Annual Report 2001

Profitable growth with premium brands

BMW Group

Facts and figures

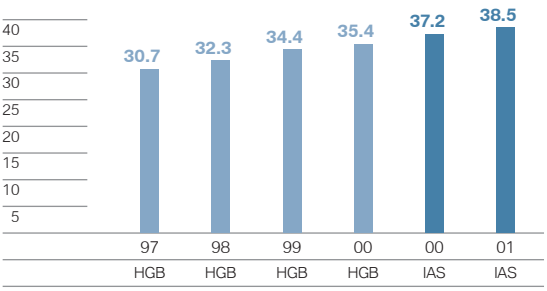
BMW Group in figures

	1997	1998	1999	2000	2001	Change in %
Vehicle production						
BMW	672,238	706,426	755,547	834,519	904,335	8.4
MINI	–	–	–	–	42,395	–
Motorcycles[1]	54,933	60,152	69,157	93,608	100,213	7.1
Deliveries to customers						
BMW	675,076	699,378	751,272	822,181	880,677	7.1
MINI	–	–	–	–	24,980	–
Motorcycles[2]	54,014	60,308	65,168	81,263	95,327	17.3
Workforce at end of year[4]	117,624	118,489	114,952	92,284[3]	97,275	5.4

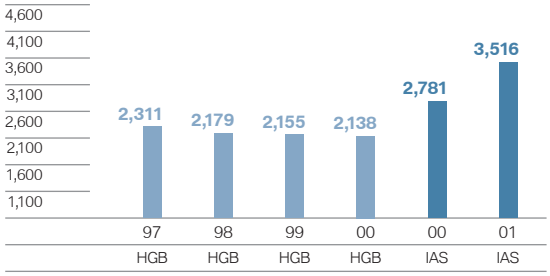
in euro million	1997 HGB	1998 HGB	1999 HGB	2000 HGB	2000 IAS	2001 IAS	Change in %
Revenues	30,748	32,280	34,402	35,356	37,226	38,463	3.3
Capital expenditure	2,311	2,179	2,155	2,138	2,781	3,516	26.4
Depreciation and amortisation	1,812	1,859	2,042	2,322	2,435	2,159	–11.3
Cash flow	2,518	2,479	2,807	3,198	3,779	4,202	11.2
Profit from ordinary activities	1,293	1,061	1,111	1,663	2,032	3,242	59.5
Net profit, – loss for the year	638	462	– 2,487[5]	1,026	1,209	1,866	54.3

1] including assembly of the F650 at Aprilia S. p. A. until 1999/since 2000 C1 production at Bertone
2] includes deliveries of C1 from 2000
3] adjusted for the transfer of the supplier plant Powertrain Ltd., Bracknell, and the sale of British Motor Heritage
4] from 1998 figures exclude suspended contracts of employment, employees in the vacation phase of pre-retirement, low-income earners
5] Net profit of euro 663 million before extraordinary result

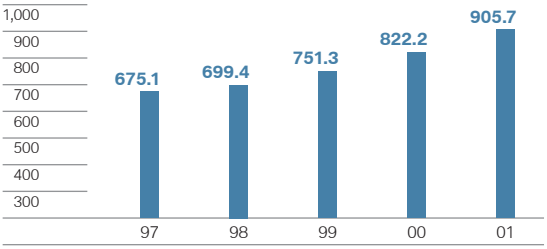
BMW Group Revenues
in euro billion



BMW Group Capital expenditure
in euro million

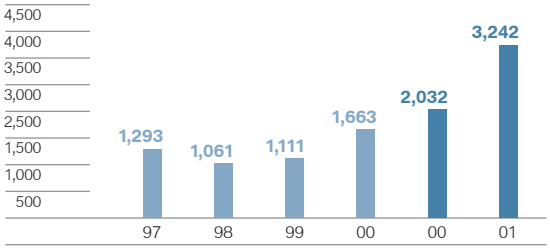


BMW Group Deliveries of automobiles*
in thousand



* adjusted for Rover/Land Rover

BMW Group Profit from ordinary activities
in euro million



Contents

Volker Doppelfeld
Chairman of the Supervisory Board

During the financial year 2001, the Supervisory Board has regularly advised the Board of Management and monitored the running of the business. In five joint meetings with the Board of Management and on the basis of written and oral reports provided by the Board of Management, the Supervisory Board has thoroughly appraised the financial situation of the Company, the performance and business policy, the risk management, and dealt with other fundamental questions of corporate planning and development. In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board has also held regular discussions with the Chairman of the Board of Management on key aspects of business policy and corporate development.

During the first half of 2001, the Supervisory Board regularly requested information about the final settlement of the sale of Rover Cars and Land Rover. The transactions were finally completed after agreements were reached on the Rover Cars closing balance sheet on 31 May 2001 and on the Land Rover closing balance sheet on 20 June 2001. The BMW Group now only has a few customer/supplier relationships with MG Rover and Land Rover.

After the sale of Rover operations, the Board of Management has focussed the Group's automobile business entirely on the premium segment. With the launch of the MINI, the BMW 3 Series compact and the new BMW 7 Series saloon car in 2001 this strategy has been successfully driven forward. The Super-

visory Board fully supports the Board of Management in positioning the BMW Group as the only multibrand car manufacturer operating exclusively in the premium segment.

Other key issues deliberated at the joint meetings with the Board of Management were the location selection and decision for a new production plant in the region Leipzig/Halle, and the strategy for strengthening the Group's market position in Asia.

A detailed presentation of the business segment BMW Motorcycles was made to the Supervisory Board in a meeting held in Berlin during a visit to the motorcycle production plant. In addition, the Supervisory Board was kept fully informed about the entire production network, in particular its structure and production capacities.

The Financial Services segment and the long-term development of all business areas of the Group were discussed at length by the Supervisory Board.

The financial statements of Bayerische Motoren Werke Aktiengesellschaft and the Group financial statements for the year ended 31 December 2001 together with the Management Report which is combined with the Group Management Report were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, and issued with an unqualified audit opinion. The Supervisory Board also reviewed these documents

of the Board of Management. The audit reports prepared by KPMG were made available to all the members of the Supervisory Board. The external auditor attended the Annual Accounts Supervisory Board meeting on 11 March 2002 and reported on the significant results of the audit. The Supervisory Board agrees with the results of the audit. The Supervisory Board approves the financial statements of Bayerische Motoren Werke Aktiengesellschaft for the fiscal year 2001 prepared by the Board of Management. The financial statements are thus adopted.

The Board of Management's proposal for the use of the unappropriated profit available for distribution was reviewed by the Supervisory Board. The Supervisory Board agrees with the proposal of the Board of Management. According to the final result of the review made by the Supervisory Board, no objections were made. Unlike the previous year, the financial statements are no longer adversely affected by Rover operations. Without this effect and thanks to the excellent development of business and the strength of the BMW brand, the Group was able to improve substantially on the very good result achieved in the previous year. The Supervisory Board would like to thank the Board of Management and all employees of the BMW Group for the outstandingly successful year 2001.

The Presiding Board, which also acts as the Personnel Committee, convened at six meetings. The statutory Mediation Committee set up by the Supervisory Board (§ 27 para. 3 of the Law on Worker Participation) did not need to convene.

Prof. Dr.-Ing. E.h. Berthold Leibinger, who had been a member of the Supervisory Board since 1994 and a member of the Presiding Board since 1997, left the Supervisory Board at the end of the Annual General Meeting on 15 May 2001.

The Supervisory Board thanked Prof. Leibinger for his valuable and committed work on the Supervisory and Presiding Boards. At the Annual General Meeting on 15 May 2001, Prof. Dr. Jürgen Strube was elected to the Supervisory Board. At the Supervisory Board meeting which followed, Dr. Hans-Dietrich Winkhaus was appointed to the Presiding Board.

Hans-Günther Niklas, who had been a member of the Supervisory Board since 1992, left the Supervisory Board on 30 September 2001. The Supervisory Board thanked Mr. Niklas for his work on the Supervisory Board. On 13 November 2001, Werner Zierer was appointed as a member of the Supervisory Board following registration with the Munich District Court.

On 31 December 2001, Prof. Dr.-Ing. Werner Sämann left the Company after 25 years of service for BMW, and since 1 December 1998 as a member of the Board of Management. The Supervisory Board thanked Prof. Sämann for the services he has provided to the Company.
Prof. Dr.-Ing. Dr. h.c. Dr.-Ing. E.h. Joachim Milberg, who has been a member of the Board of Management since 1 November 1993 and its Chairman since 5 February 1999, requested to be released from his contract as Chairman and member of the Board of Management at the end of the Annual General Meeting on 16 May 2002. The Supervisory Board agreed to this request at the meeting on 4 December 2001 with great respect for this personal decision. At the same meeting, the Supervisory Board appointed Dr. Helmut Panke as successor and he will take over the Chairmanship of the Board of Management at the end of the Annual General Meeting on 16 May 2002. At its meeting on 11 March 2002 the Supervisory Board appointed Stefan Krause to the Board of Management with effect from the end of the Annual General Meeting on 16 May 2002.

Munich, 11 March 2002
The Supervisory Board

Volker Doppelfeld
Chairman

Members of the Supervisory Board

Volker Doppelfeld
Chairman
Former Member of the Board of Management of BMW AG

Mandates**
Bayerische Hypo- und Vereinsbank AG
D. A. S. Deutsche Automobilschutz Allgem. Rechtsschutz-Versicherungs AG
IWKA AG

Bizerba GmbH & Co. KG

Manfred Schoch*
Deputy Chairman
Chairman of the Central Works Council

Prof. Dr.-Ing. E. h. Berthold Leibinger
(to 15 May 2001)
Deputy Chairman
Managing Partner
TRUMPF GmbH + Co. KG

Mandates (15 May 2001)**
BASF AG (Chairman)
Deutsche Bank AG

Dr. Hans-Dietrich Winkhaus
Deputy Chairman (from 15 May 2001)
Former Chairman of the Board
Henkel KGaA

Mandates**
Degussa-Hüls AG
Deutsche Lufthansa AG
Deutsche Telekom AG (Chairman)
ERGO Versicherungsgruppe AG
Schwarz-Pharma AG (Chairman)

Henkel KGaA

Ernst Rehmeier*
Deputy Chairman
Chairman of the Works Council, Dingolfing

Stefan Quandt
Deputy Chairman
Industrial Engineer

Mandates**
CEAG AG
DELTON AG (Chairman)
Dresdner Bank AG
Gerling-Konzern Allgemeine Versicherungs-AG

DataCard Corp.

* Employee representatives
** Mandates – Memberships of other Supervisory Boards and comparable boards with a supervisory function in Germany and abroad

Dr. phil. Karin Benz-Overhage*
Executive Member of the
Executive Board of IG Metall

Mandates**
Thyssen Krupp Steel AG (Deputy Chairman)

Ulrich Eckelmann*
Union Secretary, Adviser to the
Executive Board of IG Metall

Mandates**
Thyssen Krupp Automotive AG

Prof. Dr. Bernd Fahrholz
Deputy Chairman of the Board of Management of Allianz AG and spokesman of the Board of Management of Dresdner Bank AG

Mandates**
Fresenius Medical Care AG
Heidelberger Zement AG

Banco General de Negocios S.A.
Bankhaus Reuschel & Co.
BNP PARIBAS S.A.
Dresdner Kleinwort Benson North America Inc.

Hans Glas*
Director of the Dingolfing plant

Konrad Gottinger*
Member of the Works Council, Dingolfing

Gerhard Gutsmiedl*
Deputy Chairman of the Works Council, Munich

Arthur L. Kelly
Managing Partner of
KEL Enterprises L.P.

Mandates**
BASF Aktiengesellschaft

DataCard Corp.
Deere & Company
HSBC Trinkaus & Burkhardt KGaA
Northern Trust Corp.
Snap-on Inc.

Susanne Klatten
BSc., MBA

Mandates**
ALTANA AG (Deputy Chairman)
Byk Gulden Lomberg GmbH

Bankhaus Reuschel & Co.
DataCard Corp.

Willibald Löw*
Chairman of the Works Council, Landshut

Prof. Dr. Dr. h.c. mult. Hubert Markl
President of the Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.

Mandates**
Aventis S.A.
Siemens AG

Werner Neugebauer*
Regional Executive IG Metall Bayern

Mandates**
FAG Kugelfischer Georg Schäfer AG (Deputy Chairman)

Hans-Günther Niklas*
(to 30. September 2001)
Human Resources Manager

Dr.-Ing. Dieter Soltmann
Chairman of the Supervisory Board of
Gabriel Sedlmayr Spaten-Franziskaner-Bräu KGaA

Mandates**
Bankhaus Maffei & Co. KGaA
Deutsche Postbank AG
Löwenbräu AG (Vorsitzender)
Müller-Brot AG
Münchener Tierpark Hellabrunn AG

Bayerische Rundfunkwerbung GmbH

Prof. Dr. Jürgen Strube
(from 15 May 2001)
Chairman of the Board of Management of BASF AG

Mandates**
Allianz Lebensversicherungs-AG
Bertelsmann AG
Commerzbank AG
Hapag-Lloyd AG
Hochtief AG
Linde AG

Lodewijk C. van Wachem
Chairman of the Supervisory Board of Royal Dutch Petroleum Company/Shell

Mandates**
Bayer AG

Akzo Nobel N.V.
ATCO Ltd.
IBM Corp.
Philips Electronics N.V. (Chairman)
Zurich Financial Services AG (Deputy Chairman)
"Zürich" Versicherungs-Gesellschaft AG

Werner Zierer*
(from 13 November 2001)
Chairman of the Works Council, Regensburg

* Employee representatives
** Mandates – Memberships of other Supervisory Boards and comparable boards with a supervisory function in Germany and abroad

Members of the Board of Management

Prof. Dr.-Ing. Dr. h.c. Dr.-Ing. E.h. Joachim Milberg
Chairman

Mandates**
Allianz Versicherungs-Aktiengesellschaft
Royal Dutch Petroleum Company/Shell

Ernst Baumann

Mandates**
Krones AG

Dr. Michael Ganal

Dr.-Ing. Burkhard Göschel

Günter Lorenz

Mandates**
Gerling Konzern Globale Rückversicherungs-AG

BMW Australia Finance Ltd.
BMW Financial Services NA, Inc.
BMW FS Funding Corp.

Dr. Helmut Panke

Dr.-Ing. Norbert Reithofer

Mandates**
BMW Motoren GmbH (Chairman)
BMW Österreich Holding GmbH (Chairman)
BMW (South Africa) (Pty) Ltd. (Chairman)

Prof. Dr.-Ing. Werner Sämann
(to 31 December 2001)

Mandates**
BMW Services Ltd.

Executive Director:
Dr. Hagen Lüderitz

General Counsel:
Dr. Dieter Löchelt

Group Management Report. The BMW Group is successfully focusing on the premium segments of the automobile market. In order to strengthen its leading position, the BMW Group is engaged in the most comprehensive product and market offensive in its history.

BMW Group again achieves record earnings in 2001

The year 2001 was by far the most successful year in the history of the BMW Group. In addition to achieving major milestones in the strategic orientation of the Group, new sales' and earnings' records have been set again.

The profit from ordinary activities in 2001 increased to euro 3,242 million and was therefore 59.5% or euro 1,210 million higher than the previous best result recorded in 2000 (euro 2,032 million). The return on sales also rose sharply to 8.4% (2000: 5.5%).

Despite the high level of expenditure for the ongoing product and market offensive, the BMW Automobiles segment was again able to improve on its previous year's result. The profit from ordinary activities of euro 2,792 million (+2.2%) was a new all-time high. The BMW Motorcycles segment also beat its previous year's record result with a profit from ordinary activities of euro 59 million (+78.8%). The profit from ordinary activities of the Financial Services segment increased to euro 390 million (+11.1%), also a new all-time high.

Net profit of the BMW Group in 2001 amounted to euro 1,866 million and thus grew by 54.3% compared to the previous year. BMW AG increased its net income for the year by euro 40 million to euro 350 million, an improvement of 12.9%.

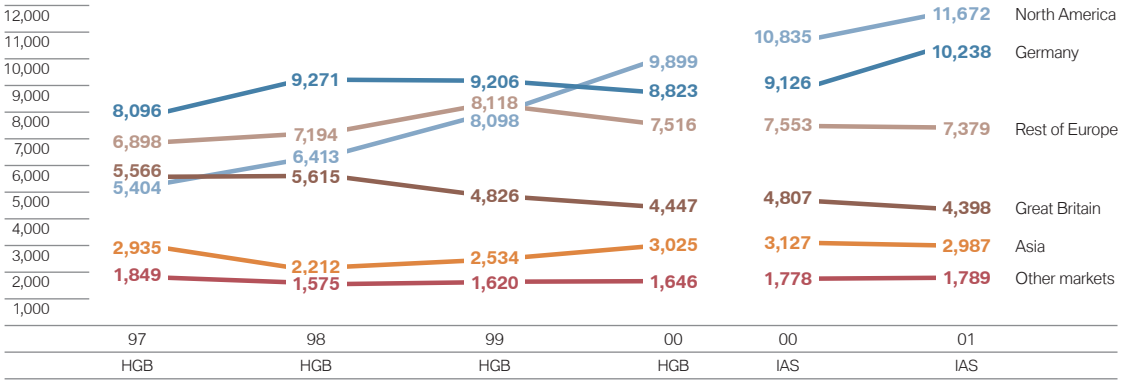
Dividend increase proposed

The Board of Management and Supervisory Board propose to the Annual General Meeting to use the unappropriated profit available for distribution in BMW AG of euro 350 million for the payment of a dividend on the equity entitled to dividends (euro 622.2 million common stock shares and euro 49.6 million preferred stock shares, each with a nominal value of euro 1). This dividend represents an increase of 13% to euro 0.52 for each share of common stock (2000: euro 0.46) and of 12.5% to euro 0.54 for each share of preferred stock (2000: euro 0.48), each with a nominal value of euro 1. The further dividend increase proposed reflects the successful development of the BMW Group in the year 2001.

BMW Group revenues reach record levels

Revenues of the BMW Group in 2001 rose to a new peak level of euro 38,463 million, exceeding the previous year's record by 3.3%. Revenues of the BMW Automobiles segment went up to euro 33,542 mil-

BMW Group Revenues by region
in euro million



The BMW Group has adopted International Accounting Standards (IAS) for financial reporting in 2001. All disclosures in the Group Management Report for 2001 and for the previous year have been presented on an IAS basis.

lion, a 13.1 % increase over the previous year. In addition to the increased number of cars delivered and the regional mix, the increase is also attributable to the continuing trend towards more fully equipped cars and higher powered engines.

For the first time, the BMW Motorcycles segment achieved revenues in 2001 in excess of one billion euros. Revenues were 14.1 % up on the previous year to euro 1,059 million.

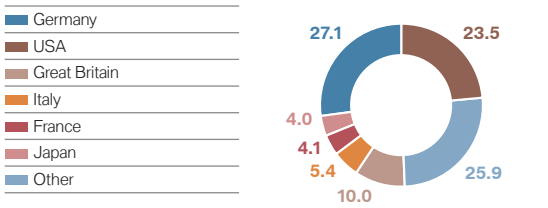
Revenues of the Financial Services segment decreased to euro 7,514 million, 12.4 % below the level achieved in the previous year. This is due to the restructuring of the leasing business in Germany.

Continuing product and market offensive

The BMW Group continued to drive forward its product and market offensive in the year 2001. The new 3 Series compact, the M3 convertible, the BMW 3 Series model update and the X5 4.6is were all successfully introduced into the worldwide market and the new BMW 7 Series was launched in Europe. In the second half of 2001, sales of the MINI One and MINI Cooper started with great success, initially in Great Britain, and then, from September, in the rest of Europe.

This portfolio makes the BMW Group the only multi-brand car manufacturer in the world pursuing a consistent premium product strategy. This orientation is one of the reasons why the BMW Group is largely unaffected by the difficult economic situation in the international markets.

BMW Group – key automobile markets 2001
as a percentage of sales volume

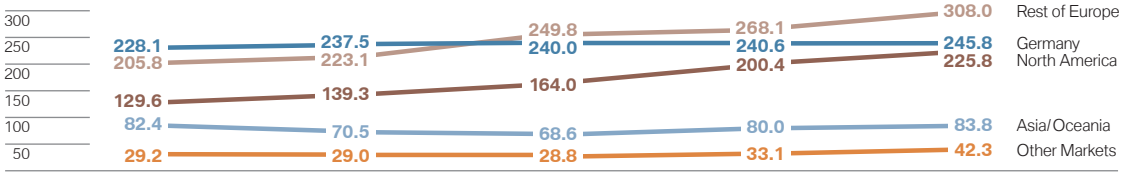


BMW Group: Germany remains the most important market

In terms of sales volume, Germany remained the largest market for the BMW Group. Delivering 240,910 BMW brand cars and 4,938 MINI brand cars to customers, the Group was able to maintain its prior year level against a general decline in the market as a whole.

Deliveries of BMWs to other western European countries increased by 20,136 (+ 7.5 %) to 288,238 units. In addition to this were sales of 19,812 MINI brand cars. The BMW Group recorded volume growth in nearly all European markets, particularly Great Britain with an increase of 17.4 % to 80,228 BMW brand cars and, in just six months after the start of sales, 10,643 MINI brand cars. Volume growth in France, Italy, Spain and Switzerland also contributed to the strong performance of the BMW Group in 2001.

BMW Group Deliveries of automobiles* by region and market
in 1,000 units



*adjusted for Rover/Land Rover

BMW Group extends presence in Asia – above-average growth. Demand for diesels continues to grow. MINI meets high expectations. Motorcycles: Volume growth for all models.

The USA once again played an outstanding role in 2001, with sales exceeding 200,000 cars in a year for the first time. Deliveries of 213,127 cars represents a growth of 12.5 % over the previous year. The volume of BMWs sold in the USA has thus almost quadrupled in the last ten years.

Asia was a further growth region for the BMW Group in the year 2001. Deliveries in this region went up by 5.6 %, far exceeding the development in the overall market. It is in the markets of this region where the BMW Group expects to achieve the fastest growth rates during the next ten years. In the year 2001, 61,067 BMW cars were sold in Asia. Japan alone accounted for more than half of this volume, and with deliveries of 35,845 BMW cars, the previous year's level was almost reached (– 0.2 %).

China also played an important role in the BMW Group's success in Asia with deliveries of 5,742 (+ 51.2 %) vehicles. Newly incorporated BMW Group sales companies in Indonesia (2,749 units, + 13.7 %) and the Philippines (500 units, + 96.9 %) also started well.

BMW brand achieves record number of deliveries – X5 with record sales

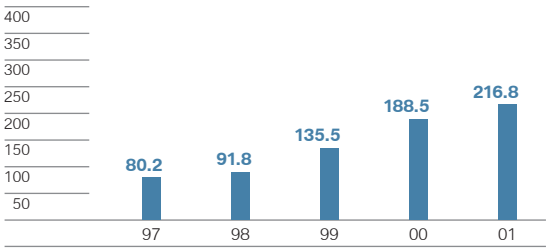
880,677 BMW cars were delivered to customers in 2001, representing a new sales record. The BMW X5 deserves particular mention with 82,645 units delivered to customers in 2001. Sales of this Sports Activity Vehicle have therefore more than doubled compared to the previous year (+ 118 %). This performance is also reflected in the number of employees at the BMW plant in Spartanburg; the BMW Group hired more than 700 new employees in the USA during 2001 in order to expand production.

The undaunted appeal and popularity of the BMW 3 Series was confirmed in 2001 by an increase in deliveries of 4.5 % to 533,952 cars. In particular the BMW 3 Series convertible (48,298 units, + 51.1 %) and the BMW 3 Series touring (77,669 units, + 21.4 %) supported this positive development. In addition, a total of 35,175 BMW Z3 roadsters and BMW Z3 coupés (– 11.8 %), models originally brought out in autumn 1995, were sold in 2001.

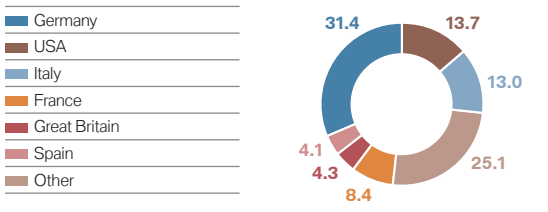
Unit sales of the BMW 5 Series, in its sixth year of production, were up by 0.5 % against the previous year, representing an above-average performance. Almost one in five of the 193,948 BMW 5 Series sold in 2001 was the touring version.

The super sports car BMW Z8, hand-built at the Munich Plant, with an aluminium spaceframe from the Dingolfing Plant, was delivered to 2,202 customers in the year.

Deliveries of BMW diesel automobiles
in 1,000 units



BMW Group – key motorcycle markets 2001
as a percentage of sales volume



Ever since its market launch in the autumn of 2001, the new BMW 7 Series has met with a positive response from customers. 2,979 vehicles were delivered to customers between the market launch in November and the end of 2001. The last vehicle of the previous 7 Series came off the Dingolfing production line in July 2001. Including the 29,770 units of the former 7 Series sold in 2001, a total of approximately 327,600 units were delivered to customers during the seven year production period of this model.

Demand for diesel models continues unabated. While the worldwide mix of BMW brand diesel cars sold in 1996 was 12 %, one out of very four BMWs is sold today with a diesel engine. In Europe, the mix of diesel cars is over 40 %.

MINI makes a successful start in Europe

The BMW Group launched the MINI brand in 2001 as the first premium brand in the small car segment. Sales of the MINI One and MINI Cooper started in Great Britain in July 2001 with great success, followed by the other European markets at the start of September. By the end of 2001, a total of 24,980 units had been delivered to customers, including 10,643 in Great Britain, the MINI's "home country". The BMW Group's high expectations have therefore been fulfilled: the sales figures confirm that there is a high demand for premium products in the small car segment.

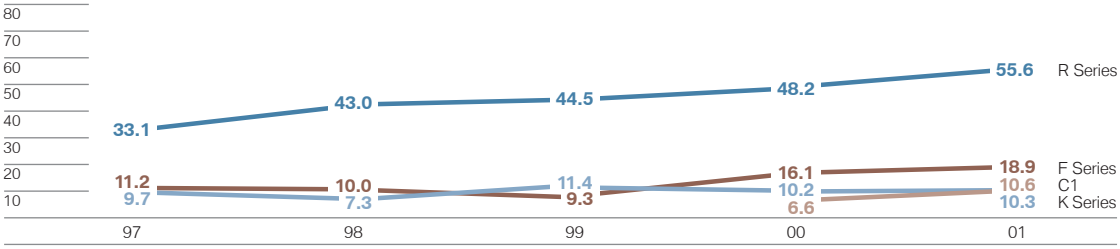
BMW Motorcycles segment achieves ninth record year in a row

Delivering 95,327 motorcycles (including the C1) to customers in 2001, the BMW Motorcycles segment continued its history of record sales, outperforming the previous year's figure for the ninth year in a row, with 17.3 % growth in the year 2001. Growth in France (8,017 units, +39.2 %) and Great Britain (4,137 units, +38.9 %) primarily contributed to the overall performance. With customer deliveries of 2,801 units, the Japanese market was up by 18.6 %, also reaching a new record figure.

The best-selling motorcycle in 2001, with a total of 17,445 units, was the F 650 GS. The F 650 CS Scarver, appealing above all to younger customers, was the latest addition in the autumn to the single cylinder series. In the category above 750 cc, the R 1150 GS leads the sales performance list, with a total of 14,558 of these large long-distance enduros being delivered to customers in 2001. A total of 10,614 BMW C1, the alternative means of transport for large cities and densely-populated areas, were sold in 2001, an increase of 59.6 % against the previous year.

Sales of special equipment and riders' wear again experienced strong growth in 2001. Sales were up by 14.6 % against the previous year.

BMW Motorcycles segment: Deliveries by series
in 1,000 units



Financial Services expands its strategic business areas

Financial Services again successfully supported the sale of BMW Group products by offering tailor-made financing and leasing solutions for individuals, business customers and the dealer network. The business volume of the segment in 2001, at euro 20.6 billion, was comparable to the previous year.

The new business almost completely offset the discontinuation of Rover financing. In all, 1.21 million financing contracts were signed in 2001 (previous year: 1.23 million), approximately 45 % for customer business, and around 55 % for dealer financing.

The penetration rate in new car sales i.e. the proportion of new BMW vehicles financed through BMW Financial Services, remains above the average for the industry. One in three BMW brand cars sold is financed by BMW Financial Services.

With a penetration rate of 48.9 %, the US market shows the largest share of financing BMW cars, ahead of East Asia (41.2 %) and Europe (28.2 %).

The successful expansion of Financial Services was supported by a greater geographical spread of business, with fleet management, multibrand financing and direct banking, new strategic areas of operations, being expanded according to plan.

In 2001, new companies took up fleet management operations in Belgium, Spain, France, Scandinavia and the Netherlands.

Deposit business in 2001 increased on a worldwide basis to an average total deposit volume of euro 2,210 million. This represents a growth of 44.3 % against the previous year.

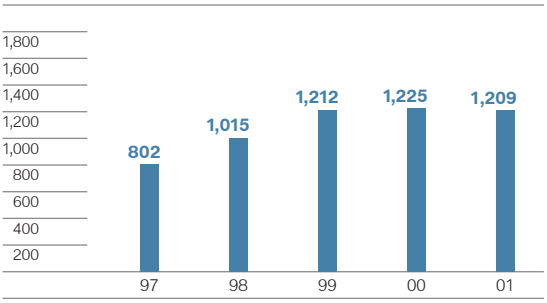
Since June 2001, the BMW Bank offers investment fund products. A total of 4,939 customer securities accounts had been opened by the year-end. The net cash inflow amounted to approximately euro 47.4 million in spite of the difficult market conditions.

Almost 5,000 new jobs created

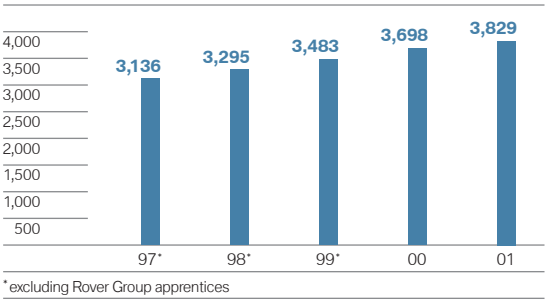
As a result of the continuing, positive development of business, the BMW Group created 4,991 new jobs in 2001, above all in the production, sales and development areas. At 31 December 2001, the BMW Group employed a worldwide workforce of 97,275 employees (previous year: 93,624). After adjustment for the transfer of the supply plant Powertrain Ltd., Bracknell, and the sale of British Motor Heritage in 2001, the equivalent headcount in 2000 was 92,284 employees and the effective increase in 2001 was 5.4 %.

With the continuing demand for personnel in mind, the BMW Group attaches great importance to training activities. In 2001 more than 1,100 apprentices were taken on and approximately 800 appren-

Financial Services: New contracts signed
in 1,000 units



BMW Group apprentices at 31 December



*excluding Rover Group apprentices

tices finished their training. The number of apprentices in the BMW Group thus went up to 3,829 and the ratio of apprentices to the whole workforce stood at 3.9%.

The trainee management programme (NFP) was also expanded. In future, 75 high school-leavers will be able to take part in the programme each year and thus combine their vocational training with a university education. This programme is an important measure for the BMW Group to ensure that it has an adequate number of qualified technical and management staff in the medium-term. This is all the more relevant in view of the current shortage of engineers, IT experts and qualified business managers with international skills.

One of the main aims of the personnel department in the BMW Group is to provide further training and qualification opportunities to employees. In 2001, over 120,000 participant days were recorded at the Groups' Training Performance Centres for further training and qualification, around 16,000 more than in the previous year.

