BMW FINANCE N.V.
ANNUAL REPORT 2010

BMW Group

Contents

Dear Ladies and Gentlemen,

BMW Finance N.V. (the "Company") was incorporated in The Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. Since 1 January 2005 the Company is in a fiscal unity together with the BMW Group companies located in the Netherlands. The Company's purpose is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates and to provide services in connection therewith. The core business of the Company comprises mainly financial transactions with related parties (BMW Group companies) that are priced in accordance with the "at arm's length" principle. In 2010, relationships between the Company and other locations of the Treasury Centre Europe have been further intensified to seize the opportunity of synergy and to reduce the operational risk.

The Company's activities mainly consist of providing long term liquidity and intercompany funding for BMW Group companies and acting as manager of the Euro cash pool. The Company's aim is to minimize the connected market risk, especially interest rate risk and liquidity risk associated with financial instruments. Firstly, protection against such risks is provided by so-called natural hedges that arise when the values of non-derivative financial assets and liabilities have matching maturities, amounts (netting), and other properties. Derivative financial instruments are used, such as interest rate swaps, foreign exchange swaps and forward rate agreements to reduce the risk remaining after taking into account the effects of natural hedges. With regard to interest rate risk, the entity implemented successfully the financial strategy of the BMW Group and accomplished interest rate risk neutrality at the end of the fiscal year. To improve its forward looking liquidity risk management even further, an encompassing analysis of the economic and capital markets environment of the Euro area was developed and implemented.

The Company has aligned its internal control and risk management system aimed at the financial reporting process in accordance with BMW Group policy. Risk reporting is based on an integrated risk management approach. The risk management process comprises the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risks. The risk management system comprises a wide range of organisational and methodological components that are all finely tuned to each other. The Company has established an encompassing reporting system that provides decision makers with comprehensive, up-to-date information and insights into developments with regard to the capital markets. Risk management is viewed as a continuous process, given the fact that changes in the legal, economic or regulatory environment or those within the Company itself could lead to new risks or to known risks being differently assessed. Standardised rules and procedures consistently applied throughout the BMW Group form the basis for an organisation that is permanently learning. By regularly sharing experiences with other companies, we ensure that innovative ideas and approaches flow into the risk management system and that risk management is subjected to continual improvement. Regular basic and further training as well as information events are invaluable ways of preparing employees for new or additional requirements with regard to the processes in which they are involved.

Overall risk management within the BMW Group is managed centrally and reviewed for appropriateness and effectiveness by the Group's internal audit department. Within the Corporate Audit Program 2010, the Company was audited with regard to its business processes in the period from 13 September 2010 until 24 September 2010. In their report issued 2 December 2010, the audit team explicitly mentions that the processes at the Company are stable and efficient. Furthermore, the team highlights that the integration and optimization of processes have reduced operational risk. At present, no risks have been identified which could threaten the going concern status of the Company or which could have a materially adverse impact on the net assets, financial position or results of operations of the Company. Please refer to the BMW Group's financial statements for more detailed information.

Solvency of the Company is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling financial planning. The resulting funding requirements are secured by a variety of instruments placed on the world's financial markets. The Company has good access to capital markets.

The Company's balance sheet total increased by euro 1,933 million (+8.9%) to stand at euro 23,743 million at 31 December 2010. The main factors behind the increase on the assets side of the balance sheet were current receivables from BMW Group companies (to euro 15,772 million, +9.8%), derivative assets (to euro 69.8 million, +222.1%), interest receivables and other receivables (to euro 347.5 million, +30.8%) and cash and cash equivalents (to euro 280.4 million, +172%). On the equity and liabilities side of the balance sheet, the increase was due to the rise in equity (to euro 407 million, +26.4%) and current debt securities (to euro 6,276 million, +60.3%). Non-current debt securities decreased by 13.4% to euro 12,502 million.

Overall, the earnings performance, financial position and nets assets of the Company improved significantly during the financial year under report.

The consolidated income before taxation increased compared to 2009. The interest income increased considerably to euro 951.5 million (2009: euro 857.5 million). Income before taxation resulted in a profit of euro 55.2 million (2009: euro 9.9 million loss). The positive development was driven by several factors. Firstly, the interest rate result was positively affected by the early termination of the true factoring contract between the Company and the BMW Ingenieur-Zentrum GmbH & Co. [Dingolfing] on 24 June 2010, as the lessor (BMW Ingenieur-Zentrum GmbH & Co.) and lessee (BMW AG) have merged. The early termination required an early termination payment of euro 56.2 million which represented the difference between the carrying amount at amortised cost and the market value of the financial contract to compensate the Company for the capital risk and reinvestment risk. Secondly, the revaluation of financial instruments in conjunction with the update of the Treasury Management System amounted to a migration gain of euro 56.9 million in financial income. The effect was mainly driven by the enhancement of the accounting of interest rate derivatives (euro 53.9 million) and EMTN's (euro 4.8 million). Management is of the view that these results are a change of accounting estimates in compliance with IAS 8 and subsequently required the proper recognition, measurement and accounting entry of the migration effects due to the revaluation of financial instruments. Thirdly, financial derivatives entered into in August 2010 to hedge the portfolio of receivables from Group Companies against interest risk led to a positive revaluation result of roughly euro 15 million. Furthermore the contribution to the consolidated results of the Spanish subsidiary BMW España Finance S.L. to the result was lower than in 2009, partially caused by a lack in income from dividends of its investments.

In fiscal year 2010, BMW AG initiated an encompassing project to upgrade its treasury management system. The conversion had a significant impact on the stand-alone balance sheet and interest rate result. The motivation for the project was to enable the Treasury Management System to take into account even more appropriate market practices for the valuation of fair values to align even better with market information. This version also updated the hedge accounting method applied by moving from the critical terms comparison method to the hypothetical derivative method. The implemented Accounting Management Module (ACM) reduces significantly the manual journal entries in the general ledger. Due to the enhanced automatic process, it was important that the system has been adequately configured. The revaluation of the financial instruments in conjunction with the update of the Treasury Management System resulted in a migration gain of euro 56.9 million and has been recorded in the 2010 income statement under net balance of fair value measurement of financial instruments income and expenses. For further details on the valuation of financial instruments reference is made to the financial statements note 28.

In December 2010 BMW Holding B.V. contributed in kind its share holding (99.8% of total shares) in BMW Portugal Lda. to the Company for euro 19.3 million, being the historical cost value. The ultimate objective of the intercompany transaction is to increase the substance of BMW España Finance S.L. To accomplish the objective, the shares of BMW Portugal Lda, (a national sales company, NSC) which were owned by BMW Holding BV (including the shares of BMW Renting PT, a financing and leasing company), will finally be contributed to BMW España Finance S.L. in the course of the year 2011. Through BMW España Finance S.L., the BMW Group intends to reorganize and further develop its operations in Latin America as well as in Spain. BMW España Finance S.L. serves as a holding company to participations in South and Latin America and the Iberian Peninsula and provides services and financing therewith, if required. The contribution-in-kind of BMW Portugal Lda. (including BMW Renting PT) is fully coherent with the regionalization strategy (Strategy Number ONE) to inter alia enhance efficiency through organizational alignment, and contributes to the strategic area of Profitability. In the first phase of the transaction, executed on 22 December 2010, BMW Holding BV made the contribution-in-kind of the shares of BMW Portugal Lda. (inclusive shares of BMW Renting PT) to the Company. The contribution-in-kind was accounted for in the Company's financial statements using the historical cost of the entities. Per 31 December 2010, the fair value of BMW Portugal Lda. was an estimated euro120 million.

The Company has purchased all Class B notes amounting to euro 58 million of the euro 800 million Asset Backed Security (ABS) issued by Bavarian Sky S.A. on 21 June 2010. In addition, the Company provided a subordinated loan of euro 34 million to fund the cash reserve of Bavarian Sky S.A. It was the fourth ABS transaction of the BMW Leasing GmbH since 2007. The Class B Notes received an A-rating, which is above the rating of the BMW AG. The Company therefore invested in a credit risk that is lower in comparison to its regular intercompany funding business. The fact that the class B notes of the 2007 Bavarian Sky transaction were shortly before put on Rating Watch Positive underlines the strong credit performance of the Bavarian Sky Special Purpose Entity. The subordinated loan has certainly a higher risk, but has a much lower maturity and therefore less reinvestment risk and yield-curve or maturity risk. The weighted average maturity of the transaction is below 2 years (1.7 years). Because it is a so-called hard credit enhancement that can be used to meet principal losses and considering the volatility in the credit markets at the time of the negotiations, the parties involved agreed to an additional price mark up to reflect the higher risk in comparison to the Class B notes. The Company has not identified any impairment triggers for the notes and the subordinated loan as at year-end. It is not possible to give a reliable indication for the market value of the Class B notes as the notes are illiquid.

The company has settled a tax issue as reported in prior years with the Dutch tax authorities in the first quarter of 2010. The settlement included that the company withdrew its appeal on fiscal treatment of the convertible exchangeable note related to the Rolls Royce shares. In exchange the company received a one-off stand alone euro 43.4 million taxable loss to be allocated to past years. At financial year end 2009 the company had provided euro 11.1 million (against tax rate 25.5%). BMW Holding B.V. (head of the fiscal unity) has received refund of euro 14.8 million as the one-off taxable loss could be carried back against higher previous tax rates than the current rate of 25.5%. An amount of euro 12.6 million has been allocated to BMW Finance N.V. resulting in an additional gain of euro 1.5 million.

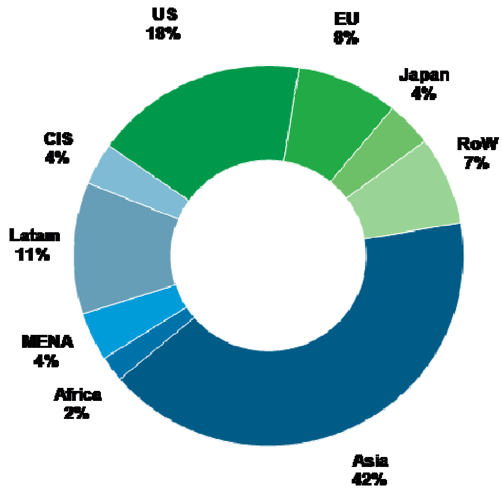
Starting from 1 July 2010 the company has successively implemented matched funding to align credit and funding spreads with the financing needs and maturity profiles of the Financial Service companies. The Company's consolidated interest margin is negative with a loss of euro 41.7 million, but has improved compared

to prior year (2009: loss of euro 51.3 million). The negative net interest margin is caused by high credit spreads incurred in 2008 and 2009 which the Company is unable to fully charge internally under the current transfer pricing policy. Furthermore, the cost of liquidity due to its structural overfunding also negatively impacted the net interest margin.

