up 25.8% and 30.9% respectively on the back of higher sales volumes and an improved sales mix. External revenues of the Financial Services segment were at a similar level to the previous year (-0.3%). No external revenues were generated with other activities during the three-month period to 30 June 2010 (2009: euro 1 million).

Group cost of sales increased by 5.6% to euro 12,084 million, rising therefore at a much slower rate than revenues. The main factors for this were lower material costs as a result of rigorous cost management and lower refinancing costs. As a result, the second-quarter gross profit rose by 113.6% to euro 3,264 million. The gross profit margin was 21.3% (2009: 11.8%).

The gross profit margin recorded by the Automobiles segment improved by 8.0 percentage points to 19.0%; that of the Motorcycles segment stood at 20.3% (2009: 16.7%). In the Financial Services segment, it rose from 4.9% to 12.6%.

Research and development costs for the second quarter 2010 increased by 14.8% to euro 746 million and represented 4.9% (2009: 5.0%) of revenues. Research and development costs include amortisation of capitalised development costs amounting to euro 318 million (2009: euro 299 million). Total research and development costs for the second quarter 2010, comprising research costs, development costs not recognised as assets and capitalised development costs, amounted to euro 633 million (2009: euro 580 million). This gives a research and development expenditure ratio for the second quarter 2010 of 4.1% (2009: 4.5%).

Sales and administrative costs increased by 5.9% compared to the same quarter last year and represented 9.3% (2009: 10.4%) of revenues.

Second-quarter depreciation and amortisation expense included in cost of sales and sales and administrative costs increased by 6.3% to euro 923 million (2009: euro 868 million).

The net expense from other operating income and expenses for the three-month period amounted to euro 119 million, a deterioration of euro 109 million compared to the previous year. The main reason for this was the higher level of allocations to provisions.

The second-quarter profit before financial result jumped by euro 1,548 million to euro 1,717 million as a result of the strong operating performance.

The financial result was a net expense of euro 418 million, which represented a deterioration of euro 400 million against the corresponding quarter last year. Within the financial result, sundry other financial result deteriorated

### Revenues by segment in the second quarter

in euro million

	External revenues		Inter-segment revenues		Total revenues	
	2010	2009	2010	2009	2010	2009
Automobiles	11,142	8,855	2,527	1,972	13,669	10,827
Motorcycles	436	333	3	3	439	336
Financial Services	3,770	3,782	428	442	4,198	4,224
Other Entities	-	1	1	-	1	1
Eliminations	-	-	-2,959	-2,417	-2,959	-2,417
<b>Group</b>	<b>15,348</b>	<b>12,971</b>	<b>-</b>	<b>-</b>	<b>15,348</b>	<b>12,971</b>

by euro 210 million, mainly as a result of lower fair values of currency hedge contracts (reflecting the loss in value of the euro) and lower fair values of commodity derivatives.

The second-quarter result from investments deteriorated by euro 91 million as a result of an impairment loss recognised on an investment in a subsidiary. Net interest expense was euro 98 million higher.

The result from equity accounted investments decreased by euro 1 million.

Taking all these factors into consideration, the profit before tax rose by euro 1,148 million to euro 1,299 million. The income tax expense for the quarter increased by euro 435 million, with an effective tax rate of 35.8% (2009: 19.9%).

The BMW Group recorded a net profit of euro 834 million for the second quarter 2010, euro 713 million above the result for the same quarter last year.

In the second quarter 2010, the Group generated earnings per share of common stock of euro 1.27 (2009: euro 0.18) and earnings per share of preferred stock of euro 1.28 (2009: euro 0.19).

#### Earnings performance for the first half of 2010

Group revenues for the six-month under report increased by 13.5% to euro 27,791 million. Adjusted for exchange rate factors, the increase would have been 10.7%. Within Group revenues, external revenues of the Automobiles and Motorcycles segments increased by 19.2% and 26.3% respectively reflecting the sales volume performance. External revenues of the Financial Services segment were at a similar level to the previous year (-0.3%). No external

revenues were generated with other activities during the six-month period (2009: euro 1 million).

Group cost of sales increased by 4.3% to euro 22,842 million, rising therefore at a slower rate than revenues. This reflects the positive factors discussed above, the most important of which were lower material and lower refinancing costs. As a result, the six-month gross profit rose by 91.8% to euro 4,949 million. The gross profit margin was 17.8% (2009: 10.5%).

The six-month gross profit margin recorded by the Automobiles segment was 16.2% (2009: 9.3%) and that of the Motorcycles segment was 19.2% (2009: 18.7%). The Financial Services segment's gross profit margin improved by 5.9 percentage points to 10.9%.

Research and development costs for the six-month period increased by 13.3% to euro 1,424 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 640 million (2009: euro 587 million). Total research and development costs for the first half of 2010, comprising research costs, development costs not recognised as assets and capitalised development costs, amounted to euro 1,218 million (2009: euro 1,148 million). The research and development expenditure ratio for the period was 4.4% (2009: 4.7%).

Sales and administrative costs increased by 7.4% compared to first half of the previous year and represented 9.5% (2009: 10.0%) of revenues.

Depreciation and amortisation for the six-month period included in cost of sales and in sales and administrative

#### Revenues by segment in the period from 1 January to 30 June

in euro million

	External revenues		Inter-segment revenues		Total revenues	
	2010	2009	2010	2009	2010	2009
Automobiles	19,657	16,484	4,684	3,948	24,341	20,432
Motorcycles	783	620	7	6	790	626
Financial Services	7,351	7,375	851	852	8,202	8,227
Other Entities	-	1	2	1	2	2
Eliminations	-	-	-5,544	-4,807	-5,544	-4,807
<b>Group</b>	<b>27,791</b>	<b>24,480</b>	<b>-</b>	<b>-</b>	<b>27,791</b>	<b>24,480</b>

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costs amounted to euro 1,853 million (2009: euro 1,736 million).

The net expense from other operating income and expenses for the six-month period amounted to euro 142 million, a deterioration of euro 135 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 six-month profit before financial result amounted to euro 2,166 million (2009: euro 114 million).

The six-month financial result was a net expense of euro 359 million, which represented a deterioration of euro 198 million against the previous year (2009: net expense of euro 161 million). This was due to the lower net result on derivative financial instruments due to lower fair values of currency hedging transactions, as a result of which the line item "Sundry other financial result" decreased by euro 46 million. The six-month result from investments deteriorated by euro 91 million as a result of an impairment loss recognised on an investment in a subsidiary.

Within the financial result, net interest expense increased by euro 58 million. The result from investments accounted for using the equity method decreased by euro 3 million to euro 11 million.

Taking all these factors into consideration, the profit before tax improved to euro 1,807 million (2009: loss before tax of euro 47 million). The six-month tax expense amounted

to euro 649 million (2009: tax income of euro 16 million), giving an effective tax rate of 35.9% (2009: 34.0%).

The BMW Group therefore recorded a net profit of euro 1,158 million for the six-month period (2009: net loss of euro 31 million).

In the first half of 2010, the Group generated positive earnings per share of common stock of euro 1.76 (2009: negative earnings per share of common stock of euro 0.05) and positive earnings per share of preferred stock of euro 1.77 (2009: negative earnings per share of preferred stock of euro 0.04).

#### Earnings performance by segment

Second-quarter revenues of the Automobiles segment rose by 26.2%. The segment profit before tax, at euro 938 million, represented an improvement of euro 1,096 million. Segment revenues for the six-month period were 19.1% higher at euro 24,341 million, while the pre-tax result turned around from a loss before tax of euro 629 million to a profit before tax of euro 1,158 million. The improvement for both periods reflects the improved state of the economy. Our six-month sales volume was up 13.1%, reflecting the gradual expansion and renewal of our model portfolio and dynamic growth in China.

Revenues of the Motorcycles segment rose by 30.7% in the second quarter and the profit before tax increased to euro 53 million (2009: euro 24 million). At euro 790 million, segment revenues for the six-month period were up by 26.2%. The profit before tax for the period jumped by 66.0% to euro 83 million.

#### Profit/loss before tax by segment

in euro million

	2nd quarter 2010	2nd quarter 2009	1 January to 30 June 2010	1 January to 30 June 2009
Automobiles	938	-158	1,158	-629
Motorcycles	53	24	83	50
Financial Services	379	81	601	153
Other Entities	-70	18	-73	42
Eliminations	-1	186	38	337
<b>Profit/loss before tax</b>	<b>1,299</b>	<b>151</b>	<b>1,807</b>	<b>-47</b>
Income taxes	-465	-30	-649	-16
<b>Net profit/net loss</b>	<b>834</b>	<b>121</b>	<b>1,158</b>	<b>-31</b>

Revenues of the Financial Services segment, at euro 4,198 million, were at a similar level to the previous year (-0.6%), while the segment profit before tax increased to euro 379 million (2009: euro 81 million). Revenues for the six-month period amounted to euro 8,202 million (-0.3%), with the segment profit before tax improving to euro 601 million (2009: euro 153 million). This 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 reports a second-quarter loss before tax of euro 70 million (2009: profit before tax of euro 18 million). The six-month result before tax deteriorated by euro 115 million to become a loss before tax of euro 73 million (2009: profit before tax of euro 42 million). The main reason for this was the higher level of allocations to provisions.

