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Annual Report 1999

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BMW Group		1998	Change in %
Sales	euro million	32,280	6.6
Production – Automobiles			
Automobiles total	Units	1,204,000	- 4.7
BMW	Units	706,426	7.0
Rover	Units	299,839	- 32.0
Land Rover	Units	168,498	- 1.4
MG	Units	14,832	- 30.0
MINI	Units	14,405	- 19.3
Motorcycles	Units	60,152	15.0
Deliveries to customer – Automobiles			
Automobiles total	Units	1,187,115	- 0.6
BMW	Units	699,378	7.4
Rover	Units	303,805	- 25.0
Land Rover	Units	153,495	16.0
MG	Units	14,415	- 18.7
MINI	Units	16,022	- 27.0
Motorcycles	Units	60,308	8.1
Workforce at end of year		118,489	- 3.0
Investment	euro million	2,179	- 1.1
Depreciation	euro million	1,859	9.8
Cash flow	euro million	2,479	13.2
Result from ordinary business activities	euro million	1,061	4.7
Net income/loss	euro million	462	- 638.3

BMW Group

BMW Group

Differences may occur due to rounding off.

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“With the 1999 balance sheet, the company has freed itself of a heavy burden. The BMW Group has thus been strengthened for the tasks that lie ahead.”

Joachim Milberg

Ladies and Gentlemen,

The Financial Statements for the 1999 business year are now available – and they show a good operating profit; but they also show that the burdens arising from our investment in Rover have continued to grow. It is for this reason that we have decided to part with Rover. To this end, we have signed a Memorandum of Understanding with Alchemy Partners in the United Kingdom, which will continue the Rover and MG brands as well as the production site in Birmingham.

The Rover brand was not strong enough to perform the tasks intended for it. The measures which we have introduced to strengthen Rover's sales, dealer organisation and image have not led to the success we had hoped for. In addition, the general conditions for production in Britain, and thus for Rover, further deteriorated at the beginning of 2000.

In early spring 1999, we conducted an analysis as to whether Rover could develop into a sustainable competitive brand on the global market. On the basis of the market and foreign exchange forecasts at the time, the outlook for Rover was, indeed, promising. For example, the exchange rate for the British pound against the German Mark was still some DM 0.34 lower than it was at the end of 1999. Alone this rise in the value of the British pound in the interim has further increased the burden in the 1999 balance sheet by about DM 1 billion.

The alternative of the closure of the British plants under discussion a year ago would have meant a dramatic loss of jobs in the United Kingdom. Now the plant at Oxford will remain a part of the BMW Group, whilst the Birmingham plant will continue to be operated by a British partner. In this way, a large part of the jobs there will be retained. Both locations have a future thanks to capital investments made in previous years. The extraordinary expenditure set aside for Rover is necessary to ensure as smooth and socially acceptable a transition as possible.

At the end of the year under review, it became clear that the general conditions for the Rover brand were deteriorating dramatically – the British pound climbed to over DM 3.00. As a consequence of this, serious consideration was given to a strategic re-orientation of the BMW Group.

It became very clear in the opening months of 2000 that a reversal in the trend was not to be expected. The Rover brand was further damaged because its

future was increasingly called into question both in public and in the professional media. Above all in the United Kingdom, Rover's most important market, customers were responding with growing purchasing reticence. All this means that staying with Rover is no longer an acceptable business proposition and that, therefore, a refocusing of the BMW Group is necessary.

This decision also raised the question of the future of the Land Rover brand within the BMW Group. With the launch of the Sports Activity Vehicle BMW X5, we now have an attractive model in our own product line for the off-road segment. The great success of the X5 far exceeded expectations. It shows the strong trend towards on-road versions in this segment and thus demonstrates the increased potential of the BMW brand. We have therefore decided to sell Land Rover to the Ford Motor Company. A Memorandum of Understanding was signed a few days ago.

In the small car class, the BMW Group will present a newly developed premium automobile under the MINI brand the next year.

For the higher end of the lower mid-size class of cars, we will develop a premium vehicle under the BMW brand that will set new standards in this class with the characteristics typical of BMW. The decision as to where this vehicle will be produced will be taken at a later date. Thus, there will be BMW automobiles available in every major class and segment right up to the luxury class.

In the year 2003, the BMW Group will launch a new interpretation of the Rolls-Royce Motor Car. A number of locations in Britain are currently being examined for the production of this automobile.

The Supervisory Board approved this strategic refocusing of the BMW Group at its meeting on March 16, 2000. This will secure profitable growth for the BMW Group, also in the future. Building on the basis of our technical experience and know-how as well as on the economic strength of our company,

we will continue to be present in all major segments of the market and in all markets. With the 1999 balance sheet, the company has freed itself of a heavy burden. The BMW Group has thus been strengthened for the tasks that lie ahead.

Munich, March 2000



Joachim Milberg
Chairman of the Board of Management

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

Chairman (from February 5, 1999)

Mandates*

- Bayernwerk AG

Bernd Pischetsrieder

Chairman (to February 5, 1999)

Mandates*

- Allianz AG
- Dresdner Bank AG
- Metro AG
- VIAG AG

- Tetra Laval Group

Ernst Baumann

(from March 18, 1999)

Carl-Peter Forster

(to March 16, 2000)

Mandates*

- GSB – Gesellschaft zur Entsorgung von Sondermüll in Bayern mbH

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

Dr. Burkhard Göschel

(from March 16, 2000)

Dr. Henrich Heitmann

(to March 16, 2000)

Mandates*

- Lütke AG (Chairman)

- BMW Canada Inc. (Chairman)
- BMW de Argentina S.A.
- BMW Manufacturing Corp.
- BMW of Manhattan, Inc.
- BMW of North America, Inc. (Chairman)
- BMW (US) Holding Corp. (Chairman)
- Designworks/USA, Inc.
- Land Rover North America, Inc.

Günter Lorenz

Mandates*

- Gerling Konzern Globale Rückversicherungs-AG

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

Dr. Helmut Panke

Mandates*

- BMW Rolls-Royce GmbH

Dr. Norbert Reithofer

(from March 16, 2000)

Dr.-Ing. Wolfgang Reitzle

(to February 5, 1999)

Prof. Dr.-Ing. Werner Sämman

Dr. h.c. Horst Teltschik

Mandates*

- Albingia Versicherungs AG
- Berlinwasser Holding AG

Dr.-Ing. Wolfgang Ziebart

(to March 16, 2000)

Executive Director:

Dr. Hagen Lüderitz

General Counsel:

Dr. Dieter Löchelt

* Mandates
Memberships of other supervisory
boards and comparable domestic and
foreign boards



“Extensive provisions in the Financial Statements were made to allow for recognisable future risks associated with the company’s involvement with Rover.”

Volker Doppelfeld

During fiscal 1999, the Supervisory Board regularly advised the Board of Management and supervised management of the business. In six meetings with the Board of Management, and based on its written and oral reports, the Supervisory Board monitored the company’s position in depth, the course of business, as well as corporate policy and other fundamental questions of corporate planning and development, advising the Board of Management on them. In addition to the Supervisory Board’s regular meetings, its chairman has held regular talks with the Chairman of the Board of Management on key questions of corporate policy and corporate development.

The company's target remains the maintenance and strengthening of profitability, as well as further profitable growth. Concentration on the core automobile business, as well as bolstering the competitive ability of the BMW Group's individual brands have been the subject of intensive joint consultation meetings.

To this end, touring and coupé models have now been added as further variants to the already highly successful BMW 3 Series. A new market segment was opened for the BMW brand with the all-terrain BMW X5 Sports Activity Vehicle. The launch of the first direct-injection eight-cylinder diesel engines in the world in the luxury segment is a further example of BMW's innovative power and technological leadership. The new Rover 75 has won several awards.

Throughout the whole of the 1999 fiscal year, the Supervisory Board was given regular in-depth reports on corporate developments and the restructuring process at Rover by the Board of Management, with whom it also discussed strategic alternatives. The current restructuring programme led on the cost side to the reduction of stocks and to an adjustment in the number of staff relative to the altered volume of production. On the efficiency side, sales and marketing measures to open up new sales potentials for Rover were pursued. Implementation of the restructuring measures decided on has been supported by leaner management structures and coherent areas of responsibility for all brands. On the other hand, the success of the restructuring programme was overshadowed by external influences, above all by the negative effects resulting from the rising exchange rate of the British pound.

The Supervisory Board also concerned itself at length with the business segments Aero Engines, BMW Motorcycles, software and Financial Services.

Furthermore, the longer-term development of all business segments was dealt with in detail.

Investment in the Aero Engines segment was re-organised as of December 31, 1999. The BMW Group's majority holding in BMW Rolls-Royce GmbH was converted into a holding in Rolls-Royce plc.'s equity capital. This completes a strategic re-alignment of the company's involvement in aero engines.

At the BMW Group, the amended Act on the Control and Transparency of Companies was taken into account, among others, by supplementing the existing risk management system and its documentation.

The Financial Statements of the Bayerische Motoren Werke Aktiengesellschaft and the BMW Group Consolidated Financial Statements as of December 31, 1999, plus the Business Review, including its consolidated version, were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, and were given the unrestricted auditor's report. The Supervisory Board also audited the accounts submitted to it by the Board of Management. KPMG's auditing reports were available to all members of the Supervisory Board.

The auditor was present at the Supervisory Board's balance sheet meeting on March 16, 2000, and reported on the main results of his audit. The Supervisory Board agrees with the results of the audit. The Supervisory Board endorses the Financial Statements of the Bayerische Motoren Werke Aktiengesellschaft drawn up by the Board of Management for the 1999 fiscal year. The Financial Statements are thus adopted.

In the 1999 fiscal year, the BMW Group recorded a net income of 663 million euro before extraordinary result, despite losses incurred in the Rover Automobiles segment during 1999. This represents the highest net income to date before the extraordinary measures taken.

The Supervisory Board supported the Board of Management's proposal to make allowance in the balance sheet for Rover's difficult competitive situation. As a result, extensive provisions were made in the Consolidated Financial Statements for identifiable future investment risks. Overall, the allowances produce an extraordinary result of –3,150 million euro. The BMW Group thus concludes the 1999 fiscal year with a loss of 2,487 million euro.

BMW AG achieved a net income of 269 million euro. The Board of Management's proposal for the appropriation of the balance sheet profit was audited by the Supervisory Board. The Supervisory Board accepts the proposal made by the Board of Management. No objections were raised following the final results of the Supervisory Board's audit.

The Executive Committee, which also exercises the function of the personnel committee, convened five meetings. The statutory mediation committee (Section 27 Subsection 3, German Co-determination Act) set up by the Supervisory Board did not have to convene.

Mr. Eberhard von Kuenheim retired from the Supervisory Board at the end of the Annual General Meeting on May 18, 1999, having spent nearly 30 years in the service of BMW. Under the leadership of Mr. Eberhard von Kuenheim as Chairman of the Board of Management (from January 1, 1970 to May 13, 1993), the Bayerische Motoren Werke Aktiengesellschaft developed into one of the largest and most commercially successful German companies, with the BMW brand becoming a global brand enjoying great respect. Following this, Mr. Eberhard von Kuenheim presided over the Supervisory Board as Chairman, continuing to provide the company with his rich experience and enormous entrepreneurial ability. The

Supervisory Board would like to thank Mr. Eberhard von Kuenheim for his outstanding contribution to the company.

The employees' representatives Johann Vilsmeier, Reinhold Bauer and Rudolf Lukes also retired from the Supervisory Board on conclusion of the Annual General Meeting on May 18, 1999. Mr. Johann Vilsmeier was a Member of the Supervisory Board for almost 25 years, 10 years of which he spent as its Deputy Chairman. Mr. Reinhold Bauer was a Member of the Supervisory Board for more than 10 years and Mr. Rudolf Lukes was a Member for just under 10 years. The Supervisory Board would like to thank Mr. Johann Vilsmeier, Mr. Reinhold Bauer and Mr. Rudolf Lukes for their many years of work on the Supervisory Board.

Dr. Hans-Dietrich Winkhaus, Chairman of the Management Board of Henkel KgaA, was elected to the Supervisory Board by the Annual General Meeting on May 18, 1999. Mr. Konrad Gottinger, Member of the Works Council at Dingolfing, Mr. Willibald Löw, Chairman of the Works Council at Landshut, and Werner Neugebauer, Regional Executive of the IG Metall Bayern were elected to the Supervisory Board by the delegate conference of employees on February 12, 1999.