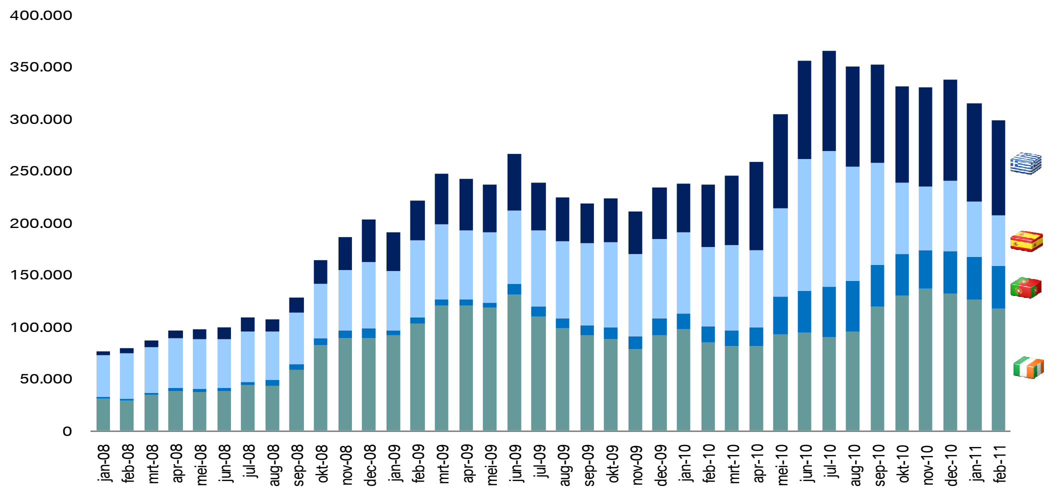
Finally, the interest loss realised on the stand-alone derivatives of economic hedges to protect the portfolio against market risks have been accounted for in the interest rate result due to the so-called accounting measurement mismatch. The management initiated in September 2010 a program to sustainably improve the profitability of the Company. In close cooperation with central departments, several measures were identified and will be successively implemented in the course of 2011 which together will contribute to even further improve the interest rate result of the Company.

The Euro Medium Term Note ("EMTN") Programme has remained in 2010 at euro 30 billion and has been together with the euro 5 billion Multi Currency Commercial Paper Programme successfully used during 2010 to refinance BMW Group companies. Under the EMTN Programme, BMW Finance N.V. issued 9 new debt securities (2009: 25) with a nominal amount of euro 2.9 billion (2009: euro 6.8 billion). The net proceeds have been used for general BMW Group financing purposes. During the year the Company redeemed 14 EMTN's (2009: 30 EMTN's) with a nominal amount of euro 2.0 billion (2009: euro 3.6 billion). The funding volume will according to our most recently updated financial planning increase in comparison to 2010. We currently expect a financing volume of euro 3.5 billion due to maturities and expect to issue commercial papers with a total volume on euro 10.5 billion in the course of 2011. The funding requirements are caused by maturing debt and growth in financial assets by BMW Group entities. Due to the increased volatility in capital markets, the Company closely follows the funding requirements and will adjust its funding plan accordingly in a swift manner.

In 2010 the economic and capital market environment in Europe was characterized by three main factors that appeared to be at the forefront of investors' concerns: the risk of a sovereign debt crisis in the European Monetary Union; the implications for global growth of concerted fiscal consolidation; and renewed tension in bank funding markets. First, the risk of a sovereign debt crisis in Europe in the near term is small due to establishment of the European Financial Stability Facility (EFSF) and the implementation of the Securities Markets Program (SMP) by the European Central Bank. The European Stability Mechanism (ESM) will become the successor facility of the EFSF which will contractually end in 2013. The proper focus is currently not on the risk of a debt crisis but on the macroeconomic consequences of the fiscal measures to be taken in order to forestall such a crisis. However, the imminent economic and structural imbalances within the Euro area are not tackled by those measures and the concrete shape of the European Stability Mechanism (ESM) will be crucial for the future stability of the European Monetary Union and the currency euro. Secondly, it is worth reiterating that momentum in the real economy going into the sovereign debt crisis was fairly strong, driven by the fact that 70% of global growth was coming from Emerging Market countries (data source IMF 2011, analysis provided by the Company, GDP growth in per cent of World GDP growth).



However, despite the real economy going with a sound momentum into 2011 and global demand still fairly strong, the global economy seems to be approaching a crossroads. On the one hand, various activity indicators and sentiment surveys suggest that several important developed economies, such as the United States and the Euro area, which as a group so far have lagged the robust recovery displayed by emerging market economies, are experiencing a broadening of growth. On the other hand, geopolitical turmoil in the Middle East and North Africa (MENA) since the onset of the Jasmine revolution in Tunisia in December 2010 poses a rising risk to the strength, and potentially the sustainability, of the global recovery as energy prices have raised sharply. Moreover, expectations for future interest rate hikes by the European Central Bank and the Bank of England is becoming a serious topic for the prospects of economic growth. And thirdly, concerns about the health and stability of banks in the Euro area have also resurfaced in 2010 and 2011. The sharp rise in the 3M Euribor-OIS spread in 2010 is ostensibly indicative of a looming funding crisis, particularly for European banks, which also have sizable wholesale USD funding needs (estimates are around to euro 1 trillion equivalent in the short term wholesale market). Furthermore, the banking system in the so-called periphery of the Euro area is still depending to a considerable degree of their funding demands on the Euro system, as the following graph illustrates (data source are the national central banks, analysis provided by the Company, Euro system gross borrowings by country, amounts in euro million).



In light of the volatilities and insecurities in capital markets, the Company decided to tap the capital markets early on in the fiscal year 2010 and on 18 January 2010 succesfully issued a dual-tranche Euro Benchmark Bond of euro 2.5 billion. Being subsequently funded for the fiscal year 2010, the entity thereafter only selectively issued

Private Placements with a volume of euro 100 million in April 2010 and a total of six Private Placements with a volume of more than euro 300 million in December 2010. In the money markets, the entity has been able to issue commercial paper on an ongoing basis even as the overall European Commercial Paper Market outstanding showed a 4 year low in 2010. It is worth mentioning that the issuance of commercial paper was at very attractive rates (the average spread in 2010 was minus 7.7 Basis Points).

The imponderability's may result in high volatility in interest rates which subsequently may result in volatility of fair market values and thereby impact the performance of the Company. It will have to be seen whether and to which extent the further development of fiscal and monetary actions initiated by various governments in the European Union, the European Commission, and the members of the European Monetary Union will affect the path of economic growth. In light of the above mentioned, management believes that the environmental challenges will most likely impact the 2011 performance of the Company. Due to this uncertainty management refrains from presenting an outlook.

In February 2010, Jan-Christiaan Koenders replaced Arjen de Jong as director of the Company. In September 2010, Norbert Mayer replaced Erich Ebner von Eschenbach as director of the Company. During 2010 the Company employed 7 persons. In addition, BMW España Finance SL employed 15 persons, BMW Portugal Lda. employed 34 persons and BMW Renting PT employed none.

The Hague, 29 April 2011

N. Mayer	J.-C. Koenders	Dr. J. Hensel
Director	Director	Managing Director

BMW FINANCE N.V.

Consolidated statement of comprehensive income

in euro thousand	Notes	2010	2009
Interest income BMW Group companies		570,442	622,801
Interest income Third parties		381,065	234,685
Interest income	[3]	**951,507**	**857,486**
Interest expense BMW Group companies		(8,489)	(17,428)
Interest expense Third parties		(984,735)	(891,401)
Interest expense	[3]	**(993,224)**	**(908,829)**
Interest margin		**(41,717)**	**(51,343)**
Other financial income and expenses	[4]	(172)	1,073
Result from financial transactions	[5]	100,027	42,563
Financial income / (loss)		**58,138**	**(7,707)**
Miscellaneous income & expenses	[6]	(2,948)	(2,149)
Income before taxation		**55,190**	**(9,856)**
Taxes	[7]	(9,913)	17,616
Net income / (loss)		**45,277**	**7,760**
Attributable minority interest		-	-
Attributable to Shareholders of BMW Finance N.V.		45,277	7,760
Earnings per share of common stock in euro		12,936	2,217

Statement of Comprehensive income

in euro thousand	2010	2009
Net income	45,277	7,760
Effective portion of changes in fair value of cash flow hedges	(661)	(6,707)
Deferred tax on other comprehensive income	169	1,710
Other comprehensive income for the period after tax	**(492)**	**(4,997)**
Total comprehensive income for the period	**44,785**	**2,763**

BMW FINANCE N.V.

Consolidated statement of financial position
As at 31 December (Before appropriation of result)

Assets in euro thousand	Notes	31.12.2010	31.12.2009
Property, plants and equipments	[9]	85,668	7
Equity investments	[10]	82,717	69,819
Receivables from BMW Group companies	[11]	6,510,607	6,586,897
Marketable securities	[13]	58,000	-
Deferred tax asset	[17]	1,915	-
Derivative assets	[28]	499,780	390,675
Non-current assets		**7,238,687**	**7,047,398**
Receivables from BMW Group companies	[11]	15,772,179	14,371,383
Receivables from sales financing	[12]	1,039	-
Inventories	[14]	33,494	-
Derivative assets	[28]	69,771	21,661
Interest receivables and other receivables	[15]	347,532	265,673
Income tax receivables		-	978
Cash and cash equivalents	[16]	280,383	103,109
Current assets		**16,504,398**	**14,762,804**
Total assets		**23,743,085**	**21,810,202**

BMW FINANCE N.V.

Consolidated statement of financial position
As at 31 December (Before appropriation of result)

Equity and liabilities in euro thousand	Notes	31.12.2010	31.12.2009
Issued capital	[18]	1,750	1,750
Share premium reserve	[19]	55,488	36,226
Hedging reserve	[20]	335	827
Retained earnings		304,028	275,446
Undistributed income		45,277	7,760
Minority interest	[21]	72	-
Equity		**406,950**	**322,009**
Debt securities	[22]	12,502,411	14,439,377
Loans due to banks	[23]	2,934,481	1,700,000
Liabilities due to BMW Group companies	[24]	33,500	33
Deferred tax liabilities	[17]	115	3,389
Derivative liabilities	[28]	204,336	223,934
Other liabilities		1,483	25
Non-current liabilities		**15,676,326**	**16,366,758**
Debt securities	[22]	6,276,343	3,914,642
Loans due to banks	[23]	431,774	250,000
Liabilities due to BMW Group companies	[24]	308,647	389,348
Income tax liabilities	[26]	27,711	669
Derivative liabilities	[28]	53,843	46,933
Interest payables and other liabilities	[27]	561,491	519,843
Current liabilities		**7,659,809**	**5,121,435**
Total equity and liabilities		**23,743,085**	**21,810,202**

BMW FINANCE N.V.

Consolidated statement of cash flows

in euro thousand	2010	2009
Net income for the year	45,277	7,760
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	(492)	(1,073)
Fair value measurement losses/(gains)	(23,362)	(47,560)
Taxes	(3,844)	54,166
Amortization financial instruments	5,403	(1,043)
Changes in operating assets and liabilities		
Property, plants and equipments	(1)	(2)
Receivables from BMW Group companies	(1,321,018)	(2,323,793)
Receivables and other assets	(71,061)	(632)
Derivatives	(146,541)	169,841
Debt securities	419,332	3,265,745
Loans due to banks	1,407,667	650,000
Liabilities to BMW Group companies	(116,930)	(1,869,138)
Other liabilities	19,053	43,188
Income tax paid	(12,552)	(23,931)
Cash flow from operating activities	**200,931**	**76,472)**
Acquisition of subsidiaries	-	(8,650)
Capital injection in subsidiaries	(12,898)	(5,814)
Marketable securities	(58,000)	-
Cash flow from investing activities	**(70,898)**	**(14,464)**
Cash flow from financing activities	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	130,033	(90,936)
Cash from BMW Portugal Lda. and BMW Renting (Portugal) Lda.	47,241	-
Cash and cash equivalents at January 1	103,109	194,045
Cash and cash equivalents at December 31	**280,383**	**103,109**

See Note 31 of the Notes to the Consolidated Financial Statements.