The result from inter-segment eliminations for the second quarter was a net expense of euro 1 million (2009: net income of euro 186 million), mainly reflecting the higher volume of new leasing business. Inter-segment eliminations for the six-month period were a positive amount of euro 38 million (2009: euro 337 million).

### 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 first half of the financial years 2009 and 2010, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount disclosed in the balance sheet. Cash flows from operating activities are determined indirectly starting with the Group net profit. By contrast, cash flows from investing and financing activities are based on actual payments and receipts.

The cash inflow from operating activities in the first half of 2010 increased by euro 529 million to euro 5,598 million (2009: euro 5,069 million).

The cash outflow for investing activities, at euro 3,546 million, was similar to the previous year's level (2009: euro 3,533 million). Capital expenditure on intangible assets and property, plant and equipment for the six-month period was euro 345 million lower at euro 1,153 million. The cash outflow for the net investment in leased products and receivables from sales financing increased by euro 130 million to euro 2,029 million. The change in marketable securities resulted in a euro 243 million increase in cash outflow. 157.9% (2009: 143.5%) of the cash outflow for investing activities in the six-month period was covered by the cash inflow from operating activities. The cash flow statement of the Automobiles segment for the six-month period shows coverage of 148.7% (2009: 132.4%). The cash flow statement of the Financial Services segment also shows a coverage of 129.9% (2009: 180.2%) for the period.

Cash inflow from financing activities for the period from January to June 2010 includes inflows of euro 5,098 million from bond issues (2009: euro 6,813 million) and outflows for repayments of euro 1,621 million (2009: euro 3,650 million). Changes in other financial liabilities and commercial paper resulted in a cash outflow from financing activities.

After adjustment for the effects of exchange rate fluctuations and changes in the composition of the BMW Group, the various cash flows resulted over the six month period in an increase in cash and cash equivalents of euro 270 million (2009: euro 3,339 million).

Net financial assets of the Automobiles segment comprise the following:

in euro million	30.6.2010	31.12.2009
Cash and cash equivalents	6,027	4,331
Marketable securities and investment funds	1,128	1,129
Intragroup net financial receivables	4,581	8,272
<b>Financial assets</b>	<b>11,736</b>	<b>13,732</b>
Less: external financial liabilities*	-1,784	-4,770
<b>Net financial assets</b>	<b>9,952</b>	<b>8,962</b>

\* excluding derivative financial instruments

# Interim Group Management Report

## Risk Management

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#### Net assets position

The balance sheet total of the BMW Group increased by euro 6,662 million or 6.5% compared to 31 December 2009. Adjusted for changes in exchange rates, the balance sheet total would have decreased by 0.5%.

The main factors behind the increase on the assets side of the balance sheet were receivables from sales financing (+9.2%), inventories (+21.6%) and trade receivables (+33.3%). On the equity and liabilities side of the balance sheet, the increase was due to the increase in financial liabilities (+5.5%), trade payables (+45.7%) and other liabilities (+19.7%).

Leased products rose by euro 684 million or 3.8%. Excluding the effect of exchange rate fluctuations, leased products would have decreased by 4.0%.

Compared to 31 December 2009, inventories increased by euro 1,418 million to euro 7,973 million (+21.6%). Adjusted for exchange rate factors, the increase would have been 6.4%. The increase reflects the effect of stocking-up in conjunction with the introduction of new models on the one hand and higher business volumes on the other.

Financial assets decreased by 5.5% to euro 4,474 million, mainly as a result of the lower fair values of derivative portfolios.

Cash and cash equivalents went up by euro 270 million to euro 8,037 million.

Group equity went up by euro 303 million to euro 20,218 million. On the one hand Group equity increased due to the net profit (+ euro 1,158 million), translation differences (+ euro 873 million) and the fair value measurement of marketable securities (+ euro 26 million). Deferred taxes on fair value gains and losses recognised directly in equity increased equity by euro 748 million.

On the other hand, Group equity decreased as a result of the fair value measurement of derivative financial instruments (– euro 1,641 million) and actuarial losses on pension obligations due to lower interest rates (– euro 664 mil-

lion). The dividend payment reduced Group equity by euro 197 million.

The equity ratio of the BMW Group fell by 0.9 percentage points to 18.6%. The equity ratio of the Automobiles segment was 38.3% (31 December 2009: 41.7%) and that of the Financial Services segment was 6.3% (31 December 2009: 6.0%).

The amount recognised in the balance sheet for pension provisions increased by 8.8% to euro 3,235 million, mainly due to lower discount factors used for Germany and the United Kingdom. The externalisation of pension obligations reduced pension provisions by euro 423 million.

Other provisions amounted to euro 4,775 million, similar to the level at 31 December 2009. While provisions for personnel-related expenses and for on-going operational expenses decreased by euro 108 million and euro 48 million respectively, provisions for other obligations increased by euro 167 million.

Financial liabilities were euro 3,346 million higher, mainly due to the issue of bonds. At the same time, liabilities to banks and commercial paper decreased.

Trade payables went up by 45.7% to euro 4,548 million. Other liabilities amounted to euro 7,482 million and were thus euro 1,232 million higher than at 31 December 2009.

#### Risk management

As a globally operating enterprise, the BMW Group is confronted with numerous risks. A description of these risks and of the Group's risk management methods is provided in the Group Management Report for the financial year ended 31 December 2009 (Annual Report, page 62 et seq.).

#### Economy continues to recover – risks remain

The global economy is currently on a growth course. The upswing is being carried in particular by dynamic growth in China and India as well as expansive monetary and fiscal policies backed by central banks and governments. On the other hand, significantly increased budgetary deficits,

particularly in industrial countries, present a growing risk for the economy.

The economic upswing continues to gather pace in the USA. The employment and real estate markets are, however, highly dependent on governmental stimulus measures. Any curtailment of these measures as part of a strategy to consolidate the US budget deficit could hold down growth in the future. The risk of a new setback, entailing negative consequences for the global economy, remains.

Growth in the euro zone is currently lagging behind the performance of the global economy. Countries in southern Europe are unlikely to experience any major economic momentum in the near future as a result of the effect of high public debt combined with weak employment and real estate markets. In contrast, the current weakness of the euro is benefiting Germany's export performance. It is nevertheless true to say that Germany's export-oriented economy remains dependent on future global economic developments.

The Japanese economy also gathered momentum on the back of strong export growth and wide-ranging government-funded stimulus programmes. The appreciation of the yen and high public debt levels compared to other countries still constitute a risk for economic performance.

The main impetus for the global economy will continue to come from China during the remainder of 2010. There were, however, some signs during the second quarter that the growth rate there is slowing down. Increasing labour shortages, steep wage increases and rapidly rising real estate prices are also pushing the inflation rate up. Under these circumstances it seems likely that the Chinese government will gradually rein in its expansive monetary and fiscal policies.

The outlook for other emerging markets is also positive. The growth rate in India has proved its robustness in the past, irrespective of the international economic crisis, and should continue in the same vein. The situation in Russia has stabilised in recent months, partly reflecting the beneficial effect of higher commodity prices. Brazil's growth rate

should return to its pre-crisis level due to strong consumer spending, increased demand for investment and solid state finances.

Energy and raw material prices are currently undergoing a phase of consolidation, reflecting ongoing uncertainty regarding future economic developments and the public-debt situation in the euro zone. However, even after the recent spate of price decreases, many raw materials are now back to the price levels seen prior to the outbreak of the economic and financial crisis. Compared to the previous year, this is resulting in additional expense for both industry and consumers.

Against the background of rising public debt in Europe, the value of the euro has fallen significantly against the US dollar in recent months. However, weak economic data from the USA have partly enabled the common currency to win back some of the lost ground. In view of the very high levels of US state and trade deficits, there is a risk that the US dollar will weaken again in the long term. Uncertainty about the future performance of the economies in the USA and Europe has resulted in a significant short-term appreciation of the Japanese yen, especially against the euro. The currencies of the major raw material exporters, Russia, Australia and Brazil, have performed similarly weakly to the euro and continue to be influenced by cyclical economic developments in China.