In the constitutive meeting of the Supervisory Board that followed the Annual General Meeting on May 18, 1999, the Supervisory Board elected Mr. Volker Doppelfeld as its Chairman, Mr. Manfred Schoch as its First Deputy Chairman and Prof. Dr. Berthold Leibinger, Mr. Ernst Rehmeier and Mr. Stefan Quandt as additional Deputy Chairmen.

Mr. Carl-Peter Forster, Dr. Henrich Heitmann and Dr. Wolfgang Ziebart resigned as Members of the Board of Management with effect from March 16, 2000. The Supervisory Board accepted their resignations in its meeting on March 16, 2000, and thanked Mr. Forster, Dr. Heitmann and Dr. Ziebart for their work in the Board of Management.

Also in its meeting on March 16, 2000, the Supervisory Board appointed Dr. Burkhard Göschel and Dr. Norbert Reithofer as new Members of the Board of Management.

The Supervisory Board is confident that the BMW Group is well prepared for further success in future, following the strategic decision made jointly by the Board of Management and the Supervisory Board, as well as the provisions taken in the balance sheet.

Munich, March 16, 2000

Supervisory Board



Volker Doppel­feld
Chairman

Volker Doppelfeld

Chairman (from May 18, 1999)
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
- Gerling-Konzern Globale
Rückversicherungs AG
- Gerling-Konzern Welt Standard
Rückversicherungsgruppe AG
- IWKA AG
- Bizerba GmbH & Co.KG

Dr.-Ing. E.h. Dr.-Ing. E.h. Eberhard v. Kuenheim

Chairman (to May 18, 1999)
former Chairman of the Board of
Management of BMW AG

Mandates**

- Magirus AG (Vorsitz)

Manfred Schoch*

Deputy Chairman
Chairman of the
Central Works Council

Prof. Dr.-Ing. E. h. Berthold Leibinger

Deputy Chairman
Managing Partner
TRUMPF GmbH + Co. KG

Mandates**

- BASF AG (Chairman)
- Deutsche Bank AG
- Verlagsgruppe Georg von
Holtzbrinck GmbH

Ernst Rehmeier*

Deputy Chairman (from May 18, 1999)
Chairman of the Works Council,
Dingolfing

Johann Vilsmeier*

Deputy Chairman (to May 18, 1999)
former Chairman of the Works
Council, Dingolfing

Stefan Quandt

Deputy Chairman (from May 18, 1999)
Businessman

Mandates**

- CEAG AG
- DELTON AG (Chairman)
- DataCard Corp.
- Gemplus S.A.
- Seedamm-Industriedienst GmbH
(Chairman)
- Taunus-Treuhand-Gesellschaft mbH

Reinhold Bauer*

(to May 18, 1999)
Deputy Chairman of the Works
Council, Landshut

Dr. Karin Benz-Overhage*

Executive Member of the
Executive Board of IG Metall

Mandates**

- Thyssen Krupp Steel AG
(Deputy Chairwoman)

Ulrich Eckelmann*

Union Secretary, adviser to the
Executive Board of IG Metall

Mandates**

- Thyssen Krupp Automotive AG

Hans Glas*

Director of Dingolfing plant

Konrad Gottinger*

(from May 18, 1999)
Member of the Works Council,
Dingolfing

Gerhard Gutmiedl*

Deputy Chairman of the Works
Council, Munich

Arthur L. Kelly

Managing Partner of
KEL Enterprises L.P.

Mandates**

- Thyssen Krupp Industrie AG
- ARCH Development Corp.
- DataCard Corp.
- Deere & Company
- HomePlace of America Inc.
- HSBC Trinkaus & Burkhardt KGaA
- mpct Solutions Corp.
- Northern Trust Corp.
- Snap-on Inc.

Susanne Klatten

MBA

Mandates**

- ALTANA AG (Deputy Chairwoman)
- Byk Gulden Lomberg GmbH
- Bankhaus Reuschel & Co.
- DataCard Corp.

Willibald Löw*

(from May 18, 1999)

Chairman of the Works Council,
Landshut

Rudolf Lukes*

(to May 18, 1999)

former Union Secretary of
IG Metall

Prof. Dr. Hubert Markl

President of the Max-Planck-
Gesellschaft zur Förderung der
Wissenschaften e.V.

Mandates**

- Hoechst AG/Aventis S.A.
- Siemens AG

Werner Neugebauer*

(from May 18, 1999)

Regional Executive of IG Metall
Bayern

Mandates**

- FAG Kugelfischer Georg Schäfer AG

Hans-Günther Niklas*

Chairman of the Works Council,
Regensburg

Dr. Wolfgang Röllner

Honorary Chairman of the
Supervisory Board of
Dresdner Bank AG

Mandates**

- Heidelberger Zement AG (Chairman)
- Henkel KGaA

Dr.-Ing. Dieter Soltmann

Personally liable Partner of
Spaten-Franziskaner-Bräu KGaA

Mandates**

- Bankhaus Maffei KGaA
- Deutsche Postbank AG
- Löwenbräu AG (Chairman)
- Meggle GmbH (Chairman)
- Münchner Tierpark Hellabrunn 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.
- Zurich Allied AG
- Allied Zurich plc.
- Zurich Financial Services AG
- «Zürich» Versicherungs-Gesellschaft AG

Dr. Hans-Dietrich Winkhaus

(from May 18, 1999)

Chairman of the Management
Board of Henkel KGaA

Mandates**

- Degussa-Hüls AG
- Deutsche Lufthansa AG
- Deutsche Telekom AG
- ERGO Versicherungsgruppe AG
- Schwarz-Pharma AG

* Employees' representative

** Mandates
Memberships of other supervisory
boards and comparable domestic and
foreign boards



BMW Group Business Review.

Hardly any other automobile brand is currently as strong worldwide as the BMW brand. The company's objective is to concentrate more fully on the BMW brand, enabling greater use of its market potential.



Open-topped driving pleasure: The new BMW 3-Series convertible will be ready in good time for the start of the open-air season.

Deliveries at last year's high level

Automobile production by the BMW Group was down by not quite 5% compared to the previous year to more than 1,147,400 units. This decrease is attributable to

- ▶ BMW brand stronger than ever. Production, deliveries and segment results reach record levels.
- ▶ Net income before extraordinary result reaches 663 million euro – up 43.5%.
- ▶ Extraordinary expenditure of 3,150 million euro for Rover restructuring led to a net loss of 2,487 million euro.
- ▶ BMW Group product offensive provides fresh impetus for new growth.

the declining demand for Rover models and the forced reduction of Rover's stocks. Production of BMW Automobiles, in turn, continued to increase in the course of the year, with models such as the BMW 3-Series coupé, 3-Series touring, 3-Series convertible, the BMW X5 and Z8, as well as the Rover 75 and the Land Rover Discovery II all being ramped up successfully.

Deliveries by the BMW Group remained at the same high level as last year, with total sales of BMW, Rover, Land Rover, MG, and MINI automobiles amounting to more than 1,180,400 units. The Group's largest

sales markets were Germany, Great Britain, and the United States. Land Rover remained the fastest-growing brand within the BMW Group, followed by BMW itself. Deliveries of Rover brand automobiles, in turn, continued to decline in 1999.

As of the end of the year, the BMW Group's worldwide sales organisation comprised 24 sales subsidiaries. Responsibility for the various BMW Group brands was pooled in the course of the year within the individual sales regions. The BMW Group is furthermore represented by importers in 120 countries.

BMW Group production

	1998	1999	Change in %
Automobiles	1,204,000	1,147,420	- 4.7
BMW	706,426	755,547	7.0
Rover	299,839	203,755	- 32.0
Land Rover	168,498	166,101	- 1.4
MG	14,832	10,388	- 30.0
MINI	14,405	11,629	- 19.3
Motorcycles	60,152	69,157	15.0

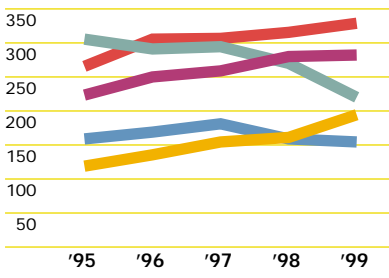
BMW Group deliveries to customer

	1998	1999	Change in %
Automobiles	1,187,115	1,180,429	- 0.6
BMW	699,378	751,272	7.4
Rover	303,805	227,743	- 25.0
Land Rover	153,495	178,000	16.0
MG	14,415	11,719	- 18.7
MINI	16,022	11,695	- 27.0
Motorcycles	60,308	65,168	8.1

Apart from the dealer organisation in Germany, 18 branches sell BMW automobiles in the German market. Nine branches already act as all-inclusive BMW Group outlets, selling automobiles of all the Group brands.

BMW Group automobile deliveries by countries

in thousands



223.5	250.2	258.8	280.1	282.7
305.1	291.1	294.3	270.0	219.9
265.9	305.7	307.2	316.0	329.0
119.4	135.6	154.5	161.7	194.6
159.3	168.7	181.2	159.3	154.3

- Germany
- Great Britain
- Rest of Western Europe
- North America
- Asia/Others

BMW Group achieves record sales

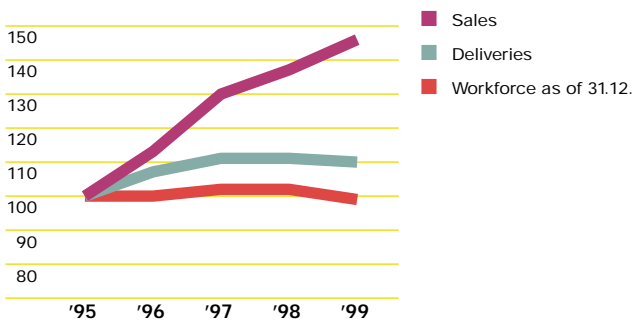
Sales of the BMW Group in fiscal 1999 amounted to 34,402 million euro, equalling an increase by 6.6% over the previous year. This is primarily attributable to growing sales of BMW Automobiles, as well as the ongoing trend towards a higher level of equipment in the models sold.

Sales with externals and other segments increased in the case of BMW Automobiles by 12% to 24,610 million euro. Sales in the Rover Automobiles segment comprising the Rover, Land Rover, MG, and MINI brands was up by 2% over the previous year to 8,638 million euro.

Sales in the BMW Motorcycles segment rose significantly by 17.8% in fiscal 1999 to 769 million euro. The increase in sales in the Aero Engines business of BMW Rolls-Royce GmbH was even more substantial, showing a growth rate of 84.6% to 683 million euro. The Financial Services division was also successful, sales increasing in the year under report by 6.6% to 6,153 million euro.

BMW Group sales, deliveries and workforce

Index: 1995 = 100



Europe remains by far the BMW Group's leading market, accounting for 64.4% of the Group's overall sales. North America accounted for 23.5% of Group sales, the markets in the Asian-Pacific region, Latin America, and Africa together representing a total of 12.1%.

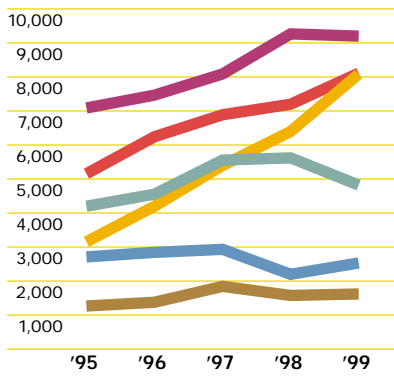
Cost of production was up over the previous year's figure by 6.1% to 28,757 million euro, thus showing a growth rate smaller than the increase in sales. The share of production costs in sales, accordingly, was down by 0.4%, the Group's gross result increasing by 9% to 5,645 million euro.

The cost of sales and general administration was up by a total of 13.4% to 4,700 million euro. The balance of other operating income versus operating expenditure was down from the previous year by 212 million euro and is now almost at an equilibrium.

Despite the declining result in the Rover Automobiles segment, the result of the BMW Group's ordinary business was up by 4.7% to 1,111 million euro. Following deduction of profit-related and other taxes amounting to 448 million euro, the BMW Group's annual surplus prior to the extraordinary result is 663 million euro, an increase by 43.5% over the previous year.

