

# FINANCIAL STATEMENTS OF BMW AG

Financial Year 2010



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		<b>2010</b>	2009	Change in %
Revenues	euro million	<b>45,773</b>	37,980	20.5
— Export ratio	%	<b>76.7</b>	73.8	
<b>Production</b>				
— Automobiles	units	<b>1,481,253</b>	1,258,417	17.7
— Motorcycles	units	<b>99,236</b>	82,631	20.1
<b>Sales volume</b>				
— Automobiles	units	<b>1,460,923</b>	1,231,893	18.6
— Motorcycles	units	<b>97,586</b>	86,451	12.9
Capital expenditure	euro million	<b>1,582</b>	1,667	-5.1
Depreciation and amortisation	euro million	<b>1,540</b>	1,505	2.3
Workforce at the end of year		<b>69,518</b>	70,223	-1.0
Tangible, intangible and investment assets	euro million	<b>8,273<sup>1</sup></b>	6,984	18.5
Current assets, prepayments and surplus of pension and similar plan assets over liabilities	euro million	<b>16,073</b>	17,663	-9.0
Subscribed capital	euro million	<b>655</b>	655	-
Reserves	euro million	<b>5,581</b>	4,502	24.0
Equity	euro million	<b>7,088</b>	5,354	32.4
— as % of tangible, intangible and investment assets	%	<b>85.7</b>	76.7	
Balance sheet total	euro million	<b>24,346</b>	24,647	-1.2
Cost of materials	euro million	<b>32,875</b>	28,300	16.2
Personnel costs	euro million	<b>5,428</b>	5,850	-7.2
Taxes	euro million	<b>1,106</b>	403	-
Net profit	euro million	<b>1,506</b>	202	-
Dividend	euro million	<b>852<sup>2</sup></b>	197	-
— per share of common stock with a par value of euro 1 each	euro	<b>1.30<sup>2</sup></b>	0.30	
— per share of preferred stock with a par value of euro 1 each	euro	<b>1.32<sup>2</sup></b>	0.32	

<sup>1</sup> including property, plant and equipment transferred in conjunction with automatic merger of BMW Ingenieur-Zentrum GmbH + Co oHG, Dingolfing into BMW AG

<sup>2</sup> Proposed by the Board of Management

The BMW AG Financial Statements and Management Report for the financial year 2010 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. The Management Report of BMW AG is combined with the Group Management Report and published in the BMW Group Annual Report 2010.

**BMW AG**

## Balance Sheet at 31 December

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in euro million	Notes	2010	2009
<b>Assets</b>			
Intangible assets	1	141	145
Property, plant and equipment	1	6,257	5,536
Investments	2	1,875	1,303
<b>Tangible, intangible and investment assets</b>		<b>8,273</b>	<b>6,984</b>
Inventories	3	3,259	2,620
Trade receivables	4	667	690
Receivables from subsidiaries	4	6,448	6,197
Other receivables and other assets	4	1,122	882
Marketable securities	5	2,556	4,987
Cash and cash equivalents	6	1,574	2,195
<b>Current assets</b>		<b>15,626</b>	<b>17,571</b>
<b>Prepayments</b>		<b>106</b>	<b>92</b>
<b>Surplus of pension and similar plan assets over liabilities</b>	7	<b>341</b>	<b>-</b>
<b>Total assets</b>		<b>24,346</b>	<b>24,647</b>
<b>Equity and liabilities</b>			
Subscribed capital	8	655	655
Capital reserves	8	2,019	2,001
Revenue reserves	9	3,562	2,501
Unappropriated profit available for distribution		852	197
<b>Equity</b>		<b>7,088</b>	<b>5,354</b>
<b>Registered profit-sharing certificates</b>	10	<b>33</b>	<b>34</b>
Pension provisions		24	4,586
Other provisions		6,613	6,323
<b>Provisions</b>	11	<b>6,637</b>	<b>10,909</b>
Liabilities to banks		512	2,488
Trade payables		2,384	1,548
Liabilities to subsidiaries		7,366	2,409
Other liabilities		322	1,902
<b>Liabilities</b>	12	<b>10,584</b>	<b>8,347</b>
<b>Deferred income</b>		<b>4</b>	<b>3</b>
<b>Total equity and liabilities</b>		<b>24,346</b>	<b>24,647</b>

**BMW AG**

## Income Statement

in euro million	Notes	2010	2009
Revenues	13	<b>45,773</b>	37,980
Cost of sales		<b>-37,125</b>	-32,679
<b>Gross profit</b>		<b><u>8,648</u></b>	<b><u>5,301</u></b>
Sales costs		<b>-2,783</b>	-3,105
Administrative costs		<b>-1,345</b>	-1,379
Research and development costs		<b>-2,537</b>	-2,451
Other operating income and expenses	14		
	15	<b>567</b>	1,243
Result on investments	16	<b>152</b>	1,084
Financial result	17	<b>-365</b>	-88
<b>Profit from ordinary activities</b>		<b><u>2,337</u></b>	<b><u>605</u></b>
Extraordinary income	18	<b>314</b>	-
Extraordinary expenses	18	<b>-39</b>	-
Income taxes	19	<b>-1,088</b>	-393
Other taxes		<b>-18</b>	-10
<b>Net profit</b>		<b><u>1,506</u></b>	<b><u>202</u></b>
Transfer to revenue reserves	20	<b>-654</b>	-5
<b>Unappropriated profit available for distribution</b>		<b><u>852</u></b>	<b><u>197</u></b>

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**Basis of preparation**

The financial statements of BMW AG have been drawn up in accordance with the accounting provisions contained in the German Commercial Code (HGB) and law applicable to stock corporations. Figures are presented in millions of euro (euro million) unless otherwise stated.

The German Accounting Law Modernisation Act (BilMoG) has been applied with effect from the beginning of the

in euro million	Explanation	Impact on extraordinary income	Impact on extraordinary expenses	Impact on revenue reserves
Inventories	(a)	69	-	15
Marketable securities	(b)	228	-	-
Pensions and similar obligations	(c)	-	-37	19
Other provisions	(d)	16	-2	373

**(a) Inventories**

The impact on inventories results from measuring vehicles on the basis of market prices. The option to retain previous carrying amounts pursuant to Art. 67 (4) EGHGB has not been exercised.

**(b) Marketable securities**

Assets which have been ring-fenced from access by all other creditors and which serve exclusively to meet pension or similar long-term obligations are required to be measured at their fair value. The resulting gain is recognised as an extraordinary item.

**(c) Pensions and similar obligations**

The extraordinary expenses arising in connection with pension or similar long-term obligations results from application of the discount rate published by the Deutsche Bundesbank.

**(d) Other provisions**

In accordance with the requirement of BilMoG, provisions with a remaining term of more than one year are required to be discounted on the basis of a market interest rate determined and published by the Deutsche Bundesbank appropriate for the maturity period of the obligations. For these purposes, the Deutsche Bundesbank calculates the average market interest rate for the past seven financial years. The effect of discounting long-term provisions for the first time and the reversal of provisions for deferred expenditure resulted in a euro 373 million reduction in provisions, the effect of which was recognised directly in revenue reserves.

**Accounting policies**

In order to improve clarity, individual items are aggregated in the balance sheet and income statement and presented separately in the notes to the financial statements.

financial year 2010. Comparative figures have not been restated where first-time application of BilMoG gave rise to changes in the recognition and/or measurement of balance sheet items or income statement effects.

First-time application of BilMoG in the financial year 2010 had the following impact:

Purchased intangible assets are valued at acquisition cost and depreciated over their estimated useful lives using the straight-line method. Internally generated intangible assets are not capitalised.