### **Car markets in 2010**

As a result of continuing strong demand in the emerging markets of China, India and Brazil, there is a possibility that the number of car sales worldwide in 2010 will match the record figure recorded in 2007. Market growth in most industrial countries will, however, only be moderate.

The US market is expected to grow by a tenth in 2010 compared to the previous year, still leaving demand well below the level prior to the outbreak of the financial crisis.

By contrast, the total market size of the European Union is expected to contract by approximately 10% in 2010, largely due to lower demand now that the scrappage bonus schemes has come to an end.

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Japan, on the other hand, is likely to see its car market expand slightly for the full year due to the extension of the state-funded stimulus programme.

The growth rate in China for the full year is expected to slow down. The Chinese market as a whole should, however, expand by approximately one fifth again in 2010, thus providing the biggest contribution towards growth worldwide. The growth rate in India will also remain high and the markets are expected to expand by approximately one quarter in 2010. By contrast, growth is expected to slow down in Brazil. The car market in Russia is expected to expand by some 20% due to the introduction of a scrappage bonus scheme in the current year.

### Motorcycle markets in 2010

Contrary to original predictions, the international motorcycle markets contracted in total during the first half of 2010.

Despite the fact that the drop in demand was less drastic than in the previous year, we do not believe that developments in the second half of 2010 will enable the 2009 level to be achieved. The 500 cc plus class relevant for the BMW Group will contract worldwide for the year as a whole.

### Financial Services market in 2010

Reference interest rates in the major industrial countries are not expected to rise before 2011. Interest rates on the money market in the euro zone will continue to rise. For longer-term maturities, interest rates are likely to remain at their current levels for the time-being. In the USA, on the other hand, the prospect of rising reference rates suggests that returns on longer-term financing will increase slightly.

The situation on European used car markets will also be dominated by uncertainty throughout 2010. Developments are likely to be less positive than they were in the first half of the year. The steady recovery taking place in the used car markets of North America during the past months seems likely to continue.

Improvements in the general economic environment have also slightly eased the pressure on lease and credit financing business and on dealer/importer financing business. However, it cannot be assumed that these positive developments are sustainable.

### BMW Group's outlook for the remainder of 2010

Following the successful market launches made in the first six months of the year, we will continue the process of renewal our range of models. The new 5 Series Sedan is now available worldwide. The new BMW 5 Series Touring, as well as the extended-wheelbase version of the BMW 5 Series Sedan for the Chinese market, will be launched mid-September. Alongside the new 5 Series Sedan, which started well, the new additions will significantly strengthen the competitiveness of our model range. The second generation of the successful BMW X3 Sports Activity Vehicle will go on sale from autumn onwards. The MINI Countryman will be added to the MINI range in September. On a similar time scale, the model revisions of the MINI, the MINI Clubman and the MINI Convertible will also become available. The Rolls-Royce Ghost has also performed extremely well in its first year and is now available worldwide. These developments will generate further momentum for profitable growth during the second half of 2010. We also forecast that sales volumes in China will be significantly higher than in the previous year. Sales in the USA are also expected to pick up.

We remain on track to realign the BMW Group through the rigorous implementation of our Strategy Number ONE. This also includes the efficient use of resources, which we see as a key aspect of doing business successfully. Measures taken – such as our initiatives to reduce the cost of materials – are already having a beneficial effect.

As part of the forward-looking “project i”, our first series-built electrically driven vehicle designed for the world's major metropolitan regions, will be launched in 2013. The innovative zero-emission Megacity Vehicle will set new standards in terms of sustainability. We also remain committed to the use of state-of-the-art technologies to reduce the fuel consumption and emission levels of combustion engines. These various factors put us in a good position to take advantage of any new opportunities that present themselves in a changing environment, both in the medium term and the long term.

In view of the improved business outlook, we forecast a significant increase in full-year group profit before tax compared to the previous year. The level of earnings now ex-

pected represents an important step towards achieving the targets set down in our Strategy Number ONE. Economic risks will nevertheless persist during the second half of 2010. For this reason, the forecast is given on the proviso that macro-economic conditions continue to improve and stabilise.

#### **Automobiles segment**

The BMW Group will confirm its position as the world's leading premium car manufacturer over the remainder of the year. In addition to the general recovery of markets worldwide, strong demand for our new models such as the BMW 5 Series and the BMW X1 is having a positive impact on business. For this reason the car sales volume is set to rise by some 10% to more than 1.4 million units for the full-year. We also forecast a full-year EBIT margin of more than 5% for the Automobiles segment.

#### **Motorcycles segment**

Although the market as whole is contracting, we forecast that sales of BMW motorcycles will increase in 2010. Our successful entry into the supersport motorcycle segment will continue to have a positive impact on performance and create impetus for the revenues and earnings of the Motorcycles segment.

#### **Financial Services segment**

The improvement in the general economic environment also has a beneficial impact on the performance of the Financial Services segment. The segment risk profile continued to settle down during the first half of the year. Despite uncertainties regarding the duration and scale of economic recovery, we forecast that residual values will remain more or less stable during the second half of the year. Credit business risks are also likely to continue to return to normal levels.

The situation on North America's used car markets is set to ease further. Continental Europe, and the German market in particular, should see further stabilisation. The steady economic recovery will also contribute to a slight decrease in credit risk for leasing and financing business on the one hand and dealer/importer financing business on the other. The Financial Services segment will also benefit from more favourable refinancing conditions.

As a result of attractive market conditions and the less acute risk situation, pre-tax earnings of the Financial Services segment are forecast to improve significantly, with a target return on equity of over 18%.

#### **Profitability targets for 2012 confirmed**

The BMW Group will continue to pursue the strategic course set in conjunction with Strategy Number ONE. This also includes the profitability targets previously reported on. For the year 2012, the BMW Group continues to target a return on capital employed (ROCE) in excess of 26% and an EBIT margin of between 8% and 10% for its Automobiles segment.

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### Income Statement for Group and Segments for the second quarter

in euro million

	Note	Group	Automobiles	
		2010	2009	2010
Revenues	4	15,348	12,971	13,669
Cost of sales	5	-12,084	-11,443	-11,076
<b>Gross profit</b>		<b>3,264</b>	<b>1,528</b>	<b>2,593</b>
Sales and administrative costs	6	-1,428	-1,349	-1,244
Other operating income	7	108	169	80
Other operating expenses	7	-227	-179	-112
<b>Profit/loss before financial result</b>		<b>1,717</b>	<b>169</b>	<b>1,317</b>
Result from equity accounted investments	8	7	8	7
Interest and similar income	9	61	186	115
Interest and similar expenses	9	-196	-223	-174
Other financial result	10	-290	11	-327
Financial result		<b>-418</b>	<b>-18</b>	<b>-379</b>
<b>Profit/loss before tax</b>		<b>1,299</b>	<b>151</b>	<b>938</b>
Income taxes	11	-465	-30	-331
<b>Net profit/net loss</b>		<b>834</b>	<b>121</b>	<b>607</b>
Attributable to minority interest		3	2	3
<b>Attributable to shareholders of BMW AG</b>		<b>831</b>	<b>119</b>	<b>604</b>
<b>Earnings per share of common stock</b> in euro	12	<b>1.27</b>	0.18	
<b>Earnings per share of preferred stock<sup>*</sup></b> in euro	12	<b>1.28</b>	0.19	

\* In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

### Statement of Comprehensive Income for Group for the second quarter

in euro million

	Note	2010	2009
<b>Net profit</b>		<b>834</b>	<b>121</b>
Available-for-sale securities		9	1
Financial instruments used for hedging purposes		-1,108	242
Exchange differences on translating foreign operations		614	273
Actuarial gains/losses relating to defined benefit pension and similar plans		-315	-59
Deferred taxes relating to components of other comprehensive income		472	-84
<b>Other comprehensive income for the period after tax</b>	13	<b>-328</b>	<b>373</b>
<b>Total comprehensive income</b>		<b>506</b>	<b>494</b>
Total comprehensive income attributable to minority interests		1	1
<b>Total comprehensive income attributable to shareholders of BMW AG</b>		<b>505</b>	<b>493</b>