BMW Group sales by regions

in euro million



7,088	7,476	8,096	9,271	9,206	Germany
4,214	4,566	5,566	5,615	4,826	Great Britain
5,158	6,247	6,898	7,194	8,118	Rest of Europe
3,158	4,207	5,404	6,413	8,098	North America
2,705	2,850	2,935	2,212	2,534	Asia
1,270	1,377	1,849	1,575	1,620	Other markets

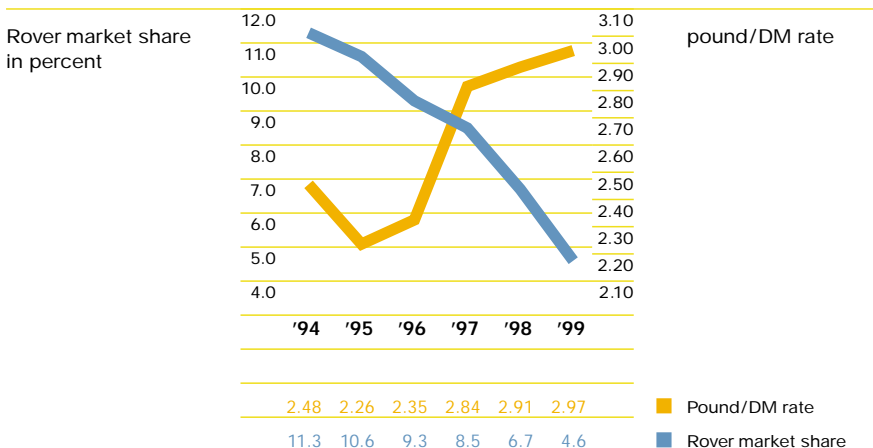
Extraordinary expenditure on Rover

In the course of 1999, the comprehensive turnaround process at Rover helped to significantly cut costs and initiate both new job processes and organisational structures. The loss of sales volume and profits attributable to the changeover to new Rover models and the significantly higher exchange rate of the British pound nevertheless outweighed the positive effects of the turnaround by far.

Since a change in direction with the British pound is not in sight, automobile makers in the euro currency area continue to have a substantial competitive advantage which cannot be set off even by an additional increase in productivity with Rover.

The BMW Group has therefore set aside substantial provisions for the process of restructuring and for other foreseeable risks with Rover. In all, this extraordinary expenditure amounted to 3,150 million euro.

Rover market share in Great Britain shown against movement in pound/DM exchange rate



BMW Automobiles improved once again

Compared with the already excellent figure for the previous year, the result of ordinary business in the BMW Automobiles segment was up by 5.1% to 2,106 million euro. This segment thus continues to make the most significant contribution to the overall result of the BMW Group.

By contrast, losses in the Rover Automobiles segment attributable to market conditions and currency effects were up by 250 million euro to 1,207 million euro or 26.1%.

Ongoing success in BMW Motorcycles business also allowed an improvement of the operating result, up by 12.5% in this case to 18 million euro.

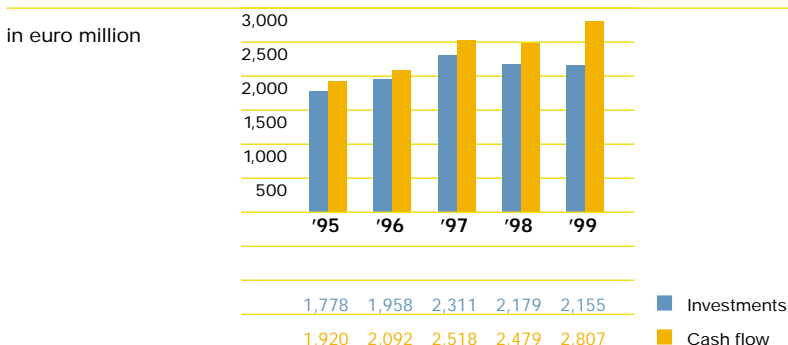
In the Aero Engines segment, in turn, the loss sustained in the previous year was down by 37.6% to 146 million euro.

Financial Services continued to develop positively, the result in this segment of the BMW Group increasing by 6% to 316 million euro.

Investments once again financed from cash flow

Investments by the BMW Group amounted to 2,155 million euro in the year under report, remaining at almost exactly the same level as in the year before. These funds were invested in the preparation of new models, the modernisation and expansion of production facilities, as well as the reinforcement of inter-

BMW Group investments and cash flow



national sales. The BMW Group continues to rank at the top of the automotive industry in terms of investment volume.

These investments were financed fully through the Group's cash flow. The demand for external funds within the BMW Group results primarily from the sales financing business still growing significantly; this demand is covered largely by the international capital market.

In 1999, the BMW Group issued public bonds and securities amounting to a total volume of approximately 2 billion euro. There were also a Euro Medium Note Programme for 5 billion US dollar and two Commercial Paper Programmes.

BMW AG's annual net income generated through operative business

BMW AG has written off its share in (UK) Holdings Ltd., Warwick, which, in turn, holds a share in Rover Group Ltd., Warwick. The corresponding shares held by BMW Verwaltungsgesellschaft mbH, Munich, were also adjusted for value, the result achieved by the company then being taken over by BMW AG. Despite this burden, BMW AG showed a net income and balance sheet profit of 269 million euro. The net income and balance sheet profit were achieved in operative business prior to the depreciation of the share in BMW (UK) Holdings Ltd.

Dividend remains at the same high level

The Board of Management and the Supervisory Board advise the Annual General Meeting to pay a dividend of 0.40 euro per ordinary share and 0.42 euro per preference share for a nominal value in each case of 1.00 euro on the equity entitled to dividends (622.2 million euro ordinary shares and 47.2 million euro preference shares) out of the balance sheet profit of BMW AG of 269 million euro. The dividend rate proposed therefore remains at 40% on ordinary shares and 42% on preference shares even after conversion to a nominal share value of 1.00 euro.

Aero Engine business strategy realigned

In October 1999, the BMW Group and Rolls-Royce plc. announced the realignment of their strategic cooperation: As of the beginning of the year 2000, BMW Rolls-Royce GmbH became a wholly-owned subsidiary of Rolls-Royce plc., the BMW Group increasing its share in Rolls-Royce plc. at the same time to slightly over 10%. This means that the BMW Group is maintaining its involvement in the Aero Engine business and is now linked even more closely with Rolls-Royce plc., a leading manufacturer of Aero Engines with an excellent position in the market.

Success of the BMW brand creates new jobs

As a result of the success of the BMW brand, approximately 1,200 new jobs were created in Germany last year, above all in Sales and Development.

The workforce of BMW AG as of December 31, 1999 was 63,785 employees, almost 2% more than in the previous year. The number of apprentices also increased once again to more than 3,200 (+6.6%) as of the end of the year. BMW AG thus continued the impressive training offensive launched in 1997.

The number of employees at Rover Group Ltd. decreased to 29,884 (-18.8%) as a result of the thorough streamlining and restructuring process as well as the need to adjust to Rover sales. In all, therefore, the headcount of the BMW Group decreased by 3% as of the end of the year to 114,952 employees, 68,848 of whom worked in Germany, 46,104 abroad.

Varying developments in procurement markets

From the perspective of the euro currency area supplies of stocks and materials invoiced in British pounds became more expensive during the period under report on account of the growing value of the British pound.

The cost shares of materials and components provided by suppliers developed along varying lines, hourly wages in the Group's main procurement markets in Europe and North America increasing to a somewhat greater extent on average than the cost

of living. By contrast, the prices of steel, non-ferrous metals, aluminium and natural rubber were lower on average than in the previous year, although this downward trend turned around in the course of the year under report. Again taking an annual average, the cost of raw materials for the generation of energy, the cost of nickel, as well as rhodium and palladium, two metals used in catalytic converters, was higher than in the previous year. Continuation of this increase in prices might have repercussions in future, with the prices of products going up accordingly.

Hydrogen the source of energy of the future

There can be no doubt that mobility is one of the elementary needs of modern society. Indeed, mobility is the very foundation of economic prosperity – both the driving force for and the consequence of such prosperity. Our mobility is however threatened in the long term, since the world's fossil energy resources are finite. It is therefore essential, through a responsible and conscientious energy policy, to take the necessary precautions securing mobility also in the long run. BMW is convinced that this can be done best by the combustion engine running on hydrogen, the cleanest of all fuels changing into pure water in the combustion process.

This is why BMW has been developing and examining engines and automobiles running on liquefied hydrogen for two decades. Now the technology is ready and there are already BMW hydrogen automobiles running on our roads as research vehicles. The only problem is that there is not yet a nationwide network of hydrogen filling stations and the capacities for the economic production of adequate amounts of hydrogen are not yet in place.

BMW's energy strategy is therefore to use natural gas as drive energy as an interim step in developing a hydrogen economy. It is a strategy of proceeding to hydrogen through natural gas, since the latter is very similar in many of its technical features to hydrogen. BMW has been offering the market natural gas automobiles built as regular production vehicles since 1995. At the 1999 Frankfurt Motor Show (IAA) the BMW Group

presented yet a further vehicle with this alternative drive concept, the BMW 320g, where the decision on regular production still has to be taken.

Following the opening of the first public filling station for liquefied hydrogen at Munich Airport and the 1999 Frankfurt Motor Show, the EXPO 2000 World Fair in Hanover and Munich will be a further milestone in presenting the benefits of hydrogen as a source of energy for the future.

In summer 2000, BMW will move into the centre of the worldwide hydrogen research community through the CleanEnergy project. The absolute highlight will then be the Hyforum 2000 Hydrogen World Congress in September, promoted substantially by the BMW Group in line with our focus on the environment and our responsibility for a clean world.

Risk management in the BMW Group

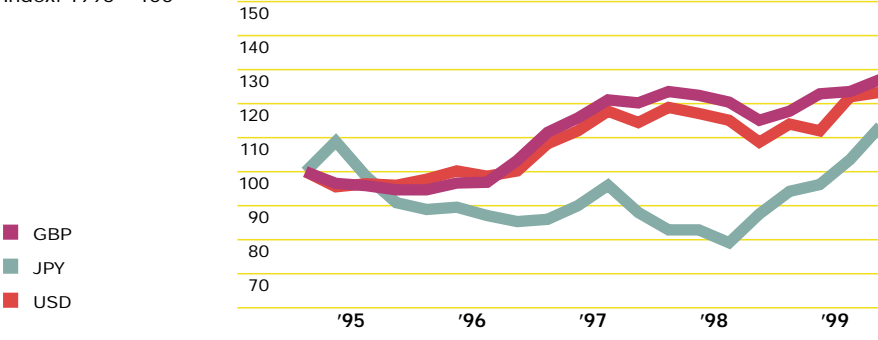
A key element in the care and diligence expected of a conscientious company and, therefore, one of the Board's main responsibilities is to assess the potentials and risks of the company as carefully and comprehensively as possible. This traditional obligation also includes careful consideration and assessment of risks affecting the company's assets, its financial position, and profits.

The new German Act on the Control and Transparency of Companies (KonTraG) expressly gives the Board of Management the obligation to establish a comprehensive system of risk management to be suitably documented and permanently monitored by the company's controllers.

The objective of the risk management system installed by the BMW Group is to permanently cover significant risks – particularly risks threatening the company as such – within a group-wide network, ensuring suitable assessment of risks and providing reports to the Board of Management. This ensures that risks are taken into account in good time in the context of all relevant entrepreneurial decisions. This includes both risks involving the environment as well as risks in our operative business and our strategic orientation. Some of the factors carefully examined and assessed

Currency movement against the euro

Index: 1995 = 100



were for example the fluctuation of exchange rates, keener price competition, as well as the orientation of the Group as a multi-brand company operating in all segments. Expansion of leasing business for the BMW Group might furthermore create risks in terms of market prices, resulting from the sale of pre-owned automobiles following the termination of leasing contracts.

Development in the first quarter 2000

The exceptionally positive development of BMW sales has continued in the first quarter of the year 2000, growth being generated in particular by the 3 Series. Deliveries of the BMW 5 and 7 Series by far exceed the sales of their respective predecessors at a comparable point in time in their lifecycle. Currently BMW sees positive growth particularly in the Asian and North American markets.

In consideration of continuing great demand particularly for the Discovery and Freelander, Land Rover will continue its successful growth course also in the current year of business.

Outlook

We anticipate a period of slight decline in the North American automobile market, while deliveries in Western Europe will achieve the same high level as in the previous year and are expected to even increase

slightly in Eastern Europe. In South America, the number of new automobiles registered will increase considerably as the economy recovers, and the East Asian markets are also continuing their positive development.