Property, plant and equipment are stated at acquisition or at manufacturing cost, less accumulated depreciation. Impairment losses are recorded when the decline in value of an asset is considered to be of a lasting nature. When the reasons for impairment no longer exist, impairment losses previously recorded are reversed, at a maximum up to their amortised cost. Property, plant and equipment are generally depreciated straight-line. The reducing balance method is also applied in specific cases, whereby a switch is made to straight-line depreciation as soon as this gives rise to a higher depreciation expense. Items acquired during the year are depreciated on a time-apportioned basis. Assets with an acquisition or manufacturing cost of up to euro 150 are recognised directly as an expense in the year of purchase/construction. Assets with an acquisition or manufacturing cost of between euro 150 and euro 1,000 are depreciated/amortised using the straight-line method over a period of five years.

Factory and office buildings and distribution facilities which form an inseparable part of such buildings are depreciated over 8 to 33 years, residential buildings over 25 to 50 years, technical plant and machinery over 4 to 21 years and other facilities, factory and office equipment mainly over five years. For machinery used in multiple-shift operations, depreciation rates are increased to account for the additional utilisation.

Investments in subsidiaries and participations are stated at cost or, if lower, at their fair value. When the reasons for impairment no longer exist, impairment losses previously recorded are reversed, at a maximum up to the

level of original cost. Loans which bear no or a below-market rate of interest are discounted to their present value.

The composition of, and changes in, tangible, intangible and investment assets are shown on pages 18 et seq.

Inventories of raw materials, supplies and goods for resale are stated at the lower of cost and net realisable value. All direct material and production costs and an appropriate proportion of material and production overheads (including depreciation of plant and equipment relating to production) are taken into account in the measurement of unfinished and finished goods and leased-out products at production cost. Write-downs are made to cover risks arising from slow-moving items or reduced saleability.

Receivables and other assets are stated at the lower of their nominal value or net realisable value.

Investments in marketable securities are measured at cost or, if lower, at their fair value at balance sheet date. The fair value of marketable securities corresponds to the market price.

In order to meet obligations relating to pensions and pre-retirement part-time working arrangements, certain assets are managed on a trustee basis by BMW Trust e. V., Munich, in conjunction with Contractual Trust Arrangements (CTAs). With effect from the beginning of the financial year 2010, these assets are measured at their fair value which is offset against the related obligations. A provision is recognised when obligations exceed assets. When assets exceed obligations, the surplus is reported in the balance sheet as "Surplus of pension and similar plan assets over liabilities".

Pension obligations are measured in accordance with the projected unit credit method. The calculation is based on an independent actuarial valuation which takes into account all relevant biometric factors. For reasons of consistency, provisions for obligations relating to long-service awards and pre-retirement part-time working arrangements are measured using the same methodology. Other provisions are recognised to take account of all identified risks. Long-term provisions are measured at their expected settlement amount and discounted on the basis of the average interest rate relevant for their remaining terms as published by the Deutsche Bundesbank.

Liabilities are stated at their settlement amount at the balance sheet date.

Foreign currency receivables and payables are translated using the mid-spot exchange rate applicable at date of transaction. Gains arising on the translation of period-end foreign currency receivables and payables

with a remaining term of less than one year are recognised. Unrealised losses resulting from changes in exchange rates are recognised by restating the foreign currency amount in the balance sheet to the closing rate. Financial assets and financial liabilities denominated in a foreign currency are generally hedged.

The Company uses derivative financial instruments to hedge currency, interest rate and commodity price risks arising in conjunction with operating activities. Financing requirements resulting from operating activities are also hedged. Where there is a direct hedging relationship, the derivative financial instrument and the hedged item are accounted for as a valuation unit. If there is no hedging relationship or if the hedging relationship is not sufficiently certain, a provision for unrealised losses on onerous contracts is recognised.

Deferred taxes are calculated for temporary differences between the tax base and accounting carrying amounts of assets, liabilities and deferred/prepaid items. Deferred tax assets and liabilities are measured on the basis of a combined income tax rate of 30.2% relevant for the BMW AG tax group. This combined rate covers corporation tax, municipal trade tax and solidarity surcharge. In the case of temporary differences arising on assets, liabilities and deferred/prepaid items of partnership entities, deferred taxes are measured on the basis of an income tax rate of 15.83% which covers corporation tax and solidarity surcharge. In the year under report, the BMW AG tax group has a surplus of deferred tax assets over deferred tax liabilities, mainly as a result of temporary differences between the tax base and accounting carrying amounts of provisions for pensions and similar obligations. BMW AG, as head of the German tax group, has elected not to recognise the surplus amount of deferred tax assets.

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**1 – Intangible assets and property, plant and equipment**

Intangible assets comprise mainly purchased software, franchises and licenses.

Additions to property, plant and equipment also include assets transferred in conjunction with the automatic merger of BMW Ingenieur-Zentrum GmbH + Co oHG, Dingolfing, with BMW AG.

**2 – Investments**

The change in investments primarily reflects the increase in capital reserves at the level of BMW Bank GmbH, Munich. This resulted from a cash contribution from BMW AG and the contribution of BMW Financial

Services Italia S.p.A., Milan, to BMW Bank GmbH, Munich.

The list of investments of BMW AG is shown on pages 20 et seq.

**3 – Inventories**

in euro million	31.12.2010	31.12.2009
Raw materials and supplies	482	366
Work in progress, unbilled contracts	224	204
Finished goods and goods for resale	2,390	1,891
Leased products	163	159
	<b>3,259</b>	<b>2,620</b>

**4 – Receivables and other assets**

in euro million	31.12.2010	31.12.2009
Trade receivables	667	690
Receivables from subsidiaries	6,448	6,197
Other receivables and other assets		
— Receivables from other companies in which an investment is held	243	165
— Other assets	879	717
— thereof due later than one year euro 235 million (2009: euro 246 million)		
	<b>1,122</b>	<b>882</b>
	<b>8,237</b>	<b>7,769</b>

Receivables from subsidiaries relate to trade and financing receivables.

Other assets include mainly tax receivables.

Unless stated otherwise, receivables and other assets are due within one year.

**5 – Marketable securities**

in euro million	31.12.2010	31.12.2009
Other marketable securities	2,556	4,606
Deferred remuneration retirement scheme	-	381
	<b>2,556</b>	<b>4,987</b>



Funds were transferred to BMW Trust e. V., Munich, in conjunction with Contractual Trust Arrangements (CTAs) in order to secure obligations relating to pension and pre-retirement part-time working arrangements. With effect from 2010 financial year, assets tied up trusts are offset against the related obligations.

Other marketable securities comprise mainly money market funds and 100% of the shares of a special investment fund. No restrictions are attached to the daily redemption of the special investment fund.

The special investment fund comprises the following:

in euro million	Acquisition cost		Fair value	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Fixed-income securities	1,139	1,113	1,132	1,126
Derivative instruments	-	-	-	-1
Other marketable securities	7	-	7	-
Receivables and payables	10	13	10	13
Cash and cash equivalents	10	13	10	13
	<b>1,166</b>	<b>1,139</b>	<b>1,159</b>	<b>1,151</b>

## 6 – Cash and cash equivalents

in euro million	31.12.2010	31.12.2009
Cash and cash equivalents	1,574	2,195
— of which held by subsidiaries euro 77 million (2009: euro 539 million)		

## 7 – Surplus of pension and similar plan assets over liabilities

Assets held to secure obligations relating to pensions and pre-retirement part-time work arrangements have been offset for the first time in the financial year under report against the related liabilities. The assets concerned comprise mainly holdings in investment fund assets and a re-

ceivable resulting from a so-called “Capitalisation Transaction” (Kapitalisierungsgeschäft).

