

BMW Finance N.V. Interim Report to June 30, 2010



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Dear Stakeholder,

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 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 in principle priced on an "at arm's length" basis using a transfer pricing policy agreed with the tax authorities. 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.

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.

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 risks from changes in interest rates and exchange rates. 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.

The ongoing significant enhanced liquidity operations of the European Central Bank intensified with the Sovereign Debt Crisis in Europe. The ECB started to purchase bonds in the secondary markets with the Securities Markets Program May 10, 2010. Furthermore, the European Commission was authorized to provide a stabilization fund and the Euro area provided loan guarantees hand in hand with additional support from the IMF. All those measures were aimed at unlocking the European Bond and Money Markets, which came to a total freeze on May 7, 2010. Despite the successful interventions, the main risk factors for a sustained economic recovery are

- Uncertainty about whether growth can be self sustained, without relying mainly on the policies aimed at stimulating demand which have been put in place by most industrial countries in response to the financial and economic crisis.
- Turbulence in financial markets, which has shifted to sovereign risk.
- Unemployment, which remains high, although it seems to have peaked.
- The situation on the capital markets, particularly the soundness of banking systems in the aftermath of the financial and economic crisis, and their ability to provide adequate credit to the economy.

With regard to the volatile and challenging capital market environment, the company implemented an encompassing funding and liquidity risk management system. The system indicated early the stress in the sovereign bond and interbank markets in the course of the year and enabled the management of the company to apply appropriate measures in managing the funding and liquidity risk in the first half year 2010.

The Hague, 13 August 2010

E. Ebner von Eschenbach
Director

J.C. Koenders
Director

Dr. J. Hensel
Director

BMW Finance N.V.

Consolidated statement of comprehensive income

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in euro thousand	Notes	1 January to 30 June 2010	1 January to 30 June 2009
Dividends from equity investments	[1]	–	–
Dividends from equity investments		–	–
Interest income BMW Group companies		265,643	345,762
Interest income Third parties		180,997	76,708
Interest income	[1]	446,640	422,470
Interest expense BMW Group companies		(3,071)	(10,590)
Interest expense Third parties		(483,252)	(425,942)
Interest expense	[1]	(486,323)	(436,532)
Interest margin		(39,683)	(14,062)
Net balance of other financial income and expenses	[1]	(761)	5,039
Net balance of fair value changes of financial instruments	[1]	33,106	(2,236)
Financial income / (loss)		(7,338)	(11,259)
Miscellaneous income & expenses	[1]	(1,257)	(265)
Income before taxation		(8,595)	(11,524)
Taxes	[1]	5,737	4,347
Net income / (loss)		(2,858)	(7,177)
Attributable minority interest		–	–
Attributable to Shareholders of BMW Finance N.V.		(2,858)	(7,177)

Statement of Comprehensive income

in euro thousand	1 January to 30 June 2010	1 January to 30 June 2009
Net income	(2,858)	(7,177)
Effective portion of changes in fair value of cash flow hedges	620	(7,364)
Deferred tax on other comprehensive income	(158)	1,878
Other comprehensive income for the period after tax	462	(5,486)
Total comprehensive income for the period	(2,396)	(12,665)

BMW Finance N.V.
Consolidated statement of financial position
As at 30 June (Before appropriation of result)

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Assets	Notes	30.06.2010	31.12.2009
in euro thousand			
Tangible assets		7	7
Equity investments	[1]	69,819	69,819
Receivables from BMW Group companies	[1]	6,419,629	6,586,897
Income tax receivables		–	–
Deferred tax asset		–	–
Derivative assets	[0]	678,432	390,675
Non-current assets		7,167,887	7,047,398
Receivables from BMW Group companies	[1]	15,077,909	14,371,383
Income tax receivables		3,961	978
Derivative assets	[0]	51,951	21,661
Other receivables and miscellaneous assets	[1]	343,161	265,673
Cash and cash equivalents	[1]	40,599	103,109
Current assets		15,517,581	14,762,804
Total assets		22,685,468	21,810,202