Motorcycles		Financial Services		Other Entities		Eliminations		
2010	2009	2010	2009	2010	2009	2010	2009	
<b>439</b>	336	<b>4,198</b>	4,224	<b>-1</b>	1	<b>-2,959</b>	-2,417	Revenues
<b>-350</b>	-280	<b>-3,668</b>	-4,016	<b>-</b>	-	<b>3,010</b>	2,490	Cost of sales
<b>89</b>	<b>56</b>	<b>530</b>	<b>208</b>	<b>1</b>	<b>1</b>	<b>51</b>	<b>73</b>	<b>Gross profit</b>
<b>-35</b>	-30	<b>-151</b>	-136	<b>-5</b>	-3	<b>7</b>	-5	Sales and administrative costs
<b>-</b>	-	<b>23</b>	6	<b>19</b>	107	<b>-14</b>	-7	Other operating income
<b>-</b>	-	<b>-23</b>	-3	<b>-96</b>	-79	<b>4</b>	12	Other operating expenses
<b>54</b>	<b>26</b>	<b>379</b>	<b>75</b>	<b>-81</b>	<b>26</b>	<b>48</b>	<b>73</b>	<b>Profit / loss before financial result</b>
<b>-</b>	-	<b>-</b>	-	<b>-</b>	-1	<b>-</b>	-	Result from equity accounted investments
<b>2</b>	-	<b>-1</b>	-	<b>427</b>	452	<b>-484</b>	-390	Interest and similar income
<b>-3</b>	-2	<b>-2</b>	-1	<b>-452</b>	-480	<b>435</b>	503	Interest and similar expenses
<b>-</b>	-	<b>-1</b>	7	<b>36</b>	21	<b>-</b>	-	Other financial result
<b>-1</b>	<b>-2</b>	<b>-</b>	<b>6</b>	<b>11</b>	<b>-8</b>	<b>-49</b>	<b>113</b>	Financial result
<b>53</b>	<b>24</b>	<b>379</b>	<b>81</b>	<b>-70</b>	<b>18</b>	<b>-1</b>	<b>186</b>	<b>Profit / loss before tax</b>
<b>-19</b>	-9	<b>-133</b>	-29	<b>22</b>	-5	<b>-4</b>	-60	Income taxes
<b>34</b>	<b>15</b>	<b>246</b>	<b>52</b>	<b>-48</b>	<b>13</b>	<b>-5</b>	<b>126</b>	<b>Net profit / net loss</b>
<b>-</b>	-	<b>-</b>	-	<b>-</b>	-	<b>-</b>	-	Attributable to minority interest
<b>34</b>	<b>15</b>	<b>246</b>	<b>52</b>	<b>-48</b>	<b>13</b>	<b>-5</b>	<b>126</b>	<b>Attributable to shareholders of BMW AG</b>
<b>Earnings per share of common stock</b> in euro								
<b>Earnings per share of preferred stock*</b> in euro								

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### Income Statement for Group and Segments for the period from 1 January to 30 June

in euro million

	Note	Group	Automobiles
		2010	2009
Revenues	4	27,791	24,480
Cost of sales	5	-22,842	-21,900
<b>Gross profit</b>		<b>4,949</b>	<b>2,580</b>
Sales and administrative costs	6	-2,641	-2,459
Other operating income	7	373	407
Other operating expenses	7	-515	-414
<b>Profit/loss before financial result</b>		<b>2,166</b>	<b>114</b>
Result from equity accounted investments	8	11	14
Interest and similar income	9	290	359
Interest and similar expenses	9	-436	-447
Other financial result	10	-224	-87
<b>Financial result</b>		<b>-359</b>	<b>-161</b>
<b>Profit/loss before tax</b>		<b>1,807</b>	<b>-47</b>
Income taxes	11	-649	16
<b>Net profit/net loss</b>		<b>1,158</b>	<b>-31</b>
Attributable to minority interest		4	3
<b>Attributable to shareholders of BMW AG</b>		<b>1,154</b>	<b>-34</b>
<b>Earnings per share of common stock</b> in euro	12	<b>1.76</b>	-0.05
<b>Earnings per share of preferred stock</b> <sup>*</sup> in euro	12	<b>1.77</b>	-0.04

\* In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

### Statement of Comprehensive Income for Group for the period from 1 January to 30 June

in euro million

	Note	2010	2009
<b>Net profit/net loss</b>		<b>1,158</b>	<b>-31</b>
Available-for-sale securities		26	2
Financial instruments used for hedging purposes		-1,641	167
Exchange differences on translating foreign operations		873	365
Actuarial gains/losses relating to defined benefit pension and similar plans		-664	-453
Deferred taxes relating to components of other comprehensive income		748	36
<b>Other comprehensive income for the period after tax</b>	13	<b>-658</b>	<b>117</b>
<b>Total comprehensive income</b>		<b>500</b>	<b>86</b>
Total comprehensive income attributable to minority interests		4	3
<b>Total comprehensive income attributable to shareholders of BMW AG</b>		<b>496</b>	<b>83</b>

Motorcycles		Financial Services		Other Entities		Eliminations		
2010	2009	2010	2009	2010	2009	2010	2009	
<b>790</b>	626	<b>8,202</b>	8,227	<b>2</b>	2	<b>-5,544</b>	-4,807	Revenues
<b>-638</b>	-509	<b>-7,309</b>	-7,813	<b>-</b>	-	<b>5,504</b>	4,953	Cost of sales
<b>152</b>	<b>117</b>	<b>893</b>	<b>414</b>	<b>2</b>	<b>2</b>	<b>-40</b>	<b>146</b>	<b>Gross profit</b>
<b>-67</b>	-64	<b>-290</b>	-271	<b>-8</b>	-7	<b>4</b>	-4	Sales and administrative costs
<b>1</b>	1	<b>28</b>	9	<b>81</b>	253	<b>-25</b>	-5	Other operating income
<b>-</b>	-	<b>-39</b>	-7	<b>-149</b>	-210	<b>15</b>	22	Other operating expenses
<b>86</b>	<b>54</b>	<b>592</b>	<b>145</b>	<b>-74</b>	<b>38</b>	<b>-46</b>	<b>159</b>	<b>Profit / loss before financial result</b>
<b>-</b>	-	<b>-</b>	-	<b>-</b>	-2	<b>-</b>	-	Result from equity accounted investments
<b>3</b>	1	<b>-1</b>	1	<b>845</b>	911	<b>-786</b>	-825	Interest and similar income
<b>-6</b>	-5	<b>-2</b>	-2	<b>-902</b>	-944	<b>870</b>	1,003	Interest and similar expenses
<b>-</b>	-	<b>-10</b>	9	<b>58</b>	39	<b>-</b>	-	Other financial result
<b>-3</b>	<b>-4</b>	<b>9</b>	<b>8</b>	<b>1</b>	<b>4</b>	<b>84</b>	<b>178</b>	Financial result
<b>83</b>	<b>50</b>	<b>601</b>	<b>153</b>	<b>-73</b>	<b>42</b>	<b>38</b>	<b>337</b>	<b>Profit / loss before tax</b>
<b>-30</b>	-17	<b>-212</b>	-60	<b>23</b>	-10	<b>-17</b>	-125	Income taxes
<b>53</b>	<b>33</b>	<b>389</b>	<b>93</b>	<b>-50</b>	<b>32</b>	<b>21</b>	<b>212</b>	<b>Net profit / net loss</b>
<b>-</b>	-	<b>-</b>	-	<b>-</b>	-	<b>-</b>	-	Attributable to minority interest
<b>53</b>	<b>33</b>	<b>389</b>	<b>93</b>	<b>-50</b>	<b>32</b>	<b>21</b>	<b>212</b>	<b>Attributable to shareholders of BMW AG</b>
<b>Earnings per share of common stock</b> in euro								
<b>Earnings per share of preferred stock</b> * in euro								



								<b>Assets</b>	
Motorcycles		Financial Services		Other Entities		Eliminations			
30.6.2010	- 31.12.2009	30.6.2010	- 31.12.2009	30.6.2010	- 31.12.2009	30.6.2010	- 31.12.2009		
37	39	104	110	-	-	-	-	-	Intangible assets
165	184	18	20	-	-	-	-	-	Property, plant and equipment
-	-	21,432	20,608	-	-	-2,958	-2,822	-	Leased products
-	-	-	-	23	23	-	-	-	Investments accounted for using the equity method
-	-	8	8	5,091	5,380	-7,636	-7,834	-	Other investments
-	-	25,982	23,478	-	-	-	-	-	Receivables from sales financing
-	-	4	28	1,460	1,186	-269	-170	-	Financial assets
-	-	624	575	418	355	-1,602	-1,178	-	Deferred tax
-	-	1,317	1,375	13,199	10,389	-15,995	-13,238	-	Other assets
<u>202</u>	<u>223</u>	<u>49,489</u>	<u>46,202</u>	<u>20,191</u>	<u>17,333</u>	<u>-28,460</u>	<u>-25,242</u>		<b>Non-current assets</b>
254	258	9	9	-	-	-	-1	-	Inventories
159	123	149	123	-	3	-	-	-	Trade receivables
-	-	18,361	17,116	-	-	-	-	-	Receivables from sales financing
-	-	943	924	882	916	-263	-291	-	Financial assets
-	-	13	28	102	133	-	-	-	Current tax
-	-	3,719	4,071	27,794	27,179	-41,979	-43,629	-	Other assets
-	-	1,730	2,803	280	633	-	-	-	Cash and cash equivalents
<u>413</u>	<u>381</u>	<u>24,924</u>	<u>25,074</u>	<u>29,058</u>	<u>28,864</u>	<u>-42,242</u>	<u>-43,921</u>		<b>Current assets</b>
<u>615</u>	<u>604</u>	<u>74,413</u>	<u>71,276</u>	<u>49,249</u>	<u>46,197</u>	<u>-70,702</u>	<u>-69,163</u>		<b>Total assets</b>