The BMW Group aims to remain one of the most attractive employers in the world. Flexible working times play an important role in the satisfaction and motivation of employees – and therefore in the high quality of the work done by the BMW Group. More than 300 different models are in operation within the BMW Group, a situation which combines maximum flexibility for working times, production volumes and capacity utilisation with the interests of the company and its employees. The flexibility of these working time arrangements was a significant factor in the BMW Group's decision to choose Leipzig/Halle as the location for its new factory.

The agreements reached with the Workers' Council for the plant at Leipzig/Halle, entitled "Formula for Work", allow a working corridor of 60 to 140 hours per week. Through a variety of working time arrangements, production times can be changed within this corridor without difficulty, and in exceptional cases can even be increased. The BMW Group can thus get the optimal use out of investment in production facilities while employees benefit from the ability to plan their time individually.

In addition to the use of innovative working time arrangements, the BMW Group also sets standards in flexible working methods and job structures. For example, more than 1,500 employees have decided to become teleworkers. In addition, more than 500 employees took a "sabbatical" in 2001.

BMW Group employees	31.12.2001	31.12.2000	Change in %
BMW Automobiles	89,292	81,913	9.0
BMW Motorcycles	2,699	2,397	12.6
Financial Services	1,973	1,671	18.1
Other	3,311	7,643	– 56.7
thereof			
Software	(1,247)	(1,360)	– 8.3
Corporate	(48)	(48)	–
Other BMW UK companies	(2,016)	(6,235)	– 67.7
BMW Group	**97,275**	**93,624**	**3.9**

New production records for automobiles and motorcycles. Capital expenditure financed fully by cash flow. New models and series being developed.

Production at the highest level

With automobile production amounting to 946,730 units – of which 42,395 were MINI brand cars – the BMW Group was again able to surpass the record level achieved in the previous year.

In all, 904,335 BMW cars or 8.4 % more than in the previous year, came off the production lines at the Group's production plants in Munich, Dingolfing, Regensburg, Spartanburg and Rosslyn and at the assembly plants the world over.

This is a new record made possible by the ongoing improvement of efficieny in the production plants, the targeted expansion of production capacities and the commitment of our workforce. By taking advantage of the high standard of flexibility ensured by its working time models, the BMW Group will again be able to meet the high demand for its products in 2002 by keeping production capacities at an adequate level.

The BMW Group's production plants were again ranked highly in the quality survey made by J. D. Power Associates in 2001 thus underlining the high quality and efficiency of the Group's plants. The Munich plant was awarded the Plant Award in Gold as the best car factory in Europe. For the fourth time in a row, the Dingolfing plant also achieved one of the top places, ranked third. The Regensburg plant was ranked fifth.

Strong sales of BMW motorcycles were matched by high levels of production: a total of 90,478 units were manufactured at the Berlin plant, which was 16,081 or 21.6 % more than in 2000. In addition, 9,735 C1 were manufactured by the Italian production partner Bertone.

Further expansion of production network

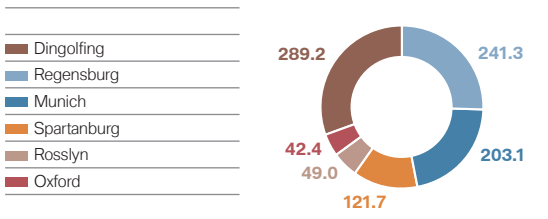
In 2001, several important steps were taken to expand the capacities of the BMW Group. At the Spartanburg plant in the USA, production capacity for the BMW X5 was increased by more than 80 %. In Great Britain, production at the new engine plant at Hams Hall started as planned in January 2001. At the new Oxford plant, MINI brand cars have been coming off the production line since April 2001. In early November, three shift production was introduced.

The BMW Group is also investing continuously in the expansion and technical development of its plants. Capital expenditure on alterations and extensions at the Dingolfing plant alone totalled approximately euro 500 million in 2001. This related mainly to production equipment for the new BMW 7 Series and other future models. In Goodwood "The new home of Rolls Royce" is currently being built.

Making substantial investments as part of its product and market offensive, the BMW Group will continue to lay the foundation for continued sales growth. An important aspect of this is the new plant in the region Leipzig/Halle, where the BMW Group will be investing euro 1.3 billion in the next few years. Series production of the 3 Series is scheduled to start there in 2005.

In late October 2001, the BMW Group signed cooperation agreements with Steyr-Daimler-Puch Fahrzeugtechnik (SFT), a subsidiary of the Magna Group, in the Austrian town of Graz, for the series development and production of the new BMW X3 Sports Activity Vehicle. The detailed concept of this car, developed by BMW Group engineers, was handed over to SFT for further series development. Through this cooperation, the BMW Group has enhanced its dynamism and flexibility, marking yet another milestone in the consistent implementation of the BMW Group's product offensive.

Automobile production of the BMW Group by plant
in 1,000 units



Capital expenditure increased again

In 2001, the BMW Group invested euro 2,851 million in property, plant and equipment and intangible assets (excluding development costs recognised as an asset), an increase of 32.9% over the previous year. The investment ratio at 7.4% of group revenues remains well above the industry average. In accordance with IAS, development costs of euro 665 million are recognised as assets, so that total additions to these non-current assets amounted to euro 3,516 million.

The sharp rise in capital expenditure reflects the implementation of the product and market offensive. In particular in the BMW Automobiles segment, extensive measures were taken to prepare for the launch of new models, to ensure that the Group maintains its technological and innovative leadership and to expand production capacities and market coverage.

As in previous years, capital expenditure was financed entirely out of the Group's cash flow which amounted in 2001 to euro 4,202 million (previous year: euro 3,779 million).

Research and development geared towards product and market offensive

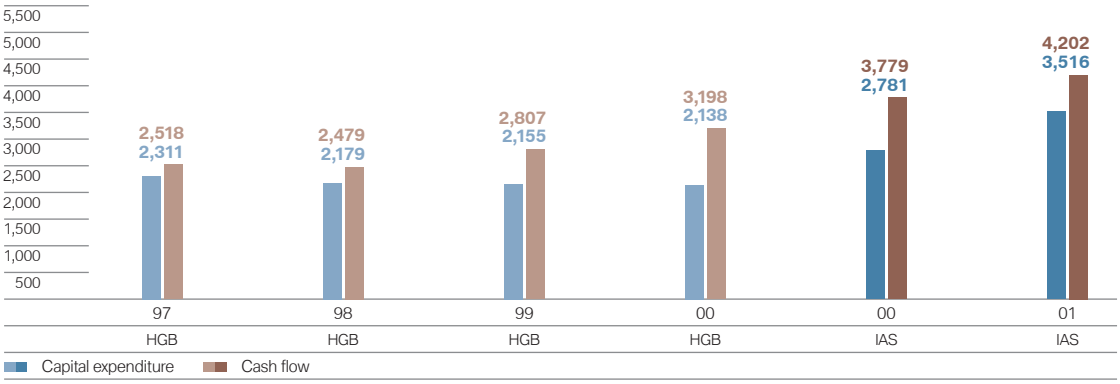
The research and development activities of the BMW Group in 2001 were geared towards the product and market offensive. The focus was the introduction of the new BMW 3 Series compact, the BMW M3 convertible, the MINI One and MINI Cooper and the new BMW 7 Series. In addition, extensive development activities were performed for the model updates of the BMW 3 Series saloon and the 3 Series touring.

The BMW Group is pushing ahead determinedly with the development of new models and the expansion of the product range. Work on the new BMW 1 Series, on the successor to the BMW 5 Series, and on the BMW 6 Series is proceeding in line with plan. This also applies to the development of the successor for the BMW Z3 and the new Rolls-Royce.

As part of the expansion of the BMW model range, the concept development of the X3 Sports Activity Vehicle was completed. The further series development and production will be performed, as discussed above, by Steyr-Daimler-Puch Fahrzeugtechnik.

The Range Rover project was completed, as contractually agreed, and handed over to the Ford Motor Company in line with the agreed timetable.

BMW Group Capital expenditure and cash flow
in euro million



Leading role in engine development. Development focus on light-weight construction, mechatronics and communication technologies. BMW Car IT incorporated.

In the area of engine development, the BMW Group again underlined its leading position with the new 12 cylinder engine. The new engine was presented to the general public for the first time at the 2001 Frankfurt International Motor Show. As a "first" for a BMW engine, the new 12 cylinder engine involves direct fuel injection in combination with VALVETRONIC technology. This combination allows unbeatable low fuel consumption with top engine performance. This engine will be built into the new BMW 760i/760Li.

In addition, the existing BMW engine range was re-engineered and expanded.

The new M Series six cylinder engine from the M3 is now also available in the Z3 and Z3 coupé. The performance and torque of the four cylinder diesel engine in the BMW 320d were also improved. The model is now the first major series car with the second generation "common rail" injection system and a new digital motor management system. Despite improved performance, this engine requires less fuel than its predecessor.

The fully variable valve lift, VALVETRONIC, has also been brought into series production in the new four and eight cylinder engines. The first model with this new technology was the four cylinder engine in the 316ti, followed by the 2.0 litre engine in all versions of the 318i. The new generation eight cylinder engine combines infinitely adjustable control over virtually all parameters such as valve timing (double-VANOS), valve stroke (VALVETRONIC) and, for the first time in the world, intake manifold length. This allows the engine to meet all requirements with a level of perfection never seen before. The result is a noticeable reduction in consumption yet improved performance.

The BMW M3 has been equipped with the second generation of the Sequential M Gearbox (SMG). The SMG combines the six speed gear-box with a sophisticated computerised control management system, the "Drivelogic", which significantly reduces gear-change times. By selecting one of the gear-shift modes available, the car can be adjusted perfectly to the prevailing driving conditions. The gears are changed, as in Formula 1, with paddles on the steering wheel.

The possibilities offered by the wider use of electronic components were visible above all in 2001 in the new BMW 7 Series. The world's first six speed automatic gear-box using integrated shift-by-wire technology was the result of extensive development work in the area of mechatronics. The gears can be changed using a new type of lever on the steering wheel and by steptronic buttons located on the rim of the steering wheel.

Making life easier for the driver despite the continual increase in functions built into a car was the motive for the development of the new iDrive, the innovative handling concept incorporated into the new BMW 7 Series. One feature of this concept is the newly developed controller which allows management of around 700 functions. This system, in combination with a large and easily read display, supports the driver, so that interaction between the driver and the car is simple and intuitive.

Other innovative technologies, covering all aspects of the car, were pursued further in 2001 at the pre-development stage. These focused on the use of new materials and light-weight structures, mechatronics and communication technologies.

At the end of 2001, BMW Car IT GmbH was incorporated in Munich as the new "think tank" for the research and development network of the BMW Group. The new subsidiary has been set up to expand the BMW Group's activities in the area of automobile-related software and IT development. This is necessary given the trend currently taking place in the car industry to replace mechanical parts with electronically controlled components.

Improved communication with suppliers via the internet. Consistent implementation of e-business strategy. Top Drive: setting the standard in premium quality customer service.

BMW Car IT fits neatly into the international research and development network of the BMW Group and works closely with the Research and Development Centre (FIZ) in Munich and numerous other locations in Europe and the USA. On a worldwide basis, the BMW Group employed at the end of 2001 more than 8,000 staff (previous year 7,800 excluding Rover/Land Rover) in this network.

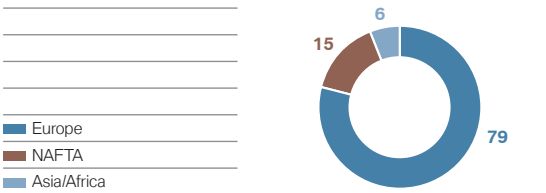
Purchasing benefits from falling raw material prices

In 2001, the BMW Group purchased approximately euro 13.2 billion of production materials, of which some 10% related to raw materials. The Group benefited in 2001 from falling prices for industrial and precious metals, in particular those for palladium, rhodium and platinum, which fell markedly following a peak phase.

Expansion of networking with suppliers

The project "Supplier Relationship Management" (SRM) was started in the year 2001 with a view to improving network communication with suppliers. This involved analysing all processes relating to networking with suppliers and supporting those processes with the appropriate internet based tools. As well as helping to create flexible distribution systems which ensure timely delivery, SRM also serves as a basis for designing integrated performance and result orientated processes in the area of product development and production.

Regional mix of BMW Group purchase volumes
in %, basis: Production material



In addition, a number of new functions were added to the BMW Partner Web and the range of information significantly increased. Suppliers are integrated into the change-management process of the BMW Group via an online portal, where they have access, amongst other things, to the technical specifications and standards of the BMW Group.

e-business gaining significance

In 2001, the BMW Group achieved important milestones in the e-business strategy adopted at the end of 2000. This strategy covers four platforms to be established over three years: business to business (B2B), business to consumer (B2C), business to employee (B2E) and business to dealer (B2D).

At present, 28 programmes are being implemented. Key areas of focus are the continuous optimisation of the product development process (PEP) and the acceleration of a customer-orientated sales and production process (KOVP).

Examples are projects involving "customer orientation" and "business to business": in 2001 the roll-out of the VirtualCenter, a worldwide e-commerce solution for sales support, was completed. This system, accessible through the internet, consists of six modules, including a car configurator and modules allowing potential customers to locate dealers and enquire about test drives. The system simplifies the decision of a potential buyer seeking to purchase a new vehicle. The VirtualCenter, designed for both BMW and MINI brand cars and for BMW motorcycles, is currently used internationally in 13 markets.

As part of the B2C platform, all activities and responsibilities for communication with customers have been brought together in 2001 using an integrated customer relationship management (CRM) approach, called Top Drive. This integration does not just relate to the central strategy for providing customer service, but also to the underlying processes, organisational structures and systems. After it has been implemented in Germany, Top Drive will be rolled out in stages in the other main international markets using a standardised process, system and

New sales companies incorporated in Asia.
MINI: global sales network with 1,400 dealers.
BMW Group committed to sustainable business.
Fleet consumption reduced again.

data structure. Initial feed-back shows that process costs can be reduced significantly and that the quality of customer service improves, particularly where integrated information is available. The BMW Group is pursuing this strategy to ensure that it also sets the standard in premium quality customer service.

Sales organisation expanded – MINI started with own dealer network

In 2001, the BMW Group further improved the efficiency of its sales organisation. The market success also reflects the continuing improvement in customer orientation. This was achieved together with the partners from the dealer network and will be expanded in the future.

e-business has become an important factor in the on-going endeavours to optimise customer services. Together with more than 3,000 dealer operations throughout the world, the BMW Group is using the opportunities provided by the internet. As part of the customer-orientated sales and production process (KOVP), logistical and production processes have been designed as efficiently and as focussed towards the customer as possible. Online ordering was introduced successfully during 2001 in the eight largest European markets. Online ordering ensures maximum flexibility to change individual orders, speeds up order processing and enables, at the time of the order, confirmation that the vehicle can be completed in the required configuration, so that a definite delivery date can be given.

The decision to establish the MINI as a separate brand was also implemented consistently. In 2001, appropriate agreements were reached with some 1,400 dealers around the world. In Germany, the MINI is being sold under exclusive arrangements at approximately 400 locations. This means that selected dealers of the BMW Group are selling MINI brand cars. All MINI showrooms can be immediately identified internally and externally as such due to their specific design.

Following the incorporation of new subsidiaries in Indonesia and the Philippines, the BMW Group has extended its presence in Asia and is now represented by five subsidiaries and two regional offices in the region.

Environmental protection: BMW Group continues to set the trend

In the BMW Group, attaining high standards in environmental practice is seen as a significant aspect of sustainable business. The BMW environmental team manages the complete cycle of each product throughout the various stages of development, production, usage and recycling.

Not just new products, but also innovative materials and propulsion systems which improve the environmental compatibility of the Group's range of products are the focus of research and development. The BMW VALVETRONIC technology, which reduces consumption by approximately 14 %, is being built into more and more models of the BMW range, from the BMW 316ti Compact through to the BMW 745i.

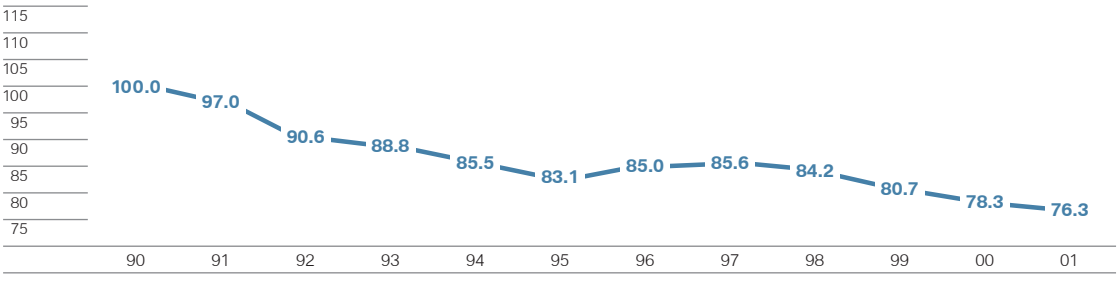
The consumption of the BMW fleet in Germany was again reduced. Taking 1990 as the basis, the reduction to 2001 is more than 23 %.

The BMW Group continued to set the trend in terms of environmentally-compatible manufacturing. The high standard of environmental practice throughout the BMW Group is underpinned by the figures for resource utilisation and emission levels: energy and water usage, as well as CO_2 and solvent emissions, per manufactured car continued to fall in 2001. All of these values are exemplary for the industry.

BMW Group's production plants throughout the world had all been granted EMAS (Eco-Management and Audit Scheme) and the international standard ISO 14001 certification by 1999. An environment management system has also been implemented at the new BMW engine plant at Hams Hall within a very short space of time: series production of the new four cylinder engine using VALVETRONIC technology was started in January 2001 and the environmental certification for the plant was granted in July 2001. The extensively amended and modernised production plant in Oxford, which was granted the ISO 14001 standard in 1995, also meets the same environmental and quality standards as all production plants in the BMW Group. The water-based paint shop in Oxford is one of the most modern in Europe. The development plan for the site of the new BMW production plant in the region of Leipzig/Halle has also been designed to take into account all environmental aspects.

Suppliers of parts and components are also integrated into the BMW Group's sustainability management system. Purchasing guidelines have been revised for international usage. They now include additional instructions to purchasers and suppliers requiring them to take the principles of environmental compatibility and careful use of resources into

Consumption of BMW automobile fleet in Germany in %
(Index: 1990 = 100; Basis: DIN 1/3 Mix BMW fleet consumption VDA; values from 1998 computed on basis of the New European Driving Cycle (NEDC))



account in their decisions. Suppliers to BMW production plants abroad are also required to commit themselves to adopting the strict principles applicable in the BMW Group. In addition, the BMW Group ran workshops in 2001 to communicate specific recommendations and know-how in this area. A joint initiative was also started in South Africa by BMW SA, DaimlerChrysler SA and Volkswagen SA with the aim of providing more active assistance to common suppliers to improve environmental management systems.

During the year, the Sustainability Management System (SMS) of Designworks, Los Angeles, California, a BMW Group subsidiary, was certified by external experts, the first certification of this kind in the world. This sustainability management system is seen by the BMW Group as a prototype for the further development of existing environmental management systems.

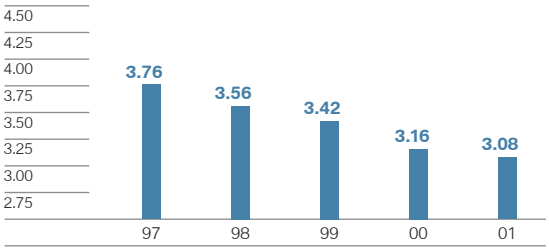
Sustainability is also the basis of BMW's approach to the recycling process. The BMW Group is not only actively involved in environmentally compatible methods of recycling end-of life vehicles, but has also incorporated the requirements of the "Design for Recycling" concept into the product development process. Benefits can be seen already in all of the vehicles produced by the BMW Group: many of the plastic components used in the X5, for example, are designed so that they can be dismantled quickly into homogenous materials.

Innovative ideas also result in more economical ways of recycling materials. In the BMW 3 Series compact, for example, the time needed to remove polyurethane foam has again been reduced. After extraction of the foam material, it can be reprocessed to make sound insulation components which are used in many other vehicles currently manufactured by the BMW Group. Another example of the progress made with the concept of "Design for Recycling" is the rear ventilation system of the new BMW 7 Series. This system is not only easy to dismantle and conducive to efficient separation of materials into homogenous types, but can, itself, be manufactured almost completely with recycled materials, in other words from plastics previously used in the manufacturing process. A whole host of measures along these lines allow the vehicle to be recycled/disposed of at a later date as efficiently as possible. In its approach to recycling of materials, the BMW Group is well prepared for the introduction of the E.U. end-of life vehicle directive, which requires manufacturers to take back their products free of charge after 2007.

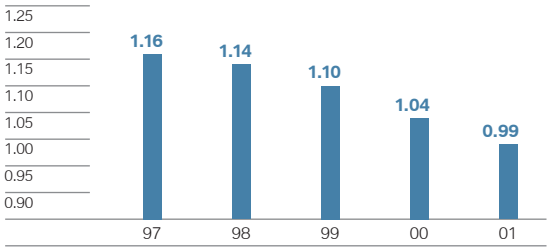
BMW Group presents a Sustainable Value Report

The growing number of sustainability investments on offer shows that tackling future economic, social and ecological problems proactively can result in lasting and above-average growth in the value of the

Energy consumed per unit produced
in MWh



CO_2 emissions per unit produced
in tons



business. External sustainability analysts, who evaluate and compare an enterprise's ability to provide suitable solutions for areas of social concern and for the environment, and who evaluate economic efficiency, point out that enterprises with a responsible approach have a much more favourable risk/reward profile.

The Dow Jones Sustainability Index World (DJSI World), established in 1999, includes more than 300 of the world's leading enterprises in corporate social responsibility and sustainability. In addition, two new indices were started in Europe in 2001: the FTSE4 Good-Europe Index and the Dow Jones Stoxx Sustainability group of indices.

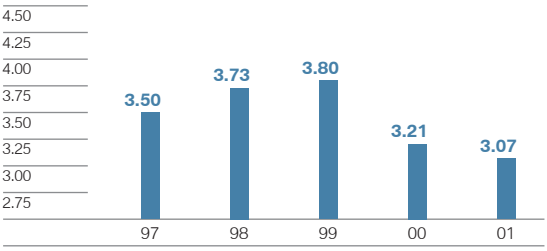
The BMW Group is included in all three indices as a leading enterprise in the automotive industry. The BMW Group has thus reported comprehensively during 2001 on its sustainability activities and was in fact the first automobile company in Europe to issue a Sustainable Value Report on the occasion of the 2001 Frankfurt International Motorshow. This report is also available on the internet under www.bmwgroup.com/sustainability.

CleanEnergy on world tour

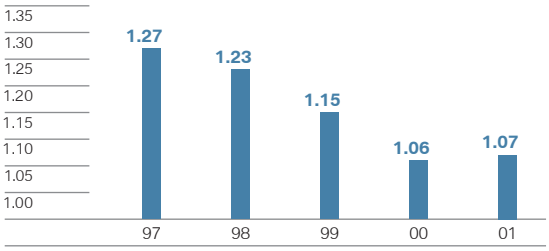
The BMW Group continued its commitment to hydrogen technology in the year 2001 and hit headlines in this technology with the first CleanEnergy world tour. On the tour, the BMW Group provided information on hydrogen technology to opinion leaders from the world of politics, media and business at events held in six cities (Dubai, Brussels, Milan, Tokyo, Los Angeles and Berlin). The response was extremely positive, proving that the trend towards a hydrogen economy is irreversible.

The BMW Group sees sustainable business strategies as an essential element for securing success on a long-term basis. CleanEnergy makes a decisive contribution in this context to ensuring mobility on a long-term basis. A hydrogen version of the recently introduced new 7 Series will be available to customers during the life cycle of this new model.

Volatile organic compounds (VOC) per unit produced
(kg/unit)



Process effluent per manufactured car
(m^3/unit)



Risk management in the BMW Group

As an enterprise with worldwide operations, the BMW Group faces a variety of risks. The Board of Management and the Supervisory Board are regularly informed about risks which have a significant impact on business development. Business risks are always viewed together with related opportunities and only accepted when they lead to a growth in the value of the business.

In order to identify, evaluate and document the main risks which could pose a major threat, the BMW Group uses a comprehensive risk management system. This ensures that all relevant risks are identified, evaluated and communicated within the Group.

The risk management system consists of three complimentary processes:

– Generally, decisions are reached after consideration of in-depth project analyses which clearly present opportunities and risks. In addition, as part of the long-term planning strategy and the more short-term forecasting procedures, the risks and opportunities attached to specific business activities are evaluated and are used as the basis for setting targets and implementing appropriate risk mitigation measures.

– The Group reporting system is used to keep all decision-makers fully informed and up to date. The system provides information on a continuous basis of performance against the targets set and highlights changes affecting the market and competitors. Critical success factors are permanently monitored to ensure that unfavourable developments are identified at an early stage and that appropriate counter-measures are implemented.

– Overall risk management is supervised centrally by the group controlling department and is reviewed by external auditors and the Group's internal audit department for its appropriateness and effectiveness. A network of risk managers, who have been appointed throughout the Group, regularly carry out risk reviews, identifying and analysing all significant risks. The results of the review are summarised in a separate risk report which is then presented to the Board of Management.

Risks which could threaten the existence of the Group or which could have a significant negative impact on the assets and liabilities, financial position and results of operations of the Group, have not been identified. However, risks can never be ruled out entirely.

In the course of business operations, the BMW Group is exposed to various types of risk:

Risks relating to economic factors

– The continuing strong growth on its major international markets means that the BMW Group is increasingly influenced by the overall economic climate in the world and its effect on currency parities and financial markets. The BMW Group mitigates these risks by intensive monitoring of the markets and by the use of hedging instruments. Hedging transactions are entered into only with financial partners of first-class standing. The nature and scope of such transactions are set out in guidelines applicable throughout the BMW Group.

– Economic fluctuations represent risk factors for future development which the BMW Group anticipates by means of detailed monitoring of the market and by using early warning indicators. Risk is spread automatically due to the worldwide activities of the BMW Group and fluctuations in individual markets and regions generally only have a small impact on the performance of the Group.

Specific industry risks

– The end-of life vehicle directive of the European Union must be incorporated into national law by April 2002 at the latest. The BMW Group has set up provisions in the balance sheet to cover the obligations relating to the risk of collection, treatment and recovery of all end-of life vehicles sold by the BMW Group to date.

– Fuel prices are influenced to a large degree by market factors and governmental tax policies. This and the constant need to reduce fleet consumption set high demands on engine and product development.

– The current amendment proposal from the EU Commission, dated February 2002, to the "Block Exemption" regulations represents a risk for the sales distribution system and market position of the BMW Group. The high quality, safety and environmental standards of the BMW Group could be affected by the proposed changes.

Operating risks

– Risks arising from loss of production are insured up to economically reasonable levels. In addition, the high degree of flexibility of the Group's production network and working time models also help to reduce operating risks.

– Close cooperation between manufacturers and suppliers is normal in the automotive sector and whilst this provides economic benefits, it also creates a degree of mutual dependence. Some suppliers have become very important for the BMW Group. Delivery delays, cancellations or poor quality can lead to production stoppages and thus have a negative impact on performance. The BMW Group mitigates this risk by means of extensive selection, monitoring and management procedures in its dealings with suppliers. Before selection for example, audits are made of the technical competence and financial strength of potential suppliers.

Risk from sales financing

– A major part of financing and lease business within the Financial Services segment is refinanced on the capital markets. The excellent credit-standing of the BMW Group, reflected in the first-class short-term ratings given by Moody's (P-1) and Standard & Poor's (A-1), and held for many years, has a stabilising effect.

– Risks from interest rate changes to which the BMW Group is exposed are mitigated by matching maturities and by the use of derivative financial instruments.

– As a consequence of the increasing penetration rate achieved in the lease business, the BMW Group faces an increased residual value risk on vehicles which are returned to the Group at the end of lease contracts. Provisions are recognised to cover these risks.

Legal risks

– The BMW Group is not involved in any court or arbitration proceedings which could have a significant impact on the economic position of the Group.

– Like all enterprises, the BMW Group is exposed to the risk of warranty claims. Adequate provisions have been recognised in the balance sheet to cover such claims. Part of the risk, especially that relating to the American market, has been insured up to economically acceptable levels. The high quality of BMW Group products, underpinned by regular quality audits and on-going improvement measures, helps to reduce this risk.

Personnel risk

As one of the most attractive employers in the world, the BMW Group has a strong position in the intense competition for qualified technical and management staff. A high level of employee satisfaction and a low level of employee fluctuation also help to minimise the risk of know-how drift.

IT risks

In information technology, the BMW Group undertakes various measures through employees, organisational procedures, applications, systems and networks in order to protect itself from unauthorised access or misuse of data.

Internal rules for handling data and for the secure use of information systems apply throughout the Group.

Amongst the technical measures taken are the standard activities such as the use of virus scanners, firewall systems and access controls at operating system level and partly at application level. These measures serve to protect confidentiality, integrity and authenticity.

Since mid-2001 the Group has been working on a Public Key Infrastructure (PKI), which will further increase the level of security at BMW Group. Every employee with IT access already has a electronic chip on his/her company identification badge which permits authentication, digital signature and encryption.

Outlook: premium segments to perform better than the market as a whole in 2002

The BMW Group forecasts that overall demand for cars will decrease in 2002 due to the subdued economic climate in the world. An economic recovery should commence in the second half of the year, starting in the USA.

In 2002, the automobile market will again see a distinction between the mass and premium segments. The BMW Group currently forecasts a somewhat weaker performance for the mass market. The strong demand seen in recent years for premium cars however, will continue to rise.

The BMW Group in 2002

The BMW Group is confident that it will be able to maintain growth and continue to perform successfully in 2002. The product and market offensive will be continued in 2002 as planned. The new BMW 7 Series will play an important role in this respect, being launched in Great Britain and in markets outside Europe at the start of 2002. The new 7 Series will convincingly continue the worldwide success of its predecessor.

Under the motto “MINI goes global”, the MINI brand will be launched on the markets outside Europe in 2002 and thus make an important contribution to the growth of the BMW Group.

BMW stock performs above-average in a year marked by turbulent developments on the financial markets. Only four DAX-30 stocks posted a rise in the stock price over the year – the BMW stock was one of them.

Even before the terrorist attacks on 11 September, the world's stock markets were characterised by uncertainty about the prospects of the US economy and by the expectation of deteriorating earnings of many companies, particularly those in the technological sector.

At 6,795 points, the DAX reached its high for the year on 31 January and after that fell continuously. A short recovery period in March was followed by a sideways movement within a relatively narrow stock price corridor. Reflecting increasing uncertainty about the economic situation, the DAX index then dropped by approximately 25 % in July and August. The terrorist attacks on 11 September led to further losses, even greater than on the American stock exchanges, forcing the DAX down to 3,787 points.

By the year-end, the index was back at 5,160 points, but still 19.8 % lower than the level at the end of 2000.

Automotive stocks, represented by the CDAX Automobile stock index, benefited in the first half of the year from portfolio realignments. These stocks thus largely escaped the general downward trend until the middle of August, before suffering a drop of almost 15 % in the first week of September.

