BMW Finance N.V.
Annual Report 2009

BMW Group

BMW Finance N.V.
Directors' Report

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 2009, 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 consolidated income before taxation improved compared to 2008, which resulted in a decrease of loss. While the interest income decreased slightly to euro 857.0 million (2008: euro 881.0 million). Income before taxation resulted in a loss of euro 9.9 million (2008: euro 69.9 million loss), due to a volatile capital market environment. This increase is mainly caused by a positive fair value measurement partly due to model calibration. Refinement took place to adequately represent current market conditions. Furthermore the contribution to the consolidated results of the Spanish subsidiary BMW España Finance S.L. to the result was lower than in 2008, partially caused by a lack in income from dividends (2008: 36.0 million).

The Company has agreed to use the IFRS accounting as a basis for the current tax calculation. Therefore; the (un)realised fair value movements in financial instruments, excluding deferred taxes recorded in equity, are included in the fiscal result. The Company has therefore reclassified their euro 20.7 million deferred tax asset related to derivatives not included in the cash flow hedge to a current tax receivable. The reclassification has no impact on the profit and loss account as the rate applied in determining the deferred taxes is identical to the current tax rate.

The Company has reached a settlement with the Dutch Tax Authority on the tax reclaim related to the convertible exchangeable notes. The settlement includes both an additional tax receivable of euro 11.1 million and full tax deductibility of the interest expenses incurred for the years up to 2009. For 2010 onwards, the Company must renew and agree their transfer pricing policy for intercompany financing.

The Company is exposed to both financial and non-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 realization. With respect to credit risk, 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.
For further details on risk management, reference is made to note 22.

The Company uses treasury management software for the mark-to-market valuation of financial instruments. Quotations of market rates are obtained from Reuters. For valuation purposes, real-time rates are frozen and stored on a daily basis. The model used is assumed to grade as level 2. Measurement of derivatives resulted in a loss of euro 14.5 million due to model imperfections. These losses have been eliminated from the profit and losses and will be amortised until the maturity of the derivatives. As at 31 December 2009 an amount of euro 1.0 million has been amortised.

The Company's consolidated interest margin deteriorated in 2009 to euro 51.3 million loss compared to a euro 7.2 million loss in 2008. The decrease in net interest margin is caused by higher funding costs the Company is unable to charge internally under the current transfer pricing policy and lower funding volume from Group companies. In 2009 the interest loss realised on the stand-alone derivatives was already reflected in the fair value revaluation loss in the 2008 financial statements. By realizing this loss an offsetting revaluation gain on these stand-alone derivatives was recorded in 2009.

The Company has aligned its internal control and risk management system aimed at the financial reporting process in accordance with BMW Group policy. Please refer to the BMW Group financial statements for more detailed information.

The Euro Medium Term Note ("EMTN") Programme has remained in 2009 at euro 30.0 billion and has been together with the euro 5.0 billion Multi Currency Commercial Paper Programme successfully used during 2009 to refinance BMW Group companies. Under the EMTN Programme, BMW Finance N.V. issued 25 new debt securities (2008: 30) with a nominal amount of euro 6.8 billion (2008: EUR 4.3 billion). The net proceeds have been used for general BMW Group financing purposes. During the year the Company repaid 30 debt securities with a nominal amount of euro 3.6 billion (2008: EUR 1.0 billion). BMW AG unconditionally and irrevocably guarantees all debt securities of the Company, including debt securities issued under the EMTN Programme.

The foreign exchange result excluding derivatives amounts to a euro 2.0 million gain. This amount mainly reflects the gain of euro 3.8 million on the non-hedged JPY loan that has matured in September 2009. (2008: negative euro 25.0 million). All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives. Hedge accounting is applied if appropriate. The Company is using professional software to further increase its ability to identify financial risks in an early stage and take measures accordingly.

The ongoing significant enhanced liquidity operations of the European Central Bank in addition to the supportive actions undertaken by governments are crucial for the economy in the Euro area to emerge from a prolonged period of economic turmoil. It is expected that the Euro area will show a moderate recovery in the current year, albeit it will probably be uneven across regions and sectors.

While the economy is expected to recover moderately, the development in the capital markets in particular continues to show a remarkable level of uncertainty. The insecurity around the fiscal and monetary stimuli, concerns about sovereign debt, and indebtedness of private households all contribute to the volatility of interest rates and the exchange rate of the Euro. The economic and capital markets environment in the European Union will probably exert a considerable influence on the business development of the BMW Group and its affiliates throughout the business year 2010.

In this business environment, the BMW Group implements the European Passport under the aegis of the BMW Bank and even further optimizes its treasury operations with the aim to even more ensure the efficient financing of the BMW Group and its affiliates. Those substantial initiatives make a reliable forecast with regard to the growth perspective of the company challenging. While the former initiative may reduce the number of counterparties for the company, the later may require a partial refocusing within the current business model of the company.

The funding volume will according to our latest projections remain about the same level as in 2009 with a net funding requirement of approximately EUR 3.5 billion. 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 and weakened demand in the European car markets, the Company closely follows the funding requirements and will adjust plan accordingly in a swift manner.