The product offensive of the BMW Group is continuing and will generate new growth for the company. With BMW, deliveries of the successful 3 Series will be boosted even further by the new 3-Series convertible. The new M3 will also be entering the market in the year 2000, as will the high-performance Z8 roadster featuring the most advanced aluminium technology. The BMW X5 Sports Activity Vehicle, in turn, will become available on the European market in the course of spring, and deliveries of the F 650 GS, BMW's new entry-level motorcycle, started in March.

Introducing the C1 as of April, BMW is combining the merits of a motorised two-wheeler with numerous safety features otherwise only found in a automobile. This new concept offers significant benefits where the automobile reaches its inevitable limits, that is in dense city traffic.

Land Rover will be offering the successful Freelander also with a new six-cylinder in future, together with automatic transmission and Steptronic.

Apart from these new models, the BMW Group will be introducing further model and engine variants in the course of the current year of business.

Starting in the year 2000, BMW is back in Formula 1 more than 12 years after the company's last Grand Prix and 17 years after winning the World Championship. Sporting performance and technical innovation have always been decisive reasons for the enthusiasm expressed by BMW customers and remain essential to the brand to this very day. Precisely this is why BMW once again has taken up the challenge to enter the highest realms of world motorsport. The automobile for the year 2000 season, the FW22, is built by WilliamsF1 in the English town of Grove.

Munich, March 11, 2000



BMW Share. A company that builds automobiles that stand for the joy of life and for achievement sets standards for the future, too. The BMW share thus remains an outstanding long-term investment.



The new BMW M3 was greeted enthusiastically on its first appearance at the Geneva Motor Show.

BMW shares in the Dow Jones Sustainability Group Index

BMW shares are now listed in the Dow Jones Sustainability Group Index for companies applying principles of sustainability. This index comprises 200 companies

with the best environmental performance from 68 sectors and 22 countries. In 1999, this represented a market capitalisation of around 4.4 trillion US dollars (cf. DAX: 1.0 trillion euro). Developments to date support the view that companies which take a holistic view and are aware of their social responsibilities are also highly successful in economic terms. In the period 1994–99, the Dow Jones Sustainability Group Index rose by 23% – markedly higher than that of the Dow Jones Index (17% over the same period).

The 200 companies making up the index have been selected from more than 2,000 companies worldwide on the basis of a survey conducted by the Swiss investment

and rating agency SAM Sustainability Group. The rating is based on benchmark criteria such as technological leadership, social and environmental compatibility, personnel management, management culture, productivity, growth, and management commitment with regard to environmental responsibility.

In all of these areas, the BMW Group was able to provide evidence of outstanding achievements in the automobile sector. The company is accordingly recognised as the worldwide leader in the sector. Apart from Deutsche Telekom AG, the BMW Group is the only German best-in-sector company to be included in the Dow Jones Sustainability Group Index.

- ▶ BMW AG is listed in the Dow Jones Sustainability Group Index, an index for companies applying principles of sustainability, and is rated as best-in-sector in the automobile industry.
- ▶ BMW AG was the first DAX-30 company to convert its shares to the new European minimum par value of 1 euro.
- ▶ The BMW ordinary share remains an outstanding long-term investment with a quoted price 22% above that of the previous year, putting it higher than the CDAX Automobile index.

BMW AG first DAX-30 company with 1 euro share

Introduction of the euro made it necessary to convert BMW AG's share capital to the new currency. BMW AG has used this opportunity to become the first DAX-30 company to introduce shares with a new European minimum par value of 1 euro. On August 23, 1999, BMW's shares were quoted for the first time as 1 euro shares.

An exact par value of 26 euro was achieved during the euro share value conversion through a small capital increase (1.7 %) from company funds. The final new par value of 1 euro was arrived at by splitting the share value by a ratio of 1:26.

This has enabled BMW AG to convert from the German DM 50 share to the new European standard in one step, making BMW ordinary and preference shares significantly lighter, and thus more attractive.

During the conversion process to the euro, BMW AG formally excluded the issue of printed share certificates, so that shareholders are now registered solely in a single giro account. Collective warrants will be issued for ordinary and preference shares and will be held by the Deutsche Clearing AG.

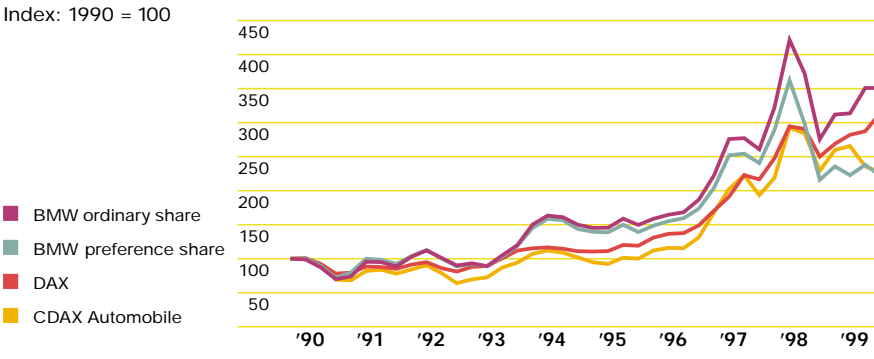
Previous physical share certificates in circulation have now been called in. The time limit for returning these certificates expired on November 30, 1999. Shareholders had previously received three separate calls to submit their share documents. Certificates not submitted by November 30, 1999, were declared null and void.

Stock markets reach new heights

During the reporting year, share prices worldwide were subject to pronounced fluctuations. During this period, European stock markets largely mirrored trends on Wall Street.

In Germany, the initial euro euphoria at the beginning of 1999 gave way to a more sceptical appraisal of economic prospects. While good quarterly results led to a strengthening in exchange rates, interest rate

Increase in value of BMW shares compared with stock exchange indices



worries and the weakness of the euro triggered a downward slide in share prices towards the middle of the year. With strong variations being experienced in the second half, no clear exchange rate trend was apparent on the German stock exchanges. However, by the end of October, this changed into a rapid upward surge in prices, driving the DAX to fresh heights.

At the year end, DAX closed at 6,958.14 points, almost 2,000 points above its previous year's level (+ 39%). This increase proved to be significantly greater than that of the Dow Jones Index (+ 25%).

BMW ordinary and preference share trends

In keeping with market trends, BMW's shares also underwent considerable movement in 1999. Uncertainty about developments at Rover put pressure on the share price in the first half of the year, while recurrent takeover and cooperation rumours tended to drive the price up. However, the successful development of the BMW brand, and the market's growing confidence in a successful outcome to the restructuring measures at Rover, increasingly pushed the price up towards the middle of the year.

With a year end price on the last day of the month at 30.65 euro, the BMW ordinary share lay 22% above the price quoted in the previous year, beating the

The BMW share

	1995	1996	1997	1998	1999
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Ordinary share

Number of shares in thousands	18,409	18,409	18,409	23,932	622,228 ¹⁾
Exchange price in euro ²⁾					
Year-end price	11.65	16.92	21.19	25.17	30.65
High	13.20	17.03	24.33	38.71	32.00
Low	10.67	11.81	16.17	17.99	23.04

Preference share

Number of shares in thousand	1,328	1,366	1,389	1,815	48,460 ¹⁾
Exchange price in euro ²⁾					
Year-end price	8.15	11.72	14.42	14.75	14.00
High	9.47	11.92	16.72	25.08	16.81
Low	7.67	8.20	11.41	11.01	12.35

Key data per share in euro³⁾

Dividend					
Ordinary share	6.90	7.67	10.23	10.23	0.40 ⁴⁾⁵⁾
Preference share	7.41	8.18	10.74	10.74	0.42 ⁴⁾⁵⁾
Tax credit for German shareholders					
Ordinary share	2.96	3.29	4.38	4.38	0.17 ⁴⁾⁵⁾
Preference share	3.18	3.51	4.60	4.60	0.18 ⁴⁾⁵⁾
DVFA/SG result ⁶⁾	0.61	0.68	1.04	0.77	1.01 ⁸⁾
Cash flow ⁶⁾	3.03	3.29	3.96	3.71	4.19
Shareholders' equity ⁶⁾⁷⁾	6.40	7.06	7.92	9.28	5.47

1) For conversion to 1 euro share, see page 35

2) Closing prices; retrospectively adjusted for the capital increases in 1998 and 1999

3) Share weighting according to dividend entitlement in year of issue

4) Proposed distribution

5) Dividend in 1999 per 1 euro par value share; in previous years per DM 50 par value share. The rate of dividend payment is unchanged over 1998.

6) Retrospectively adjusted to take account of capital issues in 1998 and 1999

7) Excluding unappropriated profit available for distribution

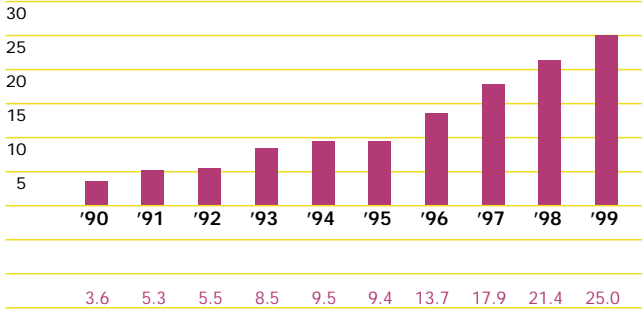
8) DVFA/SG result before extraordinary expenses

CDAX Automobile index. The BMW preference share, in contrast, experienced extremely slow take-up overall and was unable to turn in the same results as the ordinary share. The year-end price of 14 euro put the preference share around 5% below the previous year's closing price.

Development in value of BMW share

Value in euro
thousands on
the last day
of the month

Investment of DM
10,000 on 1.1.1990,
including dividend
and yields from
subscription rights –
shown in euro
following conversion



The BMW ordinary share remains an excellent choice for long-term investment. In the course of a decade, investors who bought shares at the beginning of 1990 have achieved an average annual return of nearly 19%.

Over the past five years, yields have been as high as 24%. During both periods, yields on federal bonds and debentures only reached 7%, respectively.

Dividends for distribution have reached a new peak, increasing by 15%, from 234 million euro for 1998 to 269 million euro in the reporting year. A dividend of 0.40 euro has been proposed for the BMW ordinary share and 0.42 euro for the BMW preference share. This is increased by 0.17 euro and 0.18 euro, respectively, for shareholders resident in Germany as a result of the 3/7th tax credit.

New capital for employee preference shares. In May 1999, the shareholders' meeting approved an increase of 5 million euro in share capital which can be used over the next five years by employees for wealth accumulation.

BMW AG has had an A1 short-term rating from Standard & Poor's since 1994. In 1998, BMW AG requested a second short-term rating from Moody's. On that occasion, the company was given a P1 rating, representing the best short-term rating granted by Moody's. These two excellent short-term ratings mean that BMW AG is outstandingly well equipped for the international capital market.



BMW Group Financial Statements.

Through its outstanding products, the BMW Group is creating the means with which to strengthen its independence and augment its leading position in the premium segment.



The sheer pleasure of driving in its most beautiful form – the BMW Z8 combines tradition and innovation like no other car.