BMW FINANCE N.V.

Consolidated statement of changes in equity

In euro thousand	Issued Capital	Share premium reserve	Hedging reserve	Retained earnings	Undistributed income	Minority interest	Total
1 January 2009	**1,750**	**36,226**	**5,824**	**316,609**	**(41,163)**	**-**	**319,246**
Total result 2009 recognised in the profit and loss account					7,760		7,760
Total result 2009 recognised in directly in equity			(4,997)				(4,997)
Total comprehensive income and expense in the period			(4,997)		7,760		2,763
Appropriation of results 2008				(41,163)	41,163		-
31 December 2009	**1,750**	**36,226**	**827**	**275,446**	**7,760**	**-**	**322,009**
Total result 2010 recognised in the profit and loss account					45,277		45,277
Total result 2010 recognised directly in equity			(492)				(492)
Total comprehensive income and expense in the period	-	-	(492)	-	45,277	-	44,785
Appropriation of results 2009				7,760	(7,760)		-
Transactions with owners recorded directly in equity							
Contribution in kind of BMW Portugal Lda and BMW Renting (Portugal) Lda.		19,262		20,822		72	40,156
31 December 2010	**1,750**	**55,488**	**335**	**304,028**	**45,277**	**72**	**406,950**

Reporting entity

BMW Finance N.V. (the “Company”) was incorporated in The Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. The statutory seat of BMW Finance N.V. is The Hague. The Company was registered in the Commercial Register at 14 June 1983, number 27.106.340. The Company’s purpose is to assist the financing of the activities conducted by companies of the BMW Group and its affiliates (“BMW Group companies”) and to provide services in connection therewith. During the year the Company employed 7 persons. The Company has no Supervisory Board.

Statement of compliance

The consolidated financial statements of BMW Finance N.V. have been prepared in accordance with Dutch law and are in compliance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Boards (IASB) and valid at balance sheet date.

The 2010 Annual Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 29 April 2011 and will be submitted for approval to the Annual General Meeting of Shareholders on 20 May 2011.

Solvency

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, BMW AG, Germany. In assessing the solvency and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered.

Functional and presentation currency

The financial year contains the period from 1 January to 31 December. The consolidated financial statements are presented in euro which is the Company’s functional currency. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated in the note.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the financial statement of financial position:

Financial assets and liabilities are measured at their fair value:

- certain equity investments;
- derivative financial instruments.
- recognised financial assets and liabilities that are part of fair value hedge relationships are measured at fair value in respect of the risk that is hedged.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, assumptions and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Due to the current financial market conditions, the estimates contained in this document concerning the operations, economic performance and financial condition of the Company are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the management of the Company, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, the estimates are based upon management's estimates of fair values and of future costs, using currently available information. Factors that could cause differences include, but are not limited to: risks of economic slowdown, downturn or recession, especially in the eurozone risks inherent in changes in market interest rates and quality spreads, especially in an environment of unpredictable financial market conditions, lending conditions to companies turning to the worse, thereby increasing the cost of borrowing, changes in funding markets, including commercial paper and term debt, uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks, changes in laws or regulations governing our business and operations, and changes in competitive factors.

For the valuation of financial instruments the most significant assumptions and estimates relate to the interest rates and expected cash flows used in the valuation models.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected. Reference is made to the following paragraph and note 28 for details on the refinement of the valuation models in 2010.

Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Loans and receivables

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

Interest rate and currency swaps are valued by using discounted cash flow models. This method implements the discounting of future cash flows using yield curves of the cash flows' currency and relevant credit spreads. The changes in the fair values of these contracts are reported in the income statement. Fair value changes arising on cash flow hedges, to the extent that they are effective, are recognised directly in equity.

Forward foreign exchange contracts are valued by using discounted cash flow models. Changes in fair value are calculated by comparing this with the original amount calculated by using the contract forward rate prevailing at the beginning of the contract. Changes in the fair value on these instruments are reported in the income statement except to the extent that they qualify for cash flow hedge accounting.

Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Changes in accounting policies

There have been no relevant significant changes of accounting policies in 2010.

1. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company's entities, except as explained in note which addresses changes in accounting policies.

Basis of Consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align with policies adopted by the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The subsidiaries BMW Portugal Lda and BMW Renting (Portugal) Lda have been transferred to the Company in a contribution in kind by the parent company BMW Holding B.V. on 22 December 2010. These entities have effectively been consolidated as of 31 December 2010 in these financial statements.

The other entities that are fully consolidated in these consolidated financial statements are BMW Overseas Enterprises N.V. and BMW España Finance S.L.

Investments in associates
Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for business combinations

The Company applies the acquisition method for the business combinations, other than those under common control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Company measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Company and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

The Company measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions. At the end of the accounting period the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the year-end. Exchange rate differences arising on translation are recognised in the income statement. Quotations of market rates are obtained from Reuters Ltd. Real time rates are frozen on daily basis.

Property, plants and equipments

All items of property and equipment are considered to have finite useful lives. They are recognised at acquisition or manufacturing cost less scheduled depreciation based on the estimated useful lives of the assets. Depreciation on property and equipment reflects the pattern of their usage and is generally computed using the straight-line method. Components of items of property and equipment with different useful lives are depreciated separately.

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

Office buildings	8 to 50 years
Other equipment	4 to 21 years
Leased assets	2.5 to 10 years

Property, plants and equipments also includes leased assets under operating leases and are measured at cost. All leased products are depreciated using the straight-line method over the period of the lease to the lower of the contractual value. Residual value provisions are treated as write downs and offset against leased products on the assets side of the balance sheet.
The imputed residual value of leased products is computed by the BMW Group on the basis of forecasts issued by

external institutes or actual realised market values. Measurement also takes account of other relevant up-to-date information. The underlying assumptions are validated regularly. The imputed leasing down payment registers the down payment paid by the clients to the Company. The down payment are deferred to profit and loss account in accordance with the contract term.

Financial instruments

Equity investments

The equity investments in which the Company has no significant influence are carried:

(1) At fair value when a quoted market price in an active market is available or when fair value can be estimated reliably using a valuation technique. Unrealized gains or losses are reported in the available for sale reserve net of applicable income taxes until such investments are sold, collected or otherwise disposed of, or until such investment is determined to be impaired. Foreign exchange differences are reported as part of the fair value change in shareholders' equity. On disposal of the available for sale investment, the accumulated unrealized gain or loss included in shareholders' equity is transferred to profit or loss.

(2) At cost or lower recoverable amount if the fair value cannot be estimated reliably. In line with IAS 39, the fair value of equity investments that do not have a quoted market price in an active market is only reliably measurable if:

– the variability in the range of reasonable fair value estimates is not significant for that instrument; or

– the probabilities of the various estimates within the range can be reasonably assessed and used in estimating the fair value.

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise receivables from BMW group companies, trade and other receivables (see note 11 and 15).

Marketable securities

The Company classifies its non-current marketable securities as loans and receivables, since no quoted market prices are available and the fair value cannot be determined reliably.

Cash and cash equivalents (including Euro cash pool)

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. The Company is holder of the Euro cash pool. The form of the Euro cash pool is zero-balancing where all account balances are automatically transferred to one control account held by the Company. Funds moving into this account create inter-company loans between the Company and the Euro cash pool participants.

Non-derivative financial liabilities

The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: debt securities, loans due to banks, loans due to BMW Group companies and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. There are no preference share capital or compound financial instruments issued by the Company.

Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

Financial guarantees

Financial guarantee contracts are accounted initially at their fair value, and subsequently measured at the higher of:

– The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions.
– Contingent liabilities and contingent assets; and the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies as set out in financial income.

The fees related to the guarantees are recognised in the income statement on an accrual basis over the commitment period.

Hedge accounting

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in the other comprehensive income is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified in profit or loss.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Receivables from sales financing

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets leased under finance leases are measured at their fair value at the inception of the lease or at the present value of the lease payments, if lower. The assets are depreciated using the straight line method over their estimated useful lives or over the lease period, if shorter.

Inventories

Inventories of supplies and goods for resale, primarily BMW and MINI vehicles, are stated at the lower of average acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. A provision for obsolete stock is accounted for the difference between acquisition cost and the net realizable value.

Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss.

Foreign currency gains and losses are reported on a net basis.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until the Annual General Meeting of Shareholders has approved the proposal. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends (i.e. withholding taxes).

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Obligations for contributions to the pension plan (“Group plan”) sponsored by BMW Nederland B.V. are accounted for as if they are a defined contribution plan and are recognised as an expense in income statement when they are due. The Group plan is presented in note 25.

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Segment reporting

An operating segment is defined as a component of the BMW Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the BMW Group’s other components. All operating segments’ operating results are reviewed regularly by the BMW Group’s director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 2).

The activities of the BMW Group are broken down into the operating segments Automobiles, Motorcycles, Financial Services and Other Entities. In the segment information the Company does not allocate the intergroup financing to the respective segment, but reports these balances in the category Other Entities.

2. Segment information

Given the nature of the activities of the Company, the most significant segment is Other Entities as this includes the intergroup financing activities. In the consolidated financial statements the other operating segments are Automobiles (including Motorcycles) and Financial Services.

The Automobiles segment sells cars, motorcycles and off-road vehicles, under the brands BMW and MINI as well as spare parts and accessories. This segment includes operating company BMW Portugal Lda.

The principal lines of business of the Financial Services segment are car leasing, fleet business, retail customer and dealer financing. This segment includes operating company BMW Renting (Portugal) Lda. Holding and Group financing companies are included in the Other Entities segment, which includes operating companies BMW Finance N.V., BMW España Finance S.L. and BMW Overseas Enterprises N.V.

Eliminations comprise the effects of eliminating business relationships between the operating segments.

The Automobiles segment is managed on the basis of the profit before financial result. Capital employed is the corresponding measure of segment assets used to determine how to allocate resources. Capital employed comprises all current and non-current operational assets of the segment, after deduction of liabilities used operationally which are not subject to interest e.g. trade payables.

The performance of the Financial Services segment is measured on the basis of profit or loss before tax. Net assets, defined as all assets less all liabilities, are used as the basis for assessing the allocation of resources. The performance of the Other Entities segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Other Entities segment is total assets less tax receivables and investments.