								<b>Equity and liabilities</b>	
Motorcycles		Financial Services		Other Entities		Eliminations			
30.6.2010	- 31.12.2009	30.6.2010	- 31.12.2009	30.6.2010	- 31.12.2009	30.6.2010	- 31.12.2009		
-	-	4,656	4,268	5,084	4,118	-10,590	-10,572	-	Subscribed capital
-	-	-	-	-	-	-	-	-	Capital reserves
-	-	-	-	-	-	-	-	-	Revenue reserves
-	-	-	-	-	-	-	-	-	Accumulated other equity
-	-	-	-	-	-	-	-	-	Minority interest
-	-	4,656	4,268	5,084	4,118	-10,590	-10,572		<b>Equity</b>
80	74	29	24	1,339	1,222	-	-	-	Pension provisions
81	68	301	311	32	32	-	-	-	Other provisions
2	2	3,814	3,191	23	9	-2,525	-2,127	-	Deferred tax
-	-	14,800	10,848	25,331	23,454	-269	-170	-	Financial liabilities
256	257	13,226	10,455	137	133	-14,702	-11,965	-	Other liabilities
<u>419</u>	<u>401</u>	<u>32,170</u>	<u>24,829</u>	<u>26,862</u>	<u>24,850</u>	<u>-17,496</u>	<u>-14,262</u>		<b>Non-current provisions and liabilities</b>
21	21	306	274	99	1	4	3	-	Other provisions
-	-	106	85	66	101	-	-	-	Current tax
-	-	12,444	13,673	9,392	8,816	-263	-291	-	Financial liabilities
164	167	464	385	6	14	-	-	-	Trade payables
11	15	24,267	27,762	7,740	8,297	-42,357	-44,041	-	Other liabilities
<u>196</u>	<u>203</u>	<u>37,587</u>	<u>42,179</u>	<u>17,303</u>	<u>17,229</u>	<u>-42,616</u>	<u>-44,329</u>		<b>Current provisions and liabilities</b>
<u>615</u>	<u>604</u>	<u>74,413</u>	<u>71,276</u>	<u>49,249</u>	<u>46,197</u>	<u>-70,702</u>	<u>-69,163</u>		<b>Total equity and liabilities</b>



Automobiles		Financial Services		
2010	2009	2010	2009	
745	-401	389	93	Net profit/loss
4	3	2,416	3,002	Depreciation of leased products
1,896	1,688	12	14	Depreciation and amortisation of tangible, intangible and investment assets
-417	-345	9	-50	Change in provisions
274	-443	48	74	Change in deferred taxes
-94	1,607	-348	619	Changes in working capital and other items
<b>2,408</b>	<b>2,109</b>	<b>2,526</b>	<b>3,752</b>	<b>Cash inflow from operating activities</b>
-1,134	-1,473	-3	-5	Investment in intangible assets and property, plant and equipment
-1	-16	-2,028	-2,037	Net investment in leased products and receivables from sales financing
-484	-104	87	-40	Other
<b>-1,619</b>	<b>-1,593</b>	<b>-1,944</b>	<b>-2,082</b>	<b>Cash outflow from investing activities</b>
<b>673</b>	<b>1,506</b>	<b>-1,758</b>	<b>-298</b>	<b>Cash outflow/inflow from financing activities</b>
<b>234</b>	<b>-9</b>	<b>103</b>	<b>46</b>	<b>Effect of exchange rate and changes in composition of Group on cash and cash equivalents</b>
<b>1,696</b>	<b>2,013</b>	<b>-1,073</b>	<b>1,418</b>	<b>Change in cash and cash equivalents</b>
4,331	5,073	2,803	2,053	Cash and cash equivalents as at 1 January
<b>6,027</b>	<b>7,086</b>	<b>1,730</b>	<b>3,471</b>	<b>Cash and cash equivalents as at 30 June</b>



## Interim Group Financial Statements

Notes to the Group Financial Statements to 30 June 2010

Accounting Principles and Policies

### 1 – Basis of preparation

The Group Financial Statements of BMW AG at 31 December 2009 were drawn up in accordance with International Financial Reporting Standards (IFRSs), as applicable in the EU. The Interim Group Financial Statements (Interim Report) at 30 June 2010, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as those utilised in the 2009 Group Financial Statements. The BMW Group applies the option, available under IAS 34.8, of publishing condensed Group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which are mandatory at 30 June 2010 have also been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the German Accounting Standards Committee e.V. (GASC).

Further information regarding the Group's accounting principles and policies is contained in the Group Financial Statements at 31 December 2009.

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.

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 financial services activities of the Group therefore has an impact on the Interim 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 Interim 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. More detailed 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 in the Group Financial Statements of BMW AG for the year ended 31 December 2009.

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well established instrument used by industrial companies. These transactions usually take the form of asset-backed financing transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to “service” the receivables and receives an appropriate fee for these services. In accordance with IAS 27 (Consolidated and Separate Financial Statements) and the interpretation contained in SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group Financial Statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. The balance sheet value of the assets sold at 30 June 2010 totalled euro 8.6 billion (31 December 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 Interim Group Financial Statements have been reviewed by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

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

The preparation of interim financial statements requires management to make certain assumptions and estimates that affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. 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. 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.

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### 2 – Consolidated companies

The BMW Group Financial Statements for the second quarter 2010 include, besides BMW AG, 32 German and 149 foreign subsidiaries. This includes six special purpose securities funds and 23 special purpose trusts, almost all of which are used for asset backed financing.

No entities were consolidated for the first time during the second quarter 2010. Similarly, no entities ceased to be consolidated companies during the period under report.

Compared to the corresponding period last year, one subsidiary and five special purpose trusts have been consolidated for the first time. Four subsidiaries, six special

purpose trusts and one special purpose securities fund ceased to be consolidated companies.

In conjunction with joint ventures established with the SGL Carbon Group, the entities SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Moses Lake, WA, were all accounted for the first time during the first half of 2010 using the equity method. The BMW Group has a 49% stake in each of these entities.

The changes to the composition of the Group do not have a material impact on the earnings performance, financial position or net assets of the Group.

### 3 – New financial reporting rules

#### (a) Financial reporting rules applied for the first time in the second quarter 2010

No new Standards or Interpretations were applied for the first time in the second quarter 2010.

#### (b) New financial reporting rules issued during the second quarter 2010

The following Annual Improvements Standard issued by the IASB during the second quarter 2010 is not mandatory for the reporting period and has not been applied by the BMW Group in the second quarter 2010:

Standard / Interpretation	Date of issue by IASB	Date of mandatory application	Endorsed by EU	Expected impact on BMW Group
Improvements to IFRSs	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.

### 4 – Revenues

Revenues by activity comprise the following:

in euro million	2nd quarter 2010	2nd quarter 2009	1 January to 30 June 2010	1 January to 30 June 2009
Sales of products and related goods	11,415	9,208	20,154	17,088
Income from lease instalments	1,226	1,520	2,462	2,925
Sale of products previously leased to customers	1,629	1,498	3,106	2,870
Interest income on loan financing	649	648	1,268	1,348
Other income	429	97	801	249
<b>Revenues</b>	<b>15,348</b>	<b>12,971</b>	<b>27,791</b>	<b>24,480</b>

An analysis of revenues by segment is shown in the segment information on pages 42 to 44.

#### 5— Cost of sales

Cost of sales in the second quarter include euro 3,415 million (2009: euro 3,837 million) relating to the financial services business. For the period from 1 January to 30 June 2010, euro 7,003 million (2009: euro 7,464 million) relates to the financial services business.

Second-quarter cost of sales include research and development costs of euro 746 million (2009: euro 650 million).

The latter comprises all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to euro 318 million (2009: euro 299 million). For the first half of the year, research and development costs amounted to euro 1,424 million (2009: euro 1,257 million). This includes amortisation of capitalised development costs of euro 640 million (2009: euro 587 million).