The surplus arising on the offset of assets and liabilities relating to pre-retirement part-time work arrangements can be analysed as follows:

in euro million	31.12.2010
Acquisition cost of assets held to cover obligations relating to pre-retirement part-time work arrangements	272
Fair value of assets held to cover obligations relating to pre-retirement part-time work arrangements	307
Obligations relating to pre-retirement part-time work arrangements	251
Surplus of pension and similar plan assets over liabilities	56

A reconciliation of the surplus arising on the offset of assets and liabilities relating to pension obligations is shown on page 11.

The surplus arising on the offset of assets and liabilities relating to pension obligations amounted euro 285 million, giving a surplus of pension and similar plan assets of euro 341 million.

## 8 – Subscribed capital and capital reserves

in euro million	31.12.2010	31.12.2009
Subscribed capital	655	655
Capital reserves	2,019	2,001

BMW AG's issued share capital of euro 655 million comprises 601,995,196 shares of common stock, each with a par value of euro 1, and 53,163,412 shares of non-voting

preferred stock, each with a par value of euro 1. Preferred stock bears an additional dividend of euro 0.02 per share. All of the Company's stock is issued to bearer.

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

The issued share capital increased by euro 0.5 million as a result of the issue to employees of 498,050 shares of non-voting preferred stock. The Authorised Capital of BMW AG amounted at the balance sheet date to euro 4.0 million. The Company is authorised to issue shares of non-voting preferred stock amounting to nominal euro 5.0 million prior to 13 May 2014. The share premium of euro 17.9 million arising in 2010 was transferred to capital reserves.

## 9 – Revenue reserves

in euro million	31.12.2010	31.12.2009
Statutory reserves	1	1
Other revenue reserves		
— Balance brought forward	2,500	2,490
— Transfer from reserve for treasury shares	-	5
— Transfer from net profit	654	5
— Transfer in conjunction with first-time application of BilMoG	407	-
	<b>3,561</b>	<b>2,500</b>
	<b>3,562</b>	<b>2,501</b>

The transfer in conjunction with first-time application of BilMoG mainly comprises the effect of discounting provisions and the reversal of a provision for deferred expenditure.

Revenue reserves contain a total amount of euro 501 million which cannot be distributed, resulting from the measurement of assets which meet obligations relating to pensions and pre-retirement part-time working arrangements at their fair value.

## 10 – Registered profit-sharing certificates

Up to 1989, employees were entitled to subscribe to registered profit-sharing certificates in conjunction with a wealth accumulation scheme for employees. This was

replaced by the current scheme to subscribe to preferred stock. At 31 December 2010, there were 688,000 registered profit-sharing certificates (2009: 696,971 certificates).

## 11 – Provisions

in euro million	31.12.2010	31.12.2009
Pension provisions	24	4,586
Tax provisions	847	193
Other provisions	5,766	6,130
	<b>6,637</b>	<b>10,909</b>

The measurement of pension obligations is based, as in previous years, on the assumptions set out in the bio-

metric tables of Prof. Dr. Klaus Heubeck (2005 G). In addition, the following assumptions are applied:

in %	31.12.2010	31.12.2009
Discount rate	5.15	5.30
Future salary increases	3.25	3.25
Future pension increases	2.25	2.30

The discount rate used to discount pension obligations corresponds to the average market interest rate for the past seven financial years for an assumed maturity term

of 15 years, as calculated and published by the Deutsche Bundesbank.

The provision for pensions can be analysed as follows:

in euro million	31.12.2010	31.12.2009
Acquisition cost of assets held to cover pension obligations	4,710	-
Fair value of assets held to cover pension obligations	5,177	-
Present value of defined benefit obligations	4,916	4,586
Provision for pensions	24	4,586
Surplus of pension and similar plan assets over liabilities	285	-

BMW AG provides pension benefits to its employees in various forms. The majority of current employees participate in a pension plan, the benefits of which are based on the relevant final salary of the employee. The amount by which pension plan assets exceed obligations is presented in the balance sheet line "Surplus of pension and similar plan assets over liabilities".

Rules are also in place for a pension plan covered by trust assets, in which benefits are predominantly dependent on the contributions made by the Company, investment income earned and a guarantee minimum rate of interest.

BMW AG also gives employees the opportunity to participate in a voluntary remuneration conversion plan.

The expense related to the reversal of the discounting of pension obligations, the effect of the change in the discount rate applied as well as income and expenses re-

sulting from the measurement of assets offset against liabilities are reported as part of the financial result. All other components of pension expense are included in the relevant income statement under costs by function.

Other provisions include obligations for warranties. The decrease was due to the transfer of the obligation to selected sales companies. Other provisions also include obligations for personnel-related expenses, other sales-related items, maintenance, litigation and related risks.

Further items include provisions for dealer bonuses, ancillary tax-related expenses, the collection and recycling of end-of-life vehicles and manufacturer's liability. In addition, the Company recognises provisions for maintenance expenses deferred during the financial year under report and caught up within the first three months of the new financial year.

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## 12 – Liabilities

31 December in euro million	2010	2010 Remaining term of up to one year	2010 Remaining term of more than five years	2009
Liabilities to banks	512	25	-	2,488
Trade payables	2,384	2,381	-	1,548
Liabilities to subsidiaries	7,366	7,366	-	2,409
Liabilities to entities in which a participation is held	4	4	-	11
Other liabilities				
— Advance payments received on orders	20	20	-	13
— Liabilities to BMW Unterstützungsverein e.V.	4	-	4	4
— Sundry other liabilities	294	294	-	1,874
— thereof for social security	(42)	(42)	(-)	(47)
	<b>318</b>	<b>314</b>	<b>4</b>	<b>1,891</b>
	<b>10,584</b>	<b>10,090</b>	<b>4</b>	<b>8,347</b>

Liabilities to subsidiaries comprise trade and financing liabilities.

### Contingent liabilities

in euro million	31.12.2010	31.12.2009
Guarantees for bonds issued by		
— BMW Finance N.V., The Hague	15,311	9,639
— BMW US Capital, LLC, Wilmington, DE	5,444	3,030
— BMW (UK) Capital plc, Bracknell	1,978	3,720
— BMW Australia Finance Ltd., Melbourne, Victoria	1,731	5,038
— BMW Japan Finance Corp., Tokyo	398	1,600
Guarantees for bonds and notes issued by		
— BMW Finance N.V., The Hague	4,750	3,677
— BMW US Capital, LLC, Wilmington, DE	2,448	1,886
— BMW Canada Inc., Whitby	601	66
— BMW Malta Finance Ltd., St. Julians	505	385
— BMW Japan Finance Corp., Tokyo	442	578
— BMW Financial Services (South Africa) (Pty) Ltd., Pretoria	282	-
— BMW (UK) Capital plc, Bracknell	-	113
Guarantees on behalf of		
— BMW Finance N.V., The Hague	1,700	1,700
— BMW (UK) Capital plc, Bracknell	548	185
— BMW Canada Inc., Whitby	142	157
Other	999	972
— of which to subsidiaries euro 875 million (2009: euro 713 million)		
<b>Guarantees</b>	<b>37,279</b>	<b>32,746</b>
<b>Guarantee letter</b> on behalf of		
— BMW Bank GmbH, Munich	6,464	6,518

Based on the information available to BMW AG at the date of the preparation of the financial statements regarding the financial condition of the principal debtors, BMW AG considers that the obligations underlying the contingent liabilities shown above can be fulfilled by the relevant principal debtors. BMW AG therefore considers it unlikely that it will be called upon in conjunction with these contingent liabilities.

Joint and several liability applies in the case of investments in general partnerships.

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

### Other financial obligations and off-balance-sheet transactions

The present value of commitments under rental and lease agreements amounts to euro 1,617 million, analysed by due date as follows:

in euro million	31.12.2010
2011	652
2012-2015	512
later than 2015	453

Of these amounts, euro 795 million relate to subsidiaries.

Purchase commitments for capital expenditure totalled euro 953 million.