In the light of the environment and initiatives discussed above, the company has reason to belief that it will have a chance of slightly improving underlying performance in the business year 2010. However, the company's funding activities on the capital markets depend on the liquidity need of the BMW Group and its affiliates. With regard to the initiatives mentioned above, the company is expected to continue its current core activities and will actively support all major changes in the treasury operations deemed necessary to ensure even further the efficiency and effectiveness of financing the capital needs of the BMW Group.

In 2010 Mr. J.C. Koenders has replaced Mr. A.W. de Jong as director of the Company. During 2009 the Company employed 6 persons.

The Hague, 27 April 2010

E. Ebner von Eschenbach	**J.C. Koenders**	**Dr. J. Hensel**
Director	**Director**	**Director**

BMW Finance N.V.
Consolidated statement of comprehensive income

in euro thousand	Notes	2009	2008
Dividends from equity investments	[2]	–	36,000
Dividends from equity investments		**–**	**36,000**
Interest income BMW Group companies		622,801	847,629
Interest income Third parties		234,685	33,349
Interest income	[3]	**857,486**	**880,978**
Interest expense BMW Group companies		(17,428)	(152,696)
Interest expense Third parties		(891,401)	(735,440)
Interest expense	[3]	**(908,829)**	**(888,136)**
Interest margin		**(51,343)**	**(7,158)**
Net balance of other financial income and expenses	[4]	1,073	(24,995)
Net balance of fair value changes of financial instruments	[5]	42,563	(72,411)
Financial income / (loss)		**(7,707)**	**(68,564)**
Miscellaneous income & expenses	[6]	(2,149)	(1,380)
Income before taxation		**(9,856)**	**(69,944)**
Taxes	[7]	17,616	28,781
Net income / (loss)		**7,760**	**(41,163)**
Attributable minority interest		–	–
Attributable to Shareholders of BMW Finance N.V.		7,760	(41,163)
Earnings per share of common stock in euro		2,217	(11,761)

Statement of Comprehensive income

in euro thousand	2009	2008
Net income	7,760	(41,163)
Effective portion of changes in fair value of cash flow hedges	(6,707)	(1,734)
Deferred tax on other comprehensive income	1,710	442
Other comprehensive income for the period after tax	**(4,997)**	**(1,292)**
Total comprehensive income for the period	**2,763**	**(42,455)**

BMW Finance N.V.
Consolidated statement of financial position
As at 31 December (Before appropriation of result)

Assets in euro thousand	Notes	**31.12.2009**	**31.12.2008**
Tangible assets		7	9
Equity investments	[9]	69,819	55,355
Receivables from BMW Group companies	[10]	6,586,897	7,437,153
Income tax receivables		–	10,565
Deferred tax asset	[13]	–	18,712
Derivative assets	[21]	390,675	372,567
Non-current assets		**7,047,398**	**7,894,361**
Receivables from BMW Group companies	[10]	14,371,383	11,197,335
Income tax receivables		978	412
Derivative assets	[21]	21,661	166,879
Other receivables and miscellaneous assets	[11]	265,673	265,041
Cash and cash equivalents	[12]	103,109	194,045
Current assets		**14,762,804**	**11,823,712**
Total assets		**21,810,202**	**19,718,073**

Equity and liabilities in euro thousand	Notes	31.12.2009	31.12.2008
Issued capital	[14]	1,750	1,750
Share premium reserve	[15]	36,226	36,226
Hedging reserve	[16]	827	5,824
Retained earnings		275,446	316,609
Undistributed income		7,760	(41,163)
Equity		**322,009**	**319,246**
Debt securities	[17]	14,439,377	9,600,937
Loans due to banks	[18]	1,700,000	1,300,000
Liabilities due to BMW Group companies		33	36
Income tax liabilities		–	1,558
Deferred tax liabilities	[13]	3,389	939
Derivative liabilities	[21]	223,934	236,296
Other liabilities		25	–
Non-current liabilities		**16,366,758**	**11,139,766**
Debt securities	[17]	3,914,642	5,489,453
Loans due to banks	[18]	250,000	–
Liabilities due to BMW Group companies		389,348	2,258,495
Income tax liabilities		669	37
Derivative liabilities	[21]	46,933	34,405
Other liabilities	[20]	519,843	476,671
Current liabilities		**5,121,435**	**8,259,061**
Total equity and liabilities		**21,810,202**	**19,718,073**

BMW Finance N.V.
Consolidated statement of cash flows

in euro thousand	2009	2008
Net income for the year	7,760	(41,163)
Adjustments for non-cash items		
Amortization financial instruments	(1,043)	(1,291)
Unrealised foreign exchange losses/(gains)	(1,073)	24,995
Fair value measurement losses/(gains)	(47,560)	72,411
Taxes	54,166	(45,552)
Changes in operating assets and liabilities		
Tangible assets	(2)	–
Receivables from BMW Group companies	(2,323,793)	(6,445,591)
Liabilities to BMW Group companies	(1,869,138)	1,112,298
Derivative assets	127,110	(234,926)
Derivative liabilities	42,731	24,889
Debt securities	3,265,745	5,051,185
Loans due to banks	650,000	394,766
Receivables and other assets	(632)	(56,677)
Other liabilities	43,188	137,743
Income tax paid	(23,931)	(2,291)
Cash flow from operating activities	**(76,472)**	**(9,204)**
Acquisition of subsidiaries	(8,650)	–
Capital injection in subsidiaries	(5,814)	(1,235)
Disposal of subsidiaries	–	290
Cash flow from investing activities	**(14,464)**	**(945)**
Cash flow from financing activities	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	(90,936)	(10,149)
Cash and cash equivalents at January 1	194,045	20,194
Cash and cash equivalents at December 31	**103,109**	**194,045**