Since the activities related to the segment Automobiles and Financial Services have been consolidated effectively as of 31 December 2010, all income statement items relate to the segment Other Entities. The segment information with respect to the balance sheet items is as follows:

in euro thousand	Automobiles	Financial Services	Other Entities	Eliminations	Group 2010	Group 2009
Property, plant & equipment	1,258	84,404	6	-	85,668	7
Equity investments	15,642	-	372,333	(305,258)	82,717	69,819
Receivables from BMW GroupCompanies	30,839	561	22,370,672	(119,286)	22,282,786	20,958,280
Receivables from sales financing	-	1,039	-	-	1,039	-
Marketable security	-	-	58,000	-	58,000	-
Inventories	33,494	-	-	-	33,494	-
Derivative assets	-	-	572,493	(2,942)	569,551	412,336
Other receivables and miscellaneous assets	5,697	5,100	336,735	-	347,532	265,673
Deferred tax assets	1,711	-	204	-	1,915	
Cash and cash equivalents	47,421	-	232,962	-	280,383	103,109
Income tax receivables	-	-	-	-	-	978
Total assets	**136,062**	**91,104**	**23,943,405**	**(427,486)**	**23,743,085**	**21,810,202**
Equity	**43,974**	**11,824**	**656,410**	**(305,258)**	**406,950**	**322,009**
Debt securities	-	-	18,778,754	-	18,778,754	18,354,019
Loans due to banks	-	8,588	3,357,667	-	3,366,255	1,950,000
Liabilities due to BMW Group Companies	41,370	68,416	351,121	(118,760)	342,147	389,381
Tax liabilities	28,905	(520)	(559)	-	27,826	4,058
Derivative liabilities	-	-	261,091	(2,912)	258,179	270,867
Other liabilities	21,813	2,796	538,921	(556)	562,974	519,868
Total liabilities	**92,088**	**79,280**	**23,286,995**	**(122,228)**	**23.336.135**	**21,488,193**

3. Interest income and expense

Total interest income and expense for financial assets and liabilities comprise the following:

in euro thousand	2010	2009
Interest income on financial assets at amortized cost	577,741	513,439
Interest income on financial assets at fair value	373,766	344,047
Interest Income	**951,507**	**857,486**
Interest expense on financial liabilities at amortized cost	(405,760)	(747,857)
Interest expense on financial liabilities at fair value	(587,464)	(160,972)
Interest Expense	**(993,224)**	**(908,829)**
Interest margin	**(41,717)**	**(51,343)**

Asset and liabilities at fair value stem from financial derivative instruments. Non derivative financial instruments have not been measured at fair value unless included in a hedging relationship.

The interest rate result was positively affected by the early termination of the factoring contract between the Company and the BMW Ingenieur-Zentrum GmbH & Co. on 24 June 2010, as the lessor (BMW Ingenieur-Zentrum GmbH & Co.) and lessee (BMW AG) have merged. The early termination required an early termination payment of euro 56.2 million which represented the difference between the carrying amount at amortised cost and the fair value of the financial contract to compensate BMW Finance NV for the capital risk and reinvestment risk.

4. Other financial income and expenses

The item comprises a loss of euro 0.2 million (2009: gain euro 1.0 million) due to exchange rate differences related mainly to unhedged liabilities. All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives.

5. Result from financial transactions

in euro thousand	2010	2009
Currency options BMW Group companies	-	(7,146)
Ineffective portion of instruments included in a hedge relationship	57,992	15,851
Revaluation of derivatives not included in a hedge relationship	42,035	33,858
Total	**100,027**	**42,563**

In fiscal year 2010, the BMW Group initiated an encompassing project to upgrade its treasury management system. The conversion had a significant impact on the balance sheet and fair value result. The revaluation of financial instruments in conjunction with the update of the Treasury Management System amounted to a migration gain of euro 56.9 million recorded in the ineffective portion of instruments included in a hedge relationship. The effect was mainly driven by the enhancement of the accounting of interest rate derivatives (euro 53.9 million) and EMTN's (euro 4.8 million).

6. Miscellaneous income & expenses

in euro thousand	2010	2009
Salaries & social security charges	(1,836)	(1,376)
Pension premiums	(28)	(19)
Advisory	(350)	(315)
Other miscellaneous income & expenses	(734)	(439)
Total	**(2,948)**	**(2,149)**

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. and the KPMG Network to the company, its subsidiaries and other consolidated entities.

Fee charged by auditors	2010	2009
Statutory audit of annual accounts	228	151
Other assurance services	31	-
Tax advisory services	85	127
Other non-audit services	6	-
Total	**350**	**278**

7. Taxes

Income taxes comprise the following:

in euro thousand	2010	2009
Current tax income/(expense)	(13,223)	39,230
Deferred tax income/(expense)	3,310	(21,614)
Total tax income/(expense) in income statement	(9,913)	17,616

Reconciliation of the effective tax rate:

in euro thousand		2010		2009
Income before tax		55,190		(9,856)
Income tax using the domestic corporate tax rate	25.5% - 30%	(14,788)	25.5%-30%	2,399
Change in deferred taxes through income statement		3,310		2,476
Tax charges relating to other periods		-		1,660
Settlement with Dutch Tax Authority		1,565		11,081
Total tax income/(expense) in income statement		(9,913)		17,616
Effective tax rate		18.0%		178.7%

The Company has agreed to use the IFRS accounting as a basis for the current tax calculation in the Netherlands. The Company, a member of the fiscal unity headed by BMW Holding B.V., is jointly and severally liable for the payment of any tax liability of the fiscal unity. The wholly owned subsidiary BMW España Finance S.L. presides over a fiscal unity with its Spanish subsidiaries for income tax and is severally liable for the tax debt of the whole fiscal unit. Income tax payables comprise the indebted taxes for the Spanish fiscal unity. BMW Portugal Lda. presides over a fiscal unity with its subsidiary BMW Renting (Portugal) Lda. for income tax and is severally liable for the tax debt of the whole Portuguese fiscal unity.

The change in deferred taxes through income statement relates to incurred tax losses in BMW España Finance S.L. and its other Spanish subsidiaries for the fiscal unity. The Company expects these fiscal losses will be recovered in subsequent years.

The Company received refunds from the Dutch tax authorities in 2010 with respect to the tax settlement. Due to higher tax rates of carried back results on this refund the amount is higher than the amount accrued for as at 31 December 2009. This resulted in an additional tax refund, allocated to the Company and, as of 2005, to BMW Holding B.V. as head of the fiscal unity.

8. Remuneration of Board of Directors

In 2010, the remuneration of the Board of Directors amounted euro 0.3 million (2009: euro 0.2 million).

9. Property, plants and equipments

The property, plants and equipments consist of buildings and other structure, leased out products and office equipment.

in euro thousand	31.12.2010	31.12.2009
Buildings and other structures	243	-
Office equipments	1,032	7
Leased out products	84,393	-
Total	**85,668**	**7**

Changes in property, plants and equipments during financial year 2010

The movements in the property, plants and equipments during the financial year are as follows:

In thousands of euro	Buildings and other structures	Office equipment	Leased out products	Total
Cost				
Balance at 31 December 2009	-	7	-	7
Changes due to newly consolidated companies	262	1,160	135,019	136,441
Balance at 31 December 2010	262	1,167	135,019	136,448
Accumulated depreciation and provisions				
Balance at 31 December 2009	-	-	-	-
Accumulated depreciations due to newly consolidated companies	(19)	(135)	(38,429)	(38,583)
Leasing down payment	-	-	(12,197)	(12,197)
Balance at 31 December 2010	(19)	(135)	(50,626)	(50,780)
Carrying amount				
Balance at 31 December 2009	-	7	-	7
Balance at 31 December 2010	243	1,032	84,393	85,668

Leased out products

The Company, as lessor, leases out assets (predominantly own products) as part of its financial services business. The lease payments of euro 133.5 million from non-cancellable operating leases mature as follows:

In thousands of euro	31.12.2010
Within one year	1,366
Between one and five years	132,183
Later than five years	-
Total leased products	**133,549**

The agreements have, in part, extension and purchase options as well as price escalation clauses.

10. Equity investments

The following table shows the Company's equity investments in the Group's subsidiaries and associates:

Name	Country of incorporation	Proportion of issued capital held	31.12.2010	31.12.2009
Silent partnership with BMW Holding B.V.	Spain	28%	82,717	69,819
Balance at end year			82,717	69,819

Change in investments:

In euro thousand	2010	2009
Balance at beginning of year	69,819	55,355
Acquisitions	-	8,650
Capital injections	12,898	5,814
Balance at end of year	82,717	69,819

In December 2004 BMW España Finance S.L. (managing partner) and BMW Holding B.V. (silent partner) entered into a silent partnership agreement according to Spanish law ("Contrato de Cuentas en Participacion" ("CCP")). The net income/loss will be shared between the partners based on their contribution, meaning that the Company will receive 28% of results. In 2005 BMW Holding B.V. contributed in kind its subsidiary BMW España Finance S.L. in BMW Finance N.V. for euro 28.4 million, being the book value.

Based on the silent partnership agreement the Company has no significant influence over their share in the equity investments included in the CCP. The investments are therefore accounted for as equity investments under IAS 39. As the Company cannot estimate the fair value reliably, the investment in the silent partnership is carried at cost.

The estimated fair value of the Company's interest in the CCP based on the Company's 28% share in the investments' net asset value amounts to euro 134.2 million as at 31 December 2010, which exceeds the above-mentioned book value by approximately euro 51.5 million. The net asset value has been calculated in accordance with the accounting principles as applied in the aggregation of the accounts of the BMW AG Group of companies.

BMW España Finance S.L. has injected capital into BMW Financiero S.A. Credito, Sao Paulo.

11. Receivables from BMW Group companies

in euro thousand	31.12.2010	31.12.2009
Non-current from BMW Group companies	6,510,607	6,586,897
Current receivables from BMW Group companies	15,772,179	14,371,383
Total receivables from BMW Group companies	**22,282,786**	**20,958,280**

The company provided a subordinated loan of euro 34 million (outstanding as at 31 December 2010 euro 28,3 million) to fund the cash reserve (second loss position) of the securitization program as disclosed in note 13. The loan amounts to 4.25% of the total program's nominal value and matures contractually in January 2018. The coupon is based on 1 months Euribor plus a fixed credit spread. The first loss is covered by the program's excess spread. During the financial year no funds has been drawn from the cash reserve.

The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the financial year 2010 are:

In euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	1,079,335	2.30	1.82
Receivables from subsidiaries	110,688	0.18	3.48
Receivables from affiliated companies	20,528,989	1.18	2.14
Cash pool from BMW group companies	553,451	Daily	EONIA + spread
Trade receivables from BMW group companies	10,323	30 days	None
Total	**22,282,786**		

For the non-current receivables these figures were during the financial year 2009 as follows:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Non current receivables (including parent)	6,586,897	3.88	2.87
Non-current receivable parent	325,000	0.08	1.25
Current receivable parent	1,075,000	3.30	1.66

The following table shows the maturity structure of the receivables from BMW Group companies:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
31.12.2010	15,772,179	5,950,719	559,888	**22,282,786**
31.12.2009	14,371,383	5,905,298	681,599	**20,958,280**

12. Receivables from sales financing

The carrying amount of financial lease receivables comprises of:

In thousands of euro	Carrying amount 31.12.2010	Fair value 31.12.2010
Due within one year	1,637	1,009
Due between one and five years	672	30
Due later than five years	22	-
Gross financial lease receivables	**2,331**	**1,039**
Specific provision	(1,282)	
General provision	(10)	
Net financial lease receivables	**1,039**	

There are no guaranteed residual values that fall to the benefit of the lessor. Provisions were measured and recognised on the basis of specific credit risks. Early redemption of lease payments is possible under certain conditions. As at 31 December 2010 the contingent interest income amounts to euro 18 thousands.