As part of BMW AG's refinancing activities, some receivables have been sold to other BMW Group entities and sale-and-lease-back transactions entered into in previous years. No significant risks and rewards remain with BMW AG in conjunction with these transactions.

### Related party transactions

Transactions with related entities are all conducted on an arm's length basis.

### Derivative financial instruments

in euro million	Nominal volume		Net fair values	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Currency-related contracts				
Forward currency contracts	15,247	5,129	-21	-32
Currency options	350	-	25	-
Cross currency swaps	-	502	-	-44
	<b>15,597</b>	<b>5,631</b>	<b>4</b>	<b>-76</b>
Interest rate-related instruments				
Interest swaps	50	1,000	-	-20
Purchasing-related instruments				
Commodities	1,198	1,315	583	307

Provisions of euro 45 million (2009: euro 27 million) were recognised to cover negative fair values of derivative financial instruments. Option fees of euro 23 million incurred in conjunction with currency option contracts are included in other assets.

The nominal amounts of derivative financial instruments correspond to the purchase or sale amounts or to

the contracted amounts of hedged items. The fair values for currency and interest-related transactions shown are measured on the basis of market information available at the balance sheet date or using appropriate measurement techniques e.g. the discounted cash flow method. Options are measured on the basis of quoted prices or option price models using appropriate market data.

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The fair values of commodity hedging contracts are determined on the basis of current reference prices as adjusted for forward premium and discount amounts. The fair values of derivative financial instruments derived for the

relevant nominal values do not take account of any offsetting change in the fair value of the hedged items.

In the latter case, amounts were discounted at 31 December 2010 on the basis of the following interest rates:

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

### Valuation units

The Company is exposed to interest rate, exchange rate and commodity price risks from underlying and forecast transactions. The related risks are hedged by derivative financial instruments.

transaction are accounted for as a valuation unit. Valuation units are also created for back-to-back derivative financial instruments entered into with subsidiaries and banks. The so-called "Valuation Freeze Method" (Einfrierungsmethode) has been applied.

Where there is a direct hedging relationship, the derivative financial instrument and the hedged item/forecast

in euro million	Volume hedged	Amount of risk hedged
	31.12.2010	31.12.2010
Currency risk hedges		
— Assets	1,622	18
— Liabilities	153	2
— Executory contracts	-379	383
Interest rate hedges		
— Assets	50	-
Commodity hedges		
— Forecast transactions	924	1

The amounts disclosed for volumes hedged refer to the carrying amounts of hedged assets and liabilities, the fair value of hedged executory contracts and the nominal amount of forecast transactions. The figures disclosed for the amount of risk hedged refer to the non-recognition of a provision for onerous contracts with negative fair values.

Since the principal features of the transactions included in a valuation unit are matched, changes in fair values

or cash flows generally cancel each other. Hedging is in place for the whole term of the hedged item. Effectiveness is ensured by the use of a critical term match.

Transactions forecast with a high degree of probability relate to future raw material purchases. Changes in prices of these raw materials have an impact on manufacturing costs of BMW AG. As part of the Company's raw material management procedures, hedging strategies are therefore developed on the basis of forecast purchasing volumes.

**BMW AG**Notes to the Financial Statements  
Notes to the Income Statement**13 – Revenues**

in euro million	2010	2009
Automobiles	38,680	31,667
Motorcycles	875	742
Other revenues	6,218	5,571
	<b>45,773</b>	<b>37,980</b>
Germany	10,653	9,951
United Kingdom	3,543	3,076
Rest of Europe	11,217	10,395
North America	8,894	7,601
Asia	8,978	5,039
Other markets	2,488	1,918
	<b>45,773</b>	<b>37,980</b>

**14 – Other operating income**

Other operating income totalling euro 1,621 million in 2010 (2009: euro 1,680 million) comprise mainly realised exchange gains (reported on a net basis), income from the reversal of provisions and amounts recharged to

group companies. Other operating income relating to prior periods amounted to euro 395 million. Gains resulting from measurement of foreign currency items using closing exchange rates totalled euro 7 million.

**15 – Other operating expenses**

Other operating expenses in 2010 amounted to euro 1,054 million (2009: euro 437 million) and comprise mainly realised exchange losses (reported on a gross basis) as well as expenses for allocations to provisions

and commission expenses relating to intragroup financing. Measurement of foreign currency items using closing exchange rates gave rise to exchange losses totalling euro 15 million in 2010.

**16 – Result on investments**

in euro million	2010	2009
Income from investments	-	329
— thereof from subsidiaries euro – million (2009: euro 329 million)		
Income from profit and loss transfer agreements	193	855
Expense of assuming losses under profit and loss transfer agreements	41	100
	<b>152</b>	<b>1,084</b>

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## 17 – Financial result

in euro million	2010	2009
Other interest and similar income	207	305
— thereof from subsidiaries euro 93 million (2009: euro 160 million)		
Reversals of impairment losses on investments and current marketable securities	-	128
Interest and similar expenses	572	521
— thereof to subsidiaries euro 113 million (2009: euro 105 million)		
— thereof financing expense for pension and long-term personnel expense-related provisions euro 66 million		
— thereof expense from reversal of discounting on liabilities and other provisions euro 147 million		
	<b>-365</b>	<b>-88</b>

The expense arising from the reversal of discounting on liabilities and other provisions is reported for the first time as part of the financial result.

The financing expense for pension and long-term personnel expense-related provisions relates to the net expense after offsetting income and expenses arising in conjunction with fund assets:

in euro million	2010
Income (expenses) from offsetting fund assets	275
Expense arising on reversal of discounting pension and long-term personnel expense-related provisions	341
<b>Financing expense for pension and long-term personnel provisions</b>	<b>66</b>

## 18 – Extraordinary income and expenses

Extraordinary income and expenses result primarily from the first-time application of BilMoG and comprise the

effect of re-measuring inventories and certain provisions as well as pension obligations and related fund assets.

## 19 – Income taxes

The expense for income taxes results from the tax calculation for the year under report and from adjustments for prior years, mainly arising in connection with intra-group

transfer pricing arrangements. The resulting threat of a double taxation charge at Group level is being primarily avoided by instigating bilateral appeal proceedings.

## 20 – Transfer to revenue reserves

An amount of euro 654 million was transferred from net profit for the year to other revenue reserves.



### Cost of materials

in euro million	2010	2009
Purchased raw materials and goods for resale	32,222	27,755
Purchased services	653	545
	<b>32,875</b>	<b>28,300</b>

### Personnel expense

in euro million	2010	2009
Wages and salaries	4,631	4,311
Social security, pension and welfare costs	797	1,539
— thereof pension costs: euro 74 million (2009: euro 889 million)		
	<b>5,428</b>	<b>5,850</b>
Average workforce during the year	2010	2009
Head office and Munich plant	25,986	26,448
Dingolfing plant	17,753	17,958
Regensburg plant	8,257	8,795
Landshut plant	2,876	2,973
Leipzig plant	2,614	2,643
Berlin plant	2,470	2,469
Branches	5,277	5,240
	<b>65,233</b>	<b>66,526</b>
Apprentices and students gaining work experience	4,693	4,654
	<b>69,926</b>	<b>71,180</b>

The expense relating to the reversal of discounting of pension and long-term personnel expense-related provisions and the effect of changes in the interest rate used to discount such obligations is not reported within person-

nel expense. These expenses are reported for the first time in 2010 as part of the financial result. The equivalent amount in the previous year was euro 728 million.

### Fee expense

The total fee of the external auditor is disclosed in the notes to the Group Financial Statements.