See Note 24 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	Undis-tributed income	Total
1 January 2008	**1,750**	**36,226**	**7,116**	**275,026**	**41,583**	**361,701**
Total income and expenses 2008 recognized in the profit and loss account					(41,163)	(41,163)
Total income and expenses in 2008 recognised in directly in equity			(1,292)			(1,292)
Total income and expenses in the period			(1,292)		(41,163)	(42,455)
Appropriation of results 2007				41,583	(41,583)	–
31 December 2008	**1,750**	**36,226**	**5,824**	**316,609**	**(41,163)**	**319,246**
Total income and expenses 2009 recognised in the profit and loss account					7,760	7,760
Total income and expenses 2009 recognized directly in equity			(4,997)			(4,997)
Total income and expenses 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**

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 2009 Annual Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 26 April 2010 and will be submitted for approval to the Annual General Meeting of Shareholders on 21 May 2010.

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.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position: assets and liabilities are measured at their fair value: certain equity investments, derivative financial instruments and the following assets and liabilities are measured at amortised cost: receivables, debt securities and other non-derivative liabilities. Recognised 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.

Changes in accounting policies

Starting as of 1 January 2009, the Company has changed its accounting policies in the following areas:

Presentation of financial statements

The Company applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the consolidated statements of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented in accordance with the revised standard. Since the change in accounting policy only impacts presentation of financial statements, there is no impact on income and equity.

Determination and presentation of operating segments

As of 1 January 2009 the Company presents operating segments based on management information. This change in accounting policy is due to the adoption of IFRS8 Operating Segments. Since the company does not use operating segments in the management information, no separate segment reporting is presented in these financial statements

Since the change in accounting policy only impacts the presentation of financial statements, there is no impact on income and equity.

Business combinatoins

The Group has adopted early IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no impact on income as no business combination have been acquired during the year.

New standards and interpretations not yet adopted

Other than those adopted early as explained in the note above, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements, except for Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement, which clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment, which becomes mandatory for the Company's 2010 consolidated financial statements, is not expected to have a significant impact on the consolidated financial statements.

[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 Changes in accounting policies which addresses changes in accounting policies. Therefore, certain comparative amounts have been reclassified to conform to the current year's presentation.

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.

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 income and expenses and equity movements of equity accounted investees, 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 nil, 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.

Accounting for business combinations

The Company has applies the acquisition method for the business combinations. 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. Real time rates are frozen on daily basis.

Financial instruments

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.

The Company has classified all its non-derivative financial assets as loans and receivables. The following categories are not in use: financial assets at fair value through profit or loss, held-to-maturity financial assets and available-for sale financial assets.

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 10).

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

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.

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.

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.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects 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.

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.

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.

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

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.

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.

Guarantees
The amended IAS 39 Financial Instruments: Recognition and Measurement requires certain financial guarantee contracts to be 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 Interest income and Fee and commission income. These fees are recognized as revenue on an accrual basis over the commitment period.

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.

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. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

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.

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.

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

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 19.

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 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 2).

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. 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.

[2] Segments

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

[3] Interest income and expense

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

in euro thousand	2009	2008
Interest income on financial assets at amortized cost	513,439	838,893
Interest income on financial assets at fair value	344,047	42,085
Interest Income	**857,486**	**880,978**
Interest expense on financial liabilities at amortized cost	(747,857)	(774,207)
Interest expense on financial liabilities at fair value	(160,972)	(113,929)
Interest Expense	**(908,829)**	**(888,136)**
Interest margin	**(51,343)**	**(7,158)**

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.

[4] Net balance of other financial income and expenses

The item comprises a gain of euro 1.0 million (2008: loss euro 25.0 million) due to exchange rate differences related mainly to unhedged liabilities and currency options in Japanese Yen which matured in September 2009. All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives.

[5] Net balance of fair value measurement of financial instruments income & expenses

in euro thousand	2009	2008
Currency options BMW Group companies	(7,146)	6,872
Ineffective portion of fair value hedges	15,851	(10,869)
Revaluation of derivatives not included in a hedge relationship	33,858	(68,414)
Total	**42,563**	**(72,411)**

In 2009 the interest loss realised on the stand-alone derivatives was already reflected in the fair value revaluation loss in the 2008 financial statements. By realizing this loss an offsetting revaluation gain on these stand-alone derivatives was recorded in 2009.