13. Marketable securities

The company has purchased all Class B notes amounting to euro 58 million of the euro 800 million Asset Backed Security issued by Bavarian Sky S.A., which is a Luxembourg limited liability company (Société Anonyme) incorporated on 26 April 2007. Bavarian Sky is recognized as a Special Purpose Entity in accordance with SIC 12 in the consolidated accounts of BMW AG. The Special Purpose Entity is structured as a bankruptcy-remote entity, thus insulating the transaction from the credit risk of the originator / seller (BMW Leasing GmbH), and is owned to 100% by Stichting Andesien, a foundation duly incorporated and validly existing under the laws of the Netherlands, having its registered office at Amsteldijk 166, 1079 LH Amsterdam, and registered with the trade register of the Chamber of Commerce in Amsterdam under number 34272266.

The portfolio consists of German car lease receivables of BMW Leasing GmbH (100% of BMW AG) excluding residual value and its development is monitored monthly on the basis of the asset value report received monthly from Bavarian Sky S.A. The notes bear an interest of 1 month Euribor plus a spread of 105 basis points per annum and have a contractual maturity of 7.8 years. The first principal payment and expected maturity in April 2013.

The Company has not identified any impairment triggers for the notes and the subordinated loan. It is not possible to give an indication for the market value of the Class B notes as these notes are illiquid since no active market exists for these specific notes.

14. Inventories

Inventories comprise the following:

in euro thousand	31.12.2010
New vehicles	29,872
New motorcycles	708
Second hand vehicles and motorcycles	5,265
Vehicle and motorcycle parts	77
Total inventories	**35,922**
Provisions for obsolete vehicles, motorcycles and parts	(2,428)
Net realisable value	**33,494**

15. Interest receivables and other receivables

in euro thousand	31.12.2010	31.12.2009
Interest receivables third parties	336,045	265,670
Other receivables	6,439	3
Leasing prepayments	5,048	-
Total	**347,532**	**265,673**

Interest receivables due by third parties comprises of accrued interest on interest rate swaps entered into by the Company.

Other receivables comprises primarily of trade receivables in the automotive operating segment. Leasing prepayments mainly relate to advances of operating lease payments.

16. Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months and are freely disposable to the Company.

in euro thousand	31.12.2010	31.12.2009
Bank balances	76,483	103,109
Call deposits	203,900	-
Total	**280,383**	**103,109**

17. Deferred taxes

Deferred tax assets and liabilities at 31 December 2010 are attributable to the following temporary differences:

in euro thousand	31.12.2010	31.12.2009
Tax loss carry-forwards	204	(3,106)
Provisions	1,711	-
Derivatives	(115)	(283)
Net asset/(liability)	1,800	(3,389)
Reconciliation to the deferred taxes recognised in the balance sheet:		
Deferred tax asset	1,915	-
Deferred tax liability	(115)	(3,389)
Total	**1,800**	**(3,389)**

A deferred tax asset has been recognised for the carry-forward of unused tax losses and unused tax credits of the companies in the silent partnership. The deferred tax asset with respect to provisions relate to temporary differences in provisions that are considered locally as non-deductable tax expenses. This item stems from the newly consolidated companies. Deferred taxes for derivatives relate to the revaluation of derivative financial instruments included in a cash flow hedge relationship. The cash flow hedge derivatives (including deferred taxes) recognised directly against equity amount to euro 0.3 million (2009: euro 0.8 million).

The changes during the financial year in the deferred tax assets/liabilities were as follows:

in euro thousand	
Balance at beginning of the year	**(3,389)**
Change as a result of temporary differences in the financial year recognised in profit or loss	3,310
Change as a result of temporary differences in the financial year recognised directly in equity	168
Changes due to newly consolidated companies	1,711
Balance at end of the year	**1,800**

18. Issued capital

Authorised share capital consists of 5,000 ordinary shares of euro 500 each of which 3,500 shares have been called up and fully paid-in. The holders of ordinary shares are entitled to execute the rights under the Netherlands Civil Code without any restrictions. In comparison with the year-end 2009, there were no changes in these figures. The Company generated an earnings per share of euro 12,936 (2009: gain of euro 2,217).

19. Share premium reserve

The share premium reserve comprises additional paid-in capital on the issue of the shares. In December 2010 BMW Holding B.V. contributed in kind its subsidiary BMW Portugal Lda in BMW Finance N.V. for euro 19.3 million, being the book value. For organisational reasons, the intension is to transfer this entity to BMW España Finance S.L. in 2011.

20. Hedging reserve

At 31 December 2010, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to euro 0.3 million negative (2009: euro 0.3 million) net of deferred taxes. The hedging reserve as at 31 December 2010 is related to cash flow hedges.

21. Minority interests

Minority interest relates to BMW Group AG that holds 0.2% of BMW Portugal Lda and 0.2% of BMW Renting Portugal Lda. BMW Finance N.V. has the remaining 99.8% of the total shares of these entities.

22. Debt securities

Debt securities include both hedged and unhedged debt securities, as well as commercial paper.

in euro thousand	31.12.2010	31.12.2009
Debt securities part of a fair value hedge relationship	11,092,857	9,384,067
Debt securities part of a cash flow hedge relationship	112,260	104,738
Debt securities at amortised cost	4,568,753	6,945,468
Commercial paper	3,004,884	1,919,746
Total	**18,778,754**	**18,354,019**

The Bonds under the EMTN Program and other securities issued by BMW Finance comprise:

Interest	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR 874 million	1.9	3.1
Variable	USD 90 million	2.1	0.8
Fixed	AUD 250 million	4.0	7.3
Fixed	EUR 12,820 million	5.8	4.8
Fixed	GBP 300 million	7.0	5.3
Fixed	NOK 450 million	4.0	5.8
Fixed	RON 44 million	3.0	11.4
Fixed	SEK 1,000 million	2.0	5.0
Fixed	USD 1,250 million	4.5	4.9

BMW AG unconditionally and irrevocably guarantees all debt securities of the Company, including debt securities issued under the EMTN Programme.

The EMTN Programme of a total of euro 30.0 billion has been used in several currencies by the Company. In 2010 the Company issued 9 notes with an equivalent of euro 2.9 billion (2009: euro 6.8 billion). Further issuers are BMW AG, BMW US Capital, LLC, BMW Coordination Center V.O.F., BMW Australia Finance Limited, BMW (UK) Capital plc and BMW Japan Finance Corp.. Furthermore the Company participates in the euro 5.0 billion Multi-Currency Commercial Paper Programme established by BMW AG. BMW Finance N.V., BMW UK Capital, and BMW Coordination Center support flexible and broad access to capital markets. Since May 2006, the Company acts as an issuer under the euro 2.0 billion French Commercial Paper (Billets de Trésorerie) Programme established by the Company. Debt issuances under these programmes have unconditional and irrevocable guarantees from BMW AG.

The outstanding balances with respect to the commercial paper programs at year-end are fully related to the euro 5.0 Multi-Currency Commercial Paper Program. The average maturity and interest rates are presented in the table below:

In euro thousand	Outstanding		Weighted average maturity period (in years)		Weighted average interest rates (in %)	
	2010	2009	2010	2009	2010	2009
Total	3,004,883	1,919,746	0.13	0.17	0.95	1.34

23. Loans due to banks

The average maturity of current liabilities due to Group companies in 2010 is 3.14 years (2009: 3.95 years). These loans bear an approximate average interest rate as at 31 December 2010 year-end of 1.20% (2009: euro 1.14%).

24. Liabilities due to BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2010	308,647	33,500	-	342,147
31.12.2009	389,348	33	-	389,381

The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies are:

In euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (%)
Liability due to Parent (BMW Holding B.V.)	40,882	2.27	2.69
Liability due to affiliated companies	27,377	0.20	0.99
Cash pool due to group companies	211,895	daily	EONIA + spread
Trade payables due to BMW group companies	61,993	30 days	none
Total	342,147		

For the non-current receivables these figures were during the financial year 2009 as follows:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Non-current liability	389,348	0.08	1.25
Current liability	33	-	-

25. Employee benefits

The Company participates in a defined benefit plan (final salary pension plan) which is sponsored by BMW Nederland B.V. who in turn is a wholly owned subsidiary of BMW Holding B.V. This pension plan ("Group plan") provides pension benefits for employees upon retirement.

BMW Espana Finance S.L., BMW Portugal Lda., BMW (Renting) Portugal Lda. participate in a defined contribution plan.

With reference to the option under the Amendments to IAS 19, BMW Nederland B.V. recognises its actuarial gains or losses immediately in the statement of recognised income and expense ("SORIE"). Since the Company participates in the Group plan the actual pension costs as charged by BMW Nederland B.V. are recognised in income statement. No stated policy is in place between the Company and BMW Nederland B.V. with respect to the allocation of and accounting for the Group plan's net pension costs. The Group plan is presented below.

Defined benefit pension obligations are computed on an actuarial basis. This computation requires the use of estimates. The main assumptions, in addition to life expectancy, depend on the economic situation.

The following assumptions are used:

Actuarial assumptions	2010	2009
Interest rate for discounting liabilities	4.75%	5.30%
Salary increase rate	2.00%	2.00%
Inflation	2.25%	2.00%
Expected return on plan assets	4.75%	5.30%

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

In case of funded plans, the defined benefit obligation is reduced by the plan assets. Where the fair value of plan assets exceeds the obligation, the surplus amount is recognised in accordance with IAS 19 as an asset under other receivables and miscellaneous assets in BMW Nederland B.V. If the plan assets do not cover the pension obligations, the net liability is disclosed under employee benefits.

Actuarial gains or losses may result from increases or decreases in either the present value of the obligation, or in the fair value of plan assets. Causes of actuarial gains or losses include the effect of changes in the measurement parameters, changes in estimates caused by the actual development of risks impacting on pension obligations and differences between the actual and expected return on plan assets.

Based on the measurement principles contained in IAS 19, the following funding status applies to the Group plan:

in euro thousand	31.12.2010	31.12.2009
Present value of the obligation	36,017	30,260
Fair value of plan assets	(30,816)	(29,136)
Deficit / (surplus)	**5,201**	**1,124**

The Group plan gave rise to a total pension expense in fiscal year 2010 of euro 0.9 million (2009: euro 0.6 million) comprising the following components:

in euro thousand	2010	2009
Current service cost	669	545
Interest cost	1,630	1,399
Expected return on plan assets	(1,639)	(1,438)
Additional charges	237	87
Net Periodic Pension Cost	**897**	**593**

The changes in the net obligation, resulting from the difference between the pension provision and pension asset are as follows:

in euro thousand	2010	2009
Balance sheet begin of the year	1,124	312
Pension expense	897	593
Expense recognised in SORIE	4,687	2,313
Contributions received	(1,507)	(2,094)
Balance sheet end of year	**5,201**	**1,124**

26. Income tax liabilities

Other liabilities primarily comprises of VAT and automotive taxes liabilities of BMW Portugal Lda. and BMW Renting Lda.