**BMW AG**

## Notes to the Financial Statements

## Analysis of Changes in Tangible, Intangible and Investment Assets in 2010

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in euro million	Acquisition and manufacturing cost					— 31.12.2010
	1.1.2010	— Additions relating to automatic merger*	— Additions	— Reclassifi- cations	— Disposals	
<b>Intangible assets</b>	<b>288</b>	<b>-</b>	<b>48</b>	<b>-</b>	<b>31</b>	<b>305</b>
Land, titles to land, buildings, including buildings on third party land	3,114	— 1,225	— 55	— 12	— 6	<b>4,400</b>
Plant and machinery	17,236	— 36	— 957	— 78	— 533	<b>17,774</b>
Other facilities, factory and office equipment	1,192	— -	— 57	— 2	— 37	<b>1,214</b>
Advance payments made and construction in progress	134	— 2	— 465	— -92	— 2	<b>507</b>
<b>Property, plant and equipment</b>	<b>21,676</b>	<b>1,263</b>	<b>1,534</b>	<b>-</b>	<b>578</b>	<b>23,895</b>
Investments in subsidiaries	1,300	— -	— 619	— -	— 47	<b>1,872</b>
Participations	7	— -	— -	— -	— -	<b>7</b>
Other non-current loans receivable	1	— -	— -	— -	— -	<b>1</b>
<b>Investments</b>	<b>1,308</b>	<b>-</b>	<b>619</b>	<b>-</b>	<b>47</b>	<b>1,880</b>
<b>Tangible, intangible and investment assets</b>	<b>23,272</b>	<b>1,263</b>	<b>2,201</b>	<b>-</b>	<b>656</b>	<b>26,080</b>

\* automatic merger of BMW-Ingenieurzentrum GmbH + Co oHG, Dingolfing into BMW AG

1. 1. 2010	Depreciation and amortisation			31. 12. 2010	Carrying amount		
	Additions relating to automatic merger*	Current year	Disposals		31. 12. 2010	31. 12. 2009	
<b>143</b>	-	<b>52</b>	<b>31</b>	<b>164</b>	<b>141</b>	<b>145</b>	<b>Intangible assets</b>
1,434	524	111	4	<b>2,065</b>	<b>2,335</b>	1,680	Land, titles to land, buildings, including buildings on third party land
13,730	36	1,300	513	<b>14,553</b>	<b>3,221</b>	3,506	Plant and machinery
976	-	77	33	<b>1,020</b>	<b>194</b>	216	Other facilities, factory and office equipment
-	-	-	-	-	<b>507</b>	134	Advance payments made and construction in progress
<b>16,140</b>	<b>560</b>	<b>1,488</b>	<b>550</b>	<b>17,638</b>	<b>6,257</b>	<b>5,536</b>	<b>Property, plant and equipment</b>
-	-	-	-	-	<b>1,872</b>	1,300	Investments in subsidiaries
4	-	-	-	<b>4</b>	<b>3</b>	3	Participations
1	-	-	-	<b>1</b>	-	-	Other non-current loans receivable
<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>1,875</b>	<b>1,303</b>	<b>Investments</b>
<b>16,288</b>	<b>560</b>	<b>1,540</b>	<b>581</b>	<b>17,807</b>	<b>8,273</b>	<b>6,984</b>	<b>Tangible, intangible and investment assets</b>

**BMW AG**Notes to the Financial Statements  
Principal Subsidiaries

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<b>Principal subsidiaries of BMW AG at 31 December 2010</b>	Equity in euro million	Net result in euro million	Capital investment in %
<b>Domestic<sup>1</sup></b>			
BMW INTEC Beteiligungs GmbH, Munich <sup>3</sup>	3,554	-	100
BMW Bank GmbH, Munich <sup>3</sup>	1,016	-	100
BMW Finanz Verwaltungs GmbH, Munich	212	-1	100
BMW Maschinenfabrik Spandau GmbH, Berlin	45	-1	100
BMW Leasing GmbH, Munich <sup>3</sup>	16	-	100
BMW Hams Hall Motoren GmbH, Munich <sup>4</sup>	15	-	100
BMW Fahrzeugtechnik GmbH, Eisenach <sup>3</sup>	11	-	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich <sup>3</sup>	- <sup>5</sup>	-	100

<sup>1</sup> In the case of German subsidiaries, based on financial statements drawn up in accordance with HGB.

<sup>2</sup> In the case of foreign subsidiaries, based on financial statements drawn up in accordance with uniform IFRSs accounting policies.  
Equity and net result are translated at the closing rate.

<sup>3</sup> profit and loss transfer agreement with BMW AG

<sup>4</sup> profit and loss transfer agreement with a subsidiary of BMW AG

<sup>5</sup> below euro 500,000

<b>Principal subsidiaries of BMW AG at 31 December 2010</b>	Equity in euro million	Net result in euro million	Capital investment in %
<b>Foreign<sup>2</sup></b>			
BMW Österreich Holding GmbH, Steyr	1,168	538	100
BMW China Automotive Trading Ltd., Beijing	1,051	947	100
BMW Motoren GmbH, Steyr	764	123	100
BMW Russland Trading OOO, Moscow	199	117	100
BMW Austria Gesellschaft m.b.H., Salzburg	49	-1	100
BMW Holding B.V., The Hague	6,072	907	100
BMW (South Africa) (Pty) Ltd., Pretoria	628	144	100
BMW Finance N.V., The Hague	398	43	100
— BMW Overseas Enterprises N.V., Willemstad	66	-	100
BMW (Schweiz) AG, Dielsdorf	364	62	100
BMW Japan Corp., Tokyo	362	265	100
— BMW Japan Finance Corp., Tokyo	292	31	100
BMW Italia S.p.A., Milan	354	-36	100
BMW Australia Finance Ltd., Melbourne, Victoria	223	35	100
BMW Belgium Luxembourg S.A./N.V., Bornem	216	5	100
BMW Canada Inc., Whitby	128	67	100
BMW France S.A., Montigny-le-Bretonneux	126	-65	100
BMW Sverige AB Stockholm	52	34	100
BMW Korea Co., Ltd., Seoul	44	31	100
BMW Portugal Lda., Lisbon	44	-1	100
BMW Automotive (Ireland) Ltd., Dublin	19	-2	100
BMW Hellas Trade of Cars SA, Athens	13	-13	100
BMW New Zealand Ltd., Auckland	10	1	100
BMW Nederland B.V., The Hague	-2	4	100
BMW Australia Ltd., Melbourne, Victoria	-100	17	100
BMW (UK) Holdings Ltd., Bracknell	537	-30	100
BMW (UK) Manufacturing Ltd., Bracknell	1,037	24	100
BMW (UK) Ltd., Bracknell	738	31	100
BMW Financial Services (GB) Ltd., Hook	341	107	100
BMW (UK) Capital plc, Bracknell	218	61	100
BMW Malta Ltd., St. Julians	1,038	84	100
— BMW Malta Finance Ltd., St. Julians	882	42	100
— BMW Coordination Center V.o.F., Bornem	592	-	100
BMW España Finance S.L., Madrid	369	4	100
— BMW Ibérica S.A., Madrid	305	2	100
— BMW de Mexico, S.A. de C.V., Mexico City	12	16	100
BMW (US) Holding Corporation, Wilmington, DE	1,264	-6	100
BMW Financial Services NA, LLC, Wilmington, DE	732	261	100
BMW Manufacturing, LLC, Wilmington, DE	683	63	100
BMW of North America, LLC, Wilmington, DE	362	25	100
BMW US Capital, LLC, Wilmington, DE	309	12	100

**BMW AG**

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Members of the Board of Management

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**Dr.-Ing. Norbert Reithofer** (born 1956)  
Chairman

**Frank-Peter Arndt** (born 1956)  
Production

## Mandates

- BMW Motoren GmbH (Chairman)
- TÜV Süd AG (since 16.04.2010)
- BMW (South Africa) (Pty) Ltd. (Chairman)
- Leipziger Messe GmbH

