BMW Finance N.V.
Annual Report 2008

BMW Group

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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. In 2008, relationships between the Company and other locations of the Treasury Centre Europe have been further intensified to seize the opportunity of synergy and to reduce the operational risk.

The Company's activities mainly consist of providing long term liquidity and intercompany funding for BMW Group companies and acting as manager of the Euro cash pool. The Company's aim is to minimize the connected 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 decreased compared to 2007, which resulted in a loss. While the interest income increased significantly as a result of the increase in portfolio to euro 881.0 million (2007: euro 448.2 million) the income before taxation resulted in a loss of euro 69.9 million (2007: euro 27.2 million profit), due to a challenging capital market environment. This decrease is mainly caused by negative results on foreign exchange rate differences and fair value results. The fair value loss recognised is mainly attributable to the fair value losses on interest derivatives entered into to cover the interest risk on the Company's intercompany receivables. As these receivables eliminate within the consolidated BMW Group financial statements no fair value hedge accounting is applied, resulting in an accounting mismatch in the financial statements of the Company. Furthermore the contribution to the consolidated results by the Spanish subsidiary BMW España Finance S.L. was lower than in 2007, partially caused by a decrease in income from dividends.

During the year, short-, mid- and long-term interest rates increased with a sharp decline towards the end of the year. Due to the combined effects of an increase in financing activities, the change in the market interest rate, the new debt securities issued in 2008 the Company's consolidated interest margin improved in 2008 to euro 7.2 million loss instead of a euro 27.6 million loss in 2007.

The financing activities of the Company grew again in 2008 mainly as a result of the further centralisation of the intercompany financing of the BMW Group European Treasury Centre within BMW Finance N.V. The main increase in funding comprises of the funding of BMW Group companies in Malta, Germany, and Italy. The outstanding amount for financing increased in 2008 with 53% to euro 18.6 billion (2007: euro 12.2 billion), mainly due to refinancing of the internal factoring business in the last quarter of 2008 and overall growing business volume due to reallocation.

The Euro Medium Term Note ("EMTN") Programme has increased in 2008 to euro 30.0 billion and has been together with the euro 5.0 billion Multi Currency Commercial Paper Programme successfully used during 2008 to refinance BMW Group companies. Under the EMTN Programme, BMW Finance N.V. issued thirty new debt securities with a nominal amount of euro 4.3 billion. The net proceeds have been used for general BMW Group financing purposes. During the year the Company repaid fourteen debt securities with a nominal amount of euro 1.0 billion. The Company successfully issued in April 2008 a promissory note ('Schuldscheindarlehn') with a notional of euro 1.35 billion, representing one of the biggest transactions in this market segment in Europe ever.

For strategic reasons the Company has certain unhedged debt securities. These securities caused a negative foreign exchange result of euro 25.0 million (2007: positive euro 5.4 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.

In December 2003, the Company issued an exchangeable bond for a nominal amount of euro 560.5 million. The bondholders had a right to exchange their notes for a certain amount of shares of Rolls-Royce Group plc. The Company entered into a call option agreement to acquire Rolls-Royce Group plc shares. As at 31 December 2007 the bondholders fully exchanged their notes against Rolls-Royce Group plc shares.

During the third quarter of 2008, the nature of the capital market challenges changed dramatically with the bankruptcy of the American investment bank Lehman Brothers. The credit spreads for the BMW Group reached a peak of 645 bps for 1 year CDS at 5 December 2008. This is the more remarkable as the 1 year CDS were a 23 bps at 2 January 2008 – an increase of more than 2,700% in 2008. Also noteworthy is the fact, that the BMW CDS turned inverse with higher 1 year CDS spread compared to the 5 year CDS spread for the first time ever beginning as at 16 October 2008. The 3M EURIBOR deviated substantially from its long term spread against the ECB Main Refinancing Rate of +17bps to an average of more than +100bps since 15 September 2008. In addition to the immediate shut down of credit markets, trade followed suit. The EWU Economic Sentiment reached a record low in December 2008, accompanied by the EWU Purchasing Manager Index (PMI) and industrial production falling off the cliff. Those developments impacted corporate debt financing, leading to a substantial rise in funding costs. In this challenging environment of heretofore not experienced stress in financial markets, the financial strategy of the Company of diversification in debt instruments proved to be robust by holding financial risk at a manageable level and guaranteeing liquidity through the diversification of debt instruments.

In 2009 the economic and capital market environment still emanates a sustained level of high uncertainty and volatility concerning the developments of interest rates, foreign exchange rates, credit spreads, and the overall economic development in the Euro zone. It cannot be foreclosed that in such a pretentious capital market environment higher funding cost may arise and affect the portfolio performance of the Company. Furthermore the still remaining high volatility in interest rates may result in volatility of fair market values and thereby impact the performance of the Company. It will have to be seen whether and to which extent the fiscal and monetary actions initiated by various governments in the Euro zone and the European Commission will support the recovery in the banking sector, to restore confidence in capital markets and ultimately pave the way out of the recession. In light of the above mentioned, management believes that the environmental challenges will most likely impact the 2009 performance of the Company. Due to this uncertainty management refrains from presenting an outlook.