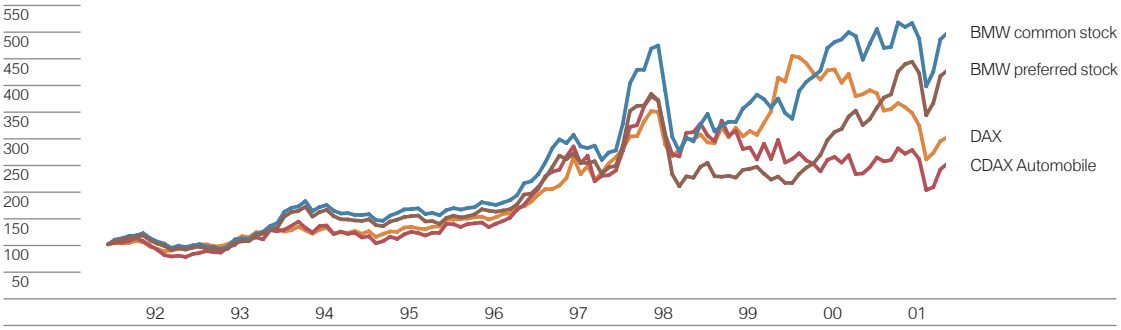
Following the markets' new evaluation of the prospects of the automobile industry, the CDAX Automobile stock index went down more sharply than the market as a whole, falling by almost 30 % after 11 September to a low of 237.50 points, before recovering to 379.57 at the year-end. Compared to the level at the end of the previous year, the index gained 40 points or 11.8 %.

BMW common stock, whose market price had increased in the first quarter below the average of the CDAX Automobile stock index as a whole, then performed marginally better than the sector index in the second quarter and was far better than the DAX.

After reaching a new high of euro 41.65 on 18 May, the price fell as a result of profit-taking, thereafter moving largely sideways until the middle of August. Up to 10 September, despite an interim drop in value by almost 10 %, the stock nevertheless performed better than the DAX as a whole.

As a result of the general fall of stock markets following 11 September, BMW common stock dropped considerably in value under heavy trading, reaching a new annual low of euro 24.01 on 20 September.

Development of BMW stock compared to stock exchange indices
(Index: January 1992 = 100)



BMW stock	1997	1998	1999	2000	2001
Common stock					
Number of shares in 1,000	18,409	23,932	622,228	622,228	622,228
Stock exchange price in euro[1]					
Year-end closing price	21.19	25.17	30.65	34.75	39.55
High	24.33	38.71	32.00	41.05	41.65
Low	16.17	17.99	23.04	23.48	24.01
Preferred stock					
Number of shares in 1,000	1,389	1,815	48,460	49,598	50,638
Stock exchange price in euro[1]					
Year-end closing price	14.42	14.75	14.00	20.00	26.25
High	16.72	25.08	16.81	22.40	27.30
Low	11.41	11.01	12.35	11.75	16.11

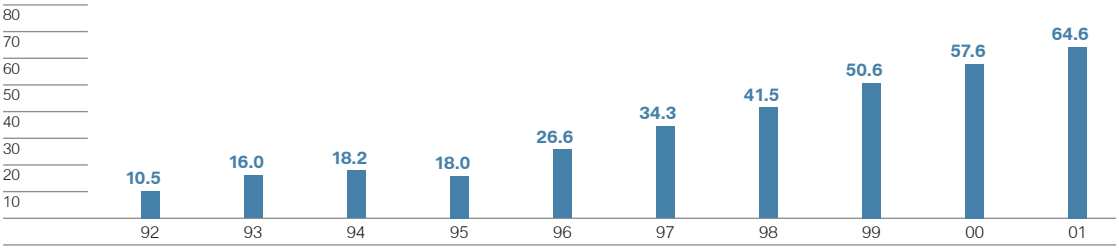
	1997 HGB	1998 HGB	1999 HGB	2000 HGB	2000 IAS	2001 IAS
Key data per share in euro[2]						
Dividend[3]						
Common stock	0.40	0.40	0.40	0.46	0.46	0.52[4]
Preferred stock	0.42	0.42	0.42	0.48	0.48	0.54[4]
Tax credit for shareholders in Germany						
Common stock	0.17	0.17	0.17	0.20	0.20	–[5]
Preferred stock	0.18	0.18	0.18	0.21	0.21	–[5]
Earnings per share[6]	1.04	0.77	1.01[8]	1.63	1.80/1.82[9]	2.78/2.80[9]
Cash flow[6]	3.96	3.71	4.19	4.77	5.62	6.24
Equity[6][7]	7.92	9.28	5.47	6.84	14.02	16.01

1] closing prices at the Frankfurt Stock Exchange adjusted retrospectively for capital increases in 1998 and 1999
2] prior to 2000, stock weighted according to dividend entitlements in the year of issue
3] dividends after 1999, per euro 1 nominal value share, adjusted in previous years
4] proposed by management
5] no longer applicable from 2001 following change in tax legislation from tax credit on gross dividend income (imputation system) to the taxation of half of the net dividend (half-income system)
6] retrospectively adjusted for capital increases in 1998 and 1999. HGB calculation per DVFA/SG. IAS figure in accordance with IAS 33 for common and preferred stock
7] excluding unappropriated profit available for distribution
8] DVFA result before extraordinary expenses
9] earnings per share in accordance with IAS 33 for common and preferred stock

In the following weeks the BMW stock recovered again, closing the year on 28 December 2001 at euro 39.55 or 13.8 % above its closing value in the year 2000. This makes the BMW stock one of only four stocks in the DAX-30 index showing an increase in the year.

Quarterly reporting introduced
Since the beginning of 2001, the BMW Group has reported its results on a quarterly basis. The report for the fourth quarter is replaced by the Annual Report. These publications are available, along with further information, on the internet at www.bmwgroup.com/financial/.

Development in value of a BMW stock investment in euro thousand
Investment of euro 10,000 at 1.1.92, including dividends and proceeds from subscription rights, values at end of year



Contents

BMW Group
Financial Analysis

Income Statement

in euro million	2001	2000
Revenues	38,463	37,226
Cost of sales	– 28,727	– 28,747
Gross profit	**9,736**	**8,479**
Sales and administrative costs	– 4,647	– 4,692
Research and development costs	– 1,663	– 1,440
Other operating income and expenses	– 70	– 282
Profit before financial result	**3,356**	**2,065**
Financial result	– 114	– 33
Profit from ordinary activities	**3,242**	**2,032**
Income taxes	– 1,376	– 823
Net profit	**1,866**	**1,209**

Total revenues of the BMW Group rose by 3.3% in 2001. After adjustment for the revenues of the Rover Automobiles segment in the previous year, total revenues of the BMW Group rose by 14.0%. Revenues from automobiles and motorcycles increased by 22.1% and 14.2% respectively. Revenues from financial services fell by 13.8%, due mainly to a euro 1.0 billion reduction in lease instalment revenues following the reorganisation of lease business in Germany. As an up-side however, this leads to a corresponding increase in the external sales of the BMW Automobiles segment.

Cost of sales were at the previous year's level. Cost of sales in 2000 included impairment losses on production facilities at Oxford and Swindon which were not repeated in fiscal year 2001. After adjustment for the costs relating to the Rover Automobiles segment, cost of sales increased by 13.4%.

Sales and administrative costs were almost identical to the previous year. After adjustment for the costs recorded in the Rover Automobiles segment in the previous year, sales and administrative costs increased by 15.5% as a consequence of business expansion measures and the launches of the MINI and the BMW 7 Series.

Due to the current product offensive, the increase of 15.5% in the research and development costs is markedly greater than the increase in revenues.

Net operating expenses decreased by 75.2%. Other operating income and expenses in the previous year had been affected only minimally by the Rover Automobiles segment. In fiscal year 2001, other operating income includes euro 206 million higher income from the release of provisions and gains on the sale of land no longer required for

– Focus on premium brands improves Group result
– All segment results above prior year
– Improved and robust balance sheet structure again
– Increased cash flow from operating activities

operational purposes. Against this are impairment losses and provisions of euro 103 million as a consequence of the events of 11 September 2001. In the previous year, additions to the provisions for collection, treatment and recovery of end-of life vehicles and for residual value risks on vehicles were euro 247 million higher.

The negative financial result includes losses of euro 120 million on derivative financial instruments not designated as fair value or cash flow hedges.

The Group profit from ordinary activities increased by 59.5 % against the previous year. After adjustment for the losses of the Rover Automobiles segment in 2000, the profit increased by 29.2 %.

The change in income taxes has led to an increase in the effective tax rate from 40.5 % to 42.4 %. While the current tax expense as a percentage of the profit from ordinary activities remained at 20.9 %, the deferred tax expense increased by 1.9 percentage points to 21.5 %.

Overall, the Group net profit thus increased by 54.3 % against the previous year.

Segment results

in euro million	2001	2000
BMW Automobiles	2,792	2,733
Rover Automobiles	–	– 755
BMW Motorcycles	59	33
Financial Services	390	351
Reconciliations	1	– 330
Profit from ordinary activities	**3,242**	**2,032**

The profit from ordinary activities of the BMW Automobiles segment increased from euro 2.7 billion to euro 2.8 billion, despite the high level of expenditure incurred in conjunction with the product and market offensive.

The BMW Motorcycles segment showed a particularly good performance, with profit from ordinary activities increasing by 78.8 % to euro 59 million. This improvement was largely due to the success of the update to the Boxer models.

The profit from ordinary activities of the BMW Financial Services segment improved by 11.1 % to euro 390 million. This is due mainly to lower refinancing costs in the second half of the year.

The results of the Oxford production plant up to 30 June 2001 are included in Reconciliations. With effect from 1 July 2001, after the start of series production of the MINI, the activities of the Oxford production plant were transferred to the BMW Automobiles segment. Also included in Reconcialiations

are primarily the software and other activities of the BMW Group not relating to specific segments as well as consolidations.

Balance sheet structure

The balance sheet total of the Group increased by 3.9% to euro 51.3 billion. The main factors behind this increase on the assets side of the balance sheet were the non-current assets (+5.6%), inventories (+21.4%) and other receivables (+19.4%). On the equity and liabilities side of the balance sheet, the main increases were in equity (+ 14.2%) and debt (+ 2.5%). Currency fluctuations had only a minor impact on the balance sheet total.

Intangible assets increased by 13.1% to euro 2.4 billion. Within intangible assets, capitalised development costs increased by 10.8% to euro 2.3 billion. Development costs recognised as assets during the year amounted to euro 665 million.

Property, plant and equipment increased by euro 760 million to euro 7.4 billion. This was mainly due to increased capital expenditure of BMW AG and of the Oxford and Goodwood production plants.

The reduction in financial assets is attributable primarily to the fair value measurement of the investment in Rolls–Royce plc, London.

The carrying amount of leased products in the balance sheet was virtually unchanged compared to the previous year (+0.4%).

Inventories increased by 21.4% to euro 4.5 billion. This increase was attributable to the general growth of the business and to the build-up of inventory levels in conjunction with the market launches of the MINI and BMW 7 Series. Inventories as a percentage of the balance sheet total thus increased by 1.3 percentage points.

Trade receivables went up by 7.9% in line with the growth of business.

The relatively small growth of receivables from sales financing (+1.8%) is caused by the exit from financing Rover and Land Rover vehicles.

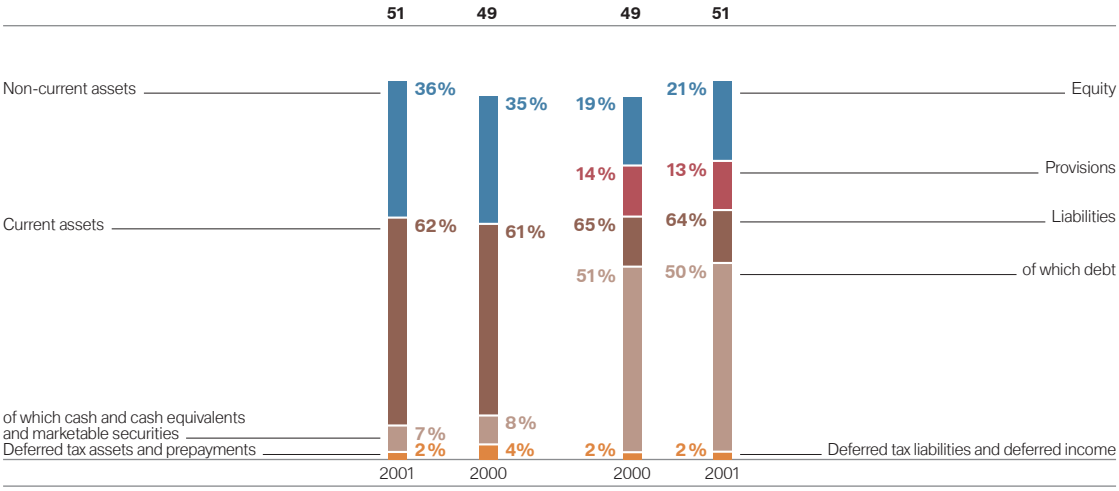
Other receivables increased by 19.4% to euro 4.2 billion. This is attributable above all to the higher level of receivables from non-consolidated subsidiaries and to the increase in the fair values of derivative financial instruments.

Cash and cash equivalents and marketable securities fell by 10.2% to euro 3.3 billion. The mix of cash and cash equivalents and marketable securities has changed to a higher proportion of short-term securities.

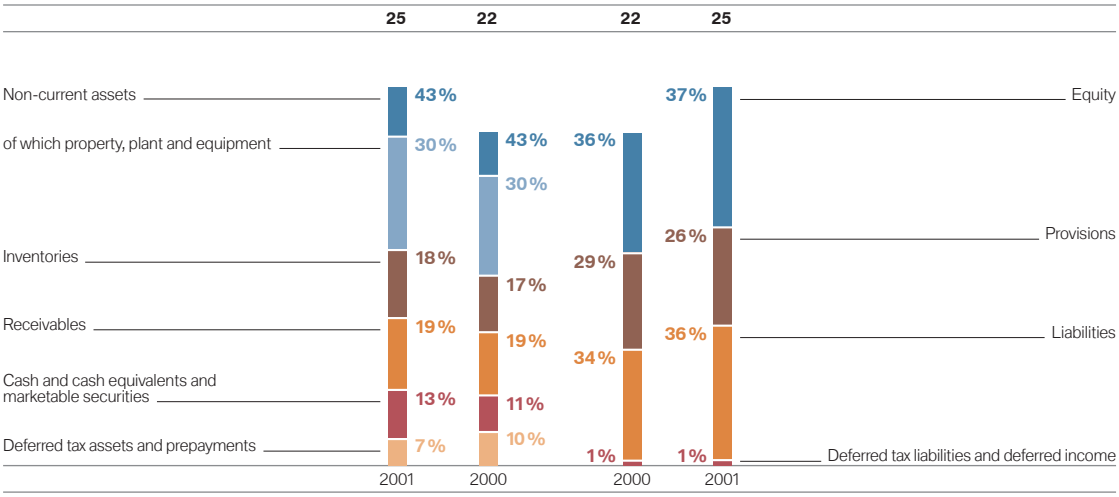
On the equity and liabilities side of the balance sheet, Group equity increased by 14,2% to euro 10.8 billion, mainly as result of the Group net profit of euro 1.9 billion and the issue of employee shares of euro 24 million. The payment of the dividend for 2000, exchange rate fluctuations and the accounting treatment of changes in the fair values of financial instruments reduced equity by euro 552 million. The equity ratio of the Group increased by 1.9 percentage points to 21.0%. The equity ratio for industrial operations was 37.0% compared to 35.9% at the end of the previous year. The equity ratio for financial operations improved by 0.3 percentage points to 8.4%.

Provisions recognised in the balance sheet decreased by 1.4% to euro 6.8 billion, largely as a result of the utilisation of provisions for obligations and risks from the sale of Rover Cars and Land Rover. Against this, higher other provisions were required as a result of the general growth of business and increased obligations relating to personnel.

Balance sheet structure Group
in euro billion



Balance sheet structure Industrial Operations
in euro billion



Debt only increased by 2.5 % to euro 25.7 billion, as a result of the small increase in sales financing business. Debt as a percentage of the balance sheet total fell by 0.6 percentage points to 50.1%. In industrial operations, debt as a percentage of the balance sheet total is only 7.0 % (2000: 5.4 %).

Trade payables and other liabilities are in line with the previous year.

Explanatory comments on the cash flow statement

The cash flow statement shows the sources and application of cash flows in 2000 and 2001, classified into cash flows from operating, investing and financing activities.

Cash and cash equivalents in the cash flow statement are the same as those disclosed in the balance sheet.

Operating activities in fiscal year 2001 generated a cash inflow of euro 5.9 billion (2000: euro 4.9 billion). In calculating these cash inflows, the cash outflows relating to the Rover disengagement have been allocated to investing activities.

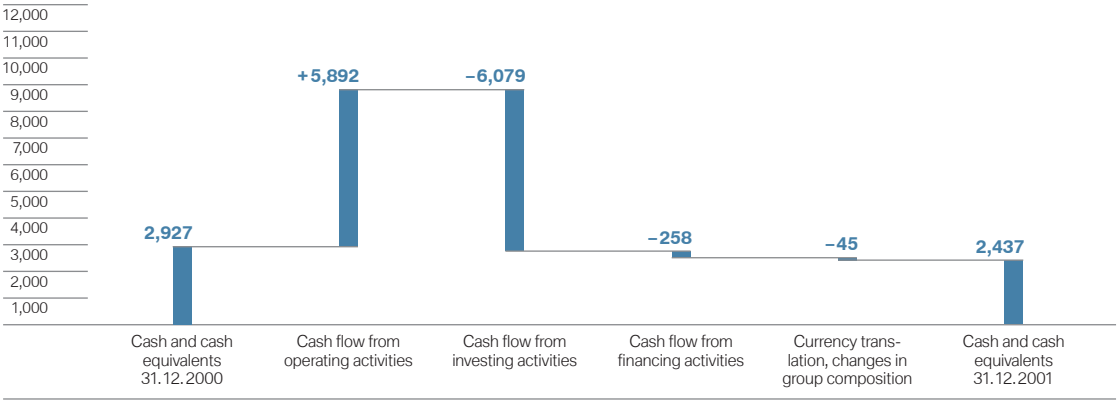
The cash outflow from investing activities amounted to euro 6.1 billion, a reduction of euro 1,3 billion compared to the previous year, excluding sales proceeds of euro 2.0 billion. This reduced cash outflow related mainly to sales financing business, where net investment was down by euro 1.7 billion following the exit from financing Rover and Land Rover vehicles. Higher capital expenditure on intangible assets and property, plant and equipment has led to an increase of euro 538 million in the cash outflow compared to the previous year. The cash outflow for the Rover disengagement was euro 1,017 million. 96.9 % (2000: 89.9 %) of the cash outflow from investing activities was covered by the cash inflow from operating activities.

The cash outflow from financing activities was euro 258 million.

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the Group, the various cash flows resulted in a decrease in cash and cash equivalents of euro 490 million (2000: an increase of euro 826 million).

Net interest-bearing assets (cash and cash equivalents and marketable securities less debt) in the industrial operations increased by euro 181 million to euro 1.5 billion.

Change in cash and cash equivalents
in euro million



Interim reporting disclosures at 31 December 2001 on an HGB basis

The Group Income Statements in accordance with German accounting and reporting law (HGB) for the fourth quarter 2001 and for the full year ended 31 December 2001 as well as revenues and results by segment are presented below, to complete the Group's interim reporting for the financial year 2001 on a HGB basis. Other interim reporting disclosures have not been presented in view of the adoption of IAS for the full financial year. The figures for the fourth quarter 2001 and the interim reporting information for the other quarters of 2001 have not been audited by KPMG Deutsche Treuhand-Gesellschaft.

Group Income Statement on an HGB basis

in euro million	4th quarter 2001	4th quarter 2000	1.1. to 31.12.2001	1.1. to 31.12.2000
Revenues	9,684	9,066	37,853	35,356
Cost of sales	– 8,006	– 7,537	– 30,491	– 28,974
Gross profit	**1,678**	**1,529**	**7,362**	**6,382**
Sales and administrative expenses	– 1,225	– 1,344	– 4,569	– 4,714
Other operating income and expenses	– 7	208	– 95	– 90
Profit before financial result	**446**	**393**	**2,698**	**1,578**
Financial result	35	– 45	50	85
Profit from ordinary activities	**481**	**348**	**2,748**	**1,663**
Income taxes	– 119	– 87	-1,137	– 637
Net profit	**362**	**261**	**1,611**	**1,026**[1]
Effective tax rate in %	24.7	25.0	41.4	38.3
Earnings per share in accordance with DVFA/SG in euro	0.61	0.45	2.67	1.63

1] includes euro 709 million net loss of the Rover Automobiles segment

Segment revenues and results on an HGB basis

Segment revenues on an HGB basis in euro million	4th quarter 2001	4th quarter 2000	2001	2000
BMW Automobiles	8,853	8,490	33,512	29,639
Rover Automobiles	–	–	–	3,896
BMW Motorcycles	186	177	1,059	928
Financial Services	1,781	1,780	7,459	7,050
Miscellaneous, consolidations	–1,136	–1,381	–4,177	–6,157
Group	**9,684**	**9,066**	**37,853**	**35,356**[1]

1] includes euro 3,500 million revenues of the Rover Automobiles segment

Segment results on an HGB basis in euro million	4th quarter 2001	4th quarter 2000	2001	2000
BMW Automobiles	438	525	2,433	2,380
Rover Automobiles	–	–	–	–762
BMW Motorcycles	–14	–15	40	27
Financial Services	77	46	391	345
Miscellaneous, consolidations	–20	–208	–116	–327
Profit from ordinary activities	**481**	**348**	**2,748**	**1,663**

Analysis of the fourth quarter 2001
Total revenues of the BMW Group increased by 6.8% in the fourth quarter of 2001 compared to the same period in the previous year. Revenues were euro 1,488 million or 18.2 % ahead of the third quarter 2001 despite the limited availability of the new 7 Series in this period. Revenues of the BMW Automobiles segment in the fourth quarter of 2001 rose by 4.3 % compared to the previous year's equivalent period. Revenues of the BMW Financial Services segment were unchanged compared to the previous year. Miscellaneous, consolidations includes external sales of euro 149 million (euro 208 million in the fourth quarter 2000).

The profit from ordinary activities of the BMW Group in the fourth quarter of 2001 was euro 481 million, 38.2 % ahead of the result in the same period in 2000. The profit from ordinary activities contains a one-off expense of euro 144 million relating to the revision of warranty provision rates. In the fourth quarter of 2000, a one-off expense of euro 111 million was recognised to increase the provision for the obligations for collection, treatment and recovery of end-of life vehicles to euro 240 million. This one-off expense, however, was more than compensated by the release in that quarter of provisions which were no longer required. The reduction of the profit of the BMW Automobiles segment compared to the fourth quarter of 2000 was also more than compensated by the improvement in the result of Miscellaneous, consolidations. The result of the BMW Automobiles segment in the fourth quarter of 2001 increased by 4.8 % compared to the third quarter of 2001.

Analysis of the year ended 31 December 2001
In the year ended 31 December 2001, the increase in revenues more than compensated the revenues of the Rover Automobiles segment with a total increase of 7.1 %. On an adjusted basis, total revenues would have increased by 18.8 % over the previous year. Revenues of the BMW Automobiles segment rose by 13.1 % against the previous year.

The profit from ordinary activities in 2001 under HGB improved by 65.2 % compared to 2000. After elimination of the losses of the Rover Automobiles segment in 2000, the profit from ordinary activities increased by 17.3 %. The effective tax rate increased by 3.1 percentage points due to a euro 181 million increase in the deferred tax expense as a result of the new tax legislation enacted in Germany. The pre-tax return on sales was 7.3 % (2000: 4.7 %).

Earnings per share for fiscal year 2001, in accordance with DVFA/SG, was euro 2.67 (2000: euro 1.63).

BMW Group
Group and sub-group Income Statements

in euro million	Notes	Group		Industrial operations[1]		Financial operations[1]	
		2001	2000	2001	2000[2]	2001	2000
Revenues	[9]	38,463	37,226	35,318	31,219	8,162	9,334
Cost of sales	[10]	–28,727	–28,747	–26,837	–23,891	–6,855	–8,216
Gross profit		**9,736**	**8,479**	**8,481**	**7,328**	**1,307**	**1,118**
Sales and administrative costs	[10]	–4,647	–4,692	–4,315	–3,766	–528	–447
Research and development costs	[11]	–1,663	–1,440	–1,663	–1,288	–	–
Other operating income and expenses	[12]	–70	–282	228	–379	–315	–205
Profit before financial result		**3,356**	**2,065**	**2,731**	**1,895**	**464**	**466**
Financial result	[13]	–114	–33	–34	13	–72	–44
Profit from ordinary activities		**3,242**	**2,032**	**2,697**	**1,908**	**392**	**422**
Income taxes	[14]	–1,376	–823	–1,195	–812	–145	–76
Minority interest	[15]	0	0	–	–	0	0
Net profit		**1,866**	**1,209**	**1,502**	**1,096**	**247**	**346**
Earnings per share of common stock in euro	[16]	2.78	1.80				
Earnings per share of preferred stock in euro	[16]	2.80	1.82				

1] before consolidation of transactions between the sub-groups
2] adjusted for discontinuing operation Rover see note [8]

BMW Group
Group and sub-group Balance Sheets at 31. December

Assets in euro million	Notes	Group 2001	Group 2000	Industrial operations[1] 2001	Industrial operations[1] 2000	Financial operations[1] 2001	Financial operations[1] 2000
Intangible assets	[17]	2,419	2,138	2,397	2,118	18	16
Property, plant and equipment	[18]	7,355	6,595	7,327	6,573	28	22
Financial assets	[19]	786	872	752	845	34	27
Leased products	[20]	7,908	7,876	145	54	9,521	9,607
Non-current assets		**18,468**	**17,481**	**10,621**	**9,590**	**9,601**	**9,672**
Inventories	[21]	4,501	3,707	4,497	3,691	4	16
Trade receivables	[22]	2,135	1,978	1,868	1,623	267	355
Receivables from sales financing	[22]	17,398	17,082	–	–	17,398	17,082
Other receivables	[22]	4,208	3,524	2,871	2,614	4,011	2,794
Marketable securities	[23]	907	797	882	772	25	25
Cash and cash equivalents	[24]	2,437	2,927	2,373	1,763	64	1,164
Current assets		**31,586**	**30,015**	**12,491**	**10,463**	**21,769**	**21,436**
Deferred tax assets	[14]	**825**	**1,463**	**1,651**	**2,106**	**–1,524**	**–1,356**
Prepayments	[25]	**380**	**381**	**38**	**48**	**342**	**333**
Total assets		**51,259**	**49,340**	**24,801**	**22,207**	**30,188**	**30,085**
Balance sheet total adjusted for asset backed financing transactions		44,861	40,759	–	–	23,790	21,504

1] before consolidation of transactions between the sub-groups

Equity and liabilities in euro million	Notes	Group 2001	 2000	Industrial operations[1] 2001	 2000	Financial operations[1] 2001	 2000
Subscribed capital		673	672				
Capital reserves		1,937	1,914				
Revenue reserves		9,405	7,849				
Accumulated other equity		–1,245	–1,003				
Equity	[26]	**10,770**	**9,432**	**9,179**	**7,962**	**2,526**	**2,426**
Minority interest	[26]	**0**	**0**	**–**	**–**	**0**	**0**
Pension provisions	[27]	2,046	1,869	2,034	1,859	12	10
Other provisions	[28]	4,778	5,052	4,466	4,611	346	467
Provisions		**6,824**	**6,921**	**6,500**	**6,470**	**358**	**477**
Debt	[29]	25,665	25,029	1,739	1,200	23,926	23,829
Trade payables	[30]	3,015	3,065	2,744	2,697	271	368
Other liabilities	[31]	4,068	4,098	4,396	3,654	2,346	2,328
Liabilities		**32,748**	**32,192**	**8,879**	**7,551**	**26,543**	**26,525**
Deferred tax liabilities	[14]	**340**	**199**	**123**	**96**	**138**	**45**
Deferred income	[32]	**577**	**596**	**120**	**128**	**623**	**612**
Total equity and liabilities		**51,259**	**49,340**	**24,801**	**22,207**	**30,188**	**30,085**
Balance sheet total adjusted for asset backed financing transactions		44,861	40,759	–	–	23,790	21,504

BMW Group
Statement of Changes in Equity

in euro million	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity			Total
				Translation differences	Fair value measurement of marketable securities	Derivative financial instruments	
Balance at 31 December 1999	**671**	**1,893**	**6,786**	**–**	**15**	**–1,001**	**8,364**
Subscribed capital increase out of authorised capital	1	–	–	–	–	–	1
Additional paid-in capital on preferred stock	–	21	–	–	–	–	21
Dividends paid	–	–	–269	–	–	–	–269
Translation differences	–	–	–	–261	–	–18	–279
Financial instruments	–	–	–	–	–38	300	262
Disposal of goodwill arising on initial consolidation	–	–	123	–	–	–	123
Net profit 2000	–	–	1,209	–	–	–	1,209
Balance at 31 December 2000	**672**	**1,914**	**7,849**	**–261**	**–23**	**–719**	**9,432**
Subscribed capital increase out of authorised capital	1	–	–	–	–	–	1
Additional paid-in capital on preferred stock	–	23	–	–	–	–	23
Dividends paid	–	–	–310	–	–	–	–310
Translation differences	–	–	–	–165	–	–23	–188
Financial instruments	–	–	–	–	–92	38	–54
Net profit 2001	–	–	1,866	–	–	–	1,866
Balance at 31 December 2001	**673**	**1,937**	**9,405**	**–426**	**–115**	**–704**	**10,770**

BMW Group
Group Cash Flow Statement

in euro million	Notes	2001	2000
Net profit for the year		1,866	1,209
Depreciation of leased products		1,807	1,964
Depreciation and amortisation of other non-current assets		2,162	2,438
Increase in provisions		9	1,942
Rover disengagement		1,017	– 330
Change in deferred taxes		700	292
Other non-cash income and expense items		275	138
Gain/loss on disposal of non-current assets and marketable securities		– 63	– 56
Undistributed profits from associated companies		–	– 6
Changes in current assets and liabilities			
Increase in inventories		– 855	– 320
Increase in receivables		– 609	– 2,169
Decrease in liabilities		– 417	– 236
Cash inflow from operating activities	[37]	**5,892**	**4,866**
Capital expenditure on property, plant and equipment and intangible assets		– 3,449	– 2,911
Proceeds from the disposal of property, plant and equipment and intangible assets		276	45
Proceeds from the sale of consolidated companies		–	2,000
Loans paid out to Phoenix Consortium		– 275	– 448
Other payments relating to the Rover disengagement		– 597	– 365
Investment in financial assets		– 79	– 53
Proceeds from the disposal of financial assets		22	95
Investment in leased products		– 4,598	– 4,103
Disposals of leased products		3,136	2,454
Additions to receivables from sales financing		– 29,028	– 29,290
Payments received on receivables from sales financing		28,647	27,033
Investment in marketable securities		– 209	– 29
Proceeds from marketable securities		75	162
Cash outflow from investing activities	[37]	**– 6,079**	**– 5,410**
Proceeds from issue of capital stock		24	22
Payment of dividend for the previous year		– 310	– 269
Proceeds from issue of bonds		3,792	4,642
Repayment of bonds		– 4,020	– 2,800
Change in debt		– 1,162	1,961
Change in commercial papers		1,418	– 2,219
Cash outflow / inflow from financing activities	[37]	**– 258**	**1,337**
Effect of exchange rate and changes in composition of group on cash and cash equivalents	[37]	**– 45**	**33**
Changes in cash and cash equivalents		**– 490**	**826**
Cash and cash equivalents as at 1 January		2,927	2,101
Cash and cash equivalents as at 31 December	[37]	**2,437**	**2,927**

BMW Group
Analysis of changes in Group non-current assets

in euro million	Acquisition and manufacturing costs						
	1.1.2001[1]	Translation differences	Deconsoli-dation	Additions	Reclassi-fications	Disposals	31.12.2001
Developments costs	3,582	–	–	665	–	213	4,034
Other intangible assets	409	1	–	182	–	68	524
Intangible assets	**3,991**	**1**	**–**	**847**	**–**	**281**	**4,558**
Land, titles to land, buildings, including buildings on third party land	4,169	9	44	253	227	196	4,418
Plant and machinery	12,914	44	424	1,372	518	539	13,885
Other facilities, factory and office equipment	1,687	–3	63	311	26	144	1,814
Advance payments made and construction in progress	888	2	3	733	–771	35	814
Property, plant and equipment	**19,658**	**52**	**534**	**2,669**	**–**	**914**	**20,931**
Investments in subsidiaries	140	–	–	71	–	72	139
Investments in associated companies	131	3	–	–	–	–	134
Investments in other companies	518	–	–	2	–	–	520
Non-current marketable securities	41	–	–	6	–	13	34
Other non-current loans receivable	49	2	–	–	–	4	47
Financial assets	**879**	**5**	**–**	**79**	**–**	**89**	**874**
Leased products	**9,517**	**422**	**–**	**3,385**	**–**	**3,832**	**9,492**
Non-current assets	**34,045**	**480**	**534**	**6,980**	**–**	**5,116**	**35,855**

1] including additions on a gross basis for companies consolidated for the first time
2] includes impairments of euro 111 million and euro 79 million changes in the fair value measurement of financial instruments recognised directly in equity

	Depreciation and amortisation					Net book values	
1.1.2001[1]	Translation differences	Decon-solidation	Current year	Disposals	31.12.2001	31.12.2001	31.12.2000
1,528	–	–	427	197	1,758	2,276	2,054
325	1	–	123	68	381	143	84
1,853	**1**	**–**	**550**	**265**	**2,139**	**2,419**	**2,138**
1,714	–1	22	194	79	1,806	2,612	2,455
10,053	29	327	1,173	504	10,424	3,461	2,861
1,296	–4	56	242	132	1,346	468	391
–	–	–	–	–	–	814	888
13,063	**24**	**405**	**1,609**	**715**	**13,576**	**7,355**	**6,595**
5	–	–	3	–	8	131	135
1	–1	–	–	–	–	134	130
–	–	–	79	–	79	441	518
–	–	–	–	–	–	34	41
1	–	–	–	–	1	46	48
7	**–1**	**–**	**82**	**–**	**88**	**786**	**872**
1,641	**45**	**–**	**594**	**696**	**1,584**	**7,908**	**7,876**
16,564	**69**	**405**	**2,835**[2]	**1,676**	**17,387**	**18,468**	**17,481**

BMW Group
Notes to the Group Financial Statements
Accounting principles and policies

[1] Basis of preparation

The consolidated financial statements of BMW AG ("BMW Group financial statements" or "Group financial statements") at 31 December 2001 have been drawn up for the first time in accordance with the standards valid on the balance sheet date issued by the International Accounting Standards Board (IASB), London. All International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committees (SIC) which were mandatory for fiscal year 2001 were applied. In addition, the following Standards, which were mandatory after 1 January 2001 were applied on a voluntary basis for fiscal year 2000: IAS 12 Income Taxes (revised 2000); IAS 19 Employee Benefits (revised 2000); IAS 39 Financial Instruments: Recognition and Measurement (revised 2000) and IAS 40 Investment Property.