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Equity and liabilities in euro thousand	Notes	30.06.2010	31.12.2009
Issued capital	[1]	1,750	1,750
Share premium reserve	[1]	36,226	36,226
Hedging reserve	[1]	1,289	827
Retained earnings		283,206	275,446
Undistributed income		(2,858)	7,760
Equity		319,613	322,009
Debt securities	[2]	14,698,313	14,439,377
Loans due to banks	[0]	1,700,000	1,700,000
Liabilities due to BMW Group companies		41	33
Income tax liabilities		69	–
Deferred tax liabilities		5,047	3,389
Derivative liabilities	[0]	142,861	223,934
Other liabilities		–	25
Non-current liabilities		16,546,331	16,366,758
Debt securities	[2]	4,866,959	3,914,642
Loans due to banks	[0]	–	250,000
Liabilities due to BMW Group companies		411,784	389,348
Income tax liabilities		681	669
Derivative liabilities	[0]	33,709	46,933
Other liabilities	[0]	506,391	519,843
Current liabilities		5,819,524	5,121,435
Total equity and liabilities		22,685,468	21,810,202

BMW Finance N.V.
Consolidated statement of cash flows

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in euro thousand	1 January to 30 June 2010	1 January to 30 June 2009
Net income for the year	(2,858)	(7,177)
Adjustments for non-cash items		
Amortization financial instruments	–	–
Unrealised foreign exchange losses/(gains)	(761)	5,039
Fair value measurement losses/(gains)	33,568	(7,723)
Taxes	(1,244)	2,568
Other non cash items		1
Changes in operating assets and liabilities		
Tangible assets	–	–
Receivables from BMW Group companies	(539,258)	(1,443,746)
Liabilities to BMW Group companies	22,444	(1,554,144)
Derivative assets	(318,047)	112,216
Derivative liabilities	(94,297)	1,435
Debt securities	1,178,908	2,336,844
Loans due to banks	(250,000)	400,000
Receivables and other assets	(77,488)	14,948
Other liabilities	(13,477)	(28,827)
Income tax paid	–	–
Cash flow from operating activities	(62,510)	168,565
Acquisition of subsidiaries	–	–
Capital injection in subsidiaries	–	–
Disposal of subsidiaries	–	–
Cash flow from investing activities	–	–
Cash flow from financing activities	–	–
Net increase/(decrease) in cash and cash equivalents	(62,510)	(168,565)
Cash and cash equivalents at January 1	103,109	194,045
Cash and cash equivalents at December 31	40,599	25,480

See Note 0 of the Notes to the Consolidated Financial Statements.

BMW Finance N.V.

Consolidated statement of changes in equity

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in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Total
1 January 2009	1,750	36,226	5,824	316,609	(41,163)	319,246
Total income and expenses 2009 recognised in the profit and loss account					(7,177)	(7,177)
Total income and expenses 2009 recognised directly in equity			(5,486)			(5,486)
Total income and expenses in the period			(5,486)		(7,177)	(12,663)
Appropriation of results 2008				(41,163)	41,163	–
30 June 2009	1,750	36,226	338	275,446	(7,177)	306,583
31 December 2009	1,750	36,226	827	275,446	7,760	322,009
Total income and expenses 2010 recognised in the profit and loss account					(2,858)	(2,858)
Total income and expenses 2010 recognised directly in equity			462			462
Total income and expenses in the period			462		(2,858)	(2,396)
Appropriation of results 2009				7,760	(7,760)	–
30 June 2010	1,750	36,226	1,289	283,206	(2,858)	319,613

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 6 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 Board (IASB) and valid at balance sheet date.

The 2010 Interim Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 13th of August 2010 and will be submitted for approval to the Annual General Meeting of Shareholders on 13th of August 2010. The statements have not been audited.

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 interim financial period contains the period from 1 January to 30 June. 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.

Basis of preparation

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.

Please refer to annual reporting 2009 and to interim BMW Group reporting for additional information.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected.