BMW Group Consolidated Balance Sheet as of December 31, 1999

Assets	Notes	31.12.1999 euro million	31.12.1998 euro million
Intangible assets	(6)	75	132
Tangible assets		7,801	7,269
Financial assets	(7)	895	409
Fixed assets		8,771	7,810
Inventories	(8)	3,621	3,820
Leased products		6,633	5,896
Receivables from sales financing		10,226	6,668
Assets from sales financing	(9)	16,859	12,564
Trade receivables	(10)	2,417	2,026
Other receivables and miscellaneous assets	(10)	2,093	1,164
Marketable securities and notes	(11)	884	623
Liquid funds	(12)	2,055	1,935
Current assets		27,929	22,132
Prepaid expenses and deferred taxes	(13)	807	697
		37,507	30,639
Shareholders' equity and liabilities	Notes	31.12.1999 euro million	31.12.1998 euro million
Subscribed capital	(14)	671	658
Capital reserve	(14)	1,893	1,876
Revenue reserves	(15)	1,099	3,611
Unappropriated profit available for distribution		269	234
Minority interest	(16)	-	66
Shareholders' equity	(17)	3,932	6,445
Registered profit-sharing certificates		38	38
Pension provisions		1,496	1,394
Other provisions		9,661	5,278
Provisions	(18)	11,157	6,672
Bonds		1,951	1,152
Liabilities to banks		251	703
Trade payables		2,238	1,825
Other liabilities		2,479	2,430
Liabilities	(19)	6,919	6,110
Liabilities from sales financing		15,061	10,955
Deferred income from leasing financing		324	349
Liabilities from sales financing	(20)	15,385	11,304
Deferred income		76	70
		37,507	30,639

BMW Group Consolidated Income Statement for the 1999 Fiscal Year

	Notes	1999 euro million	1998 euro million
Sales	(21)	34,402	32,280
Production costs relevant to sales achieved		28,757	27,102
Gross earnings from sales		5,645	5,178
Sales and marketing costs		4,203	3,669
General administration costs		497	475
Other operating income	(22)	1,701	1,118
Other operating expenses	(23)	1,715	920
Net income from investments	(24)	32	10
Net interest income	(25)	584	163
Interest expenses from leasing financing	(26)	436	344
Result from ordinary business activities		1,111	1,061
Taxes on ordinary business activities	(27)	448	599
Net income before extraordinary result		663	462
Extraordinary result	(28)	- 3,150	-
Net income/loss	(29)	- 2,487	462

Consolidated Cash flow Statement	Notes	1999 euro million	1998 euro million
Net income before extraordinary result		663	462
Depreciation of fixed assets		2,043	1,860
Depreciation of leased products		2,317	2,935
Increase in provisions		1,064	318
Other income and expenditure not affecting payments	(22)	- 520	-
Result from the sale of fixed assets and marketable securities		- 1	- 40
Retained income of associated companies		- 28	- 19
Changes in current assets and liabilities			
Inventory changes		340	- 973
Increase in receivables		- 1,275	- 281
Increase in liabilities		697	483
Cash inflow from ordinary business activities	(30)	5,300	4,745
Investments in tangible and intangible assets		- 2,155	- 2,179
Proceeds from disposals of tangible and intangible assets		54	106
Investments in financial assets		- 537	- 80
Proceeds from the disposal of financial assets		154	40
Investments in leased products		- 3,947	- 5,001
Disposals of leased products		1,759	2,013
Increase in receivables from sales financing		- 24,748	- 19,916
Payments received on sales financing receivables		22,087	17,988
Investments in marketable securities and notes		- 373	- 208
Income from marketable securities and notes		112	230
Cash outflow from investing activities		- 7,594	- 7,007
Issue of new shares		19	1,092
Payment of dividends for the previous year		- 234	- 203
Increase in bonds		3,815	1,285
Redemption of bonds		- 1,188	- 432
Change in liabilities to banks		- 914	1,018
Change in commercial paper		803	213
Cash inflow from financing activities		2,301	2,973
Influence of exchange rates and changes in the consolidated group on the value of liquid funds		113	- 33
Change in liquid funds		120	678
Liquid funds on January 1		1,935	1,257
Liquid funds on December 31		2,055	1,935

The Consolidated Financial Statements have been prepared in accordance with the German Commercial Code (HGB) and with German Stock Corporation Law (AktG).

In conjunction with the introduction of the euro on January 1, 1999, the Consolidated Financial Statements have been converted to euros.

The consolidated companies are, in addition to BMW AG, principally all subsidiaries in the Federal Republic of Germany and abroad.

Consolidated companies (1)

Number of companies included:

	Germany	Abroad	Total
Included at 31.12.1998	18	117	135
Included for the first time in 1999	4	13	17
Not included in 1999	- 1	- 10	- 11
Included at 31.12.1999	21	120	141

71 subsidiaries (84 in 1998) were dormant or generated negligible business volume in the year under review. These are not included in the Consolidated Financial Statements, since they are not material to the Group's financial and earnings position.

In addition, BMW Pensionskasse (Österreich) AG, Steyr, Austria, has not been consolidated because its assets are assigned for a specific purpose.

As in the previous year, five subsidiaries are not included in accordance with Section 296 Subsection 1 Article 2 of the HGB. They are accounted for using the equity method.

The non-inclusion of subsidiaries lowers total Group sales by 1.2%.

Four associated companies are accounted for using the equity method. Five associated companies (7 in 1998) are not included in the Consolidated Financial Statements because of their relative insignificance to the Group's financial and earnings position. These associated companies are stated at cost, less write-downs where applicable, under Investments in other companies.

A complete list of the Group's shareholdings is filed with the Commercial Register held at the Munich local court (reg. HRB 42243). The principal subsidiaries are listed on pages 74 und 75.

Changes in the consolidated group
(2)

The following companies are included in the Consolidated Financial Statements for the first time: BMW Hams Hall Motoren GmbH, Munich, ALPHABET (GB) Ltd., Hook, BMW Financial Services Ibérica, E.F.C., S.A., Madrid, BMW do Brasil Ltda., São Paulo, BMW de Mexico, S.A. de C.V., Mexico City, BMW Bank of North America, Inc., Salt Lake City, BMW FS Receivables Corporation, Wilmington, LOT Consulting GmbH, Karlsruhe, LOT Consulting GmbH, Villingen-Schwenningen, LOT Systeme- und Service GmbH, Dresden, softlab S.A., Paris, softlab Ltd., Redditch, softlab Gesellschaft für Systementwicklung und EDV-Anwendung Ges.m.b.H., Vienna, softlab AG, Zurich, softlab S.A., Madrid, softlab Systems, Inc., San Francisco and softlab Japan Corp., Tokyo. BMW Rolls-Royce GmbH, Oberursel, left the consolidated group at 31.12.1999, following the sale of the shares held by BMW INTEC Beteiligungs GmbH, Munich. The company's income statement is still fully included in the Consolidated Financial Statements. As a result of the exclusion of BMW Rolls-Royce GmbH, Oberursel, from the consolidated group and the inclusion for the first time of BMW Hams Hall Motoren GmbH, Munich, the consolidated balance sheet total rose by 77 million euro.

A further 10 companies are no longer included in the consolidated group. The effect of these changes on the asset, financial and earnings position of the Group is not material.

Principles of consolidation
(3)

Investments in subsidiaries are consolidated using the net book value method. Under this method, the cost of the investments is set off against the Group's share of equity of the consolidated subsidiaries at the time of acquisition or initial consolidation. Any difference between the acquisition costs and the share of equity is allocated to the assets and debts of the subsidiary insofar as it is the result of undisclosed reserves or encumbrances. Any resulting positive differential amount acquired is set off against revenue reserves.

Intercompany receivables, liabilities, provisions, income, expenses and profits are eliminated.

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

In the individual Financial Statements of BMW AG and its subsidiaries, foreign currency receivables and liabilities are translated at the rate applicable on the transaction date. Provisions are made for unrealised exchange losses at the balance sheet date. Where foreign currency receivables and liabilities have been hedged by forward exchange contracts, they are valued at the appropriate hedging rate.

In the Consolidated Financial Statements, fixed assets are translated at the closing rates of exchange, as are other assets and liabilities of subsidiaries which are stated in foreign currencies. Income and expenses are translated at the average rate of exchange for the year. Exchange differences arising from the translation of shareholders' equity are offset directly through revenue reserves.

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

	Rate on the closing date		Average rate	
	31.12.1999	31.12.1998	31.12.1999	31.12.1998
1 US dollar	0.996	0.855	0.938	0.899
1 British pound	1.610	1.431	1.518	1.490
1 South African rand	0.162	0.146	0.153	0.164
100 Japanese yen	0.974	0.742	0.824	0.689

For the sake of greater clarity, individual items in the BMW Group balance sheet and the BMW Group income statement have been combined; they are shown separately in the notes to the BMW Group Financial Statements. Separate items have been added to the BMW Group balance sheet and income statement to show the effects of sales financing.

The individual Financial Statements of BMW AG and its subsidiaries in Germany and elsewhere have been prepared using uniform accounting principles.

Foreign currency translation (4)

Principles of accounting and valuation (5)

In order to ensure uniform valuation within the Group, tax-allowable depreciation included in the individual Financial Statements of the consolidated subsidiaries is not included in the Consolidated Financial Statements. Special accounts which in part constitute reserves, which are included solely to comply with tax regulations, are not included in the Consolidated Financial Statements. Discrepancies in valuation principles by associated companies have not been adjusted where the amounts involved are negligible.

Purchased intangible assets are stated at cost and written down using the straight-line method according to their respective useful lives.

Tangible fixed assets are carried at acquisition or manufacturing costs less depreciation. Office and factory buildings are depreciated using the straight-line method. Other depreciable tangible assets having a useful life of more than three years are depreciated using the declining balance method, switching to the straight-line method as soon as the latter results in higher depreciation.

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

Planned depreciation is based on the following useful lives as standard throughout the Group:

Office and factory buildings, including utility distribution systems	8 to 25 years
Residential buildings	25 to 50 years
Technical plant and machinery	up to 10 years
Other plant, factory and office equipment	up to 5 years

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

Investments in non-consolidated associated and other companies are stated at the lower of cost or fair value. Long-term loans are valued at their current discounted net value.

Inventories of raw materials, supplies and goods for sale are stated at the lower of cost or market. Work in progress and finished goods are carried only at their direct material and production cost. Inventories resulting from goods supplied by consolidated com-

panies include an appropriate portion of performance-related production overheads. Write-downs are made to cover risks arising from slow-moving items or technical obsolescence.

Manufactured products included as assets of the Group's leasing companies are recorded at manufacturing cost as permitted for accounting purposes. All other leased products are valued at cost. If the net realisable value is lower, this value is used.

All risks identifiable on receivables and other assets are covered by appropriate write-downs. Receivables with maturities of over a year which bear nominal or no interest are discounted. No changes have been made to valuations which are based on the compliance with regulations applying to financial institutions.

Marketable securities and notes are stated at the lower of cost or market at the balance sheet date.

Pension provisions are established in accordance with actuarial principles, based on the going concern method, using a rate of interest of 5%. The system of scales drawn up by Professor Klaus Heubeck forms the basis of biometric calculation (RT 98). Other provisions take account of all perceivable risks. Provisions are also made for deferred expenses.

Deferred taxes are calculated on timing differences arising from the different treatment of the commercial balance sheet result and the taxable income of the consolidated companies for financial and tax reporting purposes. Deferred tax assets and liabilities within a fiscal group are netted. A net deferred tax asset balance arising from deferred taxation in the individual Financial Statements is not recorded. Deferred taxes arising from consolidation adjustments are stated as a total figure, following combination with deferred tax liabilities of the fiscal groups of consolidated companies.

**Development of
Consolidated Fixed Assets**

Acquisition and manufacturing costs

	1.1.1999*	Trans- lation difference	Additions	Reclassi- fications	Disposals	31.12.1999
In euro million						
Intangible assets	727	16	30	2	328	447
Land, titles to land and buildings, including buildings on third party land	4,596	267	116	105	120	4,964
Technical plant and machinery	13,425	601	1,328	658	605	15,407
Other plant, factory and office equipment	1,946	121	260	26	236	2,117
Advance payments made and construction in progress	1,276	108	421	- 791	13	1,001
Tangible assets	21,243	1,097	2,125	- 2	974	23,489
Shares in subsidiaries	128	5	90	-	106	117
Loans to subsidiaries	2	-	-	-	2	-
Investments in associated companies	182	16	28	-	40	186
Investments in other companies	19	-	517	-	10	526
Long-term securities	12	-	10	-	-	22
Other long-term loans receivable	82	8	5	-	37	58
Financial assets	425	29	650	-	195	909
Fixed assets	22,395	1,142	2,805	-	1,497	24,845

* Including gross amounts carried forward by companies consolidated for the first time

1.1.1999 *	Depreciation/write-downs				Net book values	
	Trans- lation difference	Current year	Disposals	31.12.1999	31.12.1999	31.12.1998
573	12	62	275	372	75	132
1,722	78	177	61	1,916	3,048	2,873
10,711	420	1,528	544	12,115	3,292	2,714
1,490	89	275	197	1,657	460	448
-	-	-	-	-	1,001	1,234
13,923	587	1,980	802	15,688	7,801	7,269
5	-	-	3	2	115	123
-	-	-	-	-	-	2
1	-	-	-	1	185	181
3	-	-	-	3	523	16
-	-	-	-	-	22	12
7	-	1	-	8	50	75
16	-	1	3	14	895	409
14,512	599	2,043	1,080	16,074	8,771	7,810

**Intangible
assets
(6)**

Intangible assets include subsidies for tool costs, licenses and software.