#### 6— Sales and administrative costs

Sales costs amounted to euro 1,012 million for the second quarter (2009: euro 971 million) and euro 1,905 million for the six-month period (2009: euro 1,832 million). They comprise mainly marketing, advertising and sales personnel costs.

Administrative costs in the second quarter amounted to euro 416 million (2009: euro 378 million) and in the first half of the year to euro 736 million (2009: euro 627 million). They comprise expenses for administration not attributable to development, production or sales functions.

#### 7— Other operating income and expenses

Other operating income in the second quarter amounted to euro 108 million (2009: euro 169 million). The six-month figure amounted to euro 373 million (2009: euro 407 million). Second-quarter other operating expenses totalled euro 227 million (2009: euro 179 million). The equivalent

figure for the six-month period was euro 515 million (2009: euro 414 million). These items principally include exchange gains and losses, gains and losses on the disposal of assets, write-downs and income/expense from the reversal of, and allocation to, provisions.

#### 8— Result from equity accounted investments

The result from equity accounted investments in the second quarter was a positive amount of euro 7 million (2009: euro 8 million). For the first half of the year, the equivalent figure was euro 11 million (2009: euro 14 million). This includes the results from the BMW Group's interests in the joint venture BMW Brilliance Automotive Ltd., Shenyang, the participation in Cirquent GmbH, Munich, as well as the

joint ventures SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Moses Lake, WA. In the previous year, only the results from the interest in the joint venture, BMW Brilliance Automotive Ltd., Shenyang, and from the participation in Cirquent GmbH, Munich, were included.

#### 9— Net interest result

in euro million	2nd quarter 2010	2nd quarter 2009	1 January to 30 June 2010	1 January to 30 June 2009
Interest and similar income	61	186	290	359
Interest and similar expenses	-196	-223	-436	-447
<b>Net interest result</b>	<b>-135</b>	<b>-37</b>	<b>-146</b>	<b>-88</b>

02 BMW Group in figures 10 — **Other financial result**

in euro million		2nd quarter 2010	2nd quarter 2009	1 January to 30 June 2010	1 January to 30 June 2009
04 Interim Group Management Report The BMW Group – an Overview					
06 Automobiles	Result on investments	-90	1	-90	1
10 Motorcycles	Sundry other financial result	-200	-10	-134	-88
11 Financial Services	<b>Other financial result</b>	<b>-290</b>	<b>11</b>	<b>-224</b>	<b>-87</b>
13 BMW Group – Capital Market Activities					
14 Financial Analysis					
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22 — Interim Group  
Financial Statements 11 — **Income taxes**

22 Income Statements Taxes on income comprise the following:

in euro million		2nd quarter 2010	2nd quarter 2009	1 January to 30 June 2010	1 January to 30 June 2009
22 Statement of Com- prehensive Income for Group					
26 Balance Sheets	Current tax expense	318	16	376	61
28 Cash Flow Statements	Deferred tax expense	147	14	273	77
30 Group Statement of Changes in Equity	<b>Income taxes</b>	<b>465</b>	<b>30</b>	<b>649</b>	<b>16</b>
31 — Notes					
45 Responsibility Statement by the Company's Legal Representatives					

The effective tax rate for the period to 30 June 2010 was 35.9% (2009: 34.0%).

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12 — **Earnings per share**

The computation of earnings per share is based on the following figures:

		2nd quarter 2010	2nd quarter 2009	1 January to 30 June 2010	1 January to 30 June 2009
Profit attributable to the shareholders	euro million	831.4	118.8	1,154.1	33.9
Profit attributable to common stock	euro million (rounded)	764.0	108.9	1,060.7	31.7
Profit attributable to preferred stock	euro million (rounded)	67.4	9.9	93.4	2.2
Average number of common stock shares in circulation	number	601,995,196	601,995,196	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	52,665,362	51,833,032	52,665,362	51,833,032
<b>Earnings per share of common stock</b>	euro	<b>1.27</b>	0.18	<b>1.76</b>	0.05
<b>Earnings per share of preferred stock</b>	euro	<b>1.28</b>	0.19	<b>1.77</b>	0.04

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 shares in circulation.

In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of

preferred stock are spread over the four quarters of the corresponding financial year. Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years. Diluted earnings per share were not applicable in either of the reporting periods.

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Notes to the Statement of Comprehensive Income

### 13— Disclosures relating to the statement of total comprehensive income

Other comprehensive income after tax comprises the following:

in euro million	2nd quarter 2010	2nd quarter 2009	1 January to 30 June 2010	1 January to 30 June 2009
Available-for-sale securities				
Gains/losses in the period	3	4	22	5
Amounts reclassified to income statement	6	-3	4	-3
	<u>9</u>	<u>1</u>	<u>26</u>	<u>2</u>
Financial instruments used for hedging purposes				
Gains/losses in the period	-1,303	314	-1,833	206
Amounts reclassified to income statement	195	-72	192	-39
	<u>-1,108</u>	<u>242</u>	<u>-1,641</u>	<u>167</u>
Exchange differences on translating foreign operations	614	273	873	365
Actuarial gains/losses relating to defined benefit pension and similar plans	-315	-59	-664	-453
Deferred taxes relating to components of other comprehensive income	472	-84	748	36
<b>Other comprehensive income for the period after tax</b>	<b><u>-328</u></b>	<b><u>373</u></b>	<b><u>-658</u></b>	<b><u>117</u></b>

Deferred taxes on components of other comprehensive income in the second quarter are as follows:

in euro million	2nd quarter 2010			2nd quarter 2009		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Available-for-sale securities	9	-3	6	1	-	1
Financial instruments used for hedging purposes	-1,108	381	-727	242	-97	145
Exchange differences on translating foreign operations	614	-	614	273	-	273
Actuarial gains/losses relating to defined benefit pension and similar plans	-315	94	-221	-59	13	-46
<b>Other comprehensive income</b>	<b><u>-800</u></b>	<b><u>472</u></b>	<b><u>-328</u></b>	<b><u>457</u></b>	<b><u>-84</u></b>	<b><u>373</u></b>

Deferred taxes on components of other comprehensive income for the six-month period are as follows:

in euro million	1 January to 30 June 2010			1 January to 30 June 2009		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Available-for-sale securities	26	-8	18	2	-1	1
Financial instruments used for hedging purposes	-1,641	556	-1,085	167	-90	77
Exchange differences on translating foreign operations	873	-	873	365	-	365
Actuarial gains/losses relating to defined benefit pension and similar plans	-664	200	-464	-453	127	-326
<b>Other comprehensive income</b>	<b><u>-1,406</u></b>	<b><u>748</u></b>	<b><u>-658</u></b>	<b><u>81</u></b>	<b><u>36</u></b>	<b><u>117</u></b>

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### 14 – 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. Capitalised development costs at 30 June 2010 amounted to euro 4,728 million (31 December 2009: euro 4,934 million). Capital expenditure for development costs for the six-month period amounted to euro 434 million (2009: euro 478 million). The six-month amortisation expense amounted to euro 640 million (2009: euro 587 million).

In addition, intangible assets include a brand-name right amounting to euro 43 million (31 December 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.

### 15 – Property, plant and equipment

Capital expenditure for property, plant and equipment in the first six months of 2010 was euro 698 million (2009:

euro 1,006 million). The depreciation expense for the same period amounted to euro 1,153 million (2009: euro 1,093 million).

### 16 – Leased products

Additions to leased products and depreciation thereon for the six-month period amounted to euro 4,934 million (2009: euro 4,161 million) and euro 1,400 million (2009: euro 1,934 million) respectively. Disposals amounted to

euro 4,245 million (2009: euro 3,318 million). The translation of foreign currency financial statements for the six-month period resulted in a net positive translation difference of euro 1,395 million (2009: euro 107 million).

### 17 – 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, Cirquent GmbH, Munich, SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Moses Lake, WA.

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

Due to the new strategic alignment of a subsidiary, an impairment loss of euro 98 million was recognised at 30 June 2010 on investments in subsidiaries within the Automobiles segment. This was necessary since the recoverable amount (value in use) of the asset was lower than its carrying amount. The fair value was calculated by discounting future cash flows using a risk-adjusted interest rate of 12.0% (unchanged from the previous year). Cash flows used to determine the amount of the impairment loss were based on the five-year operating forecast, taking into account additional information from the strategic plan.

### 18 – Receivables from sales financing

Receivables from sales financing totalling euro 44,343 million (31 December 2009: euro 40,594 million) relate to credit financing for retail customers and dealers and to finance leases.

Receivables from sales financing include euro 25,982 million (31 December 2009: euro 23,478 million) with a remaining term of more than one year.