[6] Miscellaneous income & expenses

in euro thousand	2009	2008
Salaries & social security charges	(1,376)	(690)
Pension premiums	(19)	(21)
Advisory	(315)	(223)
Other miscellaneous income & expenses	(439)	(446)
Total	**(2,149)**	**(1,380)**

[7] Taxes

Income taxes comprise the following:

in euro thousand	2009	2008
Current tax income/(expense)	39,230	1,684
Deferred tax income/(expense) attributable to temporary differences	(21,614)	27,097
Total tax income/(expense) in income statement	**17,616**	**28,781**

Reconciliation of the effective tax rate:

in euro thousand		2009		2008
Income before tax		(9,856)		(69,944)
Income tax using the domestic corporate tax rate	25.5%–30%	2,399	25.5%–30%	17,217
Tax benefit arising from tax exempted income		2,476		13,159
Tax charges relating to other periods		1,660		(1,595)
Settlement with Dutch Tax Authority		11,081		–
Total tax income/(expense) in income statement		**17,616**		**28,781**
Effective tax rate		**178.7%**		**41.1%**

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 Company has agreed to use the IFRS accounting as a basis for the current tax calculation. Therefore; the (un)realised fair value movements in financial instruments, excluding deferred taxes recorded in equity, are included in the fiscal result. The Company has therefore reclassed their euro 20.7 million deferred tax asset related to derivatives not included in the cash flow hedge to a current tax receivable. The reclassification has no impact on the profit and loss account as the rate applied in determining the deferred taxes is identical to the current tax rate.

The Company has reached a settlement with the Dutch Tax Authority on the tax reclaim related to the convertible exchangeable notes. The settlement includes both an additional tax receivable of euro 11.1 million and full tax deductibility of the interest expenses incurred for the years up to 2009. Management assessed that the resulting tax receivable is fully recovered by the fiscal unity as a whole.

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.

[8] Remuneration of Board of Directors

In 2009, the remuneration of the Board of Directors amounted euro 0.2 million (2008: euro 0.2 million).

[9] 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	31.12.2009	31.12.2008
Silent partnership with BMW Holding B.V.	Spain	28%	69,819	55,355

Change in investments:

in euro thousand	2009	2008
Balance at beginning of year	55,355	54,410
Acquisitions	8,650	–
Disposal of subsidiary	–	(290)
Capital injections	5,814	1,235
Balance at end of year	**69,819**	**55,355**

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 106.8 million as at 31 December 2009, which exceeds the above-mentioned book value by approximately euro 37.0 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 Acquisitions Ltda and acquired BMW Financial Services Mexico de CV.

[10] Receivables from BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2009	14,371,383	5,905,298	681,599	20,958,280
31.12.2008	11,197,335	6,692,760	744,393	18,634,488

Change in long term receivables from BMW Group companies

in euro thousand	2009	2008
Balance at beginning of year	**7,437,153**	**4,441,029**
Foreign currency translation differences	(573,435)	(34,212)
Loans granted	3,373,764	4,626,061
Maturity within 1 year	(3,650,585)	(1,595,725)
Balance at end of year	**6,586,897**	**7,437,153**

The weighted average maturity period and the weighted average effective interest rate for the long term receivables from BMW Group companies are:

	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
in euro thousand	2009	2008	2009	2008	2009	2008
Total	**6,586,897**	**7,437,153**	**3.88**	**3.90**	**2.87**	**4.67**

Receivables from Parent (BMW Holding B.V.)

	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
in euro thousand	2009	2008	2009	2008	2009	2008
Current receivables	325,000	325,000	0.08	0.08	1.25	4.19
Non-current receivables	1,075,000	1,075,000	3.30	1.08	1.66	3.48

[11] Other receivables and miscellaneous assets

in euro thousand	31.12.2009	31.12.2008
Interest receivables Third parties	265,670	265,024
Other receivables	3	17
Total	**265,673**	**265,041**

[12] 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	Currency	31.12.2009	31.12.2008
Bank balances	euro	103,109	159,045
Call deposits	euro	–	35,000
Total		103,109	194,045

The transfer of account balances with respect to zero-balancing of the Euro cash pool amount to EUR 130.6 million and are reflected in the bank balances. The bank balances of the Euro cash pool participants is reflected under receivables and paybles from BMW Group Companies.

[13] Deferred taxes

Deferred tax assets and liabilities at 31 December relate to the following balance sheet items:

in euro thousand	31.12.2009	31.12.2008
Equity investments	(3,106)	–
Derivatives – assets	–	(67,190)
Debt securities in a hedge relationship	–	78,607
Derivatives – liabilities	(283)	6,356
Net asset/(liability)	**(3,389)**	**17,773**
Reconciliation to the deferred taxes recognised in the balance sheet:		
Deferred tax asset	–	18,712
Deferred tax liability	(3,389)	(939)
Total	**(3,389)**	**17,773**

The deferred taxes with respect to equity investments relate to the tax deductable losses of the companies in the silent partnership.

As mentioned in note 7, the Company has agreed to use the IFRS accounting as a basis for the current tax calculation and reclassed their euro 20.7 million deferred tax asset related to derivatives not included in the cash flow hedge to a current tax receivable. This reclass is reflected in the significant decrease in deferred tax assets.

Deferred taxes recognised directly against equity amount to euro 0.3 million (2008: euro 2.0 million) and relate to the revaluation of derivative financial instruments included in a cash flow hedge relationship.

[14] 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 2008, there were no changes in these figures. The Company generated an earnings per share of euro 2,217 (2008: loss of euro 11,761).

[15] Share premium reserve

The share premium reserve comprises additional paid-in capital on the issue of the shares.

[16] Hedging reserve

At 31 December 2009, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to euro (0.3) million (2008: euro 5.8 million) net of deferred taxes. The hedging reserve as at 31 December 2009 is related to cash flow hedges.