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Changes in accounting policies

New financial reporting rules

(a) Financial reporting rules applied for the first time in the first and second quarter 2010:

The following Standards and Interpretations issued

by the IASB were applied for the first time in the first and second quarter 2010:

Standard/Interpretation	Date of mandatory application	Endorsed by EU	Impact on BMW Finance N.V.
IFRS 1 Additional Exceptions for First-time Adopters	1.1.2010	NO	None
IFRS 1 First-time Adoption of IFRS	1.1.2010	YES	None
IFRS 2 Share-based Payment: Accounting for Cash-settled Share-based Payments within the Group	1.1.2010	YES	None
IFRS 3/ IAS 27 Business Combinations/ Consolidated and Separate Financial Statements	1.1.2010	YES	Significant in principle: Revised Accounting Treatment for Business Combinations
IAS 39 Exposures Qualifying for Hedge Accounting	1.1.2010	YES	None
Improvements to IFRSs	1.1.2010*	YES	Insignificant
IFRIC 17 Distributions of Non-cash Assets to Owners	1.1.2010	YES	None
IFRIC 18 Transfers of Assets from Customers	1.1.2010	YES	None

* Unless otherwise specified, the amendments are effective for annual periods beginning on or after 1 January 2010.

(b) New financial reporting rules issued during the first and second quarter 2010:

The following Standards issued by the IASB during the first and second quarter 2010 are not

mandatory for the reporting period and have not been applied by the BMW Finance N.V. in the first and second quarter 2010:

Standard/Interpretation	Date of issue by IASB	Date of mandatory application	Endorsed by EU	Expected impact on BMW Finance N.V.
IFRS 1 Exemption from Comparative IFRS 7 Disclosures	28.1.2010	1.1.2011	NO	None
Improvements to IFRSs	6.5.2010	1.1.2011	NO	Insignificant

Segment reporting

An operating segment is a component of the Company 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 Company's other

components. All operating segments' operating results are reviewed regularly by the Company'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 1).

[1] Geographical segments

The company does not recognise any operating segments as defined by IFRS8.

[2] Debt securities

The following debt securities have been categorized according to security type, maturity year and issue currency:

Security type	Issue currency	Maturity	Issue volume in relevant currency (thousand)
EMTN	AUD	2013	250,000,000
EMTN	EUR	2010	1,897,000,000
EMTN	EUR	2011	2,187,500,000
EMTN	EUR	2012	3,461,828,000
EMTN	EUR	2013	2,250,000,000
EMTN	EUR	2014	3,200,000,000
EMTN	EUR	2017	1,500,000,000
EMTN	EUR	2018	750,000,000
EMTN	GBP	2013	300,000,000
EMTN	JPY	2010	10,000,000,000
EMTN	NOK	2013	450,000,000
EMTN	RON	2012	43,500,000
EMTN	SEK	2011	1,000,000,000
EMTN	SKK	2010	768,000,000
EMTN	USD	2011	1,000,000,000
EMTN	USD	2012	300,000,000
SECURITY	EUR	2012	272,000,000
SECURITY	EUR	2013	2,700,000,000
SECURITY	EUR	2014	134,000,000
SECURITY	EUR	2017	120,000,000
SECURITY	EUR	2018	300,000,000

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Statement of comprehensive income

in euro thousand	Notes	1 January to 30 June 2010	1 January to 30 June 2009
Interest income BMW Group companies		263,961	342,585
Interest income Third parties		180,997	76,824
Interest income	[1]	444,958	419,409
Interest expense BMW Group companies		(3,917)	(11,522)
Interest expense Third parties		(483,327)	(426,178)
Interest expense	[1]	(487,244)	(437,700)
Interest margin		(42,286)	(18,291)
Net balance of other financial income and expenses	[1]	877	6,724
Net balance of fair value measurement of financial instruments	[1]	32,169	(2,061)
Financial income		(9,240)	(13,628)
Miscellaneous income & expenses	[0]	(549)	(22)
Income before taxation		(9,789)	(13,650)
Taxes	[0]	5,806	3,481
Net income		(3,983)	(10,169)

Statement of comprehensive income

in euro thousand	1 January to 30 June 2010	1 January to 30 June 2009
Net income	(3,983)	(10,169)
Effective portion of changes in fair value of cash flow hedges	620	(7,364)
Deferred tax on other comprehensive income	(158)	(1,878)
Other comprehensive income for the period after tax	462	(5,486)
Total comprehensive income for the period	(3,521)	(15,655)

BMW Finance N.V.
Statement of financial position
As at 30 June (Before appropriation of result)