The Group financial statements and Group management report which are required to be filed with the Commercial Register and published in the Federal Gazette, also comply with the European Union Directive on Consolidated Financial Statements (83/349/EEC), whereby this directive was applied on the basis of the interpretation contained in German Accounting Standard No. 1 (GAS 1) "Exempting Consolidated Financial Statements in accordance with § 292a of the German Commercial Code" issued by the German Accounting Standards Committee e.V. (GASC). In order to meet the criteria for the exemption to prepare Group financial statements in accordance with German law, certain additional disclosures were made in the Group financial statements as required by § 292a of the German Commercial Code.

In order to improve clarity, various items are aggregated in the balance sheet and income statement. These items are disclosed and analysed separately in the Notes.

In order to support the sale of the BMW products, the BMW Group provides various financial services – mainly loan and lease financing – to its customers. The inclusion of the financial services activities of the Group also has a significant impact on the Group financial statements. In order to provide a better insight into the assets, liabilities, financial position and performance of the Group, additional information has been presented in the BMW Group financial statements on the industrial and financial operations. Financial operations include financial services and the activities of the Group financing companies. The operating interest income and expense of financial operations is included in revenues and cost of sales. The holding companies BMW (UK) Holdings Ltd., Bracknell, BMW Holding B.V., The Hague, BMW Österreich Holding GmbH, Steyr, and BMW (US) Holding Corp., Wilmington, are allocated to industrial operations. The main business transactions between the industrial and financial operations, which are consolidated in the Group financial statements, are internal sales of products, the provision of funds for Group companies and the related interest. These additional disclosures allow the assets, liabilities, financial position and performance of the industrial and financial operations to be presented, on an IAS basis, as if they were two separate groups. This information, which has not been audited by the Group auditors, is provided on a voluntary basis and does not form part of the mandatory disclosures required by IAS.

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from customer and dealer financing are sold. Similarly rights and obligations relating to leases are also sold. The sale of receivables is a well established instrument used by industrial and financial companies. These transactions are usually in the form of so-called "asset backed financing". This involves 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 (including debt collection) and receives an appropriate fee for these services. In accordance with IAS 27 (Consolidated Financial Statements and Accounting for Investments in Subsidiaries) and the interpretation in SIC 12 (Consolidation – Special Purpose Entities) such

assets which have been legally sold remain in the Group financial statements. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet. The balance sheet value of the assets sold at 31 December 2001 totalled euro 6.4 billion (31.12.2000: euro 8.6 billion). For an additional understanding of the asset, liability and financial position of the BMW Group, the Group balance sheet contains a supplementary disclosure of the balance sheet total adjusted for assets which have been sold.

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

The Group financial statements at 31 December 2001 are drawn up in accordance with § 292 a of the German Commercial Code and the Group management report have been filed with the Commercial Register of the Munich District Court (HRB 42243) and will be provided for inspection on request. In addition the Group financial statements and the Group management report can be downloaded from the BMW Group website at www.bmwgroup.com under Investor Relations.

[2] Consolidated companies

The BMW Group financial statements include, besides BMW AG, all material subsidiaries, 13 special securities funds and 15 trusts for asset backed financing transactions, both in Germany and abroad.

The number of subsidiaries, special purpose funds and trusts included in the Group financial statements changed in 2001 as follows:

	Germany	Foreign	Total
Included at 31.12.2000	29	109	138
Included for the first time in 2001	4	5	9
No longer included in 2001	4	9	13
Included at 31.12.2001	**29**	**105**	**134**

89 subsidiaries (previous year: 70) either dormant or generating a negligible volume of business are not included. Their influence on the Group's assets, liabilities, financial position and earnings is immaterial.

BMW Pensionskasse (Österreich) AG, Steyr, has also not been consolidated because its assets are assigned for a particular purpose.

Non-inclusion of operating subsidiaries reduces total Group sales by 1.8%.

As in the previous year, two associated companies and one joint venture have been consolidated using the equity method. Three (previous year: 3) associated companies are not included due to their relative insignificance to the Group's financial and earnings position. These associated companies are shown at cost, less write-downs where applicable, under investments in other companies.

A complete list of the Group's shareholdings has been filed with the Commercial Register of the Munich District Court (HRB 42243). The principal subsidiaries of the BMW Group are shown on pages 102 to 103.

[3] Changes in the reporting entity

In conjunction with the restructuring of investments in the Softlab sub-group, the following companies are no longer consolidated: LOT Consulting GmbH, Villingen/Schwenningen, LOT Systeme- und Service GmbH, Dresden, LOT Consulting GmbH, Karlsruhe, and softlab S. A., Paris.

Nexolab GmbH, Munich, which was incorporated in 2000 and is part of the Softlab sub-group, was consolidated for the first time in 2001.

Softlab Ltd., Bracknell is no longer consolidated with effect from 1 April 2001, following the transfer of part of the activities of this company to Softlab Ltd., Solihull. This newly incorporated company has been consolidated with effect from 1 April 2001.

Following agreement on the transfer balance sheet between BMW (UK) Holdings Ltd., Bracknell and Techtronic (2000) Ltd., Birmingham (Phoenix Consortium) in connection with the sale of Rover Cars, the supply plant Powertrain Ltd., Bracknell, (excluding gearbox production for the MINI) was transferred to the Phoenix Consortium with effect from 31 May 2001 and was deconsolidated at that date. Gearbox production for the MINI was transferred to the newly incorporated Midland Gears. Ltd., Bracknell, which has been consolidated since 1 June 2001.

Following the disposal of the financing business for Rover Cars and Land Rover vehicles to the Phoenix Consortium and to Ford Motor Company, Dearborn, Mich., Rover Financial Services (GB), Hook, ceased to be a Group company.

BMW Financial Services Holding GmbH, Munich, is no longer consolidated as a separate company after it was merged with BMW AG. British Motor Heritage Ltd., Gaydon, Rover Pension Services Ltd., Bracknell, Rover Property Development Ltd., Bracknell, The Austin Motor Company Ltd., Bracknell and The Rover Group Benefit Trust Ltd., Bracknell, also ceased to be Group companies.

Hireus Ltd., Bracknell, and APD Industries plc., Bracknell, were consolidated for the first time in 2001. Both companies cover the Rolls-Royce activities of the BMW Group.

The Group reporting entity also changed by the first-time inclusion of three special purpose funds and one trust.

The changes in the composition of the Group do not have a material impact on the assets, liabilities, financial position and earnings of the Group.

[4] Consolidation principles

In the capital consolidation, investments in subsidiaries are set off against the Group's share of the equity of consolidated subsidiaries at the date of acquisition. In the case of subsidiaries purchased for consideration, any difference between purchase cost and the Group's share of the equity, is allocated initially to the identifiable assets and liabilities of the subsidiary where the difference results from undisclosed reserves or liabilities. Any excess of cost over the amounts allocated to identifiable assets and liabilities is recognised as goodwill and is amortised over its future estimated useful life (up to a maximum of 15 years) on a straight-line basis. Amortisation is recognised as an expense. Goodwill of euro 91 million which arose prior to 1 January 1995 remains netted against reserves as permitted by IAS 22 (Business Combinations). When a Group company is deconsolidated, goodwill is removed from the balance sheet with income statement effect.

Receivables, liabilities, provisions, income and expenses and profits between consolidated companies are eliminated.

The same principles are applied in consolidating associated companies under the equity method.

[5] Foreign currency translation

The financial statements of consolidated companies prepared in a foreign currency, are translated using the "functional currency" concept (IAS 21: The Effects of Changes in Foreign Exchange Rates) and the foreign entity method. Since foreign subsidiaries operate their businesses autonomously, from a financial, economic and organisational point of view, the functional currency of these companies is identical to the local currency. Income and expenses of foreign subsidiaries are therefore translated in the Group financial statements at the average exchange rate for the year, and assets and liabilities are translated at the closing rate. Exchange differences arising from the translation of shareholders' equity are offset directly against accumulated other equity. Exchange differences arising from the use of different exchange rates to translate the income statement are also offset directly against accumulated other equity.

Foreign currency receivables and payables in the single entity accounts of BMW AG and subsidiaries are recorded at cost. Exchange gains and losses computed at the balance sheet date are recognised as income or expense.

The exchange rates of the major currencies have moved as follows against the euro:

	Closing rate		Average rate	
	31.12.2001	31.12.2000	2001	2000
US Dollar	0.88	0.93	0.90	0.93
Pound Sterling	0.61	0.62	0.62	0.61
South African rand	10.53	7.04	7.70	6.38
Japanese yen	115.48	106.56	108.73	99.59

[6] Accounting policies

The single entity financial statements of BMW AG and of its subsidiaries in Germany and elsewhere have been prepared in accordance with IAS 27 using uniform accounting policies. Discrepancies in the accounting policies of associated companies have not been adjusted where the amounts involved are negligible.

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods are transferred to the customer, the sales price is agreed or determinable and receipt of payment can be assumed. Revenues are stated net of discounts, allowances, settlement discounts and rebates. In the case of long-term production work of BMW Fahrzeugtechnik GmbH, Eisenach, and of the Softlab sub-group, revenues are recognised in accordance with IAS 18 (Revenue) and IAS 11 (Construction Contracts) using the percentage of completion method. Revenues also include lease rentals and interest income from financial services.

Cost of sales comprises the cost of manufacturing products which have been sold and the acquisition cost of purchased merchandise. It includes directly attributable material and production costs and all indirect production overheads. These include depreciation of property, plant and equipment and amortisation of other intangible assets relating to production and write-downs on inventories. Cost of sales also includes costs which are directly

attributable to lease business and interest expense arising from the refinancing of financial services.

Research costs and development costs which are not capitalised are recognised as an expense when incurred.

Basic Earnings per Share are computed in accordance with IAS 33 (Earnings per Share). Undiluted earnings per share are calculated for ordinary and preferred stock shares by dividing the net profit attributable to each category of stock – net of minority interests – by the average number of issued shares. The net profit is accordingly allocated to the different categories of stock. The portion of the group net profit for the year which is not being distributed is allocated to each category of stock based on the number of issued shares. Net income paid out as a dividend is allocated in accordance with the actual payment. Diluted earnings per share would have to be disclosed separately.

Purchased and self-generated **intangible assets** are recognised as assets in accordance with IAS 38 (Intangible Assets), where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably. Such assets are measured at purchase or production cost and amortised on a straight-line basis over their estimated useful lives. With the exception of goodwill and capitalised development costs, intangible assets are generally amortised over their estimated useful lives of between three and five years.

Development costs for vehicle and engine projects are capitalised at production costs, to the extent that costs can be allocated reliably and the technical feasibility and marketing are assured. It must also be probable that the development activities will generate future economic benefits. Capitalised development costs comprise all expenditure that can be attributed, directly and indirectly, to the development process. Capitalised development costs are amortised on a systematic basis following the commencement of production over the estimated product life which is generally seven years.

All items of **property, plant and equipment** are considered to have finite useful lives. They are stated at acquisition or manufacturing cost less systematic depreciation based on the estimated useful lives of the assets. Depreciation on property, plant and equipment reflects the pattern of their usage and is generally computed using the straight-line method.

Expenditure on low value non-current assets is written off in full in the year of acquisition.

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

in years	
Office and factory buildings, including utility distribution buildings	10 to 40
Residential buildings	40 to 50
Plant and machinery	5 to 10
Other facilities, factory and office equipment	3 to 10

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

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

Financing costs are not included in acquisition or manufacturing costs.

Non-current assets also include assets relating to **leasing**. The BMW Group uses property, plant and equipment as the lessee and also leases assets, mainly vehicles manufactured by the Group, as lessor. IAS contain rules for determining, on the basis of the risks and rewards of the parties to the lease, the economic owner of the assets. In the case of finance leases the assets are attributed to the lessee and in the case of operating leases the assets are attributed to the lessor.

In accordance with IAS 17 (Leases), assets leased under finance leases are measured at their fair value or at the present value of the lease payments if lower. The assets are depreciated using the straight-line method over their estimated useful lives or over the lease period, if shorter. The obligations for future lease instalments are recognised as liabilities within debt.

Where Group products are recognised by BMW Group leasing companies as **leased products** under operating leases, they are measured at manufacturing costs. All other leased products are measured at acquisition cost. All leased products are depreciated using the straight-line method over the period of the lease to the lower of their notional residual value or estimated fair value.

The recoverability of the carrying amount of **intangible assets** (including capitalised development costs and goodwill) and **property, plant and equipment** are tested regularly for impairment in accordance with IAS 36 (Impairment of Assets) on the basis of "cash generating units". An impairment loss is recognised when the recoverable amount of an asset, defined as the higher of an asset's net selling price and value in use, is lower than the carrying amount. If the reason for the previously recognised impairment loss no longer exists, the impairment loss is reversed to the level of its rolled-forward depreciated or amortised cost.

Investments in non-consolidated subsidiaries and in other companies which are disclosed within **non-current financial assets** are stated at cost, unless a different fair value for the investment is available.

Associated companies are generally consolidated using the equity method, whereby the investment is measured at the Group's share of the equity of the company.

In the case of non-current marketable securities and loans, it is necessary under IAS 39 to differentiate between securities which are held for trading, securities which are available for sale and securities which are held to maturity. The BMW Group has no securities which are held for trading. Securities which are available for sale are measured at their market price and unrealised gains and losses are recognised directly in equity (net of deferred taxes). If a market price is not available, the fair value of the securities which are available for sale is measured applying normal measurement methods on the

basis of market information available at the reporting date. Financial assets which are held to maturity are measured at cost or their impaired value if applicable.

Inventories of raw materials, supplies and goods for resale are shown as a general rule at the lower of average acquisition cost and net realisable value. In certain specific cases, the FIFO method (first-in first-out) is applied.

Work in progress and finished goods are stated at manufacturing cost, comprising all costs which are directly attributable to the manufacturing process and an appropriate share of production-related overheads. These include production-related depreciation and an appropriate proportion of administrative and social costs.

Financing costs are not included in acquisition or manufacturing costs.

Write-downs are made to cover risks arising from slow-moving items or reduced saleability. Lower values are applied at the balance sheet date where selling prices have been reduced.

Receivables and other current assets are stated at their nominal value or at cost, less appropriate allowances for identifiable risks. Receivables with maturities of over one year which bear no or lower than market interest rate are discounted. An allowance based on past experience is recognised to take account of general credit risk.

Receivables from sales financing comprise receivables from customer, dealer and lease financing.

Derivative financial instruments are only used within the BMW Group for hedging purposes in order to reduce the currency, interest rate and market price risks from operating activities and the related financing requirements. All derivative financial instruments (such as interest, currency and combined interest/currency swaps as well as forward currency contracts) are measured in accordance with IAS 39 at fair value, irrespective of the purpose of or the reason for entering into such instruments. In those cases where hedge accounting is applied, changes in fair value are recognised either in income or directly in equity under accumulated other equity, depending on whether the transactions are classified as fair value hedges or cash flow hedges. In the case of fair value hedges, the results of the fair value measurement of the derivative financial instruments and of the related hedged items are recognised in the income statement. In the case of fair value changes from cash flow hedges which are used to mitigate the future cash flow risk on a recognised asset or liability or on forecasted transactions, the portion of the unrealised gains and losses on the hedging instrument that is determined to be an effective hedge is recognised initially directly in accumulated other equity. The recognition occurs in the income statement when the hedged item itself is recognised in the income statement. The ineffective portion of the change in the fair value measurement is recognised immediately in the income statement. If, contrary to the normal case within the BMW Group, hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the income statement.

Current **marketable securities** comprise securities available for sale, which are measured at their market value. If a market price is not available, the fair value is measured by applying normal measurement methods on the basis of market information available at the reporting date. Unrealised gains and losses are recognised directly in accumulated other equity (net of deferred taxes) until they are realised.

In accordance with IAS 12, **deferred tax assets and liabilities** are recognised on all temporary differences between the tax and IAS bases of assets and liabilities and on consolidations affecting net profit. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax loss carry forwards, where this usage is probable. Deferred taxes are computed using enacted or planned tax rates which are expected

to apply in the relevant national jurisdictions when the amounts are recovered.

Provisions for pensions and similar obligations are recognised using the projected unit credit method in accordance with IAS 19 (Employee Benefits). Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of the various input factors, which are evaluated on a prudent basis. The provision is derived from an independent actuarial valuation which takes into account the relevant biometric factors.

Actuarial gains and losses are only recognised as income or expenses when their net cumulative amount exceeds 10 % of the obligations. In this case they are recognised over the average remaining working lives of the employees. The expense from the allocation to the pension provisions including the interest component is allocated to the functional positions of the income statement.

Other provisions are recognised when the Group has an obligation to a third party, an outflow of resources is probable and a reliable estimate can be made of the amount of the obligation. The measurement of other provisions – in particular in the case of warranty obligations and pending losses on onerous contracts – takes account of all cost components which are included in the inventory valuation. Noncurrent provisions with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the balance sheet date.

Liabilities are stated at their nominal value or repayment amount. Liabilities from finance leases are stated at the present value of the future lease payments and disclosed under debt.

The preparation of the Group financial statements in accordance with IAS requires management to make certain assumptions and **estimates** that affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. The assumptions and estimates relate principally to the group-wide determination of economic useful lives, the recognition and measurement of provisions and the recoverability of future tax benefits. Actual amounts could in certain cases differ from those assumptions and estimates. Changes are taken into account with income statement effect if new information comes to light.

[7] The impact of the adoption of IAS for financial reporting

The BMW Group financial statements have been prepared and presented as if they had always been prepared in accordance with IAS and IAS Interpretations. The adjustment resulting from the conversion to IAS has been treated as an adjustment to the opening balance of equity.

The conversion to IAS in 2000 had the following effect on the Group balance sheet:

Assets in euro million	IAS	HGB	Change
Intangible assets	2,138	103	+2,035
Property, plant and equipment	6,595	5,710	+885
Financial assets	872	950	–78
Leased products	7,876	–	+7,876
Non-current assets	**17,481**	**6,763**	**+10,718**
Inventories	3,707	2,809	+898
Assets from sales financing	–	17,578	–17,578
Receivables from sales financing	17,082	–	+17,082
Other current assets and prepayments	9,607	8,184	+1,423
Current assets	**30,396**	**28,571**	**+1,825**
Deferred tax assets	**1,463**	**541**	**+922**
Total assets	**49,340**	**35,875**	**+13,465**

Equity and liabilities in euro million	IAS	HGB	Change
Equity	**9,432**	**4,896**	**+4,536**
Provisions	**6,921**	**8,173**	**–1,252**
Liabilities and deferred income	**32,788**	**6,636**	**+26,152**
Liabilities from sales financing	**–**	**16,170**	**–16,170**
Deferred tax liabilities	**199**	**–**	**+199**
Total equity and liabilities	**49,340**	**35,875**	**+13,465**

The changes in the Group balance sheet are due to the following main differences between IAS and the accounting policies previously applied:

Non-current assets

One of the main differences compared to HGB is that self-generated intangible assets must be recognised as an asset provided that certain criteria are met. In the case of the BMW Group, this is mainly relevant for development costs incurred for vehicle and engine projects. Furthermore, non-current assets are generally depreciated or amortised for IAS purposes over their useful economic lives using the straight-line method, and no longer using the reducing balance method.

Under IAS, leased products are not disclosed as current assets together with receivables from sales financing, but are disclosed instead in a separate position within non-current assets. In addition, the different accounting treatment of certain lease transactions means that in several cases operating leases have been reclassified as finance leases. These are disclosed as receivables from sales financing.

The increase in non-current assets of euro 10,718 million (+158.5%) can be analysed as follows:

in euro million	
Non-current assets at 31.12.2000 under HGB	**6,763**
Capitalisation of development costs	+2,054
Lower depreciation	+669
Reclassification of leased products (HGB amount)	+7,206
Recognition and new measurement of leased products	+670
Other	+119
Non-current assets at 1.1.2001 under IAS	**17,481**

Inventories

In accordance with German accounting law, inventories of the group's production companies were measured for HGB purposes at direct costs of production. Inventories held by all other group companies were measured at production cost including a proportion of direct overheads. Under IAS, inventory must be measured on a consistent basis at fully absorbed production cost. In addition, in line with the prudence principle, it was permitted under HGB to recognise a higher level of write-downs than under IAS. In addition, advance payments received cannot be offset against inventories under IAS.

On an IAS basis, inventories increase by euro 898 million (+32.0%) as follows:

in euro million	
Inventories at 31.12.2000 under HGB	**2,809**
Inclusion of production related overheads and lower write-downs	+691
Reversal of the offset of advance payments received	+207
Inventories at 1.1.2001 under IAS	**3,707**

Assets from sales financing (receivables from sales financing)
Assets from sales financing under HGB decrease by euro 496 million (–2.8%) under IAS and now only include, after both reclassifications set out below, receivables from sales financing:

in euro million	
Assets from sales financing at 31.12.2000 under HGB	**17,578**
Reclassification of leased products (HGB amount)	–7,206
Reclassification to other positions within current assets	–624
Reclassification of operating leases to finance leases	+943
Release of allowances on receivables	+143
Reversal of asset backed financing transactions previously off-balance sheet	+6,248
Receivables from sales financing at 1.1.2001 under IAS	**17,082**

Other current assets and prepayments
The treatment of financial instruments (marketable securities, foreign currency receivables and payables, derivative instruments) differs significantly between IAS and HGB at a conceptual level. Under HGB, financial instruments may not be measured at an amount above cost (i.e. the acquisition cost principle) and they must always be measured at their most prudent amount (i.e. in accordance with the imparity principle which requires recognition of unrealised losses but not of unrealised gains). Whereas it is not permitted to recognise unrealised gains, provisions must be recognised for all pending losses on onerous contracts. By contrast, IAS requires that all financial derivative instruments are measured at their fair value, meaning that unrealised gains are also recognised. The requirement for fair value measurement affects the BMW Group particularly in the accounting treatment of forward currency contracts. For IAS purposes, all positive and negative fair values arising on derivative instruments must be recognised. Fair value changes arising on cash flow hedges, to the extent that they are classified as effective, are recognised directly in equity, thus leading potentially to a greater risk of volatility in equity as a result of interest rate and currency fluctuations.

IAS also requires that the surplus on certain external pension funds must be recognised as an asset. In the case of the BMW Group, this is an issue principally affecting the pension fund in Great Britain.

Other current assets increase by euro 1,423 million (+17,4%) in comparison with HGB:

in euro million	
Other current assets and prepayments at 31.12.2000 under HGB	**8,184**
Reclassification of assets from sales financing	+624
Fair value measurement of financial instruments	+470
Pension fund surplus	+92
Other	+237
Other current assets and prepayments at 1.1.2001 under IAS	**9,607**

Deferred taxes
Under HGB, there is a requirement to recognise all deferred tax liabilities but only deferred tax assets arising from consolidations . There is an option to recognise other deferred tax assets. Under IAS all deferred tax assets and liabilities must generally be recognised. A further difference is that, whereas it is not permitted under HGB to recognise a deferred tax asset on tax loss carry forwards, it is a requirement of IAS to recognise a deferred tax asset on tax loss carry forwards where it is probable that the tax benefit will be realised.

For IAS purposes, deferred tax assets increase by euro 922 million after netting deferred tax assets and liabilities where permitted. This increase relates mainly to the deferred tax asset recognised on tax loss carry forwards and on the surplus of negative fair values arising from forward currency contracts. Deferred tax liabilities of euro 199 million are disclosed for IAS purposes, whereas for HGB purposes all deferred tax liabilities could be offset against deferred tax assets.

Liabilities from sales financing
Liabilities from sales financing of euro 16,170 million under HGB are reclassified for IAS purposes to the position liabilities and deferred income.

Liabilities and deferred income
This position increases by euro 26,152 million (+394.1 %) under IAS as follows:

in euro million	
Liabilities and deferred income at 31.12.2000 under HGB	**6,636**
Reclassification of liabilities from sales financing	+16,170
Fair value measurement of financial instruments	+1,616
Reversal of repayments of asset backed financing transactions	+7,282
Reclassification of provisions	+881
Other	+203
Liabilities and deferred income at 1.1.2001 under IAS	**32,788**

Provisions
The actuarial method used to measure pension obligations in accordance with IAS differs from that used under HGB, taking into account future salary and pension increases. The increase in the provision remains relatively low however since the BMW Group was already using a discount rate of 5 % for HGB purposes which led to a higher provision. The increase is due to the fact that the computation took account of the career progression of all employees in Germany.

Other provisions may only be recognised under IAS if an enterprise has a present obligation (legal or constructive) to a third party and outflow of resources is probable (“more likely than not”). The recognition of deferred expense provisions, as permitted by HGB, is not allowed under IAS. Provisions are measured for HGB purposes on the basis of prudent management judgement, for IAS purposes at their most probable amount. IAS require that long-term provisions are discounted.

For IAS purposes, deferred expense provisions for major repairs and maintenance are no longer recognised. Provisions for legal disputes and product liability risks are measured at a lower level than for HGB purposes. Warranty provisions and the provision for the EU end-of life vehicle directive have to be discounted.

The provisions for outstanding suppliers' invoices, where the goods or services have been received, are reclassified for IAS purposes to liabilities.

Provisions decrease by euro 1,252 million (–15.3%) as follows:

in euro million	
Provisions at 31.12.2000 under HGB	**8,173**
Increase of pension provision	+203
Recognition and measurement differences of other provisions	–574
Reclassification to liabilities	–881
Provisions at 1.1.2001 under IAS	**6,921**

Equity

Equity under IAS increases by euro 4,536 million (+92,6%). The following summary shows the recognition and measurement differences between HGB and IAS and reconciles the equity at 31 December 2000 under HGB to the equity on the first day of the following year, 1 January 2001, under IAS:

in euro million	
Equity at 31.12.2000 under HGB	**4,896**
Capitalisation of development costs	+2,054
Deferred taxes	+723
Inventory valuation	+691
Derecognition and different measurement of other provisions	+673
Depreciation on non-current assets	+669
Reclassification of operating leases to finance leases	+306
Release of allowances on receivables	+169
Fair value measurement of financial instruments	–1,074
Other recognition and measurement differences	+325
Equity at 1.1.2001 under IAS	**9,432**

The net profit under IAS is euro 183 million (+17.8%) higher than under HGB. The net profit for IAS and HGB is reconciled as follows:

in euro million	
Net profit for 2000 under HGB	**1,026**
Capitalisation of development costs	+236
Deferred taxes	–186
Inventory valuation	+69
Derecognition and different measurement of other provisions	–485
Depreciation on non-current assets	+198
Effect of asset backed financing transactions and lease arrangements	+242
Release of allowances on receivables	+55
Fair value measurement of financial instruments	+56
Other recognition and measurement differences	–2
Net profit for 2000 under IAS	**1,209**

[8] Effect of discontinuing operation (Rover) on the income statement for fiscal year 2000

In conjunction with a reorganisation of the BMW Group undertaken in fiscal year 2000, the development, production and sales of Rover Cars, part of the Rover Automobile segment, was sold to the Phoenix Consortium on 9 May 2000 for a consideration of GBP 10. The other part, the Land Rover business, was acquired by the Ford Motor Company, Dearborn, Mich., at 30 June 2000 for a consideration of euro 3 billion.

The effect on the Group income statement for the year 2000 up to the date of each sale is shown in the following analysis:

in euro million	
Revenues	3,500
Cost of sales	– 3,424
Gross profit	76
Sales and administrative costs	– 669
Research and development costs	– 152
Other operating income and expenses	– 159
Loss before financial result	– 904
Financial result	– 47
Loss from ordinary activities	– 951
Income taxes	291
Net loss	– 660

The profit from ordinary activities of the Group was reduced in total in 2000 by losses recorded by the Rover Automobiles segment amounting to euro 951 million. This amount comprises the losses of euro 755 million disclosed in the Rover Automobiles segment, excluding inter-company recharges of euro 15 million, and including disengagement costs of euro 211 million which could not be recognised as a provision in 1999 under IAS.

[9] Revenues

An analysis of revenues by business segment and geographical region is shown in the segment information on pages 86 to 89.