[17] **Debt securities**

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

in euro thousand	31.12.2009	31.12.2008
Debt securities part of a hedge relationship	9,488,805	8,606,588
Debt securities at amortised cost	6,945,468	4,609,318
Commercial paper	1,919,746	1,874,484
Total	**18,354,019**	**15,090,390**

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
EMTN	EUR	2010	1,922,493
EMTN	EUR	2011	2,087,500
EMTN	EUR	2012	3,461,828
EMTN	EUR	2013	1,250,000
EMTN	EUR	2014	3,200,000
EMTN	EUR	2018	750,000
EMTN	GBP	2013	300,000
EMTN	JPY	2010	10,000,000
EMTN	NOK	2013	450,000
EMTN	RON	2012	43,500
EMTN	SEK	2011	1,000,000
EMTN	USD	2011	1,000,000
EMTN	USD	2012	300,000
SECURITY	EUR	2012	121,113
SECURITY	EUR	2013	1,350,000
SECURITY	EUR	2014	67,000
SECURITY	EUR	2017	64,450
SECURITY	EUR	2018	150,000

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 2009 the Company issued 25 notes with an equivalent of euro 6.8 billion (2008: euro 4.3 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:

	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
in euro thousand	2009	2008	2009	2008	2009	2008
Total	**1,919,746**	**1,874,484**	**0.17**	**0.11**	**1.34**	**4.39**

[18] Loans due to banks

These loans bear an approximate average interest rate on 2009 year-end of 1.14% (2008: euro 5.35%).

[19] 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.

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	2009	2008
Interest rate for discounting liabilities	5.30%	5.50%
Salary increase rate	2.00%	1.50%
Inflation	2.00%	1.50%
Expected return on plan assets	5.30%	5.50%

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	31.12.2009	31.12.2008
Present value of the obligation	30,260	25,153
Fair value of plan assets	(29,136)	(24,841)
Deficit / (surplus)	**1,124**	**312**

The Group plan gave rise to a total pension expense in fiscal year 2009 of euro 0.6 million (2008: euro 1.0 million) comprising the following components:

in euro thousand	2009	2008
Current service cost	545	697
Interest cost	1,399	1,399
Expected return on plan assets	(1,438)	(1,267)
Additional charges	87	122
Net Periodic Pension Cost	**593**	**951**

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

in euro thousand	2009	2008
Balance sheet begin of the year	312	2,831
Pension expense	593	957
Expense recognised in SORIE	2,313	(971)
Contributions received	(2,094)	(2,505)
Balance sheet end of year	**1,124**	**312**

[20] Other liabilities

in euro thousand	31.12.2009	31.12.2008
Accrued interest Third Parties	519,798	476,511
Other liabilities	70	160
Total	**519,868**	**476,671**

[21] 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 2009 in euro thousand	Loans and receivables	Other 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		16,434,273				16,434,273
Liabilities 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	**–**	**21,213,268**	**104,632**	**41,446**	**124,789**	**21,484,135**

31 December 2008 in euro thousand	Loans and receivables	Other Liabilities	Held for trading	Cash flow hedges	Fair value hedges	Total
Assets						
Financial assets						
Derivative instruments			165,301	72	374,073	539,446
Loans to third parties	265,041					265,041
Cash and Cash equivalents	194,045					194,045
Receivables from BMW group companies	18,634,488					18,634,488
Total financial assets	**19,093,574**		**165,301**	**72**	**374,073**	**19,633,020**
Liabilities						
Financial liabilities						
Bonds		13,215,906				13,215,906
Liabilities to banks		1,300,000				1,300,000
Commercial paper		1,874,484				1,874,484
Derivative instruments			98,744	38,350	133,607	270,701
Liabilities to BMW group companies		2,258,531				2,258,531
Other liabilities		476,671				476,671
Total of financial liabilities	**–**	**19,125,592**	**98,744**	**38,350**	**133,607**	**19,396,293**

Fair value measurement of financial instruments

The fair values shown in the financial statements and disclosure to the financial statements are computed using market information available at the balance sheet date and using measurement methods like discounted cash flow models. In the latter case, the amounts were discounted on the basis of the following interest rates:

%	EUR	USD	JPY	CHF	GBP
Interest rate for 6 months	0.54	0.31	0.48	0.34	0.58
Interest rate for one year	0.86	0.63	1.09	0.64	0.87
Interest rate for five years	2.85	3.08	0.70	1.73	3.48
Interest rate for 10 years	3.70	4.18	1.45	2.57	4.26

The Company has similarly to 2008 applied the discounted cash flow model for valuing interest rate derivatives, foreign exchange swaps and foreign exchange forward transactions held as of 31 December 2009. The discounted cash flow method discounts future cash flows using yield curves of the cash flows' currency and relevant credit spreads as applied by BMW Group. This method fulfils the requirements concerning fair value measurement according to IAS 39 and is a recognised valuation method. In the valuation of financial instrument management has considered the effects of credit spreads applicable to the Company and the application of the par method for the valuation of foreign exchange derivatives.