19— **Financial assets**

Financial assets comprise:

in euro million	30.6.2010	31.12.2009
Derivative instruments	2,013	2,433
Marketable securities and investment funds	1,671	1,648
Loans to third parties	50	23
Credit card receivables	285	266
Other	455	364
<b>Financial assets</b>	<b>4,474</b>	<b>4,734</b>
— thereof non-current	1,516	1,519
— thereof current	2,958	3,215

The fair values of derivative instruments are computed using market information available at the end of the reporting period on the basis of prices quoted by the counterparties or using appropriate measurement methods, e.g. discounted cash flow models. The interest rates derived from interest-rate structures are adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument.

Derivative financial instruments are measured at their fair value. The fair values of derivative financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated on the basis of those models could differ from realisable market prices on disposal. Market price spreads (for liquidity and credit risks for instance) remain wide as a result of the financial market crisis and have an impact on the measurement of derivatives.

20— **Income tax assets**

Income tax assets can be analysed as follows:

30 June 2010 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	-	1,663	1,663
Current tax	466	529	995
<b>Income tax assets</b>	<b>466</b>	<b>2,192</b>	<b>2,658</b>

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
<b>Income tax assets</b>	<b>452</b>	<b>1,764</b>	<b>2,216</b>

02 BMW Group in figures 21 — **Other assets**

		30.6.2010	31.12.2009
04	Interim Group Management Report	in euro million	
04	The BMW Group – an Overview		
06	Automobiles	389	445
10	Motorcycles	606	485
11	Financial Services	165	171
13	BMW Group – Capital Market Activities	964	898
14	Financial Analysis	485	507
18	Risk Management	727	618
18	Outlook	<b>3,336</b>	<b>3,124</b>
22	Interim Group Financial Statements		
22	Income Statements		
22	Statement of Comprehensive Income for Group	800	640
26	Balance Sheets	2,536	2,484
28	Cash Flow Statements		
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22 — **Inventories**

Inventories comprise the following:

		30.6.2010	31.12.2009
45	Responsibility Statement by the Company's Legal Representatives	in euro million	
46	Review Report		
47	Other Information	608	536
47	Financial Calendar	567	542
47	Contacts	6,798	5,477
	<b>Inventories</b>	<b>7,973</b>	<b>6,555</b>

23 — **Equity**

The Group Statement of Changes in Equity is shown on page 30.

**Number of shares issued**

At 30 June 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 52,665,362 shares with a par value of one euro. Unlike the common stock, no voting rights are attached to the preferred stock. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of euro 0.02 per share.

At the Annual General Meeting on 14 May 2009, the shareholders authorised the Board of Management to acquire treasury shares via the stock exchange, up to a maximum

of 10% of the share capital in place at the date of the resolution and to withdraw these shares from circulation without any further resolution by the Annual General Meeting. At the same time, the authorisation from 8 May 2008 to acquire treasury shares was rescinded. The authorisation, which runs until 12 November 2010, has not been exercised to date. It has not yet been decided whether or to which extent the authorisation will be used. The BMW Group did not hold any treasury shares at 30 June 2010.

In addition, the shareholders passed a resolution at the Annual General Meeting 2009 authorising the Board of Management with the approval of the Supervisory Board, to increase the Company's share capital by up to euro 5 million prior to 13 May 2014 in return for cash contributions and the issue of new non-voting preferred stock. Following the issue of 469,200 shares of preferred stock to employees

in 2009, the remaining available Authorised Capital stands at euro 4.5 million.

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

#### Additional paid in capital

Capital reserves include premiums arising from the issue of shares.

#### 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.

#### 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 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 17 million (31 December 2009: euro 13 million). This includes a minority interest of euro 4 million in the results for the period (31 December 2009: euro 6 million).

### 24 – Other provisions

Other provisions, at euro 4,775 million (31 December 2009: euro 4,764 million) primarily include personnel-related obligations and obligations for ongoing operational expenses.

Current provisions at 30 June 2010 amounted to euro 2,139 million (31 December 2009: euro 2,058 million).

### 25 – Income tax liabilities

30 June 2010 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	-	3,019	<b>3,019</b>
Current tax	466	201	<b>667</b>
<b>Income tax liabilities</b>	<b>466</b>	<b>3,220</b>	<b>3,686</b>

31 December 2009 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	-	2,769	<b>2,769</b>
Current tax	595	241	<b>836</b>
<b>Income tax liabilities</b>	<b>595</b>	<b>3,010</b>	<b>3,605</b>

Current tax liabilities of euro 667 million (31 December 2009: euro 836 million) comprise euro 209 million (31 December 2009: euro 197 million) for taxes payable

and euro 458 million (31 December 2009: euro 639 million) for tax provisions.

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#### 26 – Financial liabilities

Financial liabilities include all obligations of the BMW Group relating to financing activities. Financial liabilities comprise the following:

in euro million	30.6.2010	31.12.2009
Bonds	32,106	27,017
Liabilities to banks	6,109	9,174
Liabilities from customer deposits (banking)	10,131	9,933
Commercial paper	3,864	5,213
Asset backed financing transactions	8,647	7,812
Derivative instruments	2,813	1,093
Other	1,001	1,083
<b>Financial liabilities</b>	<b>64,671</b>	<b>61,325</b>
— thereof non-current	40,488	34,391
— thereof current	24,183	26,934

Information on the measurement of derivative instruments is provided in note 19 —.

#### 27 – Other liabilities

Other liabilities comprise the following items:

in euro million	30.6.2010	31.12.2009
Other taxes	588	495
Social security	68	69
Advance payments from customers	324	417
Deposits received	244	202
Payables to subsidiaries	44	35
Payables to other companies in which an investment is held	5	11
Deferred income	3,597	3,134
Other	2,612	1,887
<b>Other liabilities</b>	<b>7,482</b>	<b>6,250</b>
— thereof non-current	2,650	2,281
— thereof current	4,832	3,969

#### 28 – Related party relationships

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities which have the ability to control the BMW Group or which are controlled by the BMW Group, must be disclosed unless such parties are not already included in the consolidated financial statements as consolidated companies. Control is defined as ownership

of more than one half of the voting power of BMW AG or the power to direct, by statute or agreement, the financial and operating policies of the management of the Group.

In addition, the disclosure requirements of IAS 24 also cover transactions with participations, joint ventures and individuals that have the ability to exercise significant influence

over the financial and operating policies of the BMW Group. This also includes close relatives and intermediaries. Significant influence over the financial and operating policies of the Group can arise when a party holds 20% or more of the shares of BMW AG or is a member of the Board of Management or Supervisory Board of BMW AG.

For the second quarter 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 with members of the Board of Management and Supervisory Board of BMW AG.

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

Transactions of BMW Group companies with the joint venture, BMW Brilliance Automotive Ltd., Shenyang, all arise in the normal course of business and are conducted on the basis of arm's length principles. Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during the first six months of 2010 amounting to euro 314 million (2009: euro 185 million), of which euro 175 million was recorded in the second quarter (2009: euro 121 million). At 30 June 2010, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, amounted to euro 157 million (31 December 2009: euro 170 million). Group companies did not have any liabilities to BMW Brilliance Automotive Ltd., Shenyang at 30 June 2010 or 31 December 2009.

During the second quarter, Group entities disbursed loans to the joint ventures, SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, and SGL Automotive Carbon Fibers LLC, Moses Lake, WA. As a result, Group entities had loans receivable from joint ventures amounting to euro 13 million at 30 June 2010. The loans were disbursed on the basis of arm's length principles. There were no other business relationships with the joint ventures concerned.

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. During the second quarter 2010 Group entities purchased services and goods from Cirquent GmbH, Munich, amounting to euro 13 million (2009: euro 12 million). The equivalent figure for the six-month period was euro 25 million (2009: euro 25 million). At 30 June 2010, liabilities of Group entities to Cirquent GmbH, Munich, totalled euro 4 million (31 December 2009: euro 10 million). Receivables of Group companies from Cirquent GmbH, Munich, amounted to euro 1 million (as at the end of the previous year).

Stefan Quandt is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v. d. H., which, via its subsidiaries, performed logistics services for the BMW Group during the second quarter 2010. In addition, companies of the DELTON Group purchased vehicles from the BMW Group. These service and 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.

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. Altana AG, Wesel, acquired vehicles from the BMW Group during the second quarter 2010, mostly in the form of leasing contracts. 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 during the second quarter 2010. In addition, development work was performed for the BMW Group. Susanne Klatten also holds shares in Nordex AG, Norderstedt. Business transactions with these entities 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.

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## 29 – Explanatory notes to segment information

For information on the basis used for identifying and assessing the performance of reportable segments along internal management lines, reference is made to the Group Financial Statements of BMW AG for the year ended 31 December 2009. No changes have been made either

in the accounting policies applied or in the basis used for identifying reportable segments as compared to 31 December 2009.