Revenues by activity comprise the following:

in euro million	2001	2000
Sales of products and related goods	31,222	28,882
Income from lease instalments	2,505	3,052
Sale of products previously leased to customers	2,851	3,357
Interest income on loan financing	1,277	1,312
Other income	608	623
	38,463	37,226

Revenues of euro 61 million (2000: euro 27 million) were recognised on service and customer-specific production contracts under long-term contracts in progress. The aggregate amount of profits recognised on long-term contracts in progress amounted to euro 16 million (2000: euro 8 million) and costs incurred to date amounted to euro 40 million (2000: euro 20 million).

[10] Cost of sales, sales and administrative costs

Cost of sales in 2001 includes impairment losses of euro 26 million principally on tools within the BMW Automobiles segment. In the previous year, impairment losses of euro 402 million were recognised in conjunction with the reorganisation of the production plants in Oxford and Swindon. This amount is disclosed in Reconciliations in the segment information. Cost of sales in fiscal year 2000 includes impairment losses of euro 21 million on goodwill in conjunction with the reorganisation of the Softlab Group. This amount is also shown in Reconciliations in the segment information. Interest expense on refinancing the entire financial services business of euro 1,162 million (2000: euro 1,279 million) is also included in cost of sales.

Sales costs amount to euro 4,104 million (2000: euro 4,121 million), administrative costs amount to euro 543 million (2000: euro 571 million).

[11] Research and development costs

Research and development costs of euro 1,663 million (2000: euro 1,440 million) comprise all research costs and development costs not recognised as assets as well as amortisation and disposals of capitalised development costs of euro 443 million (2000: euro 400 million).

[12] Other operating income and expenses

in euro million	2001	2000
Income from the release of provisions	312	181
Exchange gains	253	348
Gains on the disposal of non-current assets	120	18
Income from the reversal of write-downs	197	112
Income from non-core business	249	244
Sundry operating income	732	921
Other operating income	**1,863**	**1,824**
Expense from additions to provisions	430	497
Exchange losses	174	342
Write-downs on current assets	524	430
Sundry operating expenses	805	837
Other operating expenses	**1,933**	**2,106**
Other operating income and expenses	**–70**	**–282**

Sundry operating income includes public-sector grants of euro 23 million (2000: euro 14 million). In addition tax benefits of euro 24 million (2000: euro 13 million) were received from government bodies.

Other operating expenses comprise all expenses not attributable to the functional positions as well as an insignificant amount of amortisation on the goodwill arising on consolidation of subsidiaries.

The expense from additions to provisions in the previous year included the one-off effect of setting up a provision of euro 142 million for collection, treatment and recovery of end-of life vehicles.

Sundry operating expenses contain impairment losses of euro 85 million recorded on intangible assets as a consequence of the events of 11 September 2001. This amount is included in Reconciliations in the segment information. Sundry operating expenses also include expenses incurred for various restructuring measures.

[13] Financial result

in euro million	2001	2000
Income from investments	35	53
– thereof from subsidiaries: euro 11 million (2000: euro 34 million)		
Income from associated companies	–	7
Expenses from loss transfers	3	2
Write-downs on investments in subsidiaries	3	3
Result on investments	**29**	**55**
Other interest and similar income	823	748
– thereof from subsidiaries euro 21 million (2000: euro 18 million)		
Interest and similar expenses	781	761
– thereof to subsidiaries euro 3 million (2000: euro 3 million)		
Expense from reversal of discounting of provisions	65	39
Write-downs on non-current loans and current marketable securities	–	3
Net interest result	**–23**	**–55**
Expense from fair value measurement of financial instruments	120	33
Other financial result	**–120**	**–33**
Financial result	**–114**	**–33**

Income from investments arises principally from the investment in Rolls-Royce plc, London, and from subsidiaries.

Income from associated companies includes the equity results of Rover Finance Holdings Ltd., Guildford, and of the joint venture TRITEC Motors Ltda., Campo Largo.

Write-downs on non-current financial assets and current marketable securities amounted in total to euro 3 million (2000: euro 6 million).

[14] Income taxes

Income taxes comprise the following:

in euro million	2001	2000
Current tax	678	425
Deferred tax	698	398
	1,376	823

The expense for current tax includes tax payments relating to prior years, net of tax reimbursements, of euro 24 million (2000: net tax reimbursement of euro 22 million). No taxes arose in conjunction with extraordinary items or from the discontinuation of operations in the year under report. There were no changes in accounting policies as defined by IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies) in the past and thus no impact on the tax expense.

Deferred taxes are computed using tax rates based on laws already enacted in the various tax jurisdictions or using rates that are expected to apply at the date when the amounts are paid or recovered. Following the tax reform in Germany which became effective on 1 January 2001, the income tax rates for retained profits (previously 40%) and for distributed profits (previously 30%) were reduced to a uniform level of 25%. Including the average effective municipal trade tax rate of 12.5% and the solidarity surcharge of 5.5%, the overall tax rate for BMW companies in Germany is 38.9% (in 2000: 52.0%). The tax rates for companies outside Germany range from 10% to 42.5%. The deferred tax expense was reduced by euro 10 million (2000: increased by euro 225 million) as a result of changes in the tax rates.

Deferred taxes were not recognised on non-distributed profits of euro 7.9 billion (2000: euro 6.5 billion) of foreign subsidiaries, as it is intended to invest these profits to maintain and expand the business volume. A computation was not made of the potential impact on the income taxes on the grounds of disproportionate expense.

Following a change to IAS 12 in 2000, it is only permitted to recognise deferred taxes on the potential reduction of income taxation once the shareholders have formally resolved to pay a dividend. The effect of this change on the Group financial statements at 31 December 2000 was immaterial.

Deferred tax assets and liabilities at 31 December were attributable to the following positions:

in euro million	Deferred tax assets		Deferred tax liabilities	
	2001	2000	2001	2000
Intangible assets and property, plant and equipment	1,464	1,082	3,859	3,651
Financial assets	27	109	52	95
Current assets	1,555	719	2,755	1,388
Tax loss carry forwards	2,263	2,502	–	–
Provisions	1,213	1,121	536	177
Liabilities	2,395	2,011	433	364
Consolidations	942	1,018	98	149
	9,859	8,562	7,733	5,824
Write-downs	– 1,641	– 1,474	–	–
Netting	– 7,393	– 5,625	– 7,393	– 5,625
Total	**825**	**1,463**	**340**	**199**

The carrying value of deferred tax assets is reduced when recoverability is uncertain. In determining the level of the write-down, all positive and negative factors concerning the likely existence of sufficient taxable profit in the future are taken into account. These estimates can change depending on the actual course of events. Write-downs includes euro 425 million (2000: euro 383 million) relating to tax loss carry forwards and euro 523 million (2000: euro 539 million) on losses on disposals (so-called "capital losses") in Great Britain, which can only be set off against capital gains, but not against trading profits. In addition there is a write-down of euro 653 million (2000: euro 552 million) on capital allowances in Great Britain, which are shown above in intangible assets and property, plant and equipment and a write-down of euro 40 million (2000: euro 0 million) on consolidations.

In the year under report, deferred taxes recognised directly against equity reduced by euro 44 million (2000: euro 12 million).

The actual tax expense in fiscal year 2001 of euro 1,376 million (2000: euro 823 million) is euro 115 million higher (2000: euro 234 million lower) than the expected tax expense of euro 1,261 million (2000: euro 1,057 million) which would theoretically arise if the tax rate of 38.9% (2000: 52.0%), applicable for German companies, was applied across the Group. The difference between the expected and actual tax expense is attributable to the following:

in euro million	2001	2000
Expected tax expense	**1,261**	**1,057**
Variances due to different tax rates	–94	–348
Tax decreases (–)/increases (+) on non-taxable income and non-deductible expenses	82	104
Tax payments (+)/refunds (–) relating to prior periods	24	–22
Other variances	103	32
Actual tax expense	**1,376**	**823**

The increase in other variances compared to the prior year is primarily due to write-downs on deferred tax assets.

[15] Minority interest

The minority interest in profit of euro 0.211 million (2000: euro 0.298 million) relates to Euro Lloyd Reisebüro GmbH, Cologne.

[16] Earnings per share

		2001	2000
Net profit for the year after minority interest	euro million	1,866	1,209
Profit attributable to common stock	euro million	1,727.3	1,120.7
Profit attributable to preferred stock	euro million	138,7	88,3
Average number of common stock shares outstanding during the year	number	622,227,918	622,227,918
Average number of preferred stock shares outstanding during the year	number	49,597,812	48,459,812
Earnings per share of common stock	euro	2.78	1.80
Earnings per share of preferred stock	euro	2.80	1.82
Dividend per share of common stock	euro	0.52	0.46
Dividend per share of preferred stock	euro	0.54	0.48

Earnings per share of preferred stock is computed on the basis of the number of preferred stock shares entitled to receive a dividend in the relevant year. Diluted earnings per share were not applicable in either the current or prior year.

[17] Intangible assets

Intangible assets comprise mainly capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects and software. Changes in intangible assets during the year are shown in the analysis of changes in Group non-current assets on pages 48 and 49.

[18] Property, plant and equipment

A break-down of the different classes of property, plant and equipment disclosed in the balance sheet and changes during the year are shown in the analysis of changes in Group non-current assets on pages 48 and 49.

Property, plant and equipment also include leased plant and machinery and other equipment amounting to euro 480 million (2000: euro 425 million) and relates primarily to the Oxford and Hams Hall production plants. Due to the nature of the lease arrangements (finance leases), economic ownership of these assets is attributable to the Group. The leases for plant and machinery and other equipment at the Oxford production plant, with a carrying amount of euro 252 million (2000: euro 194 million) run for periods up to 2013, and may then be extended for one year periods. A purchase option was not agreed. The lease for plant and machinery and other equipment at the Hams Hall production plant, with a carrying amount of euro 194 million (2000: euro 201 million) runs until 2018 and may then be extended for one year periods. A purchase option was not agreed.

Minimum lease payments of the relevant leases are as follows:

in euro million	31.12.2001	31.12.2000
Total of future minimum lease payments		
due within one year	63	38
due between one and five years	312	228
due later than five years	724	607
	1,099	873
Interest portion of the future minimum lease payments		
due within one year	12	4
due between one and five years	70	25
due later than five years	268	220
	350	249
Present value of future minimum lease payments		
due within one year	51	34
due between one and five years	242	203
due later than five years	456	387
	749	624

[19] Financial assets

A break-down of the different classes of financial assets disclosed in the balance sheet and changes during the year are shown in the analysis of changes in Group non-current assets on pages 48 and 49.

Additions to investments in subsidiaries result partly from the incorporation of new companies, namely Alphabet Fuhrparkmanagement (Schweiz) AG, Ötelfingen, BMW Denmark Holding A/S, Kolding, PT BMW Indonesia, Jakarta and BMW Philippines Corp., Manila. In addition, share capital increases were made in BMW Financial Services Scandinavia AB, Solna, BMW Russia Trading OOO, Moscow, BMW (Thailand) Co. Ltd., Bangkok, Alphabet Italia S. p. A., Milan and BMW Renting (Portugal) Lda., Lisbon.

Disposals of investments in subsidiaries result primarily from the initial consolidation of Hireus Ltd., Bracknell, and from the disposal of other companies not previously consolidated.

Investments in associated companies comprise primarily the Group's interest in Rover Finance Holdings Ltd., Guildford and in the joint venture TRITEC Motors Ltda., Campo Largo, consolidated using the equity method. The assets and liabilities as well as income and expense items of the joint venture TRITEC Motors Ltda., Campo Largo, are not material to the respective positions in the BMW Group financial statements.

The changes in investments in other companies result partly from different fair values at the two reporting dates and partly from the conversion of dividend rights into additional shares in Rolls-Royce plc, London.

[20] Leased products

The BMW Group, as lessor, leases out assets (predominantly own products) as part of sales financing. Minimum lease payments of euro 3,736 million (2000: euro 3,437 million) from non-cancellable operating leases fall due as follows:

in euro million	31.12.2001	31.12.2000
within one year	2,076	1,823
between one and five years	1,640	1,608
later than five years	20	6
	3,736	3,437

Contingent rents of euro 15 million (2000: euro 8 million), based principally on the distance driven, were recognised in income.

Changes in the estimated residual values of leased products had an impact on the result in the year of euro 65 million (2000: euro 269 million).

Changes in leased products during the year are shown in the analysis of changes in Group non-current assets on pages 48 and 49.

[21] Inventories

Inventories comprise the following:

in euro million	31.12.2001	31.12.2000
Raw materials and supplies	563	498
Work in progress, unbilled contracts	737	583
Finished goods	2,582	1,970
Goods for resale	617	650
Advance payments to suppliers	2	6
	4,501	3,707

The increase in finished goods is attributable to the expansion of business and the build-up of inventory levels in conjunction with the market launches of the MINI and BMW 7 Series.

At 31 December inventories measured at their net realisable value amounted to euro 162 million (2000: euro 172 million) and are included in total inventories of euro 4,501 million (2000: euro 3,707 million). Amounts recognised as income from the reversal of write-downs were not significant.

[22] Receivables and other assets

in euro million	31.12.2001	31.12.2000
Trade receivables	2,135	1,978
– thereof with a maturity of more than one year: euro – million (2000: euro 1 million)		
Receivables from sales financing	17,398	17,082
– thereof with a maturity of more than one year: euro 10,988 million (2000: euro 8,689 million)		
Other receivables	4,208	3,524
– thereof with a maturity of more than one year: euro 501 million (2000: euro 1,170 million)		
	23,741	22,584

Receivables from sales financing
Receivables from sales financing comprise euro 13,108 million (2000: euro 12,604 million) for loan financing and operating leases and euro 4,290 million (2000: euro 4,478 million) for finance leases. Finance leases are as follows:

in euro million	31.12.2001	31.12.2000
Gross investment in finance leases		
due within one year	1,645	2,563
due between one and five years	3,129	2,409
due later than five years	35	10
	4,809	4,982
Present value of future minimum lease payments		
due within one year	1,461	2,284
due between one and five years	2,802	2,185
due later than five years	27	9
	4,290	4,478
Unrealised interest income	519	504

The reduction in the gross investment and in the present value of future minimum lease payments is largely due to the sale of the finance contracts for Rover and Land Rover brand cars to the Phoenix Consortium and Ford Motor Company.

The amount of contingent rents recognised as income, generally relating to the distance driven, is not material. Write-downs on finance leases amounting to euro 73 million (2000: euro 59 million) were computed and recognised on the basis of specific credit risks.

Other receivables
Other receivables comprise the following:

in euro million	31.12.2001	31.12.2000
Receivables from subsidiaries	805	423
– thereof with a maturity of more than one year: euro 87 million (2000: euro 61 million)		
Receivables from associated and other companies in which an investment is held	250	185
– thereof with a maturity of more than one year: euro – million (2000: euro – million)		
Miscellaneous assets	3,153	2,916
– thereof with a maturity of more than one year: euro 414 million (2000: euro 1,108 million)		
	4,208	3,524

Receivables from subsidiaries include trade receivables of euro 177 million (2000: euro 86 million) and financial receivables of euro 628 million (2000: euro 337 million). The increase in receivables from subsidiaries is primarily attributable to financing the expansion of non-consolidated subsidiaries.

Miscellaneous assets comprise mainly the present value of the receivable from the sale of Land Rover amounting to euro 738 million (2000: euro 774 million), tax receivables of euro 447 million (2000: euro 674 million) and the fair values of derivative financial instruments of euro 992 million (2000: euro 415 million). In addition, as in the previous year, this position includes deferred interest receivable, receivables from employees and the excess of pension fund assets over pension obligations.

[23] Marketable securities

Current marketable securities comprise:

in euro million	31.12.2001	31.12.2000
Stocks	278	197
Investment funds	24	–
Fixed income securities	542	495
Notes receivable	5	5
Sundry marketable securities	58	100
	907	797

The contracted maturities of debt securities are as follows:

in euro million	31.12.2001	31.12.2000
Fixed income securities		
due within 3 months	9	6
due later than 3 months	533	489
Notes receivable		
due within 3 months	–	–
due later than 3 months	5	5
Sundry marketable securities		
due within 3 months	25	82
due later than 3 months	33	18
	605	600

[24] Cash and cash equivalents

Cash and cash equivalents of euro 2,437 million (2000: euro 2.927 million) comprise cash on hand, deposits at the Bundesbank and cash at bank, all with a maturity of under three months.

[25] Prepayments

Prepayments of euro 380 million (2000: euro 381 million) relate principally to prepaid interest, insurance premiums and rent. Prepayments of euro 225 million (2000: euro 274 million) have a maturity of less than one year.

[26] Equity

The Statement of Changes in Equity is shown on page 46.

Number of shares issued

At 31 December 2001, issued BMW AG common stock was divided, as in the previous year, into 622,227,918 shares with a par-value of one euro. Issued BMW AG preferred stock was divided into 50,638,232 (2000: 49,597,812) non-voting shares, with a par-value of one euro. All of the company's stock is issued in the form of bearer shares. Preferred stock bears an advance profit (additional dividend) of euro 0.02 per share.

At the Annual General Meeting held on 18 May 1999, authorised capital was created with a total nominal amount of euro 5 million for the issuance of 5 million preferred stock shares. During the fiscal year 2001, this was used for the subscription of 1,040,420 (2000: 1,138,000) employee shares. The authorised capital can be issued up to 1 May 2004. At 31 December euro 1.6 million (2000: euro 2.6 million) of the authorised capital was outstanding.

Capital reserves
Capital reserves comprise additional paid in capital on the issue of shares. The addition to capital reserves of euro 23 million (2000: euro 21 million) arose in the year from the subscription of employee shares.

Revenue reserves
Revenue reserves are disclosed in accordance with the disclosure requirements contained in German commercial law. They comprise the post-acquisition and non-distributed earnings of consolidated group companies. In addition, revenue reserves include both positive and negative goodwill arising on the consolidation of group companies prior to 31 December 1994 and including the effect, recognised as an adjustment of the opening balance of revenue reserves, of the first-time application of IAS.

Accumulated other equity
Accumulated other equity consists of all amounts recognised directly in equity resulting from the translation of foreign subsidiaries and the effects (net of tax) of financial instruments recognised directly in equity. Deferred taxes recognised directly in equity amounted to euro 414 million (2000: euro 458 million).

Minority interest
Minority interest in the share capital of subsidiaries relates to Euro Lloyd Reisebüro GmbH, Cologne.

Other
Under the German Stock Corporation Act, the dividend available for distribution to the shareholders must be computed on the basis of the unappropriated profit available for distribution disclosed in the financial statements of BMW AG. The unappropriated profit of the BMW AG of euro 350 million will be proposed to the Annual General Meeting for distribution. The tax reduction of euro 58 million (2000: euro 66 million) relating to the proposed dividend payment will be recognised as a tax benefit in fiscal year 2002. Additional claims to tax reductions of euro 133 million (2000: euro 191 million) arising under the old income tax system can be made by BMW AG during the transition period of 15 years on dividends paid out.

[27] Pension provisions

Pension provisions are recognised as a result of commitments to pay future vested pension benefits and current pensions to present and former employees of the BMW Group and their dependants. Depending on the legal, economic and tax circumstances prevailing in each country, various pension plans are used, based generally on the length of service and salary of employees. Due to similarity of nature, the obligations of BMW Group companies in the U.S. for post-employment medical care are also disclosed as pension provisions. These pension-like obligations amount to euro 21 million (2000: euro 19 million) and are measured in accordance with IAS 19. In the case of post-employment medical care, it is assumed that the costs will increase on a long-term basis by 5 % p. a. (2000: 5 %). The expense for medical care costs in the fiscal year 2001 amounted to euro 2 million (2000: euro 1 million).

Post-employment benefit plans are classified as either defined contribution or defined benefit plans. Under defined contribution plans, an enterprise pays fixed contributions into a separate entity or fund and does not assume any other obligations. The total pension expense for all defined contribution plans of the BMW Group amounted to euro 8 million (2000: euro 14 million).

Under defined benefit plans, the enterprise is required to pay the benefits granted to present and past employees. Defined benefit plans may be funded or unfunded, the latter sometimes financed by means of accounting provisions. Most of the pension commitments of the BMW Group in Germany relate to BMW AG, whose pension plans, like the majority of other German enterprises, are unfunded and financed by means of accounting provisions. The main funded plans of the BMW Group are in

Great Britain, the USA, Switzerland, the Netherlands and Japan.

Pension obligations are computed on an actuarial basis at the level of the defined benefit obligation. This computation requires the use of estimates. The main assumptions, in addition to life expectancy, depend on the economic situation in each particular country. The following weighted average values are used in Great Britain and in the other countries:

in %	Germany		UK		Other countries	
31. December	2001	2000	2001	2000	2001	2000
Discount rate	6.0	6.3	5.8	5.6	5.9	6.2
Salary level trend	3.5	3.3	3.5	3.5	3.7	3.6
Pension level trend	2.0	2.3	2.5	2.5	2.5	2.6

The salary level trend refers to the expected rate of salary increase which is estimated annually depending on inflation and the period of service of employees with the Group.

In the case of funded plans, the defined benefit obligation is reduced by the plan assets. Where the plan assets exceed the pension obligations, the surplus amount is recognised in accordance with IAS 19 as an asset under miscellaneous assets. Where the plan assets do not cover the pension obligations, the net liability is disclosed under pension provisions.

Actuarial gains or losses may result from increases or decreases in either the present value of the defined benefit obligation or in the fair value of the plan assets. Causes of actuarial gains or losses include the effect of changes in the measurement parameters, changes in estimates caused by the actual development of risks impacting on pension obligations and differences between the actual and expected return on plan assets. Past service cost arises where a BMW Group company introduces a defined benefit plan or changes the benefits payable under an existing plan.

Based on the measurement principles contained in IAS 19, the following funding status applies to the Group's pension plans:

in euro million 31. December	Germany 2001	 2000	UK 2001	 2000	Other countries 2001	 2000	Total 2001	 2000
Present value of pension benefits covered by accounting provisions	1,902	1,754	–	–	66	47	1,968	1,801
Present value of funded pension benefits	–	–	6,746	6,840	192	150	6,938	6,990
Defined benefit obligation	1,902	1,754	6,746	6,840	258	197	8,906	8,791
Fair value of fund assets	–	–	6,504	6,855	151	148	6,655	7,003
Net obligation	1,902	1,754	242	–	107	49	2,251	1,788
Surplus of fund assets (–)	–	–	–	–15	–	–	–	–
Actuarial gains (+) and losses (–) not yet recognised	43	33	–309	–76	–30	18	–296	–25
Income (+) or expense (–) from past service cost not yet recognised	–	–	–	–	–	–7	–	–7
Amount not recognised as an asset because of the limit in IAS 19.58	–	–	–	–	23	21	23	21
Balance sheet amount at 31.12.	1,945	1,787	–67	–91	100	81	1,978	1,777
thereof pension provision	1,945	1,787	–	–	101	82	2,046	1,869
thereof pension asset (–)	–	–	–67	–91	–1	–1	–68	–92

The level of the pension obligations differ depending on the pension system applicable in each country. Since the state pension system in Great Britain only provides a basic fixed amount benefit, retirement benefits are largely organised in the form of company pensions and arrangements financed by the individual. The pension benefits in Great Britain thus contain contributions made by the employees.

The pension provisions relating to other countries amounted to euro 101 million (2000: euro 82 million). This includes euro 32 million (2000: euro 25 million) relating to externally funded plans.

The defined benefit plans of the BMW Group gave rise to a total pension expense in fiscal year 2001 of euro 288 million (2000: euro 241 million), comprising the following components:

in euro million	Germany		UK		Other countries		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Current service cost	95	64	56	107	29	16	180	187
Interest cost	109	99	391	413	11	10	511	522
Expected return on plan assets (–)	–	–	– 395	– 483	– 12	– 11	– 407	– 494
Actuarial gains and losses	–	–	1	–	2	–	3	–
Past service cost	–	–	–	–	1	1	1	1
Effect of plan curtailments	–	–	–	25	–	–	–	25
Total expense	204	163	53	62	31	16	288	241

The actual return from external pension funds was euro 297 million (2000: euro 73 million). The shortfall against the expected return on plan assets was attributable mainly to Great Britain, where the return was less than expected due to the fall of stock prices on the world's stock exchanges. The difference between actual and expected return from external pension funds will be recognised as expense over the expected average remaining working lives of the employees participating in the plans when the accumulated amount of the actuarial gains or losses exceed 10 % of the present value of the obligations.

The plan curtailments in the year 2000 were made since the number of employees covered by the pension plan in Great Britain will be reduced as a consequence of the sale of Rover Cars and the Land Rover business. At the date of sale, the obligations to employees leaving the scheme were revalued, resulting in an additional expense of euro 25 million. The transfer of fund assets to the Phoenix Consortium and to Ford Motor Company and the related settlement of the pension obligations to the employees leaving the scheme is expected to be concluded during 2002.

The changes in the net obligation, resulting from the difference between the pension provision and pension asset disclosed in the balance sheet, is as follows:

in euro million	Germany		UK		Other countries		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Balance sheet amount at 1.1.	1,787	1,663	–91	–87	81	72	1,777	1,648
Pension expense	204	163	53	62	31	16	288	241
Pension payments or transfers to external funds	–46	–46	–28	–66	–14	–10	–88	–122
Amount not recognised in accordance with IAS 19.58	–	–	–	–	1	2	1	2
Transfer of plan assets	–	7	–	–	–	–	–	7
Translation differences on foreign pension plans	–	–	–1	–	1	1	–	1
Balance sheet amount at 31.12.	1,945	1,787	–67	–91	100	81	1,978	1,777
thereof pension provision	1,945	1,787	–	–	101	82	2,046	1,869
thereof pension asset (–)	–	–	–67	–91	–1	–1	–68	–92

The transfer of plan assets relates to the transfer of employees of non-consolidated subsidiaries to BMW AG.

[28] Other provisions

Other provisions comprise the following:

in euro million	31.12.2001		31.12.2000	
	Total	thereof due within 1 year	Total	thereof due within 1 year
Taxes	410	395	440	428
Obligations for personnel and social expenses	1,049	760	830	603
Obligations for on-going operational expenses	2,111	1,056	1,804	874
Other obligations	1,208	882	1,978	1,637
	4,778	3,093	5,052	3,542

Provisions for obligations for personnel and social expenses comprise mainly profit-share schemes and bonuses, employee long-service awards, vacation entitlements, flexible working-time credits and part-time working arrangements for older employees.

Provisions for obligations for on-going operational expenses comprise mainly warranty obligations, sales bonuses, volume discounts and losses on onerous contracts.

Provisions for other obligations cover numerous identified risks and obligations of uncertain amount. They comprise mainly obligations and risks in respect of the disengagement from Rover activities, the obligation for collection, treatment and recovery of end-of life vehicles and risks from legal disputes. The decrease in the provisions for other obligations is attributable primarily to the utilisation of the provisions for the Rover disengagement.

Provisions changed during the year as follows:

in euro million	At 31.12.2000	Additions	Reversal of discounting	Used	Released	Translation differences	At 31.12.2001
Taxes	440	+379	–	–397	–6	–6	410
Obligations for personnel and social expenses	830	+785	–	–547	–19	–	1,049
Obligations for on-going operational expenses	1,804	+1,529	+57	–1,208	–73	+2	2,111
Other obligations	1,978	+448	+8	–978	–220	–28	1,208
	5,052	3,141	65	–3,130	–318	–32	4,778

[29] Debt

Debt includes all interest-bearing liabilities of the BMW Group at the relevant balance sheet dates. It comprises the following:

31. December in euro million	2001 Maturity within 1 year	Maturity between 1 and 5 years	Maturity later than 5 years	Total
Bonds	3,298	5,221	1,464	9,983
Liabilities to banks	1,295	2,859	160	4,314
Liabilities from customer deposits (banking)	2,029	147	–	2,176
Commercial papers	2,054	–	–	2,054
Bills of exchange	1	–	–	1
Other debt	3,043	3,547	547	7,137
	11,720	11,774	2,171	25,665

31. December in euro million	2000 Maturity within 1 year	Maturity between 1 and 5 years	Maturity later than 5 years	Total
Bonds	5,024	4,091	615	9,730
Liabilities to banks	942	2,640	181	3,763
Liabilities from customer deposits (banking)	1,484	261	–	1,745
Commercial papers	602	–	–	602
Bills of exchange	1	–	–	1
Other debt	4,755	4,357	76	9,188
	12,808	11,349	872	25,029

The following bonds have fixed interest rates:

Issuer	Issue volume in relevant currency[1] (ISO-Code)	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
BMW Finance N.V., The Hague	EUR 1,530 million	8.5	5.2
	USD 650 million	3.6	5.3
	JPY 15,000 million	15.0	5.1
	CHF 350 million	13.0	4.4
	CZK 300 million	6.0	7.8
BMW Coordination Center N.V., Bornem	EUR 85 million	2.2	3.8
	JPY 63,500 million	1.0	0.1
	GBP 6 million	1.3	4.4
BMW (UK) Capital plc, Bracknell	EUR 338 million	7.4	5.6
	USD 350 million	2.9	4.0
	GBP 583 million	6.2	6.4
BMW US Capital LLC, Delaware	EUR 48 million	5.1	2.3
	USD 2,632 million	6.1	4.8
	JPY 52,000 million	3.1	2.1
	AED 350 million	3.0	2.1
Other	EUR 102 million	5.0	4.9
	USD 500 million	4.5	5.9
	JPY 35,000 million	24.6	3.8
	AUD 150 million	2.0	6.0

1] currencies of euro countries have been converted into euros

The following details apply to the commercial papers:

Issuer	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in days)	Weighted average effective interest rate (in %)
BMW AG, Munich	EUR 687 million	85.8	3.4
BMW Coordination Center N.V., Bornem	EUR 405 million	53.6	3.5
BMW US Capital LLC, Delaware	USD 967 million	8.1	1.9

Other debt of euro 7,137 million (2000: euro 9,188 million) comprises mainly asset backed financing liabilities and finance lease liabilities.

[30] Trade payables

31. December in euro million	2001 Maturity within 1 year	Maturity between 1 and 5 years	Maturity later than 5 years	Total
Trade payables	2,990	25	–	3,015

31. December in euro million	2000 Maturity within 1 year	Maturity between 1 and 5 years	Maturity later than 5 years	Total
Trade payables	3,051	14	–	3,065

[31] Other liabilities

Other liabilities comprise the following:

31. December in euro million	2001 Maturity within 1 year	Maturity between 1 and 5 years	Maturity later than 5 years	Total
Taxes	194	17	–	211
Social security	104	1	–	105
Employees	14	–	–	14
Advance payments received from customers	258	2	–	260
Deposits received	52	119	–	171
Interest	251	–	–	251
Subsidiaries	111	–	–	111
Fair values of derivative financial instruments	1,144	708	57	1,909
Liabilities to associated and other companies in which an investment is held	1	–	–	1
Sundry other liabilities	870	109	56	1,035
	2,999	956	113	4,068

31. December in euro million	2000 Maturity within 1 year	Maturity between 1 and 5 years	Maturity later than 5 years	Total
Taxes	378	3	–	381
Social security	102	1	–	103
Employees	96	–	–	96
Advance payments received from customers	206	1	–	207
Deposits received	50	107	–	157
Interest	262	–	–	262
Subsidiaries	264	–	–	264
Fair values of derivative financial instruments	802	745	35	1,582
Liabilities to associated and other companies in which an investment is held	–	–	–	–
Sundry other liabilities	728	258	60	1,046
	2,888	1,115	95	4,098

[32] Deferred income

Deferred income consists of:

in euro million	31.12.2001 Total	thereof due within 1 year	31.12.2000 Total	thereof due within 1 year
Deferred income from lease financing	406	382	434	174
Other deferred income	171	57	162	45
	577	439	596	219

Other deferred income includes euro 82 million (2000: euro 54 million) of grants received from third parties, primarily for capital expenditure. In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), they are recognised as income over the useful lives of the assets to which they relate.