27. Interest payables and other liabilities

in euro thousand	31.12.2010	31.12.2009
Interest payables to third parties	538,383	519,798
Other liabilities	24,591	70
Total	**562,974**	**519,868**

Interest payables to third parties are related to interest rate swaps entered into by the Company for hedging purposes.

28. Financial instruments

The carrying amounts and fair values of financial instruments are analyzed below by IAS 39 category. The derivatives that are part of a hedge relationship are recorded in the respective hedge accounting category:

31 December 2010 In euro thousand	Loans and receivables	Other financial liabilities	Held for trading	Cash flow hedges	Fair Value hedges	Total
Assets						
Financial assets						
Equity investment			82,717			82,717
Derivative instruments			60,872	20,156	488,523	569,551
Marketable securities	58,000					58,000
Receivables from leasing	1,039					1,039
Loans to third parties	347,532					347,532
Cash and Cash equivalents	280,383					280,383
Receivables from BMW group companies	22,282,786					22,282,786
Total financial assets	22,969,740		143,589	20,156	488,523	23,622,008

Liabilities						
Financial liabilities						
Bonds		4,568,753		112,260	11,092,857	15,773,870
Liabilities due to banks		3,366,255				3,366,255
Commercial paper		3,004,884				3,004,884
Derivative instruments			97,769	54,831	105,579	258,179
Other liabilities		562,974				562,974
Liabilities to group companies		342,147				342,147
Total of financial liabilities		11,845,013	97,769	167,091	11,198,436	23,308,309

31 December 2009 In euro thousand	Loans and receivables	Other financial liabilities	Held for trading	Cash flow hedges	Fair Value hedges	Total
Assets						
Financial assets						
Equity investments			69,819			69,819
Derivative instruments			71,420		340,916	412,336
Loans to third parties	265,673					265,673
Cash and Cash equivalents	103,109					103,109
Other assets						
Receivables from BMW group companies	20,958,280					20,958,280
Total financial assets	21,327,062	-	141,239	-	340,916	21,809,217

Liabilities						
Financial liabilities						
Bonds		7,018,973		104,738	9,310,563	16,434,272
Liabilities due to banks		1,950,000				1,950,000
Commercial paper		1,919,746				1,919,746
Derivative instruments			104,632	41,446	124,789	270,867
Liabilities to group companies		389,381				389,381
Other liabilities		519,868				519,868
Total of financial liabilities	-	11,797,968	104,632	146,184	9,435,352	21,484,134

Fair value measurement of financial instruments

The fair values shown are computed using market information available at the balance sheet date, on the basis of prices quoted by the contract partners or using appropriate measurement methods, e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 December 2010 on the basis of the following interest rates:

%	EUR	USD	JPY	CHF	GBP
Interest rate for 6 months	1.23	0.46	0.35	0.24	1.05
Interest rate for one year	1.51	0.78	0.57	0.52	1.51
Interest rate for five years	2.49	2.18	0.57	1.38	2.63
Interest rate for 10 years	3.32	3.39	1.16	2.16	3.54

Interest rates taken from interest rate curves were adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument. Derivative financial instruments are measured at their fair value. The fair values of derivative financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. The supply of data to the model used to calculate fair values was refined in 2010. Observable financial market price spreads (e.g. for liquidity risks) are now taken into account in the measurement of derivative financial instruments, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on the disposal of those instruments.

Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 7. This includes financial instruments that are:

1. measured at their fair values in an active market for identical financial instruments (level 1),
2. measured at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (level 2),
3. using input factors not based on observable market data (level 3).

The model used is assumed to grade level 2, and therefore, similar to 2009, all positions at recognized at fair value are regarded as level 2 valuations. No transfers between levels have been made.

The fair values in the financial asset and liability categories approximate their carrying values, except for the BMW Group receivables with a fixed interest rate, non-hedged debt securities and other (intercompany) payables with a fixed interest rate.

BMW Group receivables are valued at amortised cost. The underlying changes to the fair value of these assets are therefore not recognised in the balance sheet. The Company does not apply hedge accounting to loans to the intercompany receivables with a fixed interest rate. At 31 December 2010, the indicative fair value using the zero-coupon method, of these loans was euro 527.1 million above their carrying value (2009: euro 439.3 million).

The non-hedged debt securities and other (BMW Group) payables with a fixed interest rate are valued at amortised cost. The carrying value exceeds the indicative fair value, using the zero-coupon method, by an amount of euro 189.9 million (2009: euro 616.0 million).

The notional amounts and fair values of derivative financial instruments of the Company are shown in the following analysis. In accordance with internal guidelines, the nominal amounts of the derivative financial instruments correspond to the volume of the hedged items.

In thousand euro	Notional amount 31.12.2010	Fair value amount 31.12.2010	Notional amount 31.12.2009	Fair value amount 31.12.2009
Assets				
Foreign currency derivatives	6,620,945	140,693	565,870	80,585
Interest rate derivatives	13,148,318	428,858	7,538,544	331,751
Currency options BMW Group companies	-	-	-	-
Total	**19,769,263**	**569,551**	**8,104,414**	**412,336**
Liabilities				
Foreign currency derivatives	1,464,802	224,483	484,957	203,306
Interest rate derivatives	4,074,318	33,696	1,339,543	67,561
Total	**5,539,120**	**258,179**	**1,824,500**	**270,867**

Gains and losses of financial instruments

The following table shows the net gains and losses arising for each of the categories of financial instruments defined by IAS 39:

in euro thousand	2010	2009
Held for Trading	42,035	26,712
Ineffective portion of cash flow hedges	(518)	-
Ineffective portion of fair value hedges	58,510	15,851
Net balance of other financial measurement of financial instruments	**100,027**	**42,563**

Gains/ losses from the use of derivatives relate primarily to fair value gains or losses arising on derivatives not being party to a hedge relationship but residual portfolio risk.

The following table shows gains and losses on hedging instruments and hedged items which are deemed to be part of fair value hedge relationship:

in euro thousand	2010	2009
Revaluation on hedging instruments	103,569	65,620
Profit/loss from hedged items	(45,059)	(49,769)
Ineffective portion of fair value hedges	**58,510**	**15,851**

The difference between the gains/ losses on hedging instruments and the result recognized on hedged items represents the ineffective portion of fair value hedges and cash flow hedges. Fair value hedges are mainly used to hedge interest rate risk, fair value risk, and foreign currency risk on bonds and other financial liabilities.

In fiscal year 2010, BMW AG initiated an encompassing project to upgrade its treasury management system. The conversion had a significant impact on the balance sheet and fair value result. The revaluation of financial instruments in conjunction with the update of the Treasury Management System amounted to a migration gain of euro 56.9 million in the Fair Market Value result. The effect was mainly driven by the enhancement of the accounting of interest rate derivatives (euro 53.9 million) and EMTN's (euro 4.8 million).

IAS 39, Financial Instruments Recognition and Measurement, requires that all derivative instruments are recorded on the balance sheet at their respective fair values. In the case that hedge accounting is applied and that a hedge is a fair value hedge, the results of the fair value measurement of the derivative financial instrument and of the related hedged item are recognised in the income statement. Furthermore, when contrary to the normal case within the Company, hedge accounting cannot be applied; the gains and losses from the fair value instruments are recognised immediately in the income statement. This can lead to significant fluctuations in the position “Net balance of fair value measurement of financial instruments” on the income statement.

Cash flow hedges

The effect of cash flow hedges on equity was as follows:

in euro thousand	2010	2009
Balance at 1 January	1,111	7,818
Total changes during the year	(661)	(6,707)
Balance at 31 December	450	1,111
Deferred taxation on cash flow hedge derivatives	(115)	(283)
Net unrealised fair value of cash flow hedge derivatives recognised in equity	335	828

During the period under report, no expense was recognised in the income statement to reflect the ineffective portion of cash flow hedges. Any fair value effects within equity are expected to be offset by future cash flows. At 31 December 2010, the company held derivative instruments with terms of up to 35 months (2009: 46 months) to hedge currency risk and interest rate risk attached to future cash flows of bonds and other financial liabilities.

29. Risk management

The exposure of the Company can be broken down into two main categories: financial and non-financial risks.

Financial Risks

The formal procedures and policies operated by the Company to cover banking, foreign exchange and other treasury matters are consistent with objectives and policies for financial risk management within the BMW Group. The Company’s policy is not to take positions in derivative financial instruments with the aim of profit realisation.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

Credit Risk

Credit risk result from the risk of default of internal or external counterparties. Given the activities of the company, the credit risk is mainly related to the Treasury and the intergroup financing activities.

The amount recognised in the balance sheet of the Company for financial assets is, ignoring any collateral received, the maximum credit risk in the case that counterparties are unable to fulfil their contractual obligations. In the case of derivative financial instruments, the Company is also exposed to credit risk, which results from the non-performance of contractual agreement on the part of the counterparty. This credit risk, for Treasury activities is mitigated by entering into such contracts only with parties of first-class credit standing. Furthermore, the Company participates in a BMW Group wide limit system that continually assesses and limits the credit exposure to any single external counterparty.

All receivables from BMW Group companies are guaranteed by BMW AG when the aggregated losses on these receivables exceed euro 2 million. As a result, impairment of intergroup receivables is substantially mitigated. The guarantee fee incurred by the Company is recognised in interest expense.

The BMW Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

The maximum exposure to credit risk at reporting date was:

in thousand euro	31.12.2010	31.12.2009
Loans and Receivables		
Receivables from BMW Group companies	22,282,786	20,958,280
Interest receivables and other receivables	347,532	265,673
Marketable securities	58,000	-
Receivables from sales financing	1,039	-
Cash and Cash equivalents	280,383	103,109
Derivative assets	569,551	412,336
Accrued interest on derivatives	(336,045)	(265,670)
Gross exposure	23,203,246	21,473,728
Guaranteed by BMW AG	22,252,524	20,956,280
ISDA Agreement (net exposure on derivative positions)	258,179	270,867
Residual maximum exposure	692,542	246,581

The residual maximum exposure are primarily related to derivative assets and short term deposits with first-class counterparties.

The Company has made provisions for uncollectability in the financial lease receivables as disclosed in note 12. Within the financial services business, the financed items (e.g. vehicles and motorcycles) serve as first-ranking collateral with a recoverable value.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner. As a result, the Company's borrowing capacity may be influenced and its financing costs may fluctuate. The cash and short-term deposits as well as the Multi Currency Revolving Credit Facility of the BMW Group

mitigate the liquidity risk for the Company. Furthermore, the Company uses uncommitted credit lines with banks and bank loans to cover liquidity needs. The diversification of debt instruments for debt financing reflects the successful financial strategy of the BMW Group. BMW AG unconditionally and irrevocably guarantees all debt securities issued under the EMTN Programmes.