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Assets	Notes	30.06.2010	31.12.2009
in euro thousand			
Investments in subsidiaries	[0]	86,808	86,808
Receivables from BMW Group companies	[0]	6,409,848	6,586,897
Deferred tax asset		–	–
Derivative assets	[0]	679,971	390,852
Non-current assets		7,176,627	7,064,557
Receivables from BMW Group companies	[0]	14,974,164	14,248,127
Income tax receivables		2,653	–
Derivative assets	[0]	57,605	23,148
Other receivables and miscellaneous assets	[0]	343,152	265,670
Cash and cash equivalents	[0]	40,466	102,677
Current assets		15,418,040	14,639,622
Total assets		22,594,667	21,704,179

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Equity and liabilities in euro thousand	Notes	30.06.2010	31.12.2009
Issued capital	[1]	1,750	1,750
Share premium reserve	[1]	36,226	36,226
Hedging reserves	[1]	1,290	828
Retained earnings		116,089	113,719
Undistributed income	[0]	(3,983)	2,370
Equity		151,372	154,893
Debt securities	[2]	14,698,313	14,439,377
Loans due to banks	[0]	1,700,000	1,700,000
Liabilities due to BMW Group companies	[0]	41	33
Derivative liabilities	[0]	142,861	224,111
Deferred tax liabilities		1,942	283
Income tax liabilities		572	572
Other liabilities	[0]	–	25
Non-current liabilities		16,543,729	16,364,401
Debt securities	[2]	4,866,959	3,914,642
Loans due to banks	[0]	–	250,000
Liabilities due to BMW Group companies	[0]	491,922	453,268
Derivative liabilities	[0]	34,421	47,448
Other liabilities	[0]	506,264	519,527
Current liabilities		5,899,566	5,184,885
Total equity and liabilities		22,594,667	21,704,179

in euro thousand	1 January to 30 June 2010	1 January to 30 June 2009
Net income for the year	(3,983)	(10,169)
Adjustments for non-cash items		
Amortization financial instruments	–	–
Unrealised foreign exchange losses/(gains)	877	(6,724)
Fair value measurement losses/(gains)	32,631	(3,425)
Current and non-current tax	(994)	(5,262)
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(548,988)	(1,431,298)
Liabilities to BMW Group companies	38,662	(1,556,674)
Derivative assets	(323,576)	110,503
Derivative liabilities	(94,277)	(8,023)
Debt securities	1,178,207	2,347,177
Loans due to banks	(250,000)	400,000
Receivables and other assets	(77,482)	24,271
Other liabilities	(13,288)	(28,792)
Income tax paid	–	–
Cash flow from operating activities	(62,211)	(168,416)
Cash flow from investing activities	–	–
Cash flow from financing activities	–	–
Net increase/decrease in cash and cash equivalents	(62,211)	(168,416)
Cash and cash equivalents at January 1	102,677	193,874
Cash and cash equivalents at December 31	40,466	25,458

See Note 0 of the Notes to the Financial Statements.

BMW Finance N.V.

Statement of changes in equity

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in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Total
1 January 2009	1,750	36,226	5,824	178,154	(64,435)	157,519
Total income and expenses 2009 recognised in the profit and loss account					(10,169)	(10,169)
Total income and expenses 2009 recognised in directly in equity			(5,486)			(5,486)
Total income an expenses in the period			(5,486)		(10,169)	(15,655)
Appropriation of results 2008				(64,435)	(64,435)	–
30 June 2009	1,750	36,226	338	113,719	(10,169)	141,864
31 Dezember 2009	1,750	36,226	828	113,719	2,370	154,893
Total income and expenses 2010 recognised in the profit and loss account					(3,983)	(3,983)
Total income and expenses 2010 recognised directly in equity			462			462
Total income an expenses in the period	–	–	462	–	(3,983)	(3,521)
Appropriation of results 2009				2,370	(2,370)	–
30 June 2010	1,750	36,226	1,290	116,089	(3,983)	151,372

The Hague, 13 August 2010

E. Ebner von Eschenbach
Director

J.C. Koenders
Director

Dr. J. Hensel
Director

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, 13 August 2010

E. Ebner von Eschenbach
Director

J.C. Koenders
Director

Dr. J. Hensel
Director