[33] Segment information

Description of business segments

In accordance with the rules contained in IAS 14 (Segment Reporting), the BMW Group presents segment information using business segments as its primary reporting format and geographical segments as its secondary reporting format. This distinction is based on internal management and financial reporting systems and reflects the risk and earnings structure of the Group.

The activities of the BMW Group are broken down into the segments BMW Automobiles, BMW Motorcycles and Financial Services. The discontinuing operation Rover Automobiles contains the activities of the former Rover Group. It was discontinued at 30 June 2000 following the sale of Rover Cars and Land Rover. The activities of the Rover Automobiles segment which were retained by the BMW Group were transferred into newly incorporated companies and are included, from 1 May 2000, in Reconciliations. The production plant at Oxford, where the MINI is being manufactured, now operates as BMW (UK) Manufacturing Ltd., Bracknell. Following restructuring measures and the commencement of MINI series production, its activities have been included in the BMW Automobiles segment from 1 July 2001.

The BMW Automobiles segment develops, manufactures, assembles and sells BMW brand cars, including off-road vehicles, as well as spare parts and accessories. From 1 July 2001, the BMW Automobiles segment also covers the development, manufacture, assembly and sale of MINI brand cars including spare parts and accessories. Products of BMW and MINI brand cars are sold in Germany through branches of BMW AG and by independent, authorized dealers. Sales outside Germany are handled primarily by subsidiary companies and also by independent import companies.

The BMW Motorcycles segment develops, manufactures, assembles and sells BMW brand motorcycles and C1 as well as spare parts and accessories.

The Financial Services segment focuses primarily on leasing automobiles, providing loan finance for customers, dealers and insurance activities. The operating result of this segment includes the financial result on customer and dealer financing business and the result of lease business. Leased products are carried at acquisition cost less straight-line depreciation down to the notional residual value of the vehicles. Leased products are written down to their fair value where this is lower. Inter-company profits on own products are eliminated as consolidations and shown in Reconciliations.

For segment reporting purposes, software and other activities of the BMW Group which relate to all segments, the Oxford production plant (to 30 June 2001) and consolidations are disclosed in Reconciliations. The activities of the Oxford production plant were transferred to the BMW Automobiles segment on 1 July 2001 following the start of series production of the MINI.

Other explanatory comments on segment information

Segment information is generally prepared in conformity with the accounting policies adopted in preparing and presenting the Group financial statements. Inter-segment receivables and payables, provisions, income and expenses as well as profits are eliminated in Reconciliations. Inter-segment sales take place at arm's length prices.

In addition to disclosing profit from ordinary activities, segment information also shows operating profit or loss before and after depreciation and amortisation.

Significant non-cash items comprise mainly changes in provisions, write-downs and reversal of write-downs and depreciation on leased products.

Capital expenditure comprises additions to intangible assets and property, plant and equipment.

Segment assets and segment liabilities comprise all assets and liabilities employed by the relevant business segment to generate the operating result.

The return on sales for each segment is based on the operating result, whereas the return on sales for the Group as a whole is based on the profit or loss from ordinary activities. Internal financing is computed as the profit or loss from ordinary activities adjusted for depreciation and amortisation and significant non-cash items, less actual tax payments.

In the segment information by geographical region, external sales are based on the location of the customer's registered office. Segment information is provided for the regions Germany, rest of Europe, America and Africa, Asia and Oceania, in line with internal management and reporting procedures.

Segment information by region in euro million	External revenues 2001	2000	Capital expenditure 2001	2000	Assets 2001	2000
Germany	10,238	9,126	2,482	1,976	16,140	15,825
Rest of Europe	11,777	12,360	708	476	9,999	11,627
America	12,189	11,249	289	297	16,627	13,997
Africa, Asia, Oceania	4,259	4,491	37	32	4,481	4,772
Reconciliations	–	–	–	–	4,012	3,119
Group	**38,463**	**37,226**	**3,516**	**2,781**	**51,259**	**49,340**

Segment information by business segment in euro million		BMW Automobiles 2001	 2000	Rover Automobiles 2001	 2000
Revenues with third parties		**29,981**	**24,560**	**–**	**3,500**
change over previous year	%	22.1			
Inter-segment revenues		**3,561**	**5,086**	**–**	**396**
change over previous year	%	–30.0			
Total revenues		**33,542**	**29,646**	**–**	**3,896**
change over previous year	%	13.1			
EBITDA		**4,914**	**4,282**	**–**	**–470**
Depreciation and amortisation		**1,961**	**1,627**	**–**	**260**
Operating result		**2,953**	**2,655**	**–**	**–730**
change over previous year	%	11.2			
Financial result		**–161**	**78**	**–**	**–25**
Result from ordinary activities		**2,792**	**2,733**	**–**	**–755**
change over previous year	%	2.2			
Return on sales	%	**8.8**	**9.0**	**–**	**–18.7**
Significant non-cash items		**757**	**674**	**–**	**227**
Internal financing		**4,662**	**4,044**	**–**	**–**
Capital expenditure		**3,055**	**2,375**	**–**	**132**
Additions to leased products		**198**	**61**	**–**	**–**
Assets		**16,780**	**13,855**	**–**	**–**
Liabilities		**10,584**	**9,173**	**–**	**–**
Average workforce during the year		**84,886**	**79,077**	**–**	**11,251**

BMW Motorcycles		Financial Services		Reconciliations		Group	
2001	2000	2001	2000	2001	2000	2001	2000
1,055	**924**	**6,725**	**7,800**	**702**	**442**	**38,463**	**37,226**
14.2		–13.8		58.8		3.3	
4	**4**	**789**	**773**	**–4,354**	**–6,259**	**–**	**–**
–		2.1		30.4			
1,059	**928**	**7,514**	**8,573**	**–3,652**	**–5,817**	**38,463**	**37,226**
14.1		–12.4		37.2		3.3	
92	**71**	**390**	**361**	**119**	**256**	**5,515**	**4,500**
33	**38**	**11**	**10**	**154**	**500**	**2,159**	**2,435**
59	**33**	**379**	**351**	**–35**	**–244**	**3,356**	**2,065**
78.8		8.0		85.7		62.5	
–	**–**	**11**	**0**	**36**	**–86**	**–114**	**–33**
59	**33**	**390**	**351**	**1**	**–330**	**3,242**	**2,032**
78.8		11.1		–		59.5	
5.6	**3.6**	**5.0**	**4.1**	**–**	**–**	**8.4**	**5.5**
–	**–**	**1,669**	**1,540**	**234**	**339**	**2,660**	**2,780**
74	**59**	**2,255**	**2,248**	**–**	**–**	**7,352**	**6,579**
68	**63**	**19**	**13**	**374**	**198**	**3,516**	**2,781**
–	**–**	**4,400**	**4,042**	**–1,213**	**–1,262**	**3,385**	**2,841**
542	**489**	**29,593**	**29,660**	**4,344**	**5,336**	**51,259**	**49,340**
375	**339**	**26,362**	**26,334**	**3,168**	**4,062**	**40,489**	**39,908**
2,633	**2,219**	**1,788**	**1,496**	**5,329**	**6,276**	**94,636**	**100,319**

[34] Other disclosures to the income statement

The income statement includes the following amounts of material and personnel costs:

in euro million	2001	2000
Material costs		
Expenditure for raw materials, supplies and purchased goods for resale	20,010	19,967
Expenditure for purchased services	868	738
	20,878	20,705
Personnel costs		
Wages and salaries	5,134	5,139
Social security, pension costs thereof for pensions: euro 560 million (2000: euro 531 million)	945	956
	6,079	6,095

The average number of employees during the year was as follows:

	2001	2000
Wage earners	53,437	57,824
Other employees	37,687	38,088
	91,124	95,912
Apprentices	3,512	4,407
	94,636	100,319

In the year 2000, the average number of employees includes the workforce of Rover Cars and Land Rover for the appropriate periods. The reduction of the average number of employees is partly due to the sale of Rover Cars and Land Rover and partly due to the transfer, in 2001, of the supplier plant Powertrain Ltd., Bracknell.

[35] Contingent liabilities and other financial commitments

Contingent liabilities

No provisions were recognised for the following contingent liabilities (stated at their nominal amount), since an outflow of resources is not considered to be probable:

in euro million	2001	2000
Guarantees	61	151
Performance guarantees	66	–
	127	151

The above amounts include euro 28 million (2000: euro 74 million) in respect of non-consolidated subsidiaries.

Several liability applies in the case of investments in general partnerships.

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

Other financial commitments

In addition to liabilities, provisions and contingent liabilities, the BMW Group also has other financial commitments, primarily under lease contracts for plant and machinery, tools, office and other facilities. The leases run for periods of one to fourteen years and in some cases contain extension and/or purchase options. Lease payments of euro 145 million (2000: euro 142 million) were recognised as an expense during the year.

The total of future minimum lease payments under non-cancellable leases can be analysed by maturity as follows:

in euro million	31.12.2001	31.12.2000
Nominal total of future minimum lease payments		
due within one year	171	154
due between one and five years	498	411
due later than five years	576	406
	1,245	971

The above amounts include euro 56 million (2000: euro 24 million) in respect of non-consolidated subsidiaries and euro 85 million (2000: euro 82 million) for back-to-back operating leases.

Obligations for future minimum lease payments on back-to-back finance leases were as follows:

in euro million	31.12.2001	31.12.2000
Total of future minimum lease payments		
due within one year	148	229
due between one and five years	268	417
due later than five years	–	–
	416	646
Interest portion of future minimum lease payments		
due within one year	12	18
due between one and five years	22	33
due later than five years	–	–
	34	51
Present value of future minimum lease payments		
due within one year	136	211
due between one and five years	246	384
due later than five years	–	–
	382	595

These future obligations are matched, or exceeded, by finance leases receivables which are included in receivables from sales financing.

In addition, the BMW Group is the lessee under operating leases for vehicles which are subleased to third parties over matching periods. The following amounts are payable under these contracts:

in euro million	31.12.2001	31.12.2000
Nominal total of future minimum lease payments		
due within one year	500	396
due between one and five years	719	580
due later than five years	–	–
	1,219	976

These future obligations are matched, or exceeded, by income on subleases.

Purchase commitments for property, plant and equipment amount to euro 1,116 million (2000: euro 963 million).

Sundry other financial commitments amount to euro 93 million (2000: euro 92 million).

[36] Financial instruments

Use and control of financial instruments

As an enterprise with worldwide operations, business is conducted in a variety of currencies, from which exchange rate risks arise. The BMW Group's operations are financed in various currencies, mainly by the issue of bonds and medium term notes and through bank loans. The BMW Group's financial management system involves the use of all standard types of financial instrument, e.g. short-term deposits, investments in variable and fixed-income securities as well as securities funds. The BMW Group is therefore exposed to risks resulting from changes in interest rates, stock market prices and exchange rates. Financial instruments are only used to hedge existing underlying business transactions or forecasted transactions.

Firstly, protection against such risks is provided by so-called natural hedging which arises when the value of non-derivative financial instruments have matching maturities and amounts (netting). Derivative financial instruments are used to reduce the risk remaining after netting.

The scope of permitted transactions, responsibilities, financial reporting procedures and control mechanisms used for financial instruments are set out in internal guidelines. This includes, above all, a clear separation of duties between trading and processing. Exchange rate, interest rate and liquidity risks of the BMW Group are managed at a corporate level. At 31 December 2001, derivative financial instruments were in place to hedge exchange rate risks, in particular for the currencies US dollar, pound sterling and Japanese yen.

Quantitative disclosures on financial instruments

Differences between the carrying amount and the fair value of non-derivative financial instruments are shown in the following table:

in euro million	31.12.2001		31.12.2000	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivables from sales financing	17,398	17,712	17,082	17,359
Debt	25,665	25,327	25,029	24,654

The fair values shown are computed using market information available at the balance sheet date, on the basis of prices quoted by the contract partners or using appropriate measurement methods, e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 December 2001 on the basis of the following interest rates:

in %	EUR	USD	GBP	JPY
Interest rate for 6 months	3.3	2.0	4.1	0.1
Interest rate for one year	3.3	2.4	4.5	0.1
Interest rate for five years	4.7	5.2	5.7	0.5
Interest rate for 10 years	5.4	6.1	5.6	1.4

These interest rates, were adjusted where necessary to take account of the credit quality and risk of the underlying financial instrument.

The nominal amounts of derivative financial instruments are the purchase or sales amount or value of the underlying transactions. The nominal amounts, fair values (and also carrying amounts) and maturities of derivative financial instruments of the BMW Group are shown in the following analysis:

in euro million	Nominal-amount	Fair values			
		Total	within 1 year	between 1 and 5 years	later than 5 years
31. December 2001					
Assets					
Currency hedge contracts	5,631	783	742	41	–
Interest rate contracts	5,337	67	58	7	2
Other derivative financial instruments	531	142	1	78	63
Total	11,499	992	801	126	65
Liabilities					
Currency hedge contracts	21,825	1,531	981	530	20
Interest rate contracts	16,057	378	163	178	37
Total	37,882	1,909	1,144	708	57
31. December 2000					
Assets					
Currency hedge contracts	4,228	278	114	164	–
Interest rate contracts	4,527	137	8	85	44
Total	8,755	415	122	249	44
Liabilities					
Currency hedge contracts	21,174	1,431	791	640	–
Interest rate contracts	14,228	151	11	105	35
Total	35,402	1,582	802	745	35

In accordance with internal guidelines, the nominal amounts correspond to the volume of hedged items.

The disclosed fair values of derivative financial instruments do not take account of any compensating changes in value of the underlying transaction. Moreover, the fair values disclosed do not necessarily correspond to the amounts which the BMW Group will realise in the future under the market conditions prevailing at that time.

At 31 December 2001, the negative effect of the fair value measurement of financial instruments recognised directly in equity amounted to euro 819 million (2000: euro 742 million) net of deferred taxes. Of this amount euro 704 million (2000: euro 719 million) relates to cash flow hedges and euro 115 million (2000: euro 23 million) to available-for-sale securities. During the year under report, negative changes in fair values of euro 77 million (2000: positive changes in fair values of euro 244 million) were recognised directly in equity. Of this amount euro 15 million (2000: euro 282 million) relate to positive effects from cash flow hedges and euro 92 million (2000: euro 38 million) relate to negative effects from available-for-sale securities.

In 2001, the negative fair values on financial instruments relating to hedged forecasted transactions decreased by euro 428 million (2000: euro 571 million). This amount was included in accumulated other equity and relates to underlying transactions which were realised during the year. No losses and gains on available-for-sale securities, recognised directly in equity, were realised as income or expense in the fiscal years 2000 and 2001.

Credit risk

The amount recognised in the balance sheet for financial assets is, ignoring any collateral received, the maximum credit risk in the case that counterparties are unable to fulfil their contractual obligations. In the case of all performance relationships which underlie non-derivative financial instruments, collateral is required, information on the credit-standing of the counter-party obtained or historical data based on the existing business relationship (i.e. payment patterns to date) reviewed in order to minimise the credit risk. The nature and extent depends on the type and amount of the relevant transaction. Write-downs are recorded as soon as credit risks are identified on individual financial assets. In the case of derivative financial instruments, the Group is also exposed to a credit risk which results from the non-performance of contractual agreements on the part of the contract party. This credit risk is minimised by the fact that the Group only enters into such contracts with parties of first-class credit standing. The general credit risk on derivative financial instruments utilised by the BMW Group is therefore not considered to be significant. A concentration of credit risk with particular borrowers or groups of borrowers has not been identified.

[37] Explanatory notes to the cash flow statement

The cash flow statement shows how the cash and cash equivalents of the BMW Group have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7 (Cash Flow Statements), cash flows are classified into cash flows from operating, investing and financing activities.

Cash and cash equivalents included in the cash flow statement comprise cash in hand, cheques, deposits at the Federal Bank and cash at bank, to the extent that their maturity does not exceed three months. The negative impact of changes in cash and cash equivalents due to the effect of exchange rate fluctuations was euro 45 million (2000: euro 18 million).

The cash flows from investing and financial activities are based on actual payments and receipts. The cash flow from operating activities is computed using the indirect method, starting from the net profit of the Group. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects and changes in the composition of the Group. The changes in balance sheet positions shown in the

cash flow statement do not therefore agree directly with the amounts shown in the Group balance sheet.

The cash inflow from operating activities includes the following:

in euro million	2001	2000
Interest received	807	681
Interest paid	746	740
Dividends received	33	54
Income taxes paid	709	668

[38] 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 fiscal year 2001 amounts to euro 13.4 million (2000: euro 8.6 million), and that of former Board members and their dependants amounts to euro 2.9 million (2000: euro 4.4 million). The total remuneration of the Supervisory Board amounts to euro 2.0 million (2000: euro 1.8 million).

Pension obligations to former members of the Board of Management and their dependants are fully covered by pension provisions amounting to euro 24.9 million (2000: euro 22.3 million).

The members of the Supervisory Board and the Board of Management are set out on pages 8 to 11.

Munich, March 2002

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

We have audited the consolidated financial statements, comprising the income statement, the balance sheet and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by the Bayerische Motoren Werke Aktiengesellschaft for the business year from 1 January to 31 December 2001. The preparation and the content of the consolidated financial statements in accordance with International Accounting Standards (IAS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with International Accounting Standards.

Our audit, which also extends to the group management report prepared by the Company's management for the business year from 1 January to 31 December 2001, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from 1 January to 31 December 2001 satisfy the conditions required for the company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Munich, 1 March 2002

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Berger	Höfer
Wirtschaftsprüfer	Wirtschaftsprüfer

BMW AG
Balance Sheet at 31 December

Assets in euro million	2001	2000
Intangible assets	277	397
Property, plant and equipment	3,259	2,634
Financial assets	5,570	5,302
Non-current assets	**9,106**	**8,333**
Inventories	1,979	1,687
Trade receivables	674	550
Receivables from subsidiaries	1,449	2,136
Other receivables and other assets	1,427	1,927
Marketable securities and notes	702	578
Cash and cash equivalents	111	239
Current assets	**6,342**	**7,117**
Prepayments	**17**	**7**
	15,465	**15,457**

Shareholders' equity and liabilities in euro million	2001	2000
Subscribed capital	673	672
Capital reserves	1,937	1,914
Revenue reserves	1,953	1,953
Unappropriated profit available for distribution	350	310
Equity	**4,913**	**4,849**
Registered profit-sharing certificates	**37**	**37**
Special tax allowable reserve	**4**	**6**
Pension provisions	1,920	1,579
Other provisions	4,702	4,097
Provisions	**6,622**	**5,676**
Trade payables	1,039	1,033
Liabilities to subsidiaries	1,940	3,422
Other liabilities	910	434
Liabilities	**3,889**	**4,889**
	15,465	**15,457**

BMW AG
Income Statement

in euro million	2001	2000
Revenues	**29,993**	**25,276**
Cost of sales	27,948	22,680
Gross profit	**2,045**	**2,596**
Sales and marketing costs	1,974	1,619
Administration costs	373	351
Other operating income and expenses	348	– 2,295
Result from investments	426	1,918
Interest result	– 107	1
Profit from ordinary activities	**365**	**250**
Income taxes	8	– 66
Other taxes	7	6
Net profit for the year/Unappropriated profit available for distribution	**350**	**310**

KPMG Deutsche Treuhand-Gesellschaft Wirtschaftsprüfungsgesellschaft (Auditors), Munich has issued an unqualified audit opinion on the financial statements of BMW AG, of which the balance sheet and the income statement are presented here. The financial statements are published in the German Federal Gazette and filed with the Trade Register of the Munich District Court. These financial statements are available from BMW AG, D-80788 Munich, Germany.

BMW AG
Subsidiaries

Principal subsidiaries of BMW AG at 31 December 2001	Equity [1] euro million	Net result [1] euro million	Capital investment in %
Domestic			
BMW Bank GmbH, Munich[4]	218	0	100
BMW Finanz Verwaltungs GmbH, Munich	206	–1	100
BMW Ingenieur-Zentrum GmbH + Co., Dingolfing	47	26	100
softlab GmbH für Systementwicklung und EDV-Anwendung, Munich	43	3	100
BMW Maschinenfabrik Spandau GmbH, Berlin	22	2	100
BMW Maschinenfabrik Spandau GmbH & Co. Anlagen und Betriebs oHG, Berlin	20	18	100
BMW Leasing GmbH, Munich[4]	16	0	100
BMW Hams Hall Motoren GmbH, Munich[3]	15	0	100
BMW Fahrzeugtechnik GmbH, Eisenach[4]	3	0	100
BMW INTEC Beteiligungs GmbH, Munich[4]	[2]	0	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich[4]	[2]	0	100

Principal subsidiaries of BMW AG at 31 December 2001	Equity [1] euro million	Net result [1] euro million	Capital investment in %
Foreign			
BMW Coordination Center N.V., Bornem	390	56	100
BMW (US) Holding Corporation, Wilmington, Del. [5]	292	598	100
BMW Finance N.V., The Hague	155	[2]	100
BMW Overseas Enterprises N.V., Willemstad	56	2	100
BMW Österreich Holding GmbH, Steyr	893	182	100
BMW Motoren GmbH, Steyr	330	98	100
BMW Austria Gesellschaft m.b.H., Salzburg	22	5	100
BMW Holding B.V., The Hague	3,341	400	100
BMW Japan Corp., Tokyo	284	60	100
BMW Canada Inc., Whitby	194	40	100
BMW France S.A., Montigny-le Bretonneux	158	53	100
BMW (South Africa) (Pty) Ltd., Pretoria	123	101	100
BMW Italia S.p.A., Milan	112	47	100
BMW Ibérica S.A., Madrid	86	33	100
BMW Australia Ltd., Melbourne, Victoria	86	36	100
BMW Belgium S.A./N.V., Bornem	59	29	100
BMW (Schweiz) AG, Dielsdorf	35	2	100
BMW Nederland B.V., The Hague	32	21	100
BMW (UK) Holdings Ltd., Bracknell	1,664	30	100
BMW (GB) Ltd., Bracknell	325	212	100
BMW (UK) Manufacturing Ltd., Bracknell	298	– 228	100
BMW (UK) Capital plc, Bracknell	131	4	100

1] The values correspond with the individual financial statements, prepared in accordance with the respective country's regulations, and do not show the company's contribution to the Group financial statements. Equity and net result of companies outside the Federal Republic of Germany are converted using the closing rate.
2] Less than euro 500,000
3] Profit/loss transfer agreement with a subsidiary of BMW AG
4] Profit/loss transfer agreement with BMW AG
5] Consolidated including active US companies

BMW Group 10 year comparison

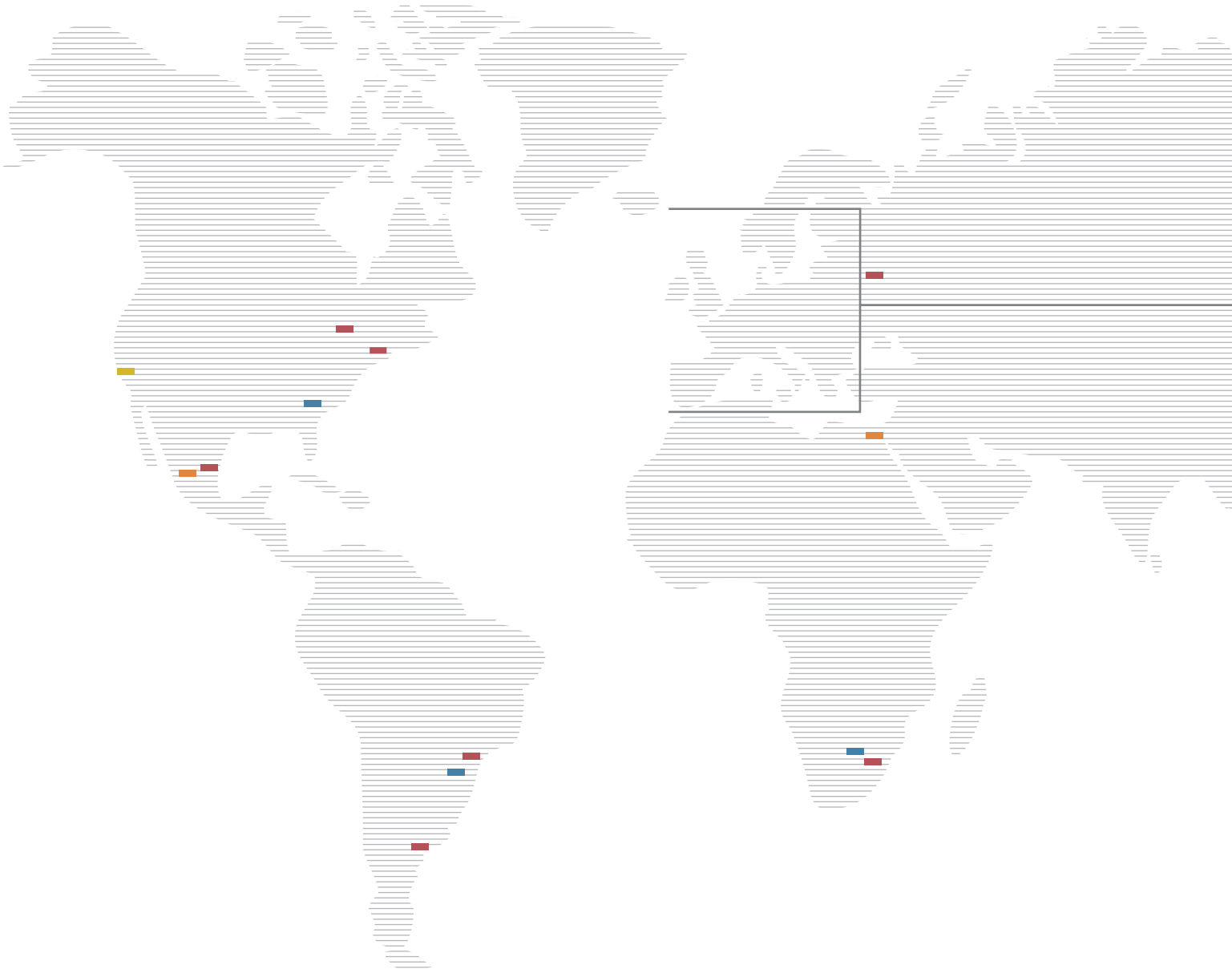
		2001 IAS	2000 IAS
Revenues	euro million	38,463	37,226
Change	%	3.3	
Vehicle production			
Automobiles[1]	units	946,730	–
Motorcycles[2]	units	100,213	–
Deliveries to customers			
Automobiles[1]	units	905,657	–
Motorcycles[3]	units	95,327	–
Workforce at end of year[4]		97,275	–
Capital expenditure	euro million	3,516	2,781
as % of revenues	%	9.1	7.5
Depreciation and amortisation	euro million	2.159	2.435
Internal financing[5]	euro million	7,352	6,579
as % of investments	%	209.1	236.6
Non-current assets	euro million	18,468	17,481
Receivables from sales financing[6]	euro million	17,398	17,082
Other current assets, deferred tax and prepayments	euro million	15,393	14,777
Subscribed capital	euro million	673	–
Reserves	euro million	11,342	9,763
Capital reserves	euro million	1,937	1,914
Revenue reserves	euro million	9,405	7,849
Equity	euro million	10,770	9,432
as % of non-current assets	%	58.3	54.0
Equity ratio			
Industrial operations	%	37.0	35.9
Financial operations	%	8.4	8.1
Long-term debt	euro million	17,085	15,314
Long-term capital	euro million	27,855	24,746
as % of non-current assets	%	150.8	141.6
Balance sheet total	euro million	51,259	49,340
Personnel costs	euro million	6,079	6,095
per employee[4]	euro	64,236	60,756
Profit from ordinary activities	euro million	3,242	2,032
Income taxes	euro million	1,376	823
Net profit / – loss for the year	euro million	1,866	1,209
Unappropriated profit of BMW AG available for distribution	euro million	350	–

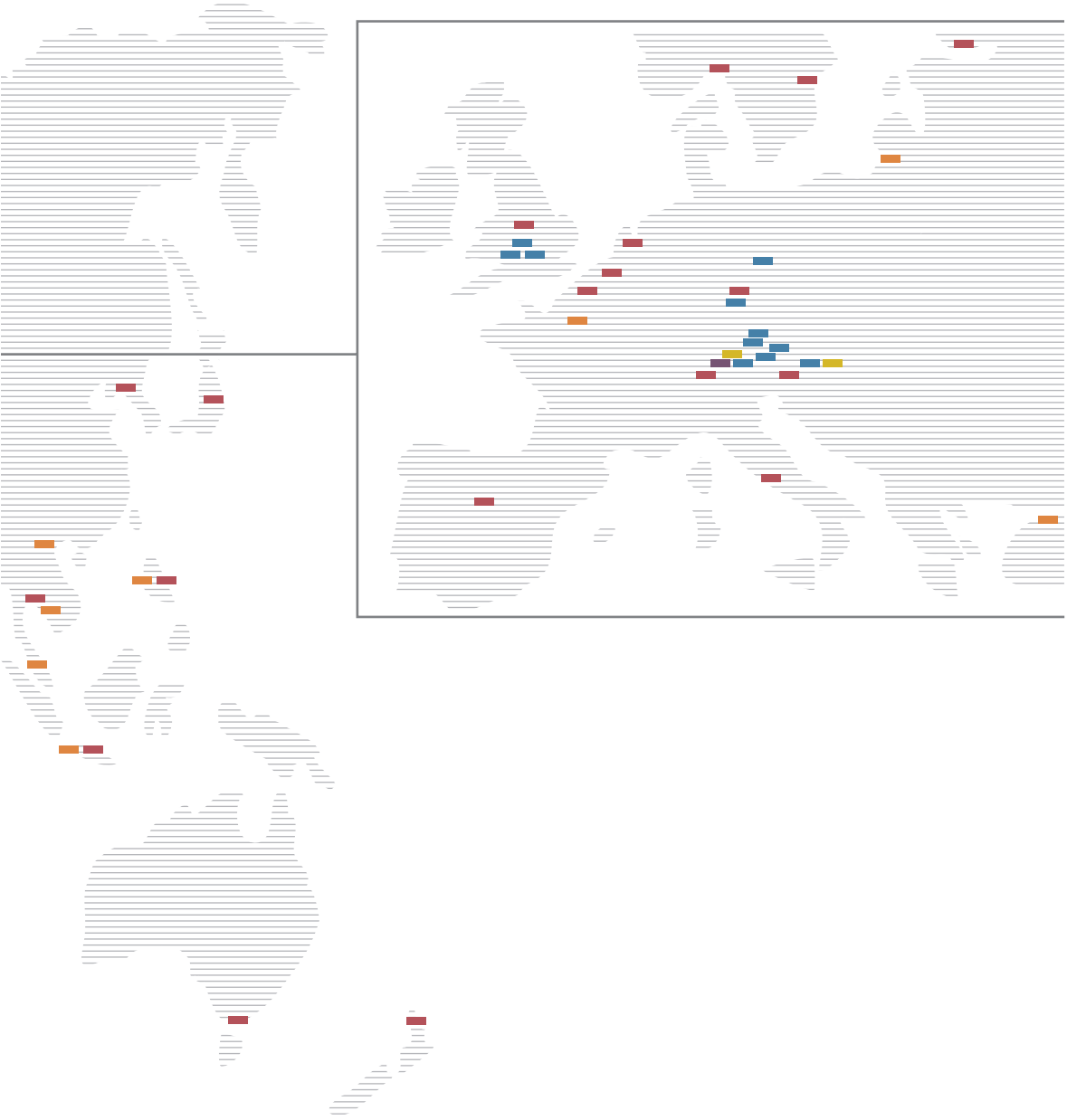
1] Incl Rover Cars from 18 March 1994 until 9 May 2000 and Land Rover from 18 March 1994 until 30 June 2000 2] Incl assembly of the BMW F650 at Aprilia S.p.A. from 1993 until 1999 transfer of the supplier plant Powertrain Ltd., Bracknell, and the sale of British Motor Heritage 5] to 2000 HGB: Cash flow 6] to 2000 HGB: Assets from sales financing 7] Net profit of

2000 HGB	1999 HGB	1998 HGB	1997 HGB	1996 HGB	1995 HGB	1994 HGB	1993 HGB	1992 HGB
35,356	34,402	32,280	30,748	26,723	23,593	21,538	14,836	15,973
2.8	6.6	5.0	15.1	13.3	9.5	45.2	–7.1	4.7
1,026,775	1,147,420	1,204,000	1,194,704	1,143,558	1,098,582	948,683	532,960	598,145
93,608	69,157	60,152	54,933	48,950	52,653	44,435	36,990	35,910
1,011,874	1,180,429	1,187,115	1,196,096	1,151,364	1,073,161	931,883	534,397	588,657
81,263	65,168	60,308	54,014	50,465	50,246	46,667	35,150	34,800
92,284	114,952	118,489	117,624	116,112	115,763	109,362	71,034	73,562
2,138	2,155	2,179	2,311	1,958	1,778	1,812	1,132	1,010
6.0	6.3	6.8	7.5	7.3	7.5	8.4	7.6	6.3
2,322	2,042	1,859	1,812	1,535	1,471	1,312	939	934
3,198	2,807	2,479	2,518	2,092	1,920	1,825	1,312	1,473
149.6	130.3	113.8	109.0	106.8	108.0	100.7	115.9	145.8
6,763	8,771	7,810	7,789	6,866	6,087	6,007	3,656	3,494
17,578	16,859	12,564	10,862	8,589	7,673	6,800	6,016	4,992
11,534	11,877	10,265	8,590	7,728	7,124	6,977	5,817	5,576
672	671	658	506	506	505	504	461	460
3,914	2,992	5,487	4,465	3,915	3,487	3,343	2,958	2,813
1,914	1,893	1,876	836	825	814	805	426	418
2,000	1,099	3,611	3,629	3,090	2,673	2,538	2,532	2,395
4,896	3,932	6,445	5,240	4,636	4,193	4,050	3,592	3,435
72.4	44.8	82.5	67.3	67.5	68.9	67.4	98.2	98.3
19.1	11.9	28.7	25.3	25	25.1	24.8	30.3	30.7
8.0	8.7	10.0	10.0	11.5	11.4	12.2	12.0	13.0
10,375	10,379	7,039	7,772	6,015	5,512	4,608	4,068	3,411
15,271	14,311	13,484	13,012	10,651	9,704	8,658	7,660	6,846
225.8	163.2	172.7	167.1	155.1	159.4	144.1	209.5	195.9
35,875	37,507	30,639	27,241	23,183	20,884	19,784	15,489	14,062
5,976	6,177	5,896	5,535	5,033	4,523	4,308	3,193	3,266
62,307	55,710	51,703	50,493	46,122	42,292	42,684	48,232	47,255
1,663	1,111	1,061	1,293	849	699	694	425	755
637	448	599	655	429	345	337	162	384
1,026	–2,487[7]	462	638	420	354	357	263	371
310	269	234	203	152	137	142	116	116

3] includes deliveries of C1 from 2000 4] from 1998 figures exclude suspended contracts of employment, employees in the vacation phase of pre-retirement, low-income earners / 2000 adjusted for the euro 663 million before extraordinary result 8] calculation under HGB

BMW Group Locations. With 22 production and assembly plants, 26 sales subsidiaries and a research and development network the BMW Group is present in the worldwide markets.