**Dr.-Ing. Herbert Diess** (born 1958)  
Purchasing and Supplier Network

**Dr.-Ing. Klaus Draeger** (born 1956)  
Development

**Dr. Friedrich Eichiner** (born 1955)  
Finance

## Mandates

- Allianz Deutschland AG
- BMW Brilliance Automotive Ltd. (Deputy Chairman)

**Harald Krüger** (born 1965)  
Human Resources, Industrial Relations Director

**Ian Robertson** (born 1958)  
Sales and Marketing

## Mandates

- Rolls-Royce Motor Cars Limited (Chairman)

General Counsel:  
**Dr. Dieter Löchelt**

**BMW AG**

Notes to the Financial Statements  
Members of the Supervisory Board

**Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h.**

**Joachim Milberg** (born 1943)

Chairman

Former Chairman of the Board of  
Management of BMW AG

Chairman of the Presiding Board, Personnel Committee  
and Nomination Committee; member of Audit Committee  
and the Mediation Committee

**Mandates**

- Bertelsmann AG
- FESTO AG
- SAP AG
- ZF Friedrichshafen AG
- Deere & Company

**Manfred Schoch**<sup>1</sup> (born 1955)

Deputy Chairman

Chairman of the European and  
General Works Council  
Industrial Engineer

Member of the Presiding Board, Personnel Committee,  
Audit Committee and Mediation Committee

**Stefan Quandt** (born 1966)

Deputy Chairman

Entrepreneur

Member of the Presiding Board, Personnel Committee,  
Audit Committee, Nomination Committee and Mediation  
Committee

**Mandates**

- DELTON AG (Chairman)
- Karlsruher Institut für Technologie (KIT)
- AQTON SE (Chairman)
- DataCard Corp.

**Stefan Schmid**<sup>1</sup> (born 1965)

Deputy Chairman

Chairman of the Works Council, Dingolfing

Member of the Presiding Board, Personnel Committee,  
Audit Committee and Mediation Committee

**Dr. jur. Karl-Ludwig Kley** (born 1951)

Deputy Chairman (since 18.05.2010)

Chairman of the Executive Management of  
Merck KGaA

Chairman of the Audit Committee and Independent  
Finance Expert; member of the Presiding Board,  
Personnel Committee and Nomination Committee  
(in each case from 18.05.2010)

**Mandates**

- Bertelsmann AG
- 1. FC Köln GmbH & Co. KGaA (Chairman)

**Prof. Dr. Jürgen Strube** (born 1939)

(until 18.05.2010)

Deputy Chairman

Former Chairman of the Supervisory Board of  
BASF SE

Chairman of the Audit Committee and Independent  
Finance Expert; member of the Presiding Board,  
Personnel Committee and Nomination Committee

**Mandates**

- Bertelsmann AG (Deputy Chairman)
- Fuchs Petrolub AG (Chairman)

**Bertin Eichler**<sup>2</sup> (born 1952)

Executive Member of the

Executive Board of IG Metall

**Mandates**

- BGAG Beteiligungsgesellschaft der  
Gewerkschaften GmbH (Chairman)
- ThyssenKrupp AG (Deputy Chairman)

<sup>1</sup>Employee representatives (company employees).

<sup>2</sup>Employee representatives (union representatives).

<sup>3</sup>Employee representative (member of senior management).

— Membership of other statutory supervisory boards

— Membership of equivalent national or foreign boards of business enterprises

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**Franz Haniel** (born 1955)  
Engineer, MBA

**Mandates**

- DELTON AG (Deputy Chairman)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- Metro AG (Chairman) (until 15.05.2010)
- secunet Security Networks AG
- Giesecke & Devrient GmbH
- TBG Limited

**Prof. Dr. rer. nat. Dr. h. c. E. h. Reinhard Hüttl** (born 1957)  
Chairman of the Executive Board of  
Helmholtz-Zentrum Potsdam Deutsches  
GeoForschungsZentrum – GFZ  
University professor

**Prof. Dr. rer. nat. Dr.-Ing. E. h.  
Henning Kagermann** (born 1947)  
(since 18.05.2010)  
President of acatech – Deutsche Akademie der  
Technikwissenschaften e. V.

**Mandates**

- Deutsche Bank AG
- Deutsche Post AG
- Münchener Rückversicherungs-Gesellschaft  
Aktiengesellschaft in München
- Nokia Corporation
- Wipro Limited

**Susanne Klatten** (born 1962)  
Entrepreneur

**Mandates**

- ALTANA AG (Deputy Chairman)
- SGL Carbon SE
- UnternehmerTUM GmbH (Chairman)

**Prof. Dr. rer. pol. Renate Köcher** (born 1952)  
Director of Institut für Demoskopie Allensbach  
Gesellschaft zum Studium der öffentlichen  
Meinung mbH

**Mandates**

- Allianz SE
- Infineon Technologies AG
- MAN SE

**Dr. h. c. Robert W. Lane** (born 1949)  
Former Chairman and Chief Executive Officer of  
Deere & Company

**Mandates**

- Deere & Company (Chairman) (until 24.02.2010)
- General Electric Company
- Northern Trust Corporation
- Verizon Communications Inc.

**Horst Lischka**<sup>2</sup> (born 1963)  
General Representative of IG Metall Munich

**Mandates**

- KraussMaffei AG
- MAN Nutzfahrzeuge AG

**Willibald Löw**<sup>1</sup> (born 1956)  
Chairman of the Works Council, Landshut

<sup>1</sup>Employee representatives (company employees).

<sup>2</sup>Employee representatives (union representatives).

<sup>3</sup>Employee representative (member of senior management).

— Membership of other statutory supervisory boards

— Membership of equivalent national or foreign boards of business enterprises



**Wolfgang Mayrhuber** (born 1947)  
 Chairman of the Board of Management of  
 Deutsche Lufthansa AG (until 31.12.2010)

Mandates

- Fraport AG (until 30.06.2010)
- Lufthansa Technik AG
- Münchener Rückversicherungs-Gesellschaft  
 Aktiengesellschaft in München
- Austrian Airlines AG
- HEICO Corporation
- SN Airholding NV (until 31.12.2010)
- UBS AG (since 14.04.2010)

**Werner Neugebauer**<sup>2</sup> (born 1950)  
 (until 31.12.2010)  
 General Representative of the Executive Board  
 of IG Metall Bavaria

Mandates

- ZF Sachs AG

**Franz Oberländer**<sup>1</sup> (born 1952)  
 Member of the Works Council, Munich

**Anton Ruf**<sup>3</sup> (born 1953)  
 Head of Development “Small Model Series”

**Maria Schmidt**<sup>1</sup> (born 1954)  
 Member of the Works Council, Dingolfing

**Jürgen Wechsler**<sup>2</sup> (born 1955)  
 (since 10.02.2011)  
 Regional Head of IG Metall Bavaria

Mandates

- Schaeffler GmbH (Deputy Chairman)

**Werner Zierer**<sup>1</sup> (born 1959)  
 Chairman of the Works Council, Regensburg

**BMW AG**Notes to the Financial Statements  
Other Disclosures

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**Notifications pursuant to § 25 (1) WpHG (Securities Trading Act) on 9 April 2002:**