Segment information by operating segment for the second quarter 2010 is as follows:

### Segment information by operating segment

	Automobiles		Motorcycles	
in euro million	2010	2009	2010	2009
External revenues	11,142	8,855	436	333
Inter-segment revenues	2,527	1,972	3	3
<b>Total revenues</b>	<b>13,669</b>	<b>10,827</b>	<b>439</b>	<b>336</b>
Segment result	1,317	-31	54	26
Capital expenditure on non-current assets	608	748	9	10
Depreciation and amortisation on non-current assets	900	846	19	17

Segment information by operating segment for the six-month period is as follows:

### Segment information by operating segment

	Automobiles		Motorcycles	
in euro million	2010	2009	2010	2009
External revenues	19,657	16,484	783	620
Inter-segment revenues	4,684	3,948	7	6
<b>Total revenues</b>	<b>24,341</b>	<b>20,432</b>	<b>790</b>	<b>626</b>
Segment result	1,608	-282	86	54
Capital expenditure on non-current assets	1,223	1,602	16	20
Depreciation and amortisation on non-current assets	1,808	1,691	37	34

	Automobiles		Motorcycles	
in euro million	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Segment assets	10,692	11,887	408	389

Financial Services		Other Entities		Reconciliation to Group figures		Group		
2010	2009	2010	2009	2010	2009	2010	2009	
<b>3,770</b>	3,782	-	1	-	-	<b>15,348</b>	12,971	External revenues
<b>428</b>	442	<b>1</b>	-	<b>-2,959</b>	-2,417	-	-	Inter-segment revenues
<b>4,198</b>	<b>4,224</b>	<b>1</b>	<b>1</b>	<b>-2,959</b>	<b>-2,417</b>	<b>15,348</b>	<b>12,971</b>	<b>Total revenues</b>
<b>379</b>	81	<b>-70</b>	18	<b>-381</b>	57	<b>1,299</b>	151	Segment result
<b>3,201</b>	2,546	-	-	<b>-557</b>	-493	<b>3,261</b>	2,811	Capital expenditure on non-current assets
<b>1,188</b>	1,597	-	-	<b>-509</b>	-611	<b>1,598</b>	1,849	Depreciation and amortisation on non-current assets

Financial Services		Other Entities		Reconciliation to Group figures		Group		
2010	2009	2010	2009	2010	2009	2010	2009	
<b>7,351</b>	7,375	-	1	-	-	<b>27,791</b>	24,480	External revenues
<b>851</b>	852	<b>2</b>	1	<b>-5,544</b>	-4,807	-	-	Inter-segment revenues
<b>8,202</b>	<b>8,227</b>	<b>2</b>	<b>2</b>	<b>-5,544</b>	<b>-4,807</b>	<b>27,791</b>	<b>24,480</b>	<b>Total revenues</b>
<b>601</b>	153	<b>-73</b>	42	<b>-415</b>	-14	<b>1,807</b>	-47	Segment result
<b>5,913</b>	4,951	-	-	<b>-1,065</b>	-914	<b>6,087</b>	5,659	Capital expenditure on non-current assets
<b>2,428</b>	3,016	-	-	<b>-1,020</b>	-1,071	<b>3,253</b>	3,670	Depreciation and amortisation on non-current assets

Financial Services		Other Entities		Reconciliation to Group figures		Group		
30.6.2010	- 31.12.2009	30.6.2010	- 31.12.2009	30.6.2010	- 31.12.2009	30.6.2010	- 31.12.2009	
<b>4,656</b>	4,268	<b>43,722</b>	40,400	<b>49,137</b>	45,009	<b>108,615</b>	101,953	Segment assets

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

in euro million	2010	2009
Reconciliation of segment result		
— Total for reportable segments	1,680	94
— Financial result of Automobiles segment and Motorcycles segment	-380	-129
— Elimination of inter-segment items	-1	186
<b>Group profit before tax</b>	<b>1,299</b>	<b>151</b>
Reconciliation of capital expenditure on non-current assets		
— Total for reportable segments	3,818	3,304
— Elimination of inter-segment items	-557	-493
<b>Total Group capital expenditure on non-current assets</b>	<b>3,261</b>	<b>2,811</b>
Reconciliation of depreciation and amortisation on non-current assets		
— Total for reportable segments	2,107	2,460
— Elimination of inter-segment items	-509	-611
<b>Total Group depreciation and amortisation on non-current assets</b>	<b>1,598</b>	<b>1,849</b>

Segment figures for the six-month period can be reconciled to the corresponding Group figures as follows:

in euro million	2010	2009
Reconciliation of segment result		
— Total for reportable segments	2,222	-33
— Financial result of Automobiles segment and Motorcycles segment	-453	-351
— Elimination of inter-segment items	38	337
<b>Group profit before tax</b>	<b>1,807</b>	<b>-47</b>
Reconciliation of capital expenditure on non-current assets		
— Total for reportable segments	7,152	6,573
— Elimination of inter-segment items	-1,065	-914
<b>Total Group capital expenditure on non-current assets</b>	<b>6,087</b>	<b>5,659</b>
Reconciliation of depreciation and amortisation on non-current assets		
— Total for reportable segments	4,273	4,741
— Elimination of inter-segment items	-1,020	-1,071
<b>Total Group depreciation and amortisation on non-current assets</b>	<b>3,253</b>	<b>3,670</b>

in euro million	30.6.2010	31.12.2009
Reconciliation of segment assets		
— Total for reportable segments	59,478	56,944
— Non-operating assets – Other Entities segment	5,527	5,797
— Operating liabilities – Financial Services segment	69,757	67,008
— Interest-bearing assets – Automobiles segment	26,372	25,826
— Liabilities of Automobiles and Motorcycles segments not subject to interest	18,183	15,541
— Elimination of inter-segment items	-70,702	-69,163
<b>Total Group assets</b>	<b>108,615</b>	<b>101,953</b>

## Responsibility Statement by the Company's Legal Representatives

### **Responsibility Statement pursuant to § 37y of the German Securities Trading Act (WpHG) in conjunction with § 37w (2) No. 3 WpHG**

“To the best of our knowledge, and in accordance with the applicable principles for interim financial reporting, the Interim Group Financial Statements give a true and fair view of the net assets, financial position and results of operation of the Group, and the Interim 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 for the remaining months of the financial year.”

Munich, 27 July 2010

**Bayerische Motoren Werke**  
Aktiengesellschaft

The Board of Management

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### To Bayerische Motoren Werke Aktiengesellschaft, Munich

We have reviewed the condensed interim consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft, Munich – comprising the balance sheet, the income statement and the statement of comprehensive income, the condensed cash flow statement, the statement of changes in equity and selected explanatory notes, together with the interim Group Management Report of Bayerische Motoren Werke Aktiengesellschaft, Munich, for the period of 1 January to 30 June 2010, which are part of the semi-annual financial report pursuant to § 37 w of the Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim Group Management Report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim Group Management Report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group Management Report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evalua-

tion, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim Group Management Report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim Group Management Report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 2 August 2010

### KPMG AG

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schindler    Pastor  
Wirtschaftsprüfer    Wirtschaftsprüfer

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Quarterly Report to 30 September 2010 ————— 3 November 2010

Annual Report 2010 ————— 15 March 2011

Annual Accounts Press Conference ————— 15 March 2011

Financial Analysts' Meeting ————— 16 March 2011

Quarterly Report to 31 March 2011 ————— 4 May 2011

Annual General Meeting ————— 12 May 2011

Quarterly Report to 30 June 2011 ————— 2 August 2011

Quarterly Report to 30 September 2011 ————— 3 November 2011

### Contacts

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#### Business Press

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Telephone +49 89 382-2 33 62

+49 89 382-2 41 18

Fax +49 89 382-2 44 18

E-mail [presse@bmwgroup.com](mailto:presse@bmwgroup.com)

#### Investor Relations

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Telephone +49 89 382-2 42 72

+49 89 382-2 53 87

Fax +49 89 382-1 46 61

E-mail [ir@bmwgroup.com](mailto:ir@bmwgroup.com)

#### The BMW Group on the Internet

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Further information about the BMW Group is available online at [www.bmwgroup.com](http://www.bmwgroup.com).

Investor Relations information is available directly at [www.bmwgroup.com/ir](http://www.bmwgroup.com/ir). Information

about the various BMW Group brands is available at [www.bmw.com](http://www.bmw.com), [www.mini.com](http://www.mini.com)

and [www.rolls-roycemotorcars.com](http://www.rolls-roycemotorcars.com).

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Aktiengesellschaft  
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Germany  
Telephone +49 89 382-0