Headquarter

Research and Development
Forschungs- und Innovations-zentrum (FIZ), Munich
BMW Technik, Munich
BMW Car IT, Munich
Designworks, Newbury Park, USA
BMW Motoren, Steyr, Austria

Production
Berlin plant
Dingolfing plant
Eisenach plant
Hams Hall plant, GB
Landshut plant
Munich plant
Oxford plant, GB
Regensburg plant
Rosslyn plant, South Africa
Spartanburg plant, USA
Steyr plant, Austria
Swindon plant, GB
Tritec Motors Ltda., Curitiba, Brazil
(Joint venture with DaimlerChrysler)
Wackersdorf plant

Assembly plants
CKD Production Hanoi, Vietnam
CKD Production Jakarta, Indonesia
CKD Production Kaliningrad, Russia
CKD Production Kairo, Egypt
CKD Production Kuala Lumpur, Malaysia
CKD Production Manila, Philippines
CKD Production Rayong, Thailand
CKD Production Toluca, Mexico

Sales subsidiaries
Argentina
Australia
Austria
Belgium
Brazil
Canada
Finland
France
Germany
Great Britain
Indonesia
Italy
Japan
Mexico
New Zealand
Netherlands
Norway
Philippines
Russia
South Africa
South Korea
Spain
Sweden
Switzerland
Thailand
USA

Glossary

[ALC]
Adaptive Light Control (ALC) directs two variable headlights at the road ahead. This gives the driver a better view of the road when approaching and driving round bends. When approaching road junctions, the light beam is broadened to provide better visibility of the crossroads and pedestrian paths.

[Cash flow]
The difference between cash inflows and cash outflows for a specific period. Cash flow can be defined in a variety of ways. The cash flow referred to in the BMW Group Annual Report is computed as follows:

	Net profit/loss
+	depreciation and amortisation on intangible assets and property, plant and equipment
+/–	increase/decrease in pension provisions
=	Cash flow

[CDAX-Automobile stock index]
Industry index for the automobile sector.

[CleanEnergy]
On the 2001 CleanEnergy WorldTour the BMW Group made an outstanding contribution to the breakthrough and widespread use of hydrogen as the only source of sustainable energy in the future. The BMW Group is concentrating on the proven combination of liquid hydrogen and the combustion engine as a drive concept offering advantages in performance, weight, cost and service.

[Common stock]
Stock with voting right (cf. preferred stock).

[ConnectedDrive]
ConnectedDrive is the term used by BMW to describe the interaction of the driver, the car and the surrounding traffic on the road. The objective is to prepare as much information as required and desired for the driver, offering him individual service customised to his requirements. The three areas of ConnectedDrive – telematics services, online services, and driver assistance systems – make motoring more comfortable, safer and efficient.

[Cost of materials]
Comprises all expenditure to purchase raw materials and supplies.

[Current assets]
All assets which are not held to benefit operations on a long-term basis are classified as current. The following items are classified as current assets:

	Inventories
+	Trade receivables
+	Receivables from sales financing
+	Other receivables
+	Marketable securities
+	Cash and cash equivalents
=	Current assets

[Customer Relationship Management]
The BMW Group is integrating all activities and responsibilities in customer relations. In addition to the Group's overall customer support strategy, the focus is also on processes, organisation structures and systems supporting the customer.

[DAX]
Abbreviation for "Deutscher Aktien Index", the German Stock Index. The index is based on the weighted market prices of the 30 largest German stock corporations (by stock market capitalisation).

[Deferred taxes]
Accounting for deferred taxes is a method of allocating tax expense/benefit to the appropriate accounting period.

[Derivatives]
Financial products, whose measurement is derived principally from market price, market price fluctuations and expected market price changes of the underlying instrument (e.g. indices, stocks or bonds).

[DJSI World]
The abbreviation for Dow Jones Sustainability Index World. An index for companies introduced by Dow Jones and the Swiss SAM Sustainability Group Investment Agency focusing on companies which are following strategies aimed at sustainability. The BMW Group has been the leading car maker in the DJSI Automotive Group ever since its establishment in 1999.

[DVFA/SG result]
A basis for the computation of earnings used by the "Deutschen Vereinigung für Finanzanalyse und Anlageberatung/Schmalenbach Gesellschaft", the German Society of Investment Analysts and Asset Managers. Under this method, the annual results of a company are adjusted for one-off special effects to improve comparability.

[e-Business]
BMW sees e-business as both a challenge and an opportunity for the entire Company. The strategic significance of e-business lies in the greater process orientation and networking of current structures and processes, with a clear focus on the customer. e-business therefore supports BMW's objective to grow profitably. All of BMW's e-business activities are driven from the perspective of daily business, helping to optimise and improve processes. The primary focus is not on cost reduction, but rather on benefits, flexibility, quality and customer satisfaction. The aspect of speed is of particular significance.

[Effectiveness]
The degree to which offsetting changes in fair value or cash flows attributable to a hedged risk are achieved by the hedging instrument.

[Equity ratio]
The proportion of equity (= subscribed capital, reserves and accumulated other equity) to the balance sheet total.

[IAS]
Abbreviation for "International Accounting Standards". Accounting standards which are intended to ensure global comparability of accounting practices and financial reporting. They are issued by the International Accounting Standards Board (IASB).

[iDrive]
A revolutionary control concept enabling the driver to concentrate on the essential. With its open, flexible structure, iDrive creates ideal conditions for integrating many new functions and provides a totally new, clear interior architecture.

[Integral ABS]
As a world-first achievement on the motorcycle, BMW Integral ABS uses the technical options of the newly developed third generation of ABS and combines this new technology with additional functions. The system incorporates an electro-hydraulic brake servo as well as adaptive brake force distribution.

[Internal financing]
Internal financing is defined by the BMW Group as profit from ordinary activities less actual tax payments and adjusted for depreciation and amortisation and significant non-cash items.

[KOVP]
The German abbreviation for Customer-Oriented Sales and Production Process. The overriding objective of KOVP is to give each customer his personal car on his specified date. To achieve this goal in a competitive environment constantly changing and becoming demanding, the BMW Group has started to develop a new sales and production system.

[Major subsidiaries]
Subsidiaries are those enterprises which, either directly or indirectly, are under the uniform control of the management of BMW AG or in which BMW AG, either directly or indirectly
- holds the majority of the voting rights
- has the right to appoint or remove the majority of the members of the Board of Management or equivalent governing body, and in which BMW AG is at the same time (directly or indirectly) a shareholder
- has control (directly or indirectly) over another enterprise on the basis of a control agreement or a provision in the statutes of that enterprise.

[Non-current assets]
Intangible assets: expenses for formation and expansion of business operations, concessions, patents, licences, design patents, trade marks, goodwill, development costs, know-how etc.
Property, plant and equipment: land and buildings, plant and machinery, other facilities, factory and office equipment and construction in progress.
Financial assets: investments in subsidiaries, investments in associated companies, loans (with a maturity of more than five years) to subsidiaries and to other companies in which shares are held, investments in other companies, long-term marketable securities, other loans.

[Online ordering]
Online ordering helps to significantly speed up change management in handling customer orders, expedites the order processing and enables, at the time of order, confirmation that the vehicle can be completed in the required configuration, so that a definite delivery date can be given. An important part of KOVP.

[PEP]
The German abbreviation for Product Development Process. The objective is to build a car as close to the market as possible. The longer changes can still be made in the design and construction of the car, the better the results for the customer. Important terms in this context are the parallelisation, virtualisation and globalisation of development activities.

[Preferred stock]
Stock which receives a higher dividend than common stock, but without voting rights.

[Production network]
The BMW Group production network is made up of 14 plants and 8 assembly facilities worldwide. Particular abilities of the network are the common supply of systems and components as well as a high standard of productivity and agility.

[Rating]
Standardized evaluation of a company's credit standing which is widely accepted on the global capital markets. Ratings are published by independent rating agencies e. g. Standard & Poor's or Moody's based on their analysis of a company.

[Return on sales]
The ratio of the profit from ordinary activities to Group revenues. For segment reporting purposes, the compuation is based on the operating profit.

[Risk management]
An integral component of all business processes. Following enactment of the Law on Control and Transparency within Businesses (KonTraG), all companies listed on a stock exchange in Germany are required to set up a risk management system. The purpose of this system is to identify risks at an early stage which could have a significant adverse effect on the assets, liabilities, financial position and results of operations and which could endanger the continued existence of the company. This applies in particular to transactions involving risk, errors in accounting or financial reporting and violations of legal requirements. The Board of Management is required to set up an appropriate system, to document that system and monitor it regularly with the aid of the internal audit department.

[SMG]
Abbreviation for Sequential M Gearbox.
In principle this is a manual gearbox driven electrohydraulically. The most advanced electronic control system interrupts engine power for milliseconds, the control unit changing gears and opening/closing the clutch electrohydraulically. There is no clutch pedal.

[Sports Activity Vehicle]
The BMW X5 is the first-ever Sports Activity Vehicle – a combination of a typical BMW saloon featuring sporting and comfortable driving features, on the one hand, with far-reaching driving abilities in terrain, on the other. This creates a new market segment.

[Subscribed capital]
The share capital of a company is computed by multiplying the nominal value of the shares (euro 1) by the number of shares.

[Sustainability]
The process of stable, ongoing development. The United Nations Conference on the Environment and Development held in Rio de Janeiro in 1992 resolved a global action plan for combating poverty, ensuring a suitable population policy, promoting urban development, human rights, trade, agriculture, environmental protection, research and technology. Referred to as Agenda 21, this action plan serves to ensure sustainable development preserving the world's natural resources and limiting the emission of pollutants into the environment to a volume the world can absorb or degrade.

[VALVETRONIC]
VALVETRONIC provides variable valve lift, taking over the function of the throttle butterfly which is no longer required. The result is an engine able to breathe freely, saving fuel in the process. Engines featuring this technology offer the same fuel economy as modern direct-injection petrol engines without their compromises in emission management and without forfeiting the driving pleasure so typical of a BMW.

Index

Driving Innovation

Contents

Driving innovation: thinking along new lines is the prerequisite for progress. What is needed are innovations that provide benefit and pleasure to our customers. Only ongoing development secures the outstanding position of the BMW Group. The challenge is to ask the right questions more quickly, to have the right ideas sooner, and to reach the right results earlier. This is essential on all levels – in the interest of better products, more intelligent processes, more agile organisational structures, and sustainable economical operation. These are the crucial prerequisites for ongoing profitable growth – and, accordingly, for a leading position in the global automotive industry.

Joachim Milberg
Chairman of the Board
of Management

Dear Sir or Madam,

The year 2001 was by far the most successful business year in the history of the BMW Group, with sales and results once again reaching new record levels. Delivering more than 900,000 BMW and MINI cars to customers, we succeeded in increasing retail sales by more than 10 per cent in a world market stagnating as a whole.

This success rests on two pillars: first and foremost, it is an achievement by all the employees of the BMW Group once again proving in 2001 how much substance and performance lies within our Company. In the year under report, we were able to enlarge this powerful team by almost 5,000 employees, creating more than 3,900 new jobs in Germany alone. The identification of our employees and partners with what we do is a crucial prerequisite for our performance.

The second pillar ensuring the success of the BMW Group is the consistent implementation of our strategy. We are the only multi-brand car maker in the world to concentrate exclusively on the premium segments of the worldwide automobile and motorcycle markets. In this way we are able to strengthen the foundation for a secure and independent future of the BMW Group, since for years the premium segments have shown the largest growth rates and are less susceptible to fluctuations in the economy. These segments will continue to grow above average in the years to come, with an increasing number of cus-

tomers now leaning towards premium brands in their search for distinction and individual style. We take this wish into account through the convincing substance of our products and outstanding brands. This, in turn, gives us an edge over the competition not only in core markets, but particularly in the new, dynamic, high-growth markets of Asia or South America. Customers the world over acknowledge BMW Group cars and motorcycles today as symbols of quality, innovation and exclusivity. To maintain this, we will continue our focus and business policy, concentrating on what we do best: giving our customers a genuine experience of what premium is all about. Our customers recognise the advantage of this clear focus, they appreciate the benefits of the BMW Group on premium-substance and premium-service.

Applying this strategy, the BMW Group seeks to achieve leadership in the premium segments of the international automobile markets. Precisely for this reason we launched the largest-ever product and market offensive in the history of the Company – and we have already achieved major milestones through the introduction of the new BMW 7 Series and the European launch of the MINI brand. Further models, new model series and engines will follow in the years to come, significantly enlarging our product portfolio in the medium term.

In the year 2002 we will be concluding our preparations in assuming full brand responsibility for Rolls-Royce Motor Cars. Then, starting in January 2003, Rolls-Royce will round off our brand spectrum in the absolute top segment of the market.

The BMW 1 Series will enter the market in 2004 as a premium model in the lower midrange segment, introducing the sheer driving pleasure typical of BMW as the only car in its range with standard drive. Launching the X3, we will have a small Sports Activity Vehicle following the philosophy of the X5, expanding the X family. The new BMW 6 Series will continue our heritage of sporting and elegant high-performance coupés with a high prestige value from the year 2004 and there are also plans for a 6 Series convertible in this model range.

This product offensive will increase the number of cars the BMW Group delivers to customers by more than one-third up to the year 2006. To provide the capacities required for this growth, we will invest approximately euro 16 billion. above all in the expansion of our production network, and spend another euro 10 billion on research and development.

Our first and foremost objective is profitable growth. Since we do not see growth alone as a purpose in itself, and since size alone is not the benchmark we apply, the crucial point is the profit contributions we achieve in our current business and how much we are able to invest in our future. Whoever wants to grow profitably must look constantly for innovation not only in product development. Rather, a premium offer constitutes an extensive promise of performance to us. And good ideas alone are not enough – an equally decisive point is the

ability to implement such ideas quickly and flexibly, since ultimately it is the agility of a company that determines its success in the market. We therefore face the challenge to constantly revise our processes, adjusting them to new requirements. As a learning organisation, we must take the change in requirements into account, anticipate this change to the best of our ability and remain agile in adjusting to new requirements. Even more than in the past, therefore, we will think and act in networks – internally and externally, and in all our corporate activities.

All of this can not be achieved in just one year. But in the year 2001 we have taken the first step, setting the foundation through our product and market offensive for the ongoing success of the BMW Group. We have given ourselves targets now being pursued with a clear, ongoing and consistent focus. We intend to be the most successful premium manufacturer in the automotive industry. We will continue to work at this over the coming years.

Yours sincerely,

Joachim Milberg
Chairman of the Board of Management

He who has more questions will find more answers

Must you really run into a traffic jam first before you receive a warning?

What is the best way to structure work in order to gain time?

How fast must you be to use your opportunities?

Can you make fuel
out of water?

All technical options are used in the design process to make new shapes and designs reality.
CAS (Computer-Aided Styling) serves to implement alternative drafts quickly and efficiently.

Experiencing Innovations

Experiencing innovations. Headlights that know when the next bend is approaching? Traffic jam warnings that prevent a traffic jam? Steering that shortens stopping distances? Engines able to breathe more freely?

Technology does not determine design – and not every technology automatically means better results. So BMW Group design starts out as craftsmanship – the work of genuine artists. This is the fastest and most flexible way to create emotional, dynamic structures.

Seeking out new opportunities – developing the future. The BMW Group is currently pursuing the most comprehensive product offensive in the history of the company. By the year 2006, the BMW Group will be spending some euro 10 billion on research and development, since the key to the success of all these activities is innovation. Only a manufacturer consistently looking for new achievements, subsequently implemented to the benefit of the customer, is in a position to actively shape the process of dynamic, technological change within the automotive industry.

At the same time, external resources provided by suppliers and partners are being used increasingly in development and production, creating networks with other companies. This process within the BMW Group dates back to the '80s when the company started outsourcing an increasing number of tasks to partner companies, for example in logistics or project management. As a result, the average depth of in-house production has decreased in the last 15 years from approximately 40 to roughly 30 per cent. And in development the share of partner companies is currently about 50 per cent.

This integration of partners into the production and development process, with the targeted exchange of know-how, will be consistently pursued by the BMW Group in the years to come. The objectives are to further enhance our efficiency, reach our ambitious growth targets and expand our model range. The BMW Group is focusing on the process not just on cooperation with the classic large suppliers, but also and in particular on cooperation with small, agile, high-tech companies, start-ups, universities and research institutes. Because innovation is the result of teamwork in well-functioning networks.

From hardware to software – mechatronics. The trend is clear: mechanical systems are controlled increasingly by electronic means. Mechatronics is revolutionising the world of automotive technology. Accordingly therefore, in development there is a trend from hardware to software. How can mechanical systems be perfected by the use of electronic components? Or will the combination of electronics and mechanics even open up entirely new areas and applications?

The BMW Group is working strongly on innovative mechatronic applications. At this very moment, for example, the first-ever mechatronic steering for regular production models is becoming reality. Forming a synthesis of an active hydraulic power steering and steer-by-wire, this mechatronic system will set new standards in safety, agility and comfort. Referred to in the development process as "Active Front Steering", this system offers advantages, for example, when applying the brakes on surfaces with a varying frictional coefficient, providing a balance of yaw forces and stabilising the car without the driver even noticing. In practice this means more brake power and about 10 per cent shorter stopping distances. Should the driver prefer a more sporting style of motoring, a car equipped with this innovative steering will be far more agile and precise in its response. In city traffic and when parking, however, the process of steering is reduced to simple, effortless commands provided by the driver. Science fiction? No – soon this will be reality, with a system of this kind becoming available in the BMW brand's next model generation.

From the data highway to the country road. Since September 2001 all BMW cars equipped with the BMW Assist telematics service have been able not just to receive, but also to transmit data. Called Floating Car Data, this new procedure is able to monitor all aspects of road traffic without requiring additional infrastructure. The ideal is simple: each car equipped with BMW Assist automatically conveys information on traffic

conditions to a message centre, where data is compared with information from other subscribers, processed and transmitted immediately through the car's telephone to the navigation system in each BMW. A particularly interesting point is that through Floating Car Data BMW cars also provide information on country roads and built-up areas, describing and monitoring the flow of traffic – which means that the dynamic route guidance system is no longer confined to the motorway alone. BMW drivers therefore help to significantly improve dynamic route guidance, serving to avoid traffic congestion and making an important contribution to mobility on our roads.

More power, less fuel. A milestone in the history of the combustion engine entered series production in June 2001: the first petrol engine not requiring a throttle butterfly. This is made possible by fully variable valve lift, the innovative VALVETRONIC system. The bottom line is more power on less fuel, lower exhaust emissions, a better engine response and greater refinement.

The best way to describe VALVETRONIC is to compare the system with the way we human beings breathe: under physical strain, the human being inhales and exhales in a long and deep breathing process. When we need less air, on the other hand, we do not cut back our air supply by simply placing our hand on our mouth or nose, but rather breathe in a shorter and flatter process. Applying this to VALVETRONIC, it means that instead of obstructing the engine's process of free ventilation by means of a throttle butterfly, the intake valves are controlled with infinite precision supplying the engine with either more or less air, depending on driving conditions and requirements.

All four-cylinder petrol engines in the BMW 3 Series already incorporate VALVETRONIC, and this new technology is also featured in the two 8-cylinder power units of the new BMW 7 Series. In the year 2002 it will follow in the 12-cylinder engine. The BMW Group is therefore consistently applying its philosophy to offer the best technology available as quickly as possible in all models worldwide. This is leadership in technology to the benefit of the customer.

Headlights looking round a bend and pixel light technology. Why must the headlights of a car always shine straight ahead? And why must they always have the same light intensity? These are questions carefully and intensively examined by the BMW Group's development engineers. As a result, three innovative light systems will soon improve the active safety – to the benefit of the driver and his partners on the road.

Brake Force Control, for example, shows how hard the driver is applying the brakes as a function of the car's actual deceleration. Future generations of BMW cars will have several brake light segments coming on as a function of deceleration forces and thus providing a clear signal distinguishing between a slight touch of the brake pedal and all-out application of the brakes in, say, an emergency. This will clearly reduce the risk of bumper-to-bumper accidents.

Adaptive Light Control (ALC) controls the headlights "by satellite", combining information from the Global Positioning System (GPS) with the digitalised road maps used in the BMW navigation system. ALC is therefore able to determine exactly where the car is at any point in time. Together with further information on the speed of the car, the angle of the steering and lateral acceleration, ALC will then provide exactly the right light in all driving situations.

The result is remarkable: even before you enter a bend, ALC illuminates the ongoing course of the road, quite literally directing the headlights "round" the bend. A less spectacular, but equally useful feature is the broad band of lights emitted by the headlights in built-up areas to include pedestrian paths next to the road in the area illuminated by the lights, while out in the country the lights are firmly focused in a strong, intense beam – modern technology for greater safety on the road.

Pixel headlights allowing unprecedented, quite literally "spot-on", light distribution go even further into the future, microscopically small, individually controlled mirrors taking over the function of the conventional

reflector. This allows new functions and applications so far rendered impossible by the constraints of conventional optical systems. One example is dazzle-free permanent high-beam illumination not irritating a road user approaching in the opposite direction. Another example is the particularly intense illumination of markings on and next to the road. Dynamic headlight range control also meets individual requirements, ensuring optimum light in bends, in town, on country roads, on the motorway or in bad weather. And the BMW Group's development specialists are also working on systems feeding in information signals, such as light fields incorporating navigation arrows for changing direction.

All of these three light systems are part of ConnectedDrive, BMW Group's offensive for the optimum interaction of the driver, car and surroundings in road traffic. ConnectedDrive combines BMW Group developments in the areas of telematics, online services and driver assistance systems. In networking assistance and information systems, the BMW Group is creating the foundation for greater safety and comfort in road traffic. The results of ConnectedDrive are already entering series production today.

Adaptive Light Control enables the headlights to "look into the curve".

BMW Z9 gran turismo Concept Car

Detail of BMW X coupé Concept Vehicle

On evolution and clear steps. Good design is both progressive and conservative in the sense of traditional values. It continues proven concepts and at the same time guides us into the future. It is oriented by the heritage of a brand but nevertheless develops continuosly – good design is progress without the show-effects of short-lived trends. This is the design philosophy applied in BMW brand vehicles.

BMW's designers take a proven approach in their work – large, in some cases quite dramatic, leaps consistently follow small, evolutionary steps in the design process. The objective in each case is to give greater distinction to the individual personality of BMW's various model series. It was one of these major leaps in design that led, for example, to the new BMW 7 Series. And others will follow.

Design must take new approaches, look for new frontiers and ultimately define the overall bandwidth of options. Within the BMW range, pacemakers in this process standing out at very first sight include the Z9 gran turismo and convertible concept cars as well as the X coupé. Intentionally conceived and designed as extremes, these exceptional models show what the BMW brand may stand for, freely and without restrictions. The response to these concept cars both by the public and within the company itself also shows what is possible and can be achieved today and in the future.

Ultimately, this defines the bandwidth in design of the BMW brand, with a spectrum ranging directly from the high-comfort saloon at one end all the way to extremely dynamic, special experience cars at the other. Still, all cars under the BMW brand have one feature in common, regardless of where they are positioned within the design spectrum: a BMW always looks like a BMW with its unmistakable, striking design features so typical of the marque.

The new BMW 7 Series was the most challenging type of project any design team can take on: interpret the top image-driving product of a successful brand into the next millennium – and do it in a manner that could be the starting point for a whole new generation of diverse but equally successful products. The result is far more than the output of a single designer. It is the real embodiment of what BMW Design is: bold, consequential, strategically driven and customer focused, but more than anything, dedicated to the unique personality that is this great marque.

Enhancing Agility

Enhancing agility. How flexible and fast can production be? Teamwork beyond borders?

Z8 production at the Munich plant

In search of the new – and agile realisation. Speed and flexibility are crucial in a competitive world. The combination of fast and flexible action, the agility of a company, is therefore the key to success.

The question that quickly arises in this context is clear: What are the core competencies of a company, what is the perfect balance of in-house operation and outsourcing? The answer, at least in part, is provided by joint ventures and networking, procedures which enable a company to breathe and cover risks possibly arising in future. Joint ventures are therefore an important element of the BMW Group's strategy, with the focus not on financial ties or mergers, but rather on specific tasks requiring specific solutions. In this process the BMW Group always remains in control of all factors crucial to the values of its brands. The latest example of such a joint venture is the cooperation with Steyr-Daimler-Puch Fahrzeugtechnik in the series development and production of the BMW X3.

The BMW Group has been the leader for many years in its orientation to fast core processes. One example is the optimum interplay of production and sales based on the Group's Customer-Oriented Sales and Production Process or KOVP for short, to use the German abbreviation. The basic point is that processes are determined not by the kind of car the company would like to build, but rather by the car the customer himself wishes to drive and specifies in his order. This philosophy is applicable to all models within the BMW Group, that is both brands, the BMW and MINI. The simple and straightforward bottom line is that each customer should receive his custom-built car exactly on time, on the date agreed. And the customer is able to change the equipment he wishes to order for his car until just a few days before the start of assembly, without any impact on the delivery date.

MINI bodyshop at the Oxford plant

BMW bodyshop at the Regensburg plant

Paintshop at the Regensburg plant

Agility and efficiency are the foremost principles within the BMW Group's worldwide production network currently comprising 22 production plants in 14 countries. This network is made up of "breathing" structures based on a wide range of flexible working time concepts, working time accounts, and the ability, depending on demand, to build certain models at other plants if required. This allows the BMW Group to respond quickly and flexibly to the situation in each market. Consistent application of uniform standards in quality, safety and job processes within the plant network guarantees premium products "made by" the BMW Group the world over.

In 2001 the BMW Group further expanded its production network, opening the new engine plant in Hams Hall, Great Britain, and the Oxford plant where production of the MINI started in April 2001. In the years to come the BMW Group will support its product and market offensive through a broad range of investments, thus establishing the foundation for ongoing growth.

The largest single investment of euro 1.3 billion is for the new plant in the Leipzig/Halle region, destined to build the BMW 3 Series from 2005. The "New Home of Rolls-Royce", in turn, is being established in Goodwood, in the south of England. At the same time the BMW Group is investing consistently in its production network. In all, therefore, a major share of the total capital expenditure of more than euro 16 billion planned for the years to come will go into the enlargement and expansion of the BMW Group's plant structure.

[Top] Engine production at the Hams Hall plant
[Bottom] MINI production at the Oxford plant

Expanding the production network in Great Britain. Production follows the market – this is one of the principles applied by the BMW Group in its investments and in the ongoing expansion of the production network. In 2001 the focus was on Great Britain, the BMW Group's third-largest market after Germany and the USA, where, after a construction period of less than three years, engine production at the new Hams Hall plant started in early 2001. The total investment by the BMW Group in this 170,000 square metre location near Birmingham is approximately euro 1 billion.

Supplying the new generation of four-cylinder petrol engines featuring VALVETRONIC technology, the Hams Hall plant will become the competence centre within the BMW Group's international plant network for the production of these new engines. In the very first year of production, more than 60,000 engines from Hams Hall were built into BMW cars.

The BMW Group's second major investment project in Great Britain was for the production of the new MINI in Oxford. With an investment of approximately Euro 350 million, the Oxford plant is one of the most modern car production facilities in the world. Fully integrated in the BMW Group's production network, Oxford was supported in particular by its Regensburg sister plant in the process of modernisation, starting production exactly on schedule and achieving a high level of product quality from the very beginning. Eighty-eight years after production of the first motor vehicle in Oxford by William Morris, the BMW Group is therefore continuing automotive history at this famous location, with a brand quite unique in the market.