**Financial
assets
(7)**

The additions to shares in subsidiaries relate to the new setting-up of BMW Manufacturing Thailand Co. Ltd., Bangkok, BMW Financial Services Scandinavia AB, Solna, BMW Russland Trading OOO, Kaliningrad, BMW Acquisitions Ltda., São Paulo and BMW Russland OOO, Moscow, and capital increases at APD Industries plc, Warwick, Bayerische Motoren Werke Thailand Co. Ltd., Bangkok, BMW de Argentina S.A., Buenos Aires, THEPSATRI Co. Ltd., Bangkok and BMW Italia Renting S.p.A., Milan.

Disposals of shares in subsidiaries relate chiefly to the initial consolidation of BMW Hams Hall Motoren GmbH, Munich, BMW de Mexico, S.A. de C.V., Mexico City, BMW do Brasil Ltda., São Paulo, BMW Financial Services Ibérica, E.F.C., S.A., Madrid, ALPHABET (GB) Ltd., Hook, and softlab Ltd., Redditch, and the sale of shares in Kontron Elektronik GmbH, Eching.

Investments in associated companies include the subgroup of Bavaria Wirtschaftsagentur GmbH, Munich, Laja Mobilien-Verwaltungsgesellschaft mbH & Co. KG, Grünwald, Rover Finance Holdings Ltd., Redhill, Rover Group Switzerland AG, Safenwil and Tritec Motors Ltda., Campo Largo. Disposals of investments in associated companies relate to the sale of the shares in UGC Limited, Oxford.

Additions to investments in other companies relate mainly to the purchase of shares in Rolls-Royce plc., London.

Disposals of investments in other companies mainly relate to the initial equity consolidation of Tritec Motors Ltd., Campo Largo, and the sale of the shares in Seedamm-Industriedienst GmbH, Bad Homburg v. d. Höhe.

	31.12.1999 euro million	31.12.1998 euro million
Materials and supplies	479	426
Work in progress	524	464
Finished goods and goods for resale	2,893	3,219
Advance payments made	1	76
	3,897	4,185
Advance payments received	276	365
	3,621	3,820

**Inventories
(8)**

	31.12.1999 euro million	31.12.1998 euro million
Leased products	6,633	5,896
Receivables from sales financing		
Customer loan receivables	10,036	6,528
- thereof with a maturity of more than one year: 4,179 million euro (1998: 4,074 million euro) -		
Other receivables	190	140
- thereof with a maturity of more than one year: 26 million euro (1998: 48 million euro) -		
	10,226	6,668
	16,859	12,564

**Assets from
sales financing
(9)**

Leased products include additions totalling 4,065 million euro (1998: 5,001 million euro) and depreciation totalling 2,317 million euro (1998: 2,935 million euro). Disposals totalled 1,759 million euro (1998: 2,013 million euro). The positive result from the translation of foreign currency accounts was 748 million euro (1998: - 273 million euro).

**Receivables
and
miscellaneous
assets
(10)**

	31.12.1999 euro million	31.12.1998 euro million
Trade receivables	2,417	2,026
- thereof with a maturity of more than one year: 38 million euro (1998: 1 million euro) -		
Other receivables and miscellaneous assets		
Receivables from subsidiaries	379	549
- thereof with a maturity of more than one year: 106 million euro (1998: 116 million euro) -		
Receivables from associated and other companies in which an investment is held	184	83
- thereof with a maturity of more than one year: - million euro (1998: - million euro) -		
Miscellaneous assets	1,530	532
- thereof with a maturity of more than one year: 104 million euro (1998: 72 million euro) -		
	2,093	1,164
	4,510	3,190

Receivables from subsidiaries relate primarily to financial receivables.

Miscellaneous assets primarily include tax refund claims, loans, deferred interest receivables and shareholder rights. The increase is due primarily to tax refund claims resulting from the write-off to the lower going concern value of the book value of BMW (UK) Holdings Ltd., Warwick, in the accounts of BMW AG, Munich and BMW Verwaltungs GmbH, Munich, and a loan to Rolls-Royce Deutschland GmbH, Oberursel.

**Marketable
securities and
notes
(11)**

	31.12.1999 euro million	31.12.1998 euro million
Other securities	879	616
Notes	5	7
	884	623

Other securities primarily include variable interest securities and shares in investment funds.

Liquid funds relate to cash on hand, deposits at the Bundesbank and cash in bank accounts.

**Liquid funds
(12)**

	31.12.1999 euro million	31.12.1998 euro million
Prepaid expenses	188	126
Deferred taxes	619	571
	807	697

**Prepaid
expenses and
deferred taxes
(13)**

The subscribed capital of BMW AG amounts to 671 million euro and comprises 622,227,918 ordinary shares with a nominal value of 1 euro each and 48,459,812 non-voting preference shares with a nominal value of 1 euro each. The preference shares bear an extra dividend of 0.02 euro per share. All shares are bearer shares.

**Subscribed
capital and
capital reserve
(14)**

In the year under review, the subscribed capital was increased from corporate funds by 11.2 million euro, in conjunction with the conversion to the 1 euro share.

The subscribed capital was furthermore increased by 1.3 million euro through the issue of 1,263,650 non-voting preference shares to employees. As a result, the remaining authorised capital of BMW AG, which permits non-voting preference shares with a nominal total value of 5.0 million euro to be issued up to 1.5.2004, amounted to 3.7 million euro at the balance sheet date.

The premium of 16.5 million euro from this capital increase was transferred to the capital reserve.

Revenue reserves consist of legal reserves of 1 million euro, the other revenue reserves of BMW AG and the reserves set up from the net results of companies included in the consolidation.

**Revenue
reserves
(15)**

Minority interest (16)

Minority interest represents the shares of third parties in the equity of consolidated subsidiaries. Last year, it included minority shareholders' interests in BMW Rolls-Royce GmbH, Oberursel.

Shareholders' equity (17)

Changes in shareholders' equity:	euro million
Balance as of 31.12.1998	6,445
Dividend BMW AG for 1998	- 234
Increase in subscribed capital from corporate funds	+ 11
Increase in subscribed capital from increase in share capital	+ 2
Transfer to capital reserves from increase in share capital	+ 17
Changes in revenue reserves	
- Withdrawals to increase subscribed capital	- 11
- Set-off of differences resulting from capital consolidation	- 87
- Difference resulting from currency conversion	+ 291
- Final consolidation of BMW Rolls-Royce GmbH, Oberursel	+ 51
- Transfer from net income	- 2,756
	- 2,512
Unappropriated profit available for distribution	+ 269
Change in the shares of other shareholders	- 66
- thereof from the profit for the year: - million euro	
Balance as of 31.12.1999	3,932

The set-off of differences resulting from the capital consolidation relates essentially to the first-time consolidation of BMW do Brasil Ltda., São Paulo, BMW de Mexico, S.A. de C.V., Mexico City, BMW Financial Services Ibérica, E.F.C., S.A., Madrid, softlab Systems, Inc., San Francisco, ALPHABET (GB) Ltd., Hook, LOT Consulting GmbH, Karlsruhe, softlab Gesellschaft für Systementwicklung und EDV-Anwendung Ges.m.b.H., Vienna, and the first-time equity consolidation of Tritec Motors Ltda., Campo Largo.

The currency translation adjustment includes the currency difference resulting from the translation of shareholders' equity.

	31.12.1999 euro million	31.12.1998 euro million	Provisions (18)
Pension provisions	1,496	1,394	
Other provisions for			
Taxes	665	504	
Restructuring measures in the segment Rover Automobiles	3,150	–	
Personnel expenses	813	733	
Ongoing operations	3,495	3,053	
Miscellaneous	1,538	988	
	9,661	5,278	
	11,157	6,672	

Pension provisions primarily include commitments to pay retirement pensions to employees of BMW AG. The pension commitments are fully covered by provisions.

The provisions for personnel expenses mainly cover profit-share plans and bonuses, expenses for employee long-service awards, outstanding vacation entitlements, flexible work-time credits and severance awards.

The provisions for ongoing operations chiefly cover warranty obligations, outstanding invoices, sales bonuses and volume discounts, as well as the risk of losses on pending transactions.

Other provisions cover numerous perceivable specific risks and Group commitments for which the amounts involved are yet uncertain. They also include provisions for maintenance expenses required in the financial year but deferred until the following year. Additional provisions have been made for anticipated major repairs.

Liabilities (19)

	31.12.1999		31.12.1998	
	thereof with a maturity of up to 1 year		over 5 years	
In euro million				
Bonds	1,951	243	171	1,152
Liabilities to banks	251	151	5	703
Trade payables	2,238	2,221	–	1,825
Other liabilities				
Liabilities on bills accepted and drawn	18	18	–	62
Liabilities to subsidiaries	92	91	–	148
Liabilities to associated and other companies in which an investment is held	193	193	–	58
Liabilities to BMW employee welfare fund	37	–	37	36
Miscellaneous liabilities	2,139	1,504	152	2,126
- thereof for taxes	(297)	(297)	–	(233)
- thereof for social security	(101)	(101)	–	(104)
	2,479	1,806	189	2,430
	6,919	4,421	365	6,110

Liabilities due between one and five years total 2,133 million euro.

Taken together with bonds stated under liabilities for sales financing, bonds total 7,704 million euro (1998: 4,347 million euro).

In euro million	31.12.1999		31.12.1998	
	thereof	with a maturity of up to 1 year	over 5 years	
Liabilities from sales financing				
Bonds	5,753	2,484	459	3,195
Liabilities to banks	4,867	1,861	811	4,777
- thereof secured by real estate liens	(8)			(12)
Trade payables	1,452	1,440	-	1,233
Commercial paper	2,640	2,640	-	1,566
Other liabilities	349	289	12	184
	15,061	8,714	1,282	10,955
Deferred income from leasing financing	324			349
	15,385	8,714	1,282	11,304

**Liabilities from
sales financing
(20)**

The liabilities from sales financing serve to refinance leased products and receivables from sales financing. Liabilities due between one and five years total 5,065 million euro.

Deferred income from leasing financing relates to amounts not yet due under current leasing contracts.

Contingent liabilities

	31.12.1999 euro million	31.12.1998 euro million
Securities	401	77
Guarantees	65	-
Discounted bills of exchange	1	4

32 million euro of this item (1998: 9 million euro) relate to contingent liabilities to subsidiaries.

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

In addition, performance bonds exist for Rolls-Royce Deutschland GmbH, Oberursel, in conjunction with its current business. Where taken up, reciprocal offsetting rights exist against Rolls-Royce plc., London.

Other financial obligations

The net present value of future payment obligations under rental and leasing agreements, totalling 928 million euro, broken down by maturity dates, is as follows:

In euro million	31.12.1999
2000	236
2001 – 2004	398
after 2004	294

31 million euro of this amount relate to obligations to subsidiaries.

Potential repurchasing commitments amounting to 656 million euro exist under sale and repurchase agreements.

Purchasing commitments for capital investment projects amount to 1,090 million euro.

Sales are reported in detail by company segment and region in the segment information. Sales also include sales from leasing business.

**Net sales
(21)**

	1999 euro million	1998 euro million
Income from the release of provisions and liabilities	939	430
Income from currency transactions	210	189
Income from disposals of fixed assets	40	57
Other income	512	442
	1,701	1,118

**Other operating
income
(22)**

	1999 euro million	1998 euro million
Income from additions to provisions	795	224
Currency exchange losses	244	148
Write-downs on receivables	179	135
Other staff expenses	45	80
Other expenses	452	333
	1,715	920

**Other operating
expenses
(23)**

	1999 euro million	1998 euro million
Income from investments	6	4
- thereof from subsidiaries: 6 million euro (1998: 4 million euro) -		
Income from associated companies	28	35
Expenses from loss transfers	2	28
Depreciation on investments in subsidiaries	-	1
	32	10

**Net income
from
investments
(24)**

The income from associated companies includes the equity results of the subgroup of Bavaria Wirtschafts-agentur GmbH, Munich, Rover Finance Holdings Ltd., Redhill, Rover Group Switzerland AG, Safenwil, and Tritec Motors Ltda., Campo Largo.

**Net interest
income
(25)**

	1999 euro million	1998 euro million
Income from other securities and long-term loans	–	4
Other interest and similar income	1,634	1,077
– thereof from subsidiaries: 15 million euro (1998: 38 million euro) –		
Interest and similar expenses	1,047	917
– thereof from subsidiaries: 5 million euro (1998: 10 million euro) –		
Write-downs on long-term loans, marketable securities and notes	3	1
	584	163

Other interest and similar income in the reporting year also include dividends paid from shares held in fund investments.