The following table shows the maturity structure of the financial liabilities:

31 december 2010 In euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	3,254,598	9,794,433	2,250,000	15,299,031
Liabilities due to banks	408,588	2,302,337	619,123	3,330,048
Commercial paper	3,008,700	-	-	3,008,700
Derivative instruments	53,843	174,486	29,850	258,179
Other financial liabilities	561,491	1,483	-	562,974
Total	7,287,220	12,272,739	2,898,973	22,458,932

31 december 2009 In euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	2,577,453	13,208,264	1,143,664	16,929,381
Liabilities due to banks	19,940	1,097,422	841,264	1,958,626
Commercial paper	1,924,000	-	-	1,924,000
Derivative instruments	(955,423)	1,145,682	(10,712)	179,547
Other financial liabilities	440,928	-	-	440,928
Total	4,006,898	15,451,368	1,974,216	21,432,482

The maturity analysis comprises undiscounted cash flows without interest payables, except the derivatives instruments are accounted at discounted cash flows. Changes in maturity structure result from exploiting funding opportunities in a tense market.

The increase in the credit spreads has negatively affected the cost of capital and, therefore, the operating result of the Company. Further changes in credit spreads could arise from changes in demand for term debt instruments on capital markets, the removal of the unconditional and irrevocable guarantees of BMW AG form the above-mentioned debt-issuance programs in which the Company participates, credit standards for loans to enterprises turning for the worse and impacting also the lending conditions for the BMW Group negatively and a decreasing willingness of banks to provide credit lines and loans.

Market risk

The Company is exposed to market risk, which comprises interest rate risk and currency risk.

Interest rate risk

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. The Company holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational, financial and investment activities. Changes in interest rates can have adverse effects on the financial position and operating result of the Company. In order to mitigate the impact of interest rate risk the Company aims in general to change fixed to floating interest rates. Furthermore, the Company continually assesses its exposure to this risk by using gap analysis, value at risk analysis, and duration analysis. Interest rate risk is managed through natural hedges and hedged through the use of derivative financial instruments, such as interest rate swaps. To manage the maturity gaps appropriate interest rate derivatives are used.

The fair values of the Company's derivative financial instruments portfolio to manage the interest rate risk of its fixed income financial instruments was as follows at the balance sheet date:

in euro thousand	Nominal Amount 31.12.2010	Fair Value 31.12.2010	Nominal Amount 31.12.2009	Fair Value 31.12.2009
EUR	16.448.500	395.162	11.884.500	329.859

The Company applies a value at risk-approach for internal reporting purposes and to control the frequency, extent, and size of possible losses in such a way as to provide the minimum surprise. The approach to value at risk is based on a historical simulation, in which the potential future fair value losses of the interest rate portfolios are compared across the BMW Group with probable amounts measured on the basis of a holding period of three months and a confidence level of 99%. Due to the aggregation of these results, a risk reduction effect due to correlations between the various portfolios is accomplished.

The entity implemented the Financial Strategy of the BMW Group and accomplished interest rate risk neutrality. The objective of interest rate risk neutrality is accomplished when interest rate gaps are managed in manner that the economic value of the portfolio of financial instruments is immunized to a considerable degree against changes in interest rates. The Company monitors its interest rate risk exposure continuously and prepares a monthly report submitted to the Group Treasury with recommendations to keep or reposition its portfolio by applying financial derivatives. Together the Company and Group Treasury determine the due course on the basis of the report delivered by the Company. A primary risk measure when judging the interest rate exposure of the entity is the present value of a basis point of the portfolio. This concept indicates how much the portfolio's economic value, representing the sum of discounted cash flows of the financial instruments, will move for each basis point change in interest rates, assuming the change of interest rates will be a parallel shift. Looking at this primary risk measure, the interest rate risk exposure on 31 December 2010 was euro 173.12 (2009: euro minus 34,765).

Currency risk

Currency risk or exchange rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in exchange rates. Changes in exchange rates can have adverse effects on the financial position and operating result of the Company. In order to mitigate the impact of currency risk arising from operational, financial and investment activities, the Company continually assesses its exposure to this risk. Currency risk is managed and hedged through the use of derivative instruments, such as forward contracts, options and cross currency swaps. For strategic reasons, the Company has minor unhedged foreign currency debt positions. These positions are causing the exchange rate result displayed in the profit and loss account as explained in Note 4.

in euro thousand	Non derivative financial assets	Non derivative financial liabilities	Derivative financial instruments	Net exposure
AUD	-	(250,000)	250,000	-
DKK	2,233,000	-	(2,236,815)	(3,815)
GBP	-	(300,000)	300,000	-
MXN	1,391,000	-	(1,415,143)	(24,143)
NOK	2,705,000	(450,000)	(2,268,290)	(13,290)
RON	-	(43,500)	43,500	-
RUB	11,800,000	-	(11,943,291)	(143,291)
SEK	3,164,900	(1,000,000)	(2,192,964)	(28,064)
USD	129,000	(1,340,050)	1,210,832	(218)
ZAR	3,444,300	-	(3,444,300)	-

The sensitivity of the Company's results to changes in foreign currencies against the functional currency shows:

Currency	Net exposure in thousand euro equivalent	Effects on result of a 10% rise in the euro against the respective currency
DKK	(512)	47
MXN	(1,460)	133
NOK	(1,705)	155
RUB	(3,508)	319
SEK	(3,129)	284
USD	(163)	15
	(10,477)	953

This sensitivity analysis assumes that all other variables, in particular interest rates remain the same.

Non-Financial Risks

Operating Risks

Non financial risks could arise from operating risks. Risks mainly result from the use of computer systems and information technology. The Company uses computer systems to monitor financial positions and daily cash flows and to process payments to internal and external counterparties. System failures can, therefore, lead to delays in payment processes. Further operating risks can arise in connection with the settlement of financial transactions. The management of daily cash flows at the Company depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions, such as bonds, swaps or other derivative financial instruments. To avoid negative impacts of system failures, all key systems are set up in parallel and / or backup facilities or available within the BMW Group.

30. Capital management

In accordance with BMW Group's target debt structure, the Company maintains a solid target debt policy. Furthermore the Company has no prescribed dividend policy.

31. Cash Flow

The Cash Flow Statement shows how the cash and cash equivalents of the Company have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7, cash flows are classified into cash flows from operating, investing and financing activities. The Company's purpose is to assist the financing of the

activities conducted by companies of the BMW Group. This assistance is considered to be an operating activity for the Company. Movements related to debt securities, loans due to banks and liabilities to BMW Group companies are considered to be operating activities. The cash flow from operating activities is computed using the indirect method, starting from the net income of the Company. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The cash flows from investing and financing activities are based on actual payments and receipts.

The cash flow from interest received/paid in the respective year:

in euro thousand	2010	2009
Interest received	904,586	869,408
Interest paid	978,448	914,556

32. Related parties

A comprehensive exchange of internal services in between the affiliates of a multinational corporation as the BMW Group is common practice. In its responsibility to assist the financing of business activities conducted by companies of the BMW Group and its affiliates, BMW Finance NV applies transfer prices for financial instruments in conformity with market levels and in accordance with national and international tax requirements (arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

In principle, the transfer prices for financial instruments are determined on the basis of three components: The price for BMW Credit Default Swaps, the three months Commercial Paper Spread, and a transfer pricing margin.

The price for BMW Credit Default Swaps is applied for maturities >12 months, taken from Bloomberg. For uneven maturities the method of linear interpolation is used to calculate the appropriate credit risk with regard to market prices. For maturities between Overnight and up to six months, the three months Commercial Paper Spread according to Tradeweb ECP Index, Industrials, Rating A2/P2 is applied. For maturities between six months and 12 months, again the method if linear interpolation between the three months Commercial Paper Spread and the twelve months BMW Credit Default Swap is applied. To enhance efficiency and ensure consistency throughout the BMW Group, a transfer pricing sheet is provided monthly by the Mid Office, which is daily filled with actual data to calculate the credit and term spread for every transaction. Finally, a transfer pricing margin is applied to account for the running costs of BMW Finance NV.

In the financial year 2010, the factoring agreement with the BMW Ingenieur-Zentrum GmbH & Co that has been early terminated as the lessor (BMW IZ) and lessee (BMW AG) has merged. The early termination was managed on the basis of arm's length principles. At the value date of the transaction, the early termination payment to compensate for the re-investment risk and the capital risk amounted to euro 56.2 million.

The contribution in kind of the shares of BMW Portugal Lda. from BMW Holding B.V. to BMW Finance N.V. was based on historical cost.

The company has purchased all Class B notes amounting to euro 58 million of the euro 800 million Asset Backed Security issued by Bavarian Sky S.A., which is a Luxembourg limited liability company (Société Anonyme) incorporated on April 26, 2007, Bavarian Sky is recognized as a Special Purpose Entity in accordance with SIC 12 in the consolidated accounts of BMW AG. The portfolio consists of German car lease receivables of BMW Leasing GmbH (100% of BMW AG) with residual value and its development is monitored monthly on the basis of the asset value report received from Bavarian Sky S.A.

The Company did not enter into any contracts with members of the Board of Management or with other key management personnel in the BMW Group or with companies in whose representative bodies those persons are represented. The same applies to close members of the families of those persons.

BMW FINANCE N.V.

Statement of comprehensive income

in euro thousand	Notes	2010	2009
Interest income BMW Group companies		567,460	617,864
Interest income Third parties		381,020	234,685
Interest income	**[3]**	**948,480**	**852,549**
Interest expense BMW Group companies		(10,080)	(19,357)
Interest expense Third parties		(984,735)	(891,365)
Interest expense	**[3]**	**(994,815)**	**(910,722)**
Interest margin		**(46,335)**	**(58,173)**
Result from other financial income and expenses	[4]	(99)	2,841
Result from fair value measurement of financial instruments	[5]	100,651	42,825
Financial income		**54,217**	**(12,507)**
Miscellaneous income & expenses	[34]	(1,095)	(875)
Income before taxation		**53,122**	**(13,382)**
Taxes	[35]	(11,980)	15,752
Net income		**41,142**	**2,370**

Statement of Comprehensive income

in euro thousand	2010	2009
Net income	**41,142**	**2,370**
Effective portion of changes in fair value of cash flow hedges	(661)	(6,707)
Deferred tax on other comprehensive income	169	1,710
Other comprehensive income for the period after tax	**(492)**	**(4,997)**
Total comprehensive income for the period	**40,650**	**2,627**

BMW FINANCE N.V.

Statement of financial position

As at 31 December (Before appropriation of result)

Assets in euro thousand	Notes	31.12.2010	31.12.2009
Investments in subsidiaries	[36]	106,070	86,808
Receivables from BMW Group companies	[37]	6,510,607	6,586,897
Marketable securities	[13]	58,000	
Derivative assets	[28]	499,780	390,852
Non-current assets		**7,174,457**	**7,064,557**
Receivables from BMW Group companies	[37]	15,657,806	14,248,127
Derivative assets	[28]	72,417	23,148
Interest receivables and other receivables	[38]	336,727	265,670
Cash and cash equivalents	[39]	232,392	102,677
Current assets		**16,299,342**	**14,639,622**
Total assets		**23,473,799**	**21,704,179**

BMW FINANCE N.V.