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

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

The Company uses treasury management software for the mark-to-market valuation of financial instruments. Quotations of market rates are obtained from Reuters. For valuation purposes, real-time rates are frozen and stored on a daily basis. The model used is assumed to grade level 2, and therefore, similar to 2008, all positions at recognized at fair value are regarded as level 2 valuations. No transfers between levels have been made.

Measurement of derivatives resulted in a loss of euro 14.5 million due to model imperfections. These losses have been eliminated from the profit and losses and will be amortised until the maturity of the derivatives. As at 31 December 2009 an amount of euro 0.8 million has been amortised and recorded in the income statement. There were no results amortised in 2008 due to model imperfections.

Intercompany 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 2009, the indicative fair value using the zero-coupon method, of these loans was euro 439.3 million above their carrying value (2008: euro 268.8 million).

The non-hedged debt securities and other (intercompany) 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 616.0 million (2008: euro 390.4 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 euro thousand	Notional Amount 31.12.2009	Fair Value 31.12.2009	Notional Amount 31.12.2008	Fair Value 31.12.2008
Assets				
Foreign currency derivatives	565,870	80,585	2,454,227	311,186
Interest rate derivatives	7,538,544	331,751	7,415,579	221,114
Currency options BMW Group companies	–	–	123,072	7,146
Total	**8,104,414**	**412,336**	**9,992,878**	**539,446**
Liabilities				
Foreign currency derivatives	484,957	203,306	1,417,935	211,522
Interest rate derivatives	1,339,543	67,561	3,752,000	59,179
Total	**1,824,500**	**270,867**	**5,169,935**	**270,701**

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	2009	2008
Held for Trading	26,712	(61,542)
Ineffective portion of cash flow hedges	–	–
Ineffective portion of fair value hedges	15,851	(10,869)
Net balance of other financial measurement of financial instruments	**42,563**	**(72,411)**

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	2009	2008
Revaluation on hedging instruments	65,620	395,893
Profit/loss from hedged items	(49,769)	(406,762)
Ineffective portion of fair value hedges	**15,851**	**(10,869)**

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.

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	2009	2008
Balance at 1 January	7,818	9,552
Total changes during the year	(6,707)	(1,734)
Balance at 31 December	**1,111**	**7,818**
Deferred taxes on cash flow hedge derivatives	(283)	(1,994)
Net unrealized fair value of cash flow hedge derivatives recognized in equity	**828**	**5,824**

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 2009, the company held derivative instruments with terms of up to 46 months (2008: 59 months) to hedge currency risk and interest rate risk attached to future cash flows of bonds and other financial liabilities.

[22] 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 realization.

Overview

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.

Credit Risk

Credit risk result from the risk of default of internal or external counterparties. 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 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. At 31 December 2009 one guarantee was outstanding. The guarantee issued by the Company relates to a financial guarantee provided to the BMW Group Company BMW Finance Iberica E.F.C. SA in order to cover the residual value risk on lease cars. The fair value of the guarantee is nil per 31 December 2009.

The maximum exposure to credit risk at reporting date was:

in euro thousand	31.12.2009	31.12.2008
Loans and Receivables		
Receivables from BMW Group companies	20,958,280	18,634,448
Loans to third parties	265,673	265,041
Cash and Cash equivalents	103,109	194,045
Held for trading derivatives	71,420	165,301
Cash Flow Hedge derivatives	–	72
Fair Value Hedge derivatives	340,916	374,073
Gross exposure	21,739,398	19,633,020
Guaranteed by BMW AG	21,612,817	18,546,347
Residual maximum exposure	126,581	1,086,673

During 2009 the Company has had neither write-downs nor reversals of write-downs.

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 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 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**

31 December 2008 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	2,924,568	6,842,769	1,765,493	11,532,830
Liabilities to banks	36,905	550,838	944,682	1,532,425
Commercial paper	1,894,501	–	–	1,894,501
Derivative instruments	3,693	1,106,483	(52,067)	1,058,109
Other financial liabilities	1,528,242	–	–	1,528,242
Total	**6,387,909**	**8,500,090**	**2,658,108**	**17,546,107**

The maturity analysis comprises undiscounted 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 interest rate portfolios, which represent the net present value of all future, fixed cash flows (interest and repayments) including loans, deposits, and derivative financial instruments was as follows at the balance sheet date:

in euro thousand	31.12.2009	31.12.2008
EUR	329,859	24,476

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 duration of the asset portfolio as at year-end 2009 was 1.34 and the duration of the liabilities portfolio amounted to 1.312. In case the yield curve at 31 December 2009 would have shifted parallel one basis point, the net present value of the whole portfolio would have been reduced by euro 34,765, a 0.011% net present loss (2008: 0.58% loss).

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 3 and Note 4.

	Non derivative financial assets	Non derivative financial liabilities	Derivative financial instruments	Net exposure
ARS	–	–	53	53
AUD	–	(322.500)	322.500	–
CAD	–	(142.028)	142.028	–
DKK	2.182.900	–	(2.182.923)	23
GBP	–	(363.000)	363.000	–
JPY	–	(10.016.938)	10.016.749	189
NOK	2.231.374	(554.760)	(1.676.614)	–
RON	–	(58.312)	58.312	–
RUB	775.693	–	(775.693)	–
SEK	2.956.759	(1.099.000)	(1.857.759)	–
SKK	–	(779,634)	799,634	
USD	94.545	(1.439.584)	1.344.989	50
ZAR	5.793.809	–	(5.793.809)	–

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

In euro thousand	ARS	DKK	JPY	USD
Net exposure in euro equivalent	1.0	(3.2)	(1.4)	(34.9)
Effect on results of a 10% rise in thousand euro against the respective currency	(0.9)	0.3	0.1	3.2

The 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 form 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.