The funding volume will according to our latest projections remain at about the same level as in 2008 with a net funding volume of approximately euro 16 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 its funding plan accordingly in a swift manner.

The Hague, 17 April 2009

E. Ebner von Eschenbach	**A.W. de Jong**	**Dr. J. Hensel**
Director	**Director**	**Director**

BMW Finance N.V.
Consolidated Income Statement

in euro thousand	Notes	2008	2007
Dividends from equity investments		36,000	63,929
Dividends from equity investments		**36,000**	**63,929**
Interest income BMW Group companies		847,629	416,066
Interest income Third parties		33,349	32,109
Interest income	[2]	**880,978**	**448,175**
Interest expense BMW Group companies		(152,696)	(115,696)
Interest expense Third parties		(735,440)	(360,036)
Interest expense	[2]	**(888,136)**	**(475,732)**
Interest margin		**(7,158)**	**(27,557)**
Net balance of other financial income and expenses	[3]	(24,995)	5,424
Net balance of fair value changes of financial instruments	[4]	(72,411)	(13,625)
Financial income		**(68,564)**	**28,171**
Miscellaneous income & expenses	[5]	(1,380)	(1,001)
Income before taxation		**(69,944)**	**27,170**
Taxes	[6]	28,781	14,413
Net income		**(41,163)**	**41,583**

BMW Finance N.V.
Consolidated Balance Sheet at 31 December
(Before appropriation of result)

Assets in euro thousand	Notes	31.12.2008	31.12.2007
Tangible assets		9	10
Equity investments	[8]	55,355	54,410
Receivables from BMW Group companies	[9]	7,437,153	4,441,029
Income tax receivables		10,565	–
Deferred tax asset	[12]	18,712	–
Derivative assets	[21]	372,567	29,661
Non-current assets		**7,894,361**	**4,525,110**
Receivables from BMW Group companies	[9]	11,197,335	7,747,868
Income tax receivables		412	2,693
Derivative assets	[21]	166,879	29,428
Other receivables and miscellaneous assets	[10]	265,041	208,364
Cash and cash equivalents	[11]	194,045	204,194
Current assets		**11,823,712**	**8,192,547**
Total assets		**19,718,073**	**12,717,657**

Equity and liabilities in euro thousand	Notes	31.12.2008	31.12.2007
Issued capital	[13]	1,750	1,750
Share premium reserve	[14]	36,226	36,226
Hedging reserve	[15]	5,824	7,116
Retained earnings		316,609	275,026
Undistributed income		(41,163)	41,583
Equity		**319,246**	**361,701**
Debt securities	[16]	9,600,937	6,988,444
Loans due to banks	[17]	1,300,000	900,000
Liabilities due to BMW Group companies	[21]	36	34
Derivative liabilities	[21]	236,296	317,698
Deferred tax liabilities	[12]	939	9,765
Income tax liabilities	[6]	1,558	–
Non-current liabilities		**11,139,766**	**8,215,941**
Debt securities	[16]	5,489,453	2,617,532
Loans due to banks	[17]	–	5,234
Liabilities due to BMW Group companies	[21]	2,258,495	1,146,199
Income tax liabilities	[6]	37	13,618
Derivative liabilities	[21]	34,405	18,504
Other liabilities	[19]	476,671	338,928
Current liabilities		**8,259,061**	**4,140,015**
Total equity and liabilities		**19,718,073**	**12,717,657**

BMW Finance N.V.
Consolidated Cash Flow Statement

in euro thousand	2008	2007
Net income for the year	(41,163)	41,583
Adjustments for non-cash items		
Amortization financial instruments	(1,291)	13,856
Unrealised foreign exchange losses/(gains)	24,995	(5,424)
Fair value measurement losses/(gains)	72,411	13,625
Current and non-current tax	(45,552)	(580)
Other non-cash items	–	5,068
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(6,445,591)	(4,193,388)
Liabilities to BMW Group companies	1,112,298	538,122
Derivative assets	(234,926)	76,253
Derivative liabilities	24,889	12,820
Debt securities	5,051,185	3,106,792
Loans due to banks	394,766	495,107
Receivables and other assets	(56,677)	(113,011)
Other liabilities	137,743	177,588
Income tax paid	(2,291)	13,362
Cash flow from operating activities	**(9,204)**	**181,773**
Acquisition of subsidiaries	–	(3,078)
Capital injection in subsidiaries	(1,235)	(5,777)
Disposal of subsidiaries	290	–
Cash flow from investing activities	**(945)**	**(8,855)**
Cash flow from financing activities	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	(10,149)	172,918
Cash and cash equivalents at January 1	204,194	31,276
Cash and cash equivalents at December 31	**194,045**	**204,194**

See Note 23 of the Notes to the Consolidated Financial Statements.

BMW Finance N.V.

Consolidated Statement of Changes in Equity (