- “Johanna Quandt, Bad Homburg v. d. H., has given notice to the Board of Management pursuant to § 41 (2) sentence 1 WpHG (in conjunction with §§ 21 (1), 22 (1) sentence 1 no. 1 of that Act) that she holds 16.7 % of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002. She has also given notice that 15.4 % of these voting rights are attributable to her pursuant to § 22 (1) sentence 1 no. 1 WpHG.”
- “Johanna Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. H., has given notice to the Board of Management pursuant to § 41 (2) sentence 1 WpHG (in conjunction with §§ 21 (1) of that Act) that it holds 15.4 % of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002.”
- “Susanne Klatten, Bad Homburg v. d. H., has given notice to the Board of Management pursuant to § 41 (2) sentence 1 WpHG (in conjunction with §§ 21 (1), 22 (1) sentence 1 no. 1 of that Act) that she holds 12.5 % of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002. She has also given notice that 11.5 % of these voting rights are attributable to her pursuant to § 22 (1) sentence 1 no. 1 WpHG.”
- “Susanne Klatten GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. H., has given notice to the Board of Management pursuant to § 41 (2) sentence 1 WpHG (in conjunction with § 21 (1) of that Act) that it holds 11.5 % of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002.”
- “Stefan Quandt, Bad Homburg v. d. H., has given notice to the Board of Management pursuant to § 41 (2) sentence 1 WpHG (in conjunction with §§ 21 (1), 22 (1) sentence 1 no. 1 of that Act) that he holds 17.4 % of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002. He has also given notice that 16.1 % of these voting rights are attributable to him pursuant to § 22 (1) sentence 1 no. 1 WpHG.”
- “Stefan Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. H., has given notice to the Board of Management pursuant to § 41 (2) sentence 1 WpHG (in conjunction with § 21 (1) of that Act) that it holds 16.1 % of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002.”

**Notification pursuant to § 26 (1) WpHG (Securities Trading Act) on 17 December 2008:**

- “AQTON SE (sole shareholder Stefan Quandt) with its seat in Munich, Federal Republic of Germany, has notified us in accordance with § 21 (1) WpHG that its voting rights in Bayerische Motoren Werke Aktiengesellschaft exceeded the thresholds of 3 %, 5 %, 10 % and 15 % on 12 December 2008 and amounted to 17.44 % (104,979,435 voting rights) on this day. These voting rights are attributable to AQTON SE pursuant to § 22 (1) sentence 1 no. 1 WpHG. The voting rights attributable to AQTON SE are held through the following companies which are controlled by AQTON SE and the voting rights of which in Bayerische Motoren Werke Aktiengesellschaft amount to 3 % or more in each case:
  - Stefan Quandt GmbH & Co. KG für Automobilwerte
  - Stefan Quandt Verwaltungs GmbH.”

**Notifications pursuant to § 26 (1) WpHG (Securities Trading Act) on 22 December 2008:**

- “Johanna Quandt GmbH with its seat in Bad Homburg v. d. Höhe, Germany, has notified us in accordance with § 41 (2) sentence 1 WpHG, that it held 15.38 % of the voting rights in Bayerische Motoren Werke Aktiengesellschaft on 1 April 2002. These voting rights are attributable to it pursuant to § 22 (1) sentence 1 no. 1 WpHG through Johanna Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe.”
- “Susanne Klatten GmbH with its seat in Bad Homburg v. d. Höhe, Germany, has notified us in accordance with § 41 (2) sentence 1 WpHG, that it held 11.55 % of the voting rights of Bayerische Motoren Werke Aktiengesellschaft on 1 April 2002. These voting rights are attributable to it pursuant to § 22 (1) sentence 1 no. 1 WpHG through Susanne Klatten GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe.”
- “Stefan Quandt Verwaltungs GmbH with its seat in Bad Homburg v. d. Höhe, Germany, has notified us in accordance with § 41 (2) sentence 1 WpHG, that it (previously operating under the name: Stefan Quandt GmbH) held 15.13 % of the voting rights in Bayerische Motoren Werke Aktiengesellschaft on 1 April 2002. These voting rights are attributable to it pursuant to § 22 (1) sentence 1 no. 1 WpHG through Stefan Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe.”

**Notification pursuant to § 26 (1) WpHG (Securities Trading Act) on 15 January 2009:**

- “Susanne Klatten Beteiligungs GmbH (until 22 December 2008 operating under the name of DataCard Three GmbH) with its seat in Bad Homburg v. d. Höhe, Germany, has informed us by way of an amended and restated voluntary notification in accordance with § 21 (1) WpHG, that its voting rights in Bayerische Motoren Werke Aktiengesellschaft, after the change of its company name on 22 December 2008, exceeded as before 3 %, 5 % and 10 % and amounted to 12.55 % (75,562,421 voting rights) on 22 December 2008. All these voting rights are attributable to Susanne Klatten Beteiligungs GmbH through Susanne Klatten GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe, Germany, and Susanne Klatten GmbH, Bad Homburg v. d. Höhe, Germany, according to § 22 (1.1) no. 1 WpHG. Reference is made to the notification of voting rights of DataCard Three GmbH dated 17 December 2008.”

The voting power percentages disclosed above may have changed subsequent to the dates stated above, if these changes were not required to be reported to the Company. Due to the fact that the Company’s shares are issued to bearer, the Company is generally only aware of changes in shareholdings if such changes are subject to mandatory notification rules. The voting rights stated above are based on mandatory notifications pursuant to §§ 21ff. WpHG; voluntary notifications at 31 December 2010 are disclosed in the Management Report.

**Notification pursuant to § 26 (1) WpHG (Securities Trading Act) on 11 November 2009:**

- “AXA S.A. with its seat in Paris, France, has informed us in accordance with § 21 Section 1 WpHG (Securities Trading Act) that its voting rights in Bayerische Motoren Werke Aktiengesellschaft exceeded the threshold of 3 % of the voting rights on 5 November 2009 and amounted to 3.55 % (21,373,577 voting rights). 3.54 % (21,298,577 voting rights) thereof are attributable to AXA S.A. pursuant to § 22 Section 1 sentence 1 n° 6 in connection with sentence 2 WpHG (Securities Trading Act) and 0.01 % (75,000 voting rights) thereof are attributable to AXA S.A. pursuant to § 22 Section 1 sentence 1 n° 1 WpHG (Securities Trading Act).”

**Notification pursuant to § 26 (1) WpHG (Securities Trading Act) on 28 April 2010:**

- “AXA S.A. with its seat in Paris, France, has informed us in accordance with § 21 Section 1 WpHG (Securities Trading Act) that its voting rights in Bayerische Motoren Werke Aktiengesellschaft have fallen short of the threshold of 3 % of the voting rights on 22 April 2010 and amounted to 2.95 % (17,772,951 voting rights). 2.94 % (17,692,831 voting rights) thereof are attributable to AXA S.A. pursuant to § 22 Section 1 sentence 1 n° 6 in connection with sentence 2 WpHG (Securities Trading Act) and 0.01 % (80,120 voting rights) thereof are attributable to AXA S.A. pursuant to § 22 Section 1 sentence 1 no. 1 WpHG (Securities Trading Act).”

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### **Declaration with respect to the Corporate Governance Code**

The Declaration with respect to the Corporate Governance Code pursuant to § 161 AktG is reproduced in the Annual Report 2010 of the BMW Group and is available to shareholders on the BMW Group's website ([www.bmwgroup.com/ir](http://www.bmwgroup.com/ir)).

### **Total remuneration of the Board of Management and the Supervisory Board**

Subject to the approval of the proposed dividend at the Annual General Meeting of Shareholders, the remuneration of current members of the Board of Management for the financial year 2010 amounts to euro 18.2 million (2009: euro 10.7 million). This comprised fixed components of euro 3.7 million (2009: euro 3.7 million) and variable components of euro 14.5 million (2009: euro 7.0 million).

In addition, an expense of euro 0.9 million (2009: euro 0.7 million) has been granted to current members of the Board of Management for the period after the end of their employment relationship. This relates to the expense for allocations to pension provisions (service costs). Provisions for pension obligations to current members of the Board of Management stood at euro 16.1 million (2009: euro 13.8 million).

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

Pension obligations to former members of the Board of Management and their dependants are fully covered by pension provisions amounting to euro 47.7 million (2009: euro 46.7 million).