[23] 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.

[24] Cash Flow
IThe 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	2009	2008
Interest received	869,408	811,128
Interest paid	914,556	880,648

[25] Related parties
The transactions of the Company comprise mainly transactions with related parties (BMW Group companies) and are in principle priced on an "at arm's length" basis using a transfer pricing model that has been agreed with the tax authorities.

An exemption to this standard may be applied for transfer of shares within the BMW Group. With the exception of these related party transactions, 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	2009	2008
Interest income BMW Group companies		617,864	840,362
Interest income Third parties		234,685	32,386
Interest income	[3]	**852,549**	**872,748**
Interest expense BMW Group companies		(19,357)	(127,521)
Interest expense Third parties		(891,365)	(735,436)
Interest expense	[3]	**(910,722)**	**(862,957)**
Interest margin		**(58,173)**	**9,791**
Net balance of other financial income and expenses	[4]	2,841	(24,506)
Net balance of fair value measurement of financial instruments	[5]	42,825	(70,939)
Financial income		**(12,507)**	**(85,654)**
Miscellaneous income & expenses	[27]	(875)	(836)
Income before taxation		**(13,382)**	**(86,490)**
Taxes	[28]	15,752	22,055
Net income		**2,370**	**(64,435)**

Statement of Comprehensive income

Net income	**2,370**	**(64,435)**
Effective portion of changes in fair value of cash flow hedges	(6,707)	(1,734)
Deferred tax on other comprehensive income	1,710	–
Other comprehensive income for the period after tax	(4,997)	–
Total comprehensive income for the period	**(2,627)**	**(66,169)**

BMW Finance N.V.
Statement of financial position
As at 31 December (Before appropriation of result)

Assets in euro thousand	Notes	31.12.2009	31.12.2008
Investments in subsidiaries	[29]	86,808	86,808
Receivables from BMW Group companies	[30]	6,586,897	7,437,153
Deferred tax asset		–	18,712
Derivative assets	[21]	390,852	372,567
Non-current assets		**7,064,557**	**7,915,240**
Receivables from BMW Group companies	[30]	14,248,127	11,114,580
Income tax receivables		–	412
Derivative assets	[21]	23,148	166,879
Other receivables and miscellaneous assets	[31]	265,670	265,024
Cash and cash equivalents	[32]	102,677	193,874
Current assets		**14,639,622**	**11,740,769**
Total assets		**21,704,179**	**19,656,009**

Equity and liabilities in euro thousand	Notes	2009	2008
Issued capital	[14]	1,750	1,750
Share premium reserve	[15]	36,226	36,226
Hedging reserves	[16]	828	5,824
Retained earnings		113,719	178,154
Undistributed income	[33]	2,370	(64,435)
Equity		**154,893**	**157,519**
Debt securities	[17]	14,439,377	9,600,937
Loans due to banks	[18]	1,700,000	1,300,000
Liabilities due to BMW Group companies	[34]	33	36
Derivative liabilities	[21]	224,111	245,295
Deferred tax liabilities		283	–
Income tax liabilities		572	1,558
Other liabilities	[35]	25	–
Non-current liabilities		**16,364,401**	**11,147,826**
Debt securities	[17]	3,914,642	5,489,453
Loans due to banks	[18]	250,000	–
Liabilities due to BMW Group companies	[34]	453,268	2,350,210
Derivative liabilities	[21]	47,448	34,405
Other liabilities	[35]	519,527	476,596
Current liabilities		**5,184,885**	**8,350,664**
Total equity and liabilities		**21,704,179**	**19,656,009**

BMW Finance N.V.
Statement of cash flows

in euro thousand	2009	2008
Net income for the year	2,370	(64,435)
Adjustments for non-cash items		
Amortization financial instruments	–	–
Unrealised foreign exchange losses/(gains)	(2,841)	24,506
Fair value measurement losses/(gains)	(47,821)	69,648
Current and non-current tax	42,352	(22,480)
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(2,283,291)	(6,461,769)
Liabilities to BMW Group companies	(1,896,945)	1,120,089
Derivative assets	125,446	(234,926)
Derivative liabilities	34,684	33,889
Debt securities	3,266,470	5,053,146
Loans due to banks	650,000	394,766
Receivables and other assets	(646)	(58,926)
Other liabilities	42,956	138,516
Income tax paid	(23,931)	(2,291)
Cash flow from operating activities	**(91,197)**	**(10,268)**
Cash flow from investing activities	**–**	**–**
Cash flow from financing activities	**–**	**–**
Net increase/decrease in cash and cash equivalents	(91,197)	(10,268)
Cash and cash equivalents at January 1	193,874	204,142
Cash and cash equivalents at December 31	**102,677**	**193,874**

See Note 24 of the Notes to the Financial Statements.