Interest and similar expenses, together with the interest expenses from leasing financing, total 1,483 million euro (1998: 1,261 million euro).

**Interest
expenses from
leasing
financing
(26)**

Interest expenses from financing business with leased products are offset by income which is derived from the leasing instalments and stated under net sales.

**Taxes
(27)**

	1999 euro million	1998 euro million
Taxes on income	374	537
Other taxes	74	62
	448	599

Taxes on income include German corporation tax and municipal earned-income taxes as well as comparable foreign taxes relating to income. Such taxes are determined in accordance with the tax regulations applying to the respective companies. Deferred taxes on timing differences arising from consolidation operations are also included under this item.

The extraordinary result includes expenses for restructuring measures in the segment Rover Automobiles.

**Extraordinary
result
(28)**

	1999 euro million	1998 euro million	
Net income/loss	- 2,487	462	Net income/ loss (29)
Appropriations of net income:			
Withdrawals from other reserves	2,756	-	
Transfer to other reserves	-	- 228	
Unappropriated profit available for distribution, BMW AG	269	234	

BMW Group Notes/Consolidated Cash Flow Statement

	1999 euro million	1998 euro million	
Interest received	1,412	1,092	Cash flow statement (30)
Interest paid	1,339	1,228	
Dividends received	9	7	
Taxes on income paid	557	743	

The sale of shares in BMW Rolls-Royce GmbH, Oberursel, in return for shares of Rolls-Royce plc., London, led to a financial asset addition of 110 million euro.

Segment report (31)

The segment report details the activities of the BMW Group according to fields of business and regions. The report is broken down in line with internal reporting. The activities of the business fields of the BMW Group were broken down into the segments BMW Automobiles, Rover Automobiles, BMW Motorcycles and Financial Services.

BMW Automobiles and Rover Automobiles account for the larger part of activities within the BMW Group. These business fields develop, manufacture, assemble and sell automobiles, including off-road vehicles, as well as spare parts and accessories.

Products of the BMW brand are sold in Germany by the branches of BMW AG and by independent authorised dealers. Rover, Land Rover, MINI and MG products are sold in their domestic market of the UK exclusively by legally independent authorised dealers. Subsidiary companies handle sales in the most important foreign markets.

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

The Financial Services segment focuses on the leasing of automobiles and financing credit for customers and dealers. Only the interest expenditure from financing of the leasing business is included in the financial result of this segment. Leased products, which are carried as assets by leasing companies, are valued at cost. If the net realisable value amount is lower, then this is reported. The results of the intercompany profit elimination in relation to the Group's own products are reported in the segment consolidated companies.

Software – as well as intra-segment activities of the BMW Group are carried under Miscellaneous. In addition, contrary to the previous year, the activities of the Aero Engines business operated by BMW Rolls-Royce GmbH, Oberursel, are included here.

On 31.12.1999, the shares in BMW Rolls-Royce GmbH were sold to Rolls-Royce plc., London, in return for 33,300,000 shares in the latter. Earmarked funds totalling 442 million euro have so far been received as part of the winding up of the joint venture with Rolls-

Royce plc. in the Aero Engines business. In this context, BMW acquired a further 90,000,000 Rolls-Royce plc. shares.

During the last financial year, total sales of the Aero Engines business field amounted to 683 million euro (1998: 370 million euro). During the year under review, no sales with other segments were realised (1998: 8 million euro). The result from ordinary business activity totalled – 146 million euro (1998: – 234 million euro). 30 million euro were invested (1998: 59 million euro), and depreciation totalled 104 million euro (1998: 54 million euro).

In the consolidated companies, the receivables and liabilities, provisions, income and expenditure as well as results between the segments are eliminated.

The segment information is based on the same reporting and valuation methods as those of the Consolidated Financial Statements.

The segment assets and debts of the business fields contain the assets and debts which have contributed to the achievement of the segment result.

The segment debts are made up as follows:

	31.12.1999 euro million	31.12.1998 euro million
BMW Automobiles	8,452	7,699
Rover Automobiles	3,333	2,530
BMW Motorcycles	208	202
Financial Services	17,528	13,457
Miscellaneous, consolidated companies	7,986	6,751
BMW Group	37,507	30,639

In the case of the segment information by regions, the external sales are based on the location of the customer's registered offices. Intergroup sales take place at arm's length prices.

Segment information by business fields	External sales		Intersegment sales		Total sales	
	1999	1998	1999	1998	1999	1998
In euro million						
BMW Automobiles	19,673	17,946	4,937	4,034	24,610	21,980
Rover Automobiles	7,427	7,739	1,211	727	8,638	8,466
BMW Motorcycles	767	652	2	1	769	653
Financial Services	5,748	5,512	405	259	6,153	5,771
Miscellaneous, consolidated companies	787	431	- 6,555	- 5,021	- 5,768	- 4,590
BMW Group	34,402	32,280	-	-	34,402	32,280

Segment information by business fields	Segment result		Financial result		Result from ordinary business activities	
	1999	1998	1999	1998	1999	1998
In euro million						
BMW Automobiles	2,001	1,947	105	56	2,106	2,003
Rover Automobiles	- 992	- 755	- 215	- 202	- 1,207	- 957
BMW Motorcycles	18	16	-	-	18	16
Financial Services	752	642	- 436*	- 344*	316	298
Miscellaneous, consolidated companies	- 337	- 415	215	116	- 122	- 299
BMW Group	1,442	1,435	- 331	- 374	1,111	1,061

* Interest expense from the financing of leasing business

Segment information by business fields	Assets		Capital expenditure		Depreciation/ write-downs	
	1999	1998	1999	1998	1999	1998
In euro million	1999	1998	1999	1998	1999	1998
BMW Automobiles	10,108	9,792	1,609	1,466	1,199	1,146
Rover Automobiles	6,277	5,705	625	729	694	623
BMW Motorcycles	313	303	40	35	32	28
Financial Services	20,530	15,827	9	6	8	7
Miscellaneous, consolidated companies	279	- 988	- 128	- 57	109	55
BMW Group	37,507	30,639	2,155	2,179	2,042	1,859

Segment information by regions	Assets		Capital expenditure		External sales	
	1999	1998	1999	1998	1999	1998
In euro million	1999	1998	1999	1998	1999	1998
Germany	11,543	11,033	1,086	1,016	9,206	9,271
Great Britain	9,394	7,126	630	733	4,826	5,615
Rest of Europe	3,658	3,140	79	75	8,118	7,194
North America	8,900	5,159	320	281	8,098	6,413
Asia	1,723	1,291	8	4	2,534	2,212
Miscellaneous, consolidated companies	2,289	2,890	32	70	1,620	1,575
BMW Group	37,507	30,639	2,155	2,179	34,402	32,280

Material costs

	1999 euro million	1998 euro million
Expenditure on raw materials and supplies and on purchased goods	18,124	18,671
Expenditure on purchased services	708	644
	18,832	19,315

Personnel costs

	1999 euro million	1998 euro million
Wages and salaries	5,239	4,917
Social security, pension and welfare costs	938	979
- thereof for pension plans: 221 million euro (1998: 287 million euro) -		
	6,177	5,896

Average number of employees during the year:	1999	1998
Wage earners	67,249	70,938
Salaried employees	43,629	43,099
	110,878	114,037 *
Apprentices	3,996	3,785
	114,874	117,822 *

* 1998 values adjusted to take account of suspended contracts of employment and staff in the vacation phase of pre-retirement or part-time employment, low-income earners.

Subject to the approval of the proposed dividend at the Annual General Meeting of Shareholders, the remuneration of active members of the Board of Management for the 1999 business year amounts to 7.2 million euro (1998: 8.9 million euro), and that of former members and their surviving dependants to 4.2 million euro (1998: 1.5 million euro). The total remuneration of the Supervisory Board for 1999 amounts to 1.6 million euro (1998: 1.3 million euro).

The pension commitments to former members of the Board of Management and their surviving dependants are fully covered by an accrual of 20.1 million euro (1998: 16.4 million euro).

Munich, March 11, 2000

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

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

The members of the Board of Management are listed on pages 6 f., the members of the Supervisory Board on pages 14 ff.

Auditor's Report We have audited the Consolidated Financial Statements and Group Business Review of the Bayerische Motoren Werke Aktiengesellschaft for the fiscal year January 1 to December 31, 1999. Under German commercial law, responsibility for the Group Financial Statements and the Group Business Review remains with the Board of Management of the company. As auditors, we are responsible for an assessment based on the audit of the Group Financial Statements and Group Business Review performed by us.

Our audit of the Consolidated Financial Statements was performed in accordance with Section 317 of the German Commercial Code and the Principles of Good Auditing of the German Institute of Auditors (IDW). These state that audits must be planned and performed such that irregularities and contraventions can be identified with certainty which have a material impact on the Consolidated Financial Statements based on good bookkeeping principles and the situation of the company as depicted by the Consolidated Business Review. The auditing process also takes into account knowledge of the business activities of the Group, the economic and legal environment within which it operates, as well as expectations of probable errors. Within the framework of the audit, the effectiveness of the company's internal audit system and evidence relating to the Consolidated Financial Statements and Group Business Review is derived mainly from audit samples. The audit includes an assessment of the annual financial statements of those companies incorporated into the Consolidated Financial Statements, which companies are consolidated, the principles used in drawing up balance sheets and consolidated statements, the main assessments of the Board of Management, as well as an evaluation of the overall situation reported in the Consolidated Financial Statements and the Consolidated Business Review. We believe that our audit provides a sufficient basis for our evaluation.

Our audit has highlighted no reasons for not issuing an unqualified audit opinion.

We believe that the Consolidated Financial Statements, drawn up in accordance with good book-keeping principles, present a true picture of the Group's consolidated assets, financial position and earnings. Overall, the Consolidated Business Review presents a correct picture of the Group's situation, as well as risks entailed in its future development.

Munich, March 13, 2000

KPMG Deutsche Treuhand-Gesellschaft

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

(Auditors)

Dr. Hoyos

Auditor

Große-Brauckmann

Auditor

BMW AG Balance Sheet as of December 31, 1999

Assets	31.12.1999 euro million	31.12.1998 euro million
Intangible assets	314	148
Tangible assets	2,416	2,358
Financial assets	1,642	2,802
Fixed assets	4,372	5,308
Inventories	1,639	1,315
Trade receivables	472	427
Receivables from subsidiaries	2,428	2,798
Other receivables and miscellaneous assets	902	75
Marketable securities and notes	634	491
Liquid funds	334	641
Current assets	6,409	5,747
Prepaid expenses and deferred taxes	15	11
	10,796	11,066
Shareholders' equity and liabilities	31.12.1999 euro million	31.12.1998 euro million
Subscribed capital	671	658
Capital reserve	1,893	1,876
Revenue reserves	1,953	1,964
Unappropriated profit available for distribution	269	234
Shareholders' equity	4,786	4,732
Registered profit-sharing certificates	38	38
Special account which in part constitutes a reserve	7	-
Pension provisions	1,415	1,308
Other provisions	2,689	2,422
Provisions	4,104	3,730
Liabilities to banks	1	5
Trade payables	814	746
Liabilities to subsidiaries	579	810
Other liabilities	467	1,005
Liabilities	1,861	2,566
	10,796	11,066

Income Statement of BMW AG for the 1999 Fiscal Year

	31.12.1999 euro million	31.12.1998 euro million
Sales	21,770	19,828
Production costs relevant to sales achieved	19,144	17,725
Gross earnings from sales	2,626	2,103
Sales and marketing costs	1,432	1,247
General administration costs	326	281
Other operating income	432	433
Other operating expenses	813	558
Net income from investments	- 487	4
Net interest income	281	94
Result from ordinary business activities	281	548
Taxes on income	7	251
Other taxes	5	6
Net income	269	291
Transfer to revenue reserves	-	57
Net income available for distribution	269	234

The Financial Statements of BMW AG, of which the Balance Sheet and the Income Statement are presented here, have been issued with an unqualified audit opinion by KPMG Deutsche Treuhand-Gesellschaft Wirtschaftsprüfungsgesellschaft (Auditors), Munich. The Financial Statements are published in the Federal Gazette and filed with the Commercial Register of the Munich local court. These Financial Statements are available from BMW AG, D-80788 Munich, Germany.