[Top] MINI production with ergonomic wooden floor panels at the Oxford plant
[Bottom] Engine production at the Hams Hall plant

Quality audit at the Oxford and Regensburg plants

Leipzig plant – “BMW Formula for Work” creating 5,500 new jobs. Production needs to “breathe”, adjusting flexibly to all kinds of demands. Working closely with employee representatives, the BMW Group, in recognition of this need for flexibility, paves the way for innovative job structures – and has been doing so ever since 1986, when flexible working time concepts in industry were still largely unknown. The result is a high degree of independence separating the working hours of employees from the operating hours of machines.

The more than 300 working time concepts already applied within the BMW Group have been consistently upgraded for the new plant in the Leipzig/Halle region, creating a “BMW Formula for Work”, which sets a new standard in flexibility. The Leipzig plant will be in a position, applying this philosophy, to infinitely vary operating times from 60 to 140 hours a week. The combination of various working time concepts with working time modules such as uninterrupted workflow during breaks, additional shifts or extended shift periods creates a supreme standard of flexibility – a solution benefiting employees and the company alike. The workforce of approximately 5,500 new employees will enjoy secure jobs with a locally competitive income.

Through its “BMW Formula for Work”, the BMW Group is improving the yield generated by its investment – in Leipzig/Halle by up to 40 per cent throughout the entire period of plant operation.

Developing Markets

Developing markets. Using opportunities as soon as they arise? Finding partners where others do not know where to go? Remaining consistent when you believe in others?


TOTO

Entering new terrain – going our own way. The BMW Group's product offensive is reinforced by the expansion of our worldwide sales and distribution network. The target of the BMW Group is to be represented through its own sales subsidiaries in all of the world's major markets and in addition, to ensure an optimal customer service, with branches in metropolitan centres, which also means in the fast-growing markets of Asia, a significant growth region for the BMW Group. The Company has been directly represented here for years, pursuing a long-term strategy in the process ever since 1981, when the BMW Group became the first European car maker to establish its own subsidiary in Japan. Further sales subsidiaries followed in South Korea and Thailand in the late '90s. The next step was taken in 2001, with the establishment of sales subsidiaries in Indonesia and the Philippines. The BMW Group supports this expansion of the sales and marketing network with CKD (completely knocked down) assembly plants in Malaysia, Vietnam, Indonesia, the Philippines and in Thailand.

Today the BMW Group sells more than 61,000 cars a year in Asia, with the trend pointing upwards. In South Korea every second car in the premium segment is now a BMW. In Japan we delivered more than 35,000 cars to customers in the year 2001 – clear proof of the stable growth of the premium segment both here and in other Asian markets despite the crisis in Asia. In Japan, the BMW Group has particularly positive expectations for the MINI, the first premium brand in the small car segment already arousing a large response.

These examples clearly confirm the strategy of the BMW Group in Asia. The Company will step up its activities in this region in the years to come, since Asia will be the number one growth area for the automotive industry in the next 10 years, particularly after the planned establishment in 2003 of the AFTA (Asean Free Trade Area) generating additional growth and momentum. Precisely this is why the BMW Group is consistently supporting its product and market offensive through the further expansion of its sales and distribution network in the region.

China plays a special role in this context, after taking an important step in opening up its domestic market by joining the WTO in December 2001. The BMW Group has had a Representative Office in Beijing, China, since 1994 and currently sells BMWs through five self-importing dealers. Penetration of the Chinese market from within, combined with local production, nevertheless offers a far greater potential. This is why the BMW Group has been establishing contacts with possible partners for several years and has maintained a close relationship with the Chinese company Brilliance Automotive Holdings Limited since autumn 2000. The common objective in this process is to establish a joint venture. The licensing procedure required for this purpose is already under way, with the full support of both partners.

The BMW Group's involvement in Asia is based on our trust and confidence in the local markets. The consequence of this commitment is a long-term strategy. The result is success in business. The BMW Group will continue its commitment to the Asian market.

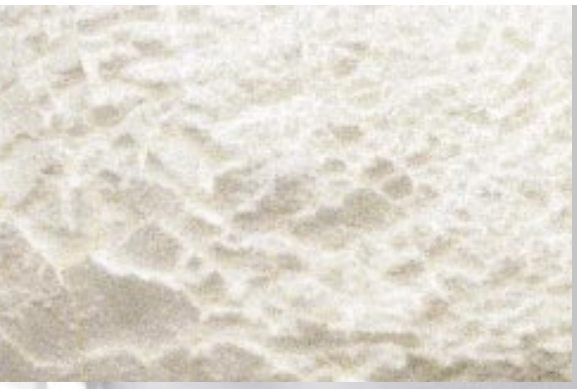
BMW hydrogen engine

Practising Responsibility

Practising responsibility. Fuel made out of water? Materials able to save energy? Paint that does not have to dry?

Driving innovation – assuming responsibility in our work.
Sustainability is one of the BMW Group's fundamental principles. The preservation of resources and our responsibility for both the environment and society are tightly anchored within the company. The latest example is the International Declaration of the United Nation's Environmental Programme signed by the BMW Group as a commitment to cleaner production. The aim of this Declaration is to avoid negative influences on the environment from the very beginning, instead of applying solutions only at the end of the production chain.

Sustainability is becoming the fundamental principle of economic and social prosperity, also crucial to the interaction of markets and democracies. The BMW Group will continue its commitment to sustainable development as a future-oriented principle of its corporate strategy.



[1] Powder clear coating – BMW 7 Series production at the Dingolfing plant

[2] Aluminium bonnet on the BMW Z8

[1] Clean production – greater efficiency. Economic and ecological efficiency are the guidelines for the development of products and production by the BMW Group. Careful, conservative use of resources, in turn, is the guideline for production planning and forms a firm element of all the BMW Group's production processes. The fulfilment of strict environmental standards is part of production quality.

Application of the paintwork is one example. The BMW Group was the first car maker in the world to use powder clear coat, harmless to the environment, at the Dingolfing plant in 1997. Our new plant in Leipzig/Halle will be applying this technology from the outset.

Powder clear coat offers many advantages: There is no emission of solvents, no consumption of water or chemical cleaning agents. Direct recycling increases the utilisation of materials to more than 98 per cent, reducing waste to almost zero. Process economy is enhanced accordingly. And last but not least, powder clear coat means more brilliant paint quality for the customer – together with the pleasant feeling of owning a product that helps to preserve the environment.

[2] Lightweight engineering – designed for the environment. Intelligent lightweight engineering is one of the concepts applied by the BMW Group in minimising fuel consumption. By reducing the weight of a car by 100 kilos, up to 0.5 litres of fuel can be saved on every 100 km.

The company is therefore constantly in search of suitable materials and sensible applications. One of the most promising materials in the interest of weight reduction is carbon fibre-reinforced plastic (CFP) also used in Formula 1. Within the BMW Group an international project team is seeking to upgrade this material to series production level, thus paving the way for the lightweight engineering of the future.

Materials such as aluminium or magnesium also have a great potential, particularly in engine construction. The cylinder head of the engine helping to make the BMW WilliamsF1 racing cars so successful in such a short time is made of aluminium. To provide the components required in the engine, the BMW Group has built a highly specialised foundry at the Landshut Innovation and Technology Centre, also serving as the innovation centre for the development of series technologies – transfer of technology at its best.

BMW CleanEnergy – Formula H. Partnerships and joint ventures with representatives of politics, professional associations, research institutes and innovative companies are an integral part of the BMW Group's sustainability strategy. The potential of such networks for the future is particularly clear in the area of hydrogen technology. The BMW Group has already implemented the technical requirements for the introduction of hydrogen cars in the first hydrogen-powered automobile in the world built in a small production series. Last year, 15 BMW 750hL's forming the BMW CleanEnergy fleet covered a total distance of more than 150,000 kilometres, clearly proving their reliability in practice. The next step is to join forces with strong partners in the worlds of business and politics, ensuring the industrial production and nationwide distribution of hydrogen produced in an environmentally friendly process. The CleanEnergy WorldTour conducted by the BMW Group in the year 2001 supported the cause of such a network in six cities throughout the world (Dubai, Brussels, Milan, Tokyo, Los Angeles, and Berlin), the BMW Group providing information worldwide to opinion leaders in politics, the media and business on the subject of hydrogen. The substantial response to this initiative shows that the vision of individual mobility based on hydrogen can indeed become reality. The next step taken by the BMW Group: a hydrogen version of the recently introduced new 7 Series will be available to customers during the life cycle of this new model.

The BMW 745h prototype based on the new 7 Series with both a hydrogen and a petrol tank.

Preparation: The BMW WilliamsF1 Team is travelling the world with 31 tonnes of cargo. Six tonnes thereof is for BMW engines alone. At least 10 engines, spare parts and tools for the three-litre 10-cylinder. The racing team packs its bags 17 times a year, and the test team is out on the road even more often. When the entire Formula 1 "family" travels to overseas destinations, 8 cargo Jumbos take off into the air, three of which carry the equipment for digital television broadcasts. But even so, each team struggles for every gram, taking along only what is really essential.

Training: Each Grand Prix weekend starts with setting up the car. On tracks such as Barcelona or Silverstone the team has lots of testing experience and can use a wide range of data. So the basic set-up is already in place, with the main focus on wind and weather conditions. Tracks such as Indianapolis or the Hockenheim Ring require particularly good streamlining with their very long straights and winding bends. To be really fast on the straights, the driver would naturally prefer absolutely flat rear spoilers – the less air resistance, the more dynamically the BMW V10 can develop its power. But to be fast in winding bends like in the Hockenheim Motodrom, the car needs substantial downforces even at relatively low speeds. The crucial point is to find the ideal compromise.

Qualifying: Hundredths of a second, sometimes even thousandths decide your position on the starting grid. Everybody feels the tension when approaching the qualifying session on Saturday at 1.00 p.m. Is the set-up ideal, do we have the right tyres? The BMW WilliamsF1 team even has its own professional weather forecaster. Tactics and timing are the key to success, and it is equally important to keep a close eye on the competition. Who is going out when and on what tyres? What are his lap times? Where does the track appear to be slippery? For example due to dirtying of the surface caused by a preceding race, or after a shower. Ralf Schumacher and Juan Pablo Montoya are surprisingly relaxed, making jokes with wife or girlfriend, chatting with the mechanics. 1.30 p.m. As long as the weather holds out, things will now become serious for the top teams. At most, you will have four tries, the track becoming "faster" every minute, meaning that the surface offers better grip. In many cases the driver who has the last word will end up No. 1. But there is always the big risk of running into dense traffic in the last few minutes of qualifying.

Racing: 60 seconds to the warm-up lap. The external starter has brought the BMW V10 to life. Following this lap, the 24 cars return to their positions and the five red lights at the start come on. The engines are revving to their maximum limit. Once the last light goes out, the on-board electronic control systems will control rear-wheel spin. Like missiles, the cars set out on their 300-km trial. Is our strategy right? Are we really quick at the pits? Will the car and engine last? It's a long, long way.

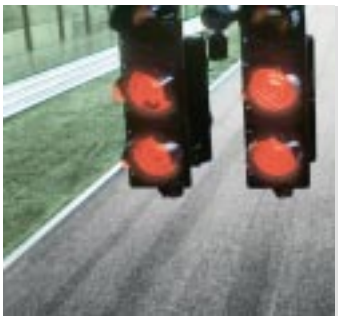
Setting Standards


MICHELIN


COMPAQ


COMPAQ
COMPAQ
COMPAQ


Allianz




Mobil
Mobil
Mobil
Mobil


BMW Power


COMPAQ
BMW Power


P1
*11·3
L32


NORTEL


CAMPARI
CAMPARI


DIMPAO


Power


BMW Power

The Grand Prix: Today's Formula 1 draws huge crowds, filling huge stadia and captivating an audience of countless millions in front of TV screens on17 race weekends. Only the Football World Cup can match this kind of coverage. But that's only once every four years. The fans of the BMW WilliamsF1 team are naturally committed to their idols, BMW merchandising 140 F1 products in 2001 with total sales of euro 17.3 million.

Development: The first F1 engine in the year 2000 season was a leap from 0 to 90 per cent. Then, in 2001, there was a move up to 98 per cent with the all-new P80 power unit. But 100 per cent of what is possible in technical terms will never be achieved, because every successful innovation moves the benchmark upwards. In 2001 the P80 was unbeatable on some tracks, but also suffered some setbacks. Reliability was therefore one of the targets in developing the new engine, the P82, which is also lighter, more compact and even more powerful.

Synergies: A fundamental objective right from the start was to bring together Formula 1 and series development – and this is precisely what has happened. Electronics specialists working on the engine control units of the BMW M3 and M5 also develop the engine management in F1. These synergy effects go in both directions, the new BMW 7 Series featuring high-performance processors developed and tested in the Formula 1 project. The casting shop for the F1 engines in Landshut is right next door to the foundry for series parts. And we also see this link of series and motorsport technology in model-building and production.

Employees: Formula 1 is a magic word throughout the entire BMW Group. People in virtually every department place their bets, keep their fingers crossed, and celebrate the success. Knowing that winning a race in Formula 1 is an outstanding success for the entire Company, even production has been stopped on the occasion of the first win and a subsequent visit to the plant by Ralf Schumacher. So BMW is winning on race tracks the world over and at the same time gaining technical know-how and motivation at home.


BMW 3 Series compact


BMW 3 Series saloon


BMW 3 Series coupé


BMW 3 Series convertible


BMW 3 Series touring


BMW Z3 coupé


BMW Z3


BMW M3


BMW 5 Series touring


BMW 5 Series saloon


BMW X5


BMW M5


BMW 7 Series saloon


BMW Z8


C1 200


F 650 CS


R 1150 GS Adventure


R 1150 R


R 1200 C Independent


K 1200 LT

BMW Group 2001


MINI One


MINI Cooper


MINI Cooper S

Brand BMW

3 Series

saloon

316i
1.796 cc, 85 kw (115 bhp)

318i
1.995 cc, 105 kw (143 bhp)

320i
2.171 cc, 125 kw (170 bhp)

325i*
2.494 cc, 141 kw (192 bhp)

330i*
2.979 cc, 170 kw (231 bhp)

318d
1.951 cc, 85 kw (115 bhp)

320d
1.995 cc, 110 kw (150 bhp)

330d*
2.926 cc, 135 kw (184 bhp)

coupé

318Ci
1.995 cc, 105 kw (143 bhp)

320Ci
2.171 cc, 125 kw (170 bhp)

325Ci
2.494 cc, 141 kw (192 bhp)

330Ci
2.979 cc, 170 kw (231 bhp)

touring

316i
1.796 cc, 85 kw (115 bhp)

318i
1.995 cc, 105 kw (143 bhp)

320i
2.171 cc, 125 kw (170 bhp)

325i*
2.494 cc, 141 kw (192 bhp)

330i*
2.979 cc, 170 kw (231 bhp)

318d
1.951 cc, 85 kw (115 bhp)

320d
1.995 cc, 110 kw (150 bhp)

330d*
2.926 cc, 135 kw (184 bhp)

* available with all-wheel drive as an option

compact

316ti
1.796 cc, 85 kw (115 bhp)

318ti
1.995 cc, 105 kw (143 bhp)

325ti
2.494 cc, 141 kw (192 bhp)

320td
1.995 cc, 110 kw (150 bhp)

convertible

318Ci
1.995 cc, 105 kw (143 bhp)

320Ci
2.171 cc, 125 kw (170 bhp)

325Ci
2.494 cc, 141 kw (192 bhp)

330Ci
2.979 cc, 170 kw (231 bhp)

Z3

Z3 roadster 1.9i
1.895 cc, 87 kw (118 bhp)

Z3 roadster 2.2i
2.171 cc, 125 kw (170 bhp)

Z3 roadster 3.0i
2.979 cc, 170 kw (231 bhp)

Z3 coupé 3.0i
2.979 cc, 170 kw (231 bhp)

Revised March 2002

5 Series

saloon

520i
2.171 cc, 125 kw (170 bhp)

525i
2.494 cc, 141 kw (192 bhp)

530i
2.979 cc, 170 kw (231 bhp)

535i
3.498 cc, 180 kw (245 bhp)

540i
4.398 cc, 210 kw (286 bhp)

520d
1.951 cc, 100 kw (136 bhp)

525d
2.497 cc, 120 kw (163 bhp)

530d
2.926 cc, 142 kw (193 bhp)

touring

520i
2.171 cc, 125 kw (170 bhp)

525i
2.494 cc, 141 kw (192 bhp)

530i
2.979 cc, 170 kw (231 bhp)

540i
4.398 cc, 210 kw (286 bhp)

520d
1.951 cc, 100 kw (136 bhp)

525d
2.497 cc, 120 kw (163 bhp)

530d
2.926 cc, 142 kw (193 bhp)

X5

X5 3.0i
2.979 cc, 170 kw (231 bhp)

X5 4.4i
4.398 cc, 210 kw (286 bhp)

X5 4.6is
4.619 cc, 255 kw (347 bhp)

X5 3.0d
2.926 cc, 135 kw (184 bhp)

7 Series

735i
3.600 cc, 200 kw (272 bhp)

745i
4.398 cc, 245 kw (333 bhp)

Z8

Z8
4.941 cc, 294 kw (400 bhp)

M

M3 coupé
3.246 cc, 252 kw (343 bhp)

M3 convertible
3.246 cc, 252 kw (343 bhp)

M5
4.941 cc, 294 kw (400 bhp)

M roadster
3.246 cc, 239 kw (325 bhp)

M coupé
3.246 cc, 239 kw (325 bhp)

C1

C1
125 cc, 11 kw (15 bhp)

C1 200
176 cc, 13 kw (18 bhp)

Motorcycles

Scarver

F 650 CS
652 cc, 37 kw (50 bhp) or 25 kw (34 bhp)

Enduros/Funduros

F 650 GS
652 cc, 37 kw (50 bhp) or 25 kw (34 bhp)

F 650 GS Dakar
652 cc, 37 kw (50 bhp) or 25 kw (34 bhp)

R 1150 GS
1.130 cc, 62,5 kw (85 bhp)

R 1150 GS Adventure
1.130 cc, 62,5 kw (85 bhp)

Roadsters

R 850 R
848 cc, 52 kw (70 bhp) or 25 kw (34 bhp)

R 1150 R
1.130 cc, 62,5 kw (85 bhp)

Cruisers

R 1200 C Classic
1.179 cc, 45 kw (61 bhp)

R 1200 C Avantgarde
1.170 cc, 45 kw (61 bhp)

R 1200 C Independent
1.170 cc, 45 kw (61 bhp)

Sports Tourers

R 1100 S
1.085 cc, 72 kw (98 bhp)

R 1150 RS
1.130 cc, 70 kw (95 bhp)

K 1200 RS
1.171 cc, 72 kw (98 bhp) or 96 kw (130 bhp)

Luxury Tourers

R 1150 RT
1.130 cc, 70 kw (95 bhp)

K 1200 LT
1.172 cc, 72 kw (98 bhp)

BMW Group 2001

Brand MINI

MINI One
1.598 cc, 66 kw (90 bhp)

MINI Cooper
1.598 cc, 85 kw (115 bhp)

MINI Cooper S
1.598 cc, 120 kw (163 bhp)

Powerful brands are the foundation for the success of the BMW Group. The BMW Group is the only multi-brand car maker in the world to concentrate exclusively on the premium segments of the global automobile market. Premium means added value. The authentic BMW and MINI brands with their clear profile give the customer a direct, immediate feeling of this added value borne out by emotional products with outstanding substance and supreme quality. This commitment is reflected in each and every vehicle. The premium experience.

The new BMW 3 Series compact – unique design, striking light elements. The latest addition to the 3 Series is the new 3 Series compact. In its looks and appearance, this new model stands out clearly from all the other models within the 3 Series. The new interpretation of BMW's characteristic dual headlights gives the 3 Series compact a unique, unmistakable face. Contrary to all other BMW models in the current range, the high- and low-beam headlights on the compact are separated from one another. From behind, separate round lights under a clear glass cover emphasise to the car's individual style.

The body of the 3 Series compact, retaining the same wheelbase but 28 centimetres or 11 inches shorter than the saloon, gives the car with its striking front and rear section a very different character, but clearly shows that this is still a genuine BMW.

The 3 Series compact is available with four different engines. The range starts with the 316ti featuring the world's first-ever VALVETRONIC power unit and extends via the 318ti also equipped with VALVETRONIC all the way to the straight-six power unit in the 325ti. The 320td diesel offers a standard of performance and refinement only a sports car was able to provide just a few years ago.

Making Ideas Come True

New look for the saloon and touring. This new look is further enhanced by the wider, more dynamic kidney grille and the modified contours of the power dome leading from the grille to the A-pillars. The front lights form one complete unit together with the indicators and have developed from a more technical, geometric shape to a far stronger, more accentuated curvature. Dropping the contour line above the wheel arch, the front wings come in new proportions enhanced by the wedge-shaped side indicators now fitted higher up. The rear panel also has fewer horizontal lines, strengthening the graphic appearance of the rear lights now finished in brilliant look technology.

Refinement and detailed improvement of the successful 3 Series. To give the driver an even better experience of the 3 Series' sporting qualities, all models received a number of detailed modifications for the 2002 model year. Both the chassis and suspension have been further developed to an even higher standard providing even more agile handling on the road – sheer driving pleasure at its best.

Advanced engine technology for more performance, extra comfort and much better fuel economy benefit the driver of a BMW 3 Series featuring the new four-cylinder diesel and petrol engines. A further highlight of the 3 Series' sporting orientation is the Sequential Manual Gearbox (SMG) available as an option on the 325i and 330i saloon and coupé. This technology enables the driver to shift gears as in Formula 1, using paddles on the steering wheel and without even pressing a clutch. Clearly, this option focuses in particular on the passionate sports driver who appreciates the quick gearshift made possible by the fully automatic operation of the clutch and an automatic gearshift.

Pointing to the future – the new BMW 7 Series. The new 7 Series is an entirely new car from the ground up, pointing to the future of luxury performance motoring. With its progressive exterior and interior design, an innovative control concept and a wide range of highlights in technology, the new BMW 7 Series sets the benchmark in every respect, offering an optimum balance of performance, dynamism, safety, comfort and economy.

In its design the new 7 Series is more than evolutionary. The guidelines in designing the interior were sportiness, dynamic performance, luxury and a powerful presence, with the latter being given particular attention this time: the new 7 Series is an outstanding character in road traffic.

The active Dynamic Drive suspension is a highlight in chassis technology combining the supreme motoring comfort of the 7 Series with the dynamic performance of the BMW Z8. On a straight stretch of road, the suspension largely absorbs all bumps and even the slightest imperfection, in bends it reduces side roll of the body.

The purchasers of a 7 Series can enhance this superiority to an even higher level with EDC-C as a second active system ensuring supreme driving comfort and stability in one. EDC-C Electronic Damper Control – the last letter standing for “Continuous” – adjusts damper forces permanently and infinitely to road conditions and the car’s dynamic performance. The result is perfect harmony of sportiness and comfort. The new concept of the 7 Series and the innovative iDrive control system, in turn, have enabled BMW’s designers to create a new world of clear and modern interior architecture, at the same time enhancing control comfort to a new level.

M3 SMG Drivelogic – “Formula 1 feeling” with direct gearshift on the steering wheel. While the driver of a conventional car moves the shift lever in the classic H-configuration when changing gear, the driver of a Formula 1 racing car only has to touch two paddles behind the steering wheel, shifting up on the right and down on the left while keeping his foot fully on the accelerator pedal.

BMW M, in close cooperation with Getrag and Sachs, has successfully converted this technology in motorsport to a practical experience on the road, developing a new high-performance drive concept now entering the market in its second generation as the BMW Sequential M Gearbox (SMG II with Drivelogic) in the M3.

All gears are shifted electrohydraulically, the control elements operating instantaneously, safely and reliably by wire, without mechanical connection. To shift gears, the control unit activates the solenoid valves within thousandths of a second, thus masterminding the overall hydraulic system. Highly advanced electronic actuators then interrupt the power of the engine for milliseconds, the control unit shifting gears and engaging/disengaging the clutch hydraulically – so that a clutch pedal is now no longer required. The fastest gearshift takes only 80 milliseconds, operating at a speed and with a standard of precision hardly any human being is able to match.

BMW X5 4.6is – the X5 with more engine capacity, power and torque. At the 2001 Geneva Motor Show BMW presented the new high-performance version of the X5 Sports Activity Vehicle for the first time in Europe: the X5 4.6is.

Creating this new model, BMW's designers have modified the already awe-inspiring appearance of the X5 with due care and style, expressing the vehicle's supreme performance through a combination of understatement and attention to detail.

The driver of the X5 4.6is is in command of 347 horsepower accelerating this all-wheel-drive performance vehicle to 100 km/h in 6.5 seconds. Combining offroad driving qualities with the dynamism of a sports car, the X5 is at home both in terrain and on the road.

The reserves offered by the suspension of the X5 have been demonstrated not least by the X5 Le Mans concept car, the largely standard chassis of this unique driving machine conveying the 700 bhp of the V12 LMR power unit safely and reliably to the road even under extreme racing conditions. Reasons enough to be confident that the supreme chassis of the X5 concept is also able to handle the outstanding power and performance of the X5 4.6is.

The new BMW C1 – more power and a new sound. While driving the 125 cc BMW C1 in city traffic was already a real pleasure you might not have expected from a power-to-weight ratio of 12.3 kg/bhp, the driver of the C1 200 can now enjoy performance on the road provided by 13 kW (18 bhp) from 176 cc – 18 per cent more power than before. The increase in maximum torque is even more impressive, particularly under practical driving conditions: torque is up from 12 to 17 Nm (8.8 to 12.5 lb-ft), an increase of 42 per cent. This guarantees swift acceleration from the traffic lights as well as faster overtaking where it really counts. The result is an even greater experience of C1 driving pleasure.

Business commuters and other drivers of the C1 also use the motorway near big cities or in densely populated areas. They, too, will therefore enjoy the new dimension of power provided by the C1 200, contributing ultimately to even greater safety on the road.

Although the BMW C1 was originally conceived for driving in town or densely populated areas, many users of this unique vehicle have quickly realised that the C1 also offers particular driving pleasure on overland routes: cruising along without having to wear any special protective clothing or a helmet is an entirely new way of experiencing the beautiful countryside.

[1] BMW F 650 CS – the perfect combination of a city bike and a specialist for winding roads. The F 650 CS is an all-new motorcycle truly exceptional in its design and product substance. And precisely this exceptional character is borne out by the term “Scarver” describing this unique motorcycle. Like the F 650 funduro back in 1993, the F 650 CS is intended to open up a brand-new segment in the market. Through its appearance alone – fresh, free and full of fun – the F 650 CS proves its unique character and strong personality. A thrilling machine arousing attention wherever you go.

Conceived and designed as a city bike, the F 650 CS is ideal for riding in town, going to work, riding to college or simply cruising down the boulevard. Its innovative storage compartments in the central fairing offer lots of practical space for odds and ends. And thanks to its supreme handling with a fast-revving, high-torque but fuel-efficient engine, the F 650 CS also has the right kind of sporting talent for winding country roads.

[2] The globetrotter bike – the R 1150 GS Adventure. Motorcycle riders dreaming of remote places were able to enjoy a real surprise at the Frankfurt Motor Show and the Milan Show in September 2001 – the new BMW R 1150 GS Adventure entering the market in spring 2002. The R 1150 GS Adventure will serve to further strengthen BMW’s leading position in the market segment of large-capacity long-distance enduros.

Based on the R 1150 GS remaining in production, the R 1150 GS Adventure comes with modified standard equipment and a new, special range of options and special equipment. These meet even greater demands in offroad and long-distance riding revealed at very first sight by the looks of this thrilling machine.

Whether on gravel, on sandy tracks, rough terrain or long distances, the suspension and running gear of the R 1150 GS Adventure with extra-long spring travel and optimised tuning is suitable for all purposes, even when carrying a heavy load.

[1]

[2]


82·02·SG

MINI – the premium brand in the small car segment. Introducing MINI as an independent, emotional brand, the BMW Group is establishing the premium dimension in a new segment. MINI appeals to a new class of purchasers, further enlarging the market presence of the BMW Group. MINI is the expression of a modern, urban lifestyle. MINI means joy of life, bringing together different classes, countries and generations. All models in the MINI range stand out through their unmistakable design. All lines are clear and elegant at the same time. The MINI is the future-oriented reinterpretation of an original. The features typical of the original Mini are to be found throughout the entire car, combined with the most modern technology such as a safety package unparalleled in this class. Top quality in the choice of materials bears out the premium standard of all MINI models, starting with the extra-stiff bodyshell and extending all the way to the high-quality fabric, surfaces and leather inside the car. MINI clearly stands out from the rest, proving that premium has nothing to do with the dimensions of a car.

MINI One. Direct handling, supreme agility and responsive behaviour on the road are the outstanding features of all models in the MINI range. These are the features that ensure the go-kart-like feeling drivers of the MINI have always appreciated. The MINI One develops maximum output of 66 kW/90 bhp, accelerates from 0–100 km/h in 10.9 seconds, and has a top speed of 185 km/h or 115 mph. Despite this performance, fuel consumption is a mere 6.5 litres/100 kilometres (43.5 mpg Imp).

MINI Cooper. The MINI Cooper is powered by a 16-valve four-cylinder engine developing maximum output of 85 kW/115 bhp from 1.6 litres. Acceleration to 100 km/h comes in 9.2 seconds, top speed is 200 km/h or 124 mph. By comparison, fuel consumption of 6.7 litres or 42.2 mpg Imp is certainly quite economical. Regardless of the paintwork colour, the roof and exterior mirrors are available also in white or black, the rims in silver or white.

MINI Cooper S. The third, youngest and most powerful member of the MINI family is the MINI Cooper S. Proudly flaunting its appeal, this very special model proves that it is an exclusive power pack full of character. As the top model in the range, it features particularly elaborate technology and offers a standard of performance living up in every respect to the great name of the MINI Cooper S.

Equipped with PLUS sports suspension, the MINI Cooper S caters even more directly for the needs and preferences of the dynamic driver, both on winding country roads and on long, fast motorways. The car literally hugs the road even in the fastest, most dynamic bends.

The “heart” of the most powerful MINI is the compact four-cylinder power unit featuring a compressor and intercooler for maximum output of 120 kW/163 bhp from 1.6 litres. From a standstill, the MINI Cooper S accelerates to 100 km/h in just 7.4 seconds, with a top speed of 218 km/h or 135 mph. Considering this kind of performance, fuel consumption remains economical at just 8.4 litres premium/100 km or 33.6 mpg Imp.

The MINI Cooper S excels not only through its unprecedented driving pleasure, but also through supreme product substance extending all the way to each and every detail such as the various surfaces inside the car. This special model therefore meets the most demanding standards with a cheeky twinkle in its eye typical of MINI.

Contacts:
Business Press
Telephone +49 (0) 89-3 82-2 04 70
+49 (0) 89-3 82-2 41 18
Telefax +49 (0) 89-3 82-2 44 18
E-mail presse@bmwgroup.com

Investor Relations
Telephone +49 (0) 89-3 82-2 42 72
+49 (0) 89-3 82-2 53 87
Telefax +49 (0) 89-3 82-2 44 18
E-mail ir@bmwgroup.com

Further information on the BMW Group
is available at the internet address
http://www.bmwgroup.com

BMW Group publications
For an overview of selected
publications in German
and English, please see
Telefax +49 (0) 89-3 82-2 44 18
E-mail publications@bmwgroup.com

Financial Calendar

Interim Report for the period ending 31 March 2002	May 2002
Annual General Meeting	16 May 2002
Interim Report for the period ending 30 June 2002	August 2002
Interim Report for the period ending 30 September 2002	November 2002
Letter to Shareholders	January 2003

Published by
Bayerische Motoren Werke
Aktiengesellschaft
Petuelring 130
D-80788 Munich
Telephone +49 (0) 89-3 82-0