BMW Finance N.V.
Statement of changes in equity

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Total
1 January 2008		**36,226**	**7,116**	**182,324**	**(4,170)**	**223,246**
Total income and expenses 2008 recognized in the profit and loss account					(64,435)	(64,435)
Total income and expenses in 2008 recognised in directly in equity			(1,292)			(1,292)
Total income and expenses in the period			(1,292)		(64,435)	(65,727)
Appropriation of results 2007				(4,170)	4,170	–
31 december 2008	**1,750**	**36,226**	**5,824**	**178,154**	**(64,435)**	**157,519**
Total income and expenses 2009 recognised in the profit and loss account					2,370	2,370
Total income and expenses 2009 recognized directly in equity			(4,997)			(4,997)
Total income and expenses 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**

[26] 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 28.

[27] Miscellaneous income & expenses

in euro thousand	2009	2008
Salaries & social security charges	(578)	(534)
Pension premiums	(19)	(21)
Advisory	(264)	(209)
Other miscellaneous income & expenses	(14)	(72)
Total	**(875)**	**(836)**

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	2009	2008
Statutory audit of annual accounts	123	114
Other assurance services	–	–
Tax advisory services	127	70
Other non-audit services	–	–
Total	**250**	**184**

[28] **Taxes**

Income taxes comprise the following:

in euro thousand	2009	2008
Current tax income/(expense)	35,200	(5,981)
Deferred tax income/(expense) attributable to temporary differences	(19,448)	28,036
Total tax income/(expense) in income statement	**15,752**	**22,055**

Reconciliation of the effective tax expense:

in euro thousand		2009		2008
Income before tax		(13,382)		(86,490)
Income tax using the domestic corporate tax rate	25.50%	3,413	25.50%	22,055
Tax charges relating to other periods		1,258		–
Settlement with Dutch Tax Authority		11,081		–
Total tax income/ (expense) in income statement		**15,752**		**22,055**
Effective tax rate		**117.7%**		**25,5%**

The Company has reached a settlement with the Dutch Tax Authority on the tax reclaim related to the convertible exchangeable notes. The settlement includes both an additional tax receivable of euro 11.1 million and full tax deductibility of the interest expenses incurred for the years up to 2009. Management assessed that the resulting tax receivable is fully recovered by the fiscal unity as a whole.

For the years to 2004, the remaining euro 1,258 corporate income tax liability has been released, based on the final tax return of the Dutch tax authorities.

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.

[29] Investments in subsidiaries

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

In euro thousand	Country		31.12.2009	31.12.2008
BMW Overseas Enterprises	The Netherlands	100%	58,424	58,424
BMW España Finance S.L.	Spain	100%	28,384	28,384
Balance at end of year			**86,808**	**86,808**

The Company's interest in the net asset value of the BMW Group companies amounts to approximately euro 253.9 million as at 31 December 2009, which exceeds the above-mentioned book value by approximately euro 167.1 million (2008: euro 159.8 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. No changes in investments in subsidiaries occurred during 2009.

[30] Receivables from BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2009	14,248,127	5,905,298	681,599	20,835,024
31.12.2008	11,114,580	6,692,760	744,393	18,551,733

Change in long term receivables from BMW Group companies

in euro thousand	2009	2008
Balance at beginning of year	7,437,153	4,441,029
Foreign currency translation difference	(573,435)	(34,212)
Loans granted	3,373,764	4,626,061
Maturity within 1 year	(3,650,585)	(1,595,725)
Balance at end of year	**6,586,897**	**7,437,153**

[31] Other receivables and miscellaneous assets

in euro thousand	31.12.2009	31.12.2008
Interest receivables Third parties	265,670	265,024
Total	**265,670**	**265,024**

[32] 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	Currency	31.12.2009	31.12.2008
Bank balances	EUR	102,677	158,874
Call deposits	EUR	–	35,000
Total		**102,677**	**193,874**

[33] Reconciliation between Statutory equity and consolidated equity

in euro thousand	31.12.2009	31.12.2008
Statutory equity	154,893	157,519
Undistributed income until 2008	161,727	161,727
Undistributed income 2009	5,389	–
Consolidated equity	**322,009**	**319,246**

[34] 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
31.12.2009	453,268	33	–	453,301
31.12.2008	2,350,210	36	–	2,350,246

[35] Other liabilities

in euro thousand	31.12.2009	31.12.2008
Accrued interest Third Parties	519,487	476,511
Other liabilities	65	85
Total	**519,552**	**476,596**

The Hague, 27 April 2010

E. Ebner. von Eschenbach
Director

J.C. Koenders
Director

Dr. J. Hensel
Director

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.

Proposed appropriation of result

The proposed appropriation of the loss for the year 2008 amounting to euro 64,435 thousand has been endorsed by the General meeting of Shareholders of 25 June 2010.

The Board of Directors proposes to add the net gain for the year 2009 amounting to euro 2,370 thousand to the retained earnings.

BMW Finance N.V.
Auditor's report

"To the Shareholders of BMW Finance N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2009 of BMW Finance N.V., Rijswijk, which comprise the consolidated and company statements of financial position as at 31 December 2009, the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2009, and of its result and its cash flow 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 requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 27 April 2010

Mr. Drs. L.A. Blok RA

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, 27 April 2010

E. Ebner von Eschenbach
Director

J.C. Koenders
Director

Dr. J. Hensel
Director