The present value of pension obligations for the purposes of the Company Financial Statements is measured on the basis of an actuarial report using an interest rate of 5.15%, compared to an interest rate of 4.75% used in the Group Financial Statements.

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

The compensation system for members of the Board of Management and the Supervisory Board does not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components. No advances and loans were granted by the Company to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Further details about the remuneration of current members of the Board of Management and of the Supervisory Board can be found in the Compensation Report on pages 154 et seq. of the BMW Group Annual Report 2010. The Compensation Report is part of the combined Company and Group Management Report.

Munich, 15 February 2011

**Bayerische Motoren Werke**  
Aktiengesellschaft

The Board of Management

Dr.-Ing. Norbert Reithofer

Frank-Peter Arndt

Dr.-Ing. Herbert Diess

Dr.-Ing. Klaus Draeger

Dr. Friedrich Eichiner

Harald Krüger

Ian Robertson

**BMW AG**

Responsibility Statement by the Company's Legal Representatives

**Responsibility Statement by the Legal Representatives  
of the Company pursuant to § 264 (2) sentence 3 and  
§ 289 (1) sentence 5 HGB**

"To the best of our knowledge, and in accordance with the applicable reporting principles, we confirm that the annual financial statements of Bayerische Motoren Werke Aktiengesellschaft give a true and fair view of the assets, liabilities, financial position and profit of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company."

Munich, 15 February 2011

**Bayerische Motoren Werke**  
Aktiengesellschaft

The Board of Management

Dr.-Ing. Norbert Reithofer

Frank-Peter Arndt

Dr.-Ing. Herbert Diess

Dr.-Ing. Klaus Draeger

Dr. Friedrich Eichiner

Harald Krüger

Ian Robertson

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We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the combined Group and Company management report of Bayerische Motoren Werke Aktiengesellschaft, Munich, for the business year from 1 January to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB (Handelsgesetzbuch: German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, 25 February 2011

**KPMG AG**

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schindler  
Wirtschaftsprüfer

Pastor  
Wirtschaftsprüfer



**BMW AG**

## Ten-year Comparison

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		2010	2009	2008	2007
Revenues	euro million	<b>45,773</b>	37,980	44,313	48,310
— Change	%	<b>20.5</b>	14.3	8.3	13.9
— Export ratio	%	<b>76.7</b>	73.8	75.6	76.1
Production					
— Automobiles	units	<b>1,481,253</b>	1,258,417	1,439,918	1,541,503
— Motorcycles <sup>1</sup>	units	<b>99,236</b>	82,631	104,220	104,396
Sales volume					
— Automobiles	units	<b>1,460,923</b>	1,231,893	1,446,055	1,551,490
— Motorcycles <sup>1</sup>	units	<b>97,586</b>	86,451	103,077	104,076
Capital expenditure	euro million	<b>1,582</b>	1,667	2,064	1,670
Depreciation and amortisation	euro million	<b>1,540</b>	1,505	1,569	1,791
Workforce at the end of year <sup>2</sup>		<b>69,518</b>	70,223	71,596	76,064
Tangible, intangible and investment assets	euro million	<b>8,273<sup>3</sup></b>	6,984	6,643	9,909
Current assets, prepayments and surplus of pension and similar plan assets over liabilities	euro million	<b>16,073</b>	17,663	16,673	12,707
Subscribed capital	euro million	<b>655</b>	655	654	654
Reserves	euro million	<b>5,581</b>	4,502	4,487	4,300
Equity	euro million	<b>7,088</b>	5,354	5,338	5,648
— as % of tangible, intangible and investment assets	%	<b>85.7</b>	76.7	80.4	57.0
Balance sheet total	euro million	<b>24,346</b>	24,647	23,316	22,616
Cost of materials	euro million	<b>32,875</b>	28,300	34,044	36,638
Personnel costs <sup>2</sup>	euro million	<b>5,428</b>	5,850	5,125	4,797
Taxes	euro million	<b>1,106</b>	403	11	131
Net profit	euro million	<b>1,506</b>	202	384	1,184
Dividend	euro million	<b>852<sup>4</sup></b>	197	197	694
— per share of common stock	euro	<b>1.30<sup>4</sup></b>	0.30	0.30	1.06
— per share of preferred stock	euro	<b>1.32<sup>4</sup></b>	0.32	0.32	1.08

<sup>1</sup> until 2002 including C1 production; from 2006 up to 2008 including BMW G 650 X assembly by Piaggio S. p. A.

<sup>2</sup> from 2009 onward including personnel seconded from other group entities

<sup>3</sup> including property, plant and equipment transferred in conjunction with automatic merger of BMW Ingenieur-Zentrum GmbH + Co oHG, Dingolfing into BMW AG

<sup>4</sup> proposed by the Board of Management

<sup>5</sup> before buy-back of treasury shares



2006	2005	2004	2003	2002	2001	
42,417	41,801	40,597	36,881	35,315	29,993	Revenues
1.5	3.0	10.1	4.4	17.7	18.7	Change
74.3	73.0	72.5	72.8	72.3	68.8	Export ratio
						Production
1,366,838	1,323,119	1,250,345	1,118,940	1,090,258	946,730	Automobiles
103,759	92,012	93,836	89,745	97,553	100,213	Motorcycles <sup>1</sup>
						Sales volume
1,358,119	1,334,426	1,241,659	1,117,267	1,082,735	939,521	Automobiles
102,786	95,343	91,797	93,625	102,418	98,146	Motorcycles <sup>1</sup>
1,324	1,472	2,321	2,293	2,140	1,610	Capital expenditure
1,765	1,770	1,535	1,322	1,222	1,093	Depreciation and amortisation
76,156	76,536	77,252	75,969	73,283	69,939	Workforce at the end of year <sup>2</sup>
10,171	10,577	10,893	11,386	10,469	9,106	Tangible, intangible and investment assets
10,874	9,225	8,910	8,096	6,385	6,359	Current assets, prepayments and surplus of pension and similar plan assets over liabilities
654	661	674	674	674	673	Subscribed capital
3,809	4,023	4,516	4,188	4,171	3,890	Reserves
4,921	5,108	5,609	5,254	5,196	4,913	Equity
48.4	48.3	51.5	46.1	49.6	54.0	as % of tangible, intangible and investment assets
21,045	19,802	19,803	19,482	16,854	15,465	Balance sheet total
31,867	31,010	29,501	26,190	24,857	21,341	Cost of materials
5,503	6,128	5,888	5,398	4,762	4,596	Personnel costs <sup>2</sup>
75	-37	327	118	48	15	Taxes
485	424	747	392	615	350	Net profit
458	424 <sup>5</sup>	419	392	351	350	Dividend
0.70	0.64	0.62	0.58	0.52	0.52	per share of common stock
0.72	0.66	0.64	0.60	0.54	0.54	per share of preferred stock

**BMW AG**

## Financial Calendar

Annual Accounts Press Conference ————— 15 March 2011  
Financial Analysts' Meeting ————— 16 March 2011  
Quarterly Report to 31 March 2011 ————— 4 May 2011  
Annual General Meeting ————— 12 May 2011  
Quarterly Report to 30 June 2011 ————— 2 August 2011  
Quarterly Report to 30 September 2011 ————— 3 November 2011

Annual Report 2011 ————— 13 March 2012  
Annual Accounts Press Conference ————— 13 March 2012  
Financial Analysts' Meeting ————— 14 March 2012  
Quarterly Report to 31 March 2012 ————— 3 May 2012  
Annual General Meeting ————— 16 May 2012  
Quarterly Report to 30 June 2012 ————— 1 August 2012  
Quarterly Report to 30 September 2012 ————— 6 November 2012

**BMW AG**

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**The BMW Group on the Internet** 

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