

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

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

- (a) subsequent payment of any arrears on dividends on non-voting preferred shares in the order of accrualment,
- (b) payment of an additional dividend of euro 0.02 per euro 1 par value on non-voting preferred shares and

(c) uniform payment of any other dividends on shares on common and preferred stock, provided the shareholders do not resolve otherwise at the Annual General Meeting.

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

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

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

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

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

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

12	— Group Management Report
12	A Review of the Financial Year
14	General Economic Environment
18	Review of Operations
42	BMW Group – Capital Market Activities
45	— Disclosures pursuant to § 289 (4) and § 315 (4) HGB
48	Financial Analysis
48	Internal Management System
50	Earnings Performance
52	Financial Position
54	Net Assets Position
56	Subsequent Events Report
56	Value Added Statement
58	Key Performance Figures
59	Comments on BMW AG
63	Internal Control System
64	Risk Management
70	Outlook

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

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

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

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

In accordance with the resolution passed at the Annual General Meeting on 14 May 2009, the Board of Management is authorised, up to 12 November 2010 and subject to the price limits stipulated in the resolution, to acquire shares of common and/or non-voting preferred stock via the stock exchange, up to a maximum of 10 % of the share capital in place at the date of the resolution. The Board of Management is also authorised to cancel the shares of common/non-voting preferred stock acquired on the basis of the above-mentioned authorisation or previously acquired shares of common/non-voting preferred stock without further resolution at the Annual General Meeting and to offer and transfer shares of non-voting preferred stock to persons employed by BMW AG or one of its affiliated companies for an amount of up to euro 2,000,000 of share capital. The subscription right of existing shareholders to the new shares of preferred stock used for the

purpose stated above is excluded. Furthermore, the Board of Management is authorised to buy back shares and sell bought-back shares in situations specified in Article 71 AktG, e.g. to avert serious and imminent damage to the Company. In accordance with Article 4 (5) of the Articles of Incorporation, the Board of Management is authorised – with the approval of the Supervisory Board – to increase BMW AG's share capital during the period until 13 May 2014 by up to euro 4,530,800 for the purposes of an employee share scheme by issuing new non-voting shares of preferred stock, which carry the same rights as existing non-voting preferred stock, in return for cash contributions (Authorised Capital 2009). Existing shareholders may not subscribe to the new shares. There is no conditional capital at the reporting date.

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

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

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

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