**Major subsidiaries
of BMW AG as of December 31, 1999**

	Shareholders' equity ¹⁾ euro million	Income ¹⁾ euro million	Capital investment in %
Domestic			
BMW Financial Services Holding GmbH, Munich	215	19	100
BMW Bank GmbH, Munich	214	17	100
BMW Finanz Verwaltungs GmbH, Munich	184	- 153	100
BMW Maschinenfabrik Spandau GmbH, Berlin	67	3	100
BMW Ingenieur-Zentrum GmbH & Co., Munich	47	4	100
softlab GmbH für Systementwicklung und EDV-Anwendung, Munich	36	3	100
BMW Maschinenfabrik Spandau GmbH & Co. Anlagen und Betriebs oHG, Berlin	20	12	100
BMW Leasing GmbH, Munich ³⁾	16	0	100
BMW Hams Hall Motoren GmbH, Munich ³⁾	15	0	100
Rover Deutschland GmbH, Neuss ³⁾	7	0	100
BMW Fahrzeugtechnik GmbH, Eisenach ⁴⁾	2)	0	100
BMW INTEC Beteiligungs GmbH, Munich ⁴⁾	2)	0	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich ⁴⁾	2)	0	100

**Major subsidiaries
of BMW AG as of December 31, 1999**

	Shareholders' equity ¹⁾ euro million	Income ¹⁾ euro million	Capital investment in %
Foreign			
BMW Coordination Center N.V., Bornem	289	39	100
BMW (South Africa) (Pty) Ltd., Pretoria	193	39	100
BMW Finance N.V., The Hague	146	15	100
BMW Overseas Enterprises N.V., Willemstad	53	1	100
BMW Österreich Holding GmbH, Steyr	681	16	100
BMW Motoren GmbH, Steyr	218	79	100
BMW Austria Gesellschaft m.b.H., Salzburg	48	1	100
BMW Holding B.V., The Hague	377	339	100
BMW (US) Holding Corporation, Wilmington, Del. ⁵⁾	1,497	469	100
BMW Japan Corp., Tokyo	253	20	100
BMW France S.A., Bois d'Arcy	125	44	100
BMW Italia S.p.A., Milan	116	44	100
BMW (Schweiz) AG, Dielsdorf	109	16	100
BMW Canada Inc., Whitby	106	21	100
BMW Australia Ltd., Melbourne, Victoria	77	9	100
BMW Ibérica S.A., Madrid	51	18	100
BMW Belgium S.A./N.V., Bornem	47	19	100
BMW Nederland B.V., The Hague	25	12	100
BMW (UK) Holdings Ltd., Warwick	- 5	- 3,265	100
Rover Group Ltd., Warwick	- 782	- 3,395	100
BMW (GB) Ltd., Bracknell	318	227	100
BMW (UK) Capital plc., Warwick	106	6	100
Rover Japan Ltd., Tokyo	24	19	100
Rover Italia S.p.A., Rome	24	6	100
Rover España S.A., Madrid	21	- 7	100
Rover France S.A., Argenteuil	12	1	100
Rover Portugal Veiculos e Pecas Limitada, Lisbon	10	2	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 Consolidated Financial Statements. Equity and income of companies outside the Federal Republic of Germany are converted using the exchange rate on the balance sheet date.

2) Less than 500,000 euro

3) Income transfer agreement with a subsidiary of BMW AG

4) Income transfer agreement with BMW AG

5) Consolidated including operative US companies

		1990	1991
Sales	euro million	13,896	15,256
Change	%	+ 2.5	+ 9.8
Production – automobiles			
Automobiles	Units	519,660	553,230
Motorcycles ²⁾	Units	31,589	33,980
Deliveries to customer – automobiles			
Automobiles	Units	514,705	552,103
Motorcycles	Units	31,310	32,092
Workforce at end of year			
		70,948	74,385
Capital expenditure	euro million	1,056	1,085
as % of sales	%	7.6	7.1
Depreciation	euro million	909	923
Cash flow	euro million	1,421	1,447
as % of investment	%	134.6	133.3
Fixed assets	euro million	3,429	3,450
Assets from sales financing	euro million	3,224	4,130
Other current assets and prepaid expenses	euro million	4,851	5,409
Subscribed capital	euro million	406	458
Reserves	euro million	2,460	2,645
Capital reserves	euro million	396	407
Revenue reserves	euro million	2,064	2,238
Shareholders' equity	euro million	2,996	3,268
in % of fixed assets	%	87.4	94.7
Debt/equity ratio			
Industrial business	%	31.2	30.9
Financial services	%	12.7	12.8
Long-term borrowings	euro million	2,313	2,844
Long-term capital	euro million	5,309	6,112
in % of fixed assets	%	154.8	177.2
Liabilities from sales financing	euro million	2,813	3,601
Balance sheet total	euro million	11,504	12,989
Personnel costs	euro million	2,716	2,977
per employee	euro	41,289	43,578
Result from ordinary business activities	euro million	851	896
Taxes	euro million	495	495
Net income/loss	euro million	356	401
Net income of BMW AG available for distribution	euro million	102	115

1) Incl. Rover Automobiles from 18. 3.1994

2) Incl. F 650 assembly at Aprilia S.p.A. from 1993 to 1999

3) 1998 values adjusted to take account of suspended contracts of employment and staff in the vacation phase of pre-retirement or part-time employment, low-income earners

4) Net income of 663 million euro before extraordinary result

BMW Group in Figures (10-year comparison)

1992	1993	1994 ¹⁾	1995	1996	1997	1998	1999
15,973	14,836	21,538	23,593	26,723	30,748	32,280	34,402
+ 4.7	- 7.1	+ 45.2	+ 9.5	+ 13.3	+ 15.1	+ 5.0	+ 6.6
598,145	532,960	948,683	1,098,582	1,143,558	1,194,704	1,204,000	1,147,420
35,910	36,990	44,435	52,653	48,950	54,933	60,152	69,157
588,657	534,397	931,883	1,073,161	1,151,361	1,196,096	1,187,115	1,180,429
34,800	35,150	46,667	50,246	50,465	54,014	60,308	65,168
73,562	71,034	109,362	115,763	116,112	117,624	118,489 ³⁾	114,952
1,010	1,132	1,812	1,778	1,958	2,311	2,179	2,155
6.3	7.6	8.4	7.5	7.3	7.5	6.8	6.3
934	939	1,312	1,471	1,535	1,812	1,859	2,042
1,473	1,312	1,825	1,920	2,092	2,518	2,479	2,807
145.8	115.9	100.7	108.0	106.8	109.0	113.8	130.3
3,494	3,656	6,007	6,087	6,866	7,789	7,810	8,771
4,992	6,016	6,800	7,673	8,589	10,862	12,564	16,859
5,576	5,817	6,977	7,124	7,728	8,590	10,265	11,877
460	461	504	505	506	506	658	671
2,813	2,958	3,343	3,487	3,915	4,465	5,487	2,992
418	426	805	814	825	836	1,876	1,893
2,395	2,532	2,538	2,673	3,090	3,629	3,611	1,099
3,435	3,592	4,050	4,193	4,636	5,240	6,445	3,932
98.3	98.2	67.4	68.9	67.5	67.3	82.5	44.8
30.7	30.3	24.8	25.1	25.0	25.3	28.7	11.9
13.0	12.0	12.2	11.4	11.5	10.0	10.0	8.7
3,411	4,068	4,608	5,512	6,015	7,772	7,039	10,379
6,846	7,660	8,658	9,704	10,651	13,012	13,484	14,311
195.9	209.5	144.1	159.4	155.1	167.1	172.7	163.2
4,344	5,293	5,968	6,800	7,603	9,774	11,304	15,385
14,062	15,489	19,784	20,884	23,183	27,241	30,639	37,507
3,266	3,193	4,308	4,523	5,033	5,535	5,896	6,177
47,255	48,232	42,684	42,292	46,122	50,493	51,703 ³⁾	55,710
755	425	694	699	849	1,293	1,061	1,111
384	162	337	345	429	655	599	448
371	263	357	354	420	638	462	- 2,487 ⁴⁾
116	116	142	137	152	203	234	269

Key dates

Annual General Meeting	May 16, 2000
Interim Report	End of July 2000
Letter to Shareholders	End of January 2001

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Further information on the BMW Group
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Publications of the BMW Group

A list of selected publications available in
German and English can be obtained from

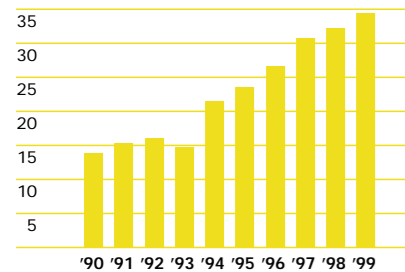
Telefax	+49 (0) 89-3 82-2 44 18 oder
E-mail	publications@bmwgroup.com

BMW Group		1990	1991	1992	1993	1994	1995	1996	1997	1998	Change in %	1999
Sales	euro million	13,896	15,256	15,973	14,836	21,538	23,593	26,723	30,748	32,280	6.6	34,402
Production – Automobiles												
Automobiles total	Units	519,660	553,230	598,145	532,960	1,051,655	1,096,383	1,143,558	1,194,704	1,204,000	- 4.7	1,147,420
BMW	Units	519,660	553,230	598,145	532,960	573,083	595,056	639,433	672,238	706,426	7.0	755,547
Rover	Units	-	-	-	-	362,876	350,381	345,503	364,350	299,839	- 32.0	203,755
Land Rover	Units	-	-	-	-	94,472	127,414	126,797	127,887	168,498	- 1.4	166,101
MG	Units	-	-	-	-	807	3,186	16,112	13,398	14,832	- 30.0	10,388
MINI	Units	-	-	-	-	20,417	20,346	15,713	16,831	14,405	- 19.3	11,629
Motorcycles	Units	31,589	33,980	35,910	36,990	44,435	52,653	48,950	54,933	60,152	15.0	69,157
Deliveries to customer – Automobiles												
Automobiles total	Units	514,705	552,103	588,657	534,397	1,049,919	1,073,194	1,151,364	1,196,096	1,187,115	- 0.6	1,180,429
BMW	Units	514,705	552,103	588,657	534,397	573,953	590,072	644,107	675,076	699,378	7.4	751,272
Rover	Units	-	-	-	-	362,030	345,820	351,479	363,834	303,805	- 25.0	227,743
Land Rover	Units	-	-	-	-	90,050	115,590	125,222	128,048	153,495	16.0	178,000
MG	Units	-	-	-	-	773	1,667	13,106	14,721	14,415	- 18.7	11,719
MINI	Units	-	-	-	-	23,113	20,045	17,450	14,417	16,022	- 27.0	11,695
Motorcycles	Units	31,310	32,092	34,800	35,150	46,667	50,246	50,465	54,014	60,308	8.1	65,168
Workforce at end of year		70,948	74,385	73,562	71,034	109,362	115,763	116,112	117,624	118,489	- 3.0	114,952
Investment	euro million	1,056	1,085	1,010	1,132	1,812	1,778	1,958	2,311	2,179	- 1.1	2,155
Depreciation	euro million	909	923	934	939	1,312	1,471	1,535	1,812	1,859	9.8	2,042
Cash flow	euro million	1,421	1,447	1,473	1,312	1,825	1,920	2,092	2,518	2,479	13.2	2,807
Result from ordinary business activities	euro million	851	896	755	425	694	699	849	1,293	1,061	4.7	1,111
Net income/loss	euro million	356	401	371	263	357	354	420	638	462	- 638.3	- 2,487*

* Net income of 663 million euro before extraordinary result

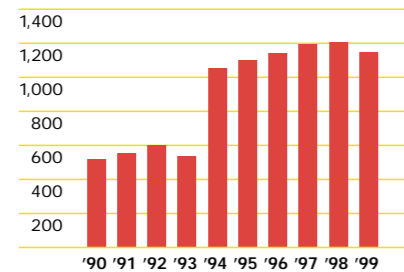
Sales

in euro billion



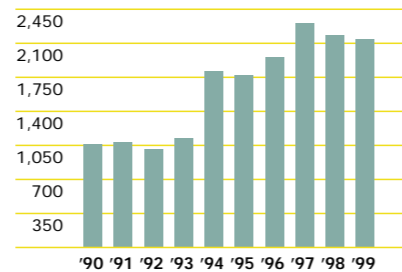
Deliveries to customer – Automobiles

in thousands



Investment

in euro million



Result from ordinary business activities

in euro million