Statement of financial position
As at 31 December (Before appropriation of result)

Equity and liabilities	Notes	31.12.2010	31.12.2009
in euro thousand			
Issued capital	[18]	1,750	1,750
Share premium reserve	[19]	55,488	36,226
Hedging reserves	[20]	336	828
Retained earnings		116,089	113,719
Undistributed income		41,142	2,370
Equity	**[40]**	**214,805**	**154,893**
Debt securities	[22]	12,502,411	14,439,377
Loans due to banks	[23]	2,934,481	1,700,000
Liabilities due to BMW Group companies	[41]	-	33
Derivative liabilities	[28]	204,336	224,111
Deferred tax liabilities		114	283
Income tax liabilities		-	572
Other liabilities	[42]	-	25
Non-current liabilities		**15,641,342**	**16,364,401**
Debt securities	[22]	6,276,343	3,914,642
Loans due to banks	[23]	423,186	250,000
Liabilities due to BMW Group companies	[41]	325,530	453,268
Derivative liabilities	[28]	54,109	47,448
Interest payables and other liabilities	[42]	538,484	519,527
Current liabilities		**7,617,652**	**5,184,885**
Total equity and liabilities		**23,473,799**	**21,704,179**

Statement of cash flows

in euro thousand	2010	2009
Net income for the year	41,142	2,370
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	(492)	(1,073)
Fair value measurement losses/(gains)	(23,362)	(47,821)
Taxes	(741)	42,352
Amortization financial instruments	5,403	(1,043)
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(1,333,389)	(2,283,291)
Receivables and other assets	(71,057)	(646)
Derivatives	(147,949)	160,130
Debt securities	419,332	3,265,745
Loans due to banks	1,407,667	650,000
Liabilities to BMW Group companies	(115,219)	(1,896,945)
Other liabilities	18,932	42,956
Income tax paid	(12,552)	(23,931)
Cash flow from operating activities	**187,715**	**(91,197)**
Marketable securities	(58,000)	-
Cash flow from investing activities	**(58,000)**	**-**
Cash flow from financing activities	**-**	**-**
Net increase/decrease in cash and cash equivalents	129,715	(91,197)
Cash and cash equivalents at January 1	102,677	193,874
Cash and cash equivalents at December 31	**232,392**	**102,677**

Statement of changes in equity

In euro thousand	Issued Capital	Share premium reserve	Hedging reserve	Retained earnings	Undistributed income	Total
1 January 2009	**1,750**	**36,226**	**5,825**	**178,154**	**(64,435)**	**157,520**
Total income and expenses 2009 recognized in the profit and loss account					2,370	2,370
Total income and expenses in 2009 recognised in directly in equity			(4,997)			(4,997)
Total comprehensive income in the period			(4,997)		2,370	(2,627)
Appropriation of results 2008				(64,435)	64,435	-
31 December 2009	**1,750**	**36,226**	**828**	**113,719**	**2,370**	**154,893**
Total i comprehensive income 2010 recognised in the profit and loss account					41,142	41,142
Total comprehensive income 2010 recognized directly in equity			(492)			(492)
Total comprehensive income in the period			(492)		41,142	40,650
Appropriation of results 2009				2,370	(2,370)	-
Transactions with owners recorded directly in equity						
Changes due to contribution in kind BMW Portugal Lda. and BMW Portugal Renting Lda.		19,262				19,262
31 December 2010	**1,750**	**55,488**	**336**	**116,089**	**41,142**	**214,805**

33. Accounting principles and policies

The accounting principles of BMW Finance N.V. company's financial statements correspond with the accounting principles used in the consolidated financial statements of BMW Finance N.V. with the exception of investments.

Investments in subsidiaries

The Company carries its investments in Group- and associated companies at historic cost less provision for any diminution in value deemed to be of a permanent nature. These provisions are determined on the following basis:

Provisions for losses on disposal or liquidation of an investment are made when such losses can reasonably be foreseen. The value of the Company's investments, other than companies intended for disposal or liquidation, is assessed each year on an individual basis and any impairment loss is recognised on this basis.

Dividends from investments in subsidiaries are recorded when declared by the investment's Annual General Meeting of Shareholders.

Information regarding the Company's interest in the net asset value and its share in the earnings of BMW Group companies is given in Note 10.

34. Miscellaneous income & expenses

in euro thousand	2010	2009
Salaries & social security charges	(692)	(578)
Pension premiums	(28)	(19)
Advisory	(216)	(264)
Other miscellaneous income & expenses	(159)	(14)
Total	**(1,095)**	**(875)**

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated entities.

Fee charged by auditors	2010	2009
Statutory audit of annual accounts	131	123
Tax advisory services	85	127
Total	**216**	**250**

35. Taxes

Income taxes comprise the following:

in euro thousand	2010	2009
Current tax income/(expense)	(11,980)	35,200
Deferred tax income/(expense)	-	(19,448)
Total tax income/(expense) in income statement	(11,980)	15,752

Reconciliation of the effective tax expense:

in euro thousand		2010		2009
Income before tax		53,122		(13,382)
Income tax using the domestic corporate tax rate	25.5%	(13,545)	25.5%	3,413
Tax charges relating to other periods		-		1,258
Settlement with Dutch Tax Authority		1,565		11,081
Total tax income/(expense) in income statement		(11,980)		15,752
Effective tax rate		22.6%		117.7%

The Company, a member of the fiscal unity headed by BMW Holding B.V., is jointly and severally liable for the payment of any tax liability of the fiscal unity. See also Note 7.

36. Investments in subsidiaries

The company has the following investments in Group and associate companies carried at cost:

In euro thousand	Country		31.12.2010	31.12.2009
BMW Overseas Enterprises	The Netherlands	100%	58,424	58,424
BMW España Finance S.L.	Spain	100%	28,384	28,384
BMW Portugal LDA.	Portugal	99.8%	19,262	-
Balance at end of year			**106,070**	**86,808**

The Company's interest in the net asset value of the BMW Group companies amounts to approximately euro 306.6 million as at 31 December 2010, which exceeds the above-mentioned book value by approximately euro 200.5 million (2009: euro 167.1 million). This interest in the net asset value has been calculated in accordance with the principles as applied in the aggregation of the accounts of the BMW AG Group of companies.

BMW Holding B.V. has contributed its 99.8% share holding in BMW Portugal Lda. and its subsidiary BMW Renting Portugal Lda. in kind to BMW Finance N.V on 22 December 2010. The capital contribution is as a contribution to its capital reserve, no additional shares have been issued by BMW Finance N.V. As BMW Finance N.V. has common control over these entities, BMW Portugal Lda. and BMW Renting Portugal Lda. were consolidated for the first time as at 31 December 2010. The remaining of the shares are held by BMW AG, the ultimate shareholder of the entity, and are accounted for minority interest. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the ultimately BMW Group controlling shareholder's consolidated financial statements.

As these entities were transferred in late December 2010 the profit and loss account was not consolidated as the volume would not influence the economic decisions of users of the financial statements.

For the company accounts, the cost value of BMW Portugal Lda. including its subsidiary BMW Renting Portugal Lda. is euro 19.3 million accounted at the carrying amount of BMW Holding B.V. In the company accounts the entity is accounted similar to the other subsidiaries with common control and held at cost. The amount is added to the Company's share premium reserve.

37. Receivables from BMW Group companies

in euro thousand	31.12.2010	31.12.2009
Non-current from BMW Group companies	6,510,607	6,586,897
Current receivables from BMW Group companies	15,657,806	14,248,127
Total receivables from BMW Group companies	**22,168,413**	**20,835,024**

The weighted average maturity period and the weighted average effective interest rate for the receivables from BMW Group companies during the financial year 2010 are:

In euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	1,079,335	2.30	1.82
Receivables from affiliated companies	20,554,122	1.18	2.14
Cash pool from BMW group companies	527,922	daily	eonia+ spread
Trade receivables from BMW group companies	7,034	30 days	none
Total	**22,168,413**		

For the non-current receivables these figures were during the financial year 2009 as follows:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Non current receivables (including parent)	6,586,897	3.88	2.87
Non-current receivable parent	325,000	0.08	1.25
Current receivable parent	1,075,000	3.30	1.66

The following table shows the maturity structure of the receivables from BMW Group companies:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2010	15,657,806	5,950,719	559,888	22,168,413
31.12.2009	14,248,127	5,905,298	681,599	20,835,024

38. Interest receivables and other receivables

in euro thousand	31.12.2010	31.12.2009
Trade receivables from third parties	682	-
Interest receivables from third parties	336,045	265,670
Total	**336,727**	**265,670**

39. Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months and are freely disposable to the Company.

in euro thousand	31.12.2010	31.12.2009
Bank balances	28,492	102,677
Call deposits	203,900	-
Total	**232,392**	**102,677**

40. Reconciliation between Statutory equity and consolidated equity

in euro thousand	31.12.2010	31.12.2009
Statutory equity	214,805	154,893
Accumulated results up to 2009 of consolidated companies	167,116	167,116
2010 result of consolidated companies	4,135	-
Other	20,894	-
Consolidated equity	**406,950**	**322,009**

The difference between the cost value of the Company's investments and the net equity value are accounted for in the retained earnings reserve and undistributed income for the result over financial year 2010.

The category other relates to the difference between the historical cost of the subsidiary BMW Portugal Lda (including its subsidiary) and the net equity value at the date of the transfer.

41. Liabilities due to BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2010	325,530	-	-	325,530
31.12.2009	453,268	33	-	453,301

The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies are:

In euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (%)
Liability due to Parent (BMW Holding B.V.)	-		
Liability due to affiliated companies	93,241	0.12	0.95
Cash pool due to group companies	211,895	daily	eonia + spread
Trade payables due to BMW group companies	20,394	30 days	none
Total	325,530		

There were no transactions with parent company as at 31 December 2009.

42. Interest payables and other liabilities

in euro thousand	31.12.2010	31.12.2009
Interest payables to third parties	538,365	519,487
Other liabilities	119	65
Total	**538,484**	**519,552**

43. Statutory rules as to appropriation of result

According to article 9 of the articles of association, undistributed income is at the disposition of the General Meeting of Shareholders.

44. Proposed appropriation of result

The proposed appropriation of the result for the year 2009 amounting to euro 2,370 thousand has been endorsed by the General meeting of Shareholders dated June 25th, 2010.

The Board of Directors proposes to add the net gain for the year 2010 amounting to euro 41,142 thousand to the retained earnings.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles of International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, the Annual Report gives a true and fair view of the assets, liabilities, financial position and profit or loss of BMW Finance N.V., and the BMW Finance N.V. Directors' Report includes a fair review of the development and performance of the business and the position of BMW Finance N.V., together with a description of the principal opportunities and risks associated with the expected development of BMW Finance N.V.

BMW Finance N.V.

The Hague, 29 April 2011

N. Mayer	J.-C. Koenders	Dr. J. Hensel
Director	Director	Managing Director

Independent auditor's report

To: The Shareholders of BMW Finance N.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of BMW Finance N.V., The Hague, which comprise the consolidated and company statements of comprehensive income for the year then ended, the consolidated and company statement of financial position as at 31 December 2010, the consolidated and company statements of cash flows and the consolidated and company statements of changes in equity for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BMW Finance N.V. as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 29 April 2011

KPMG ACCOUNTANTS N.V.

Mr. drs. L.A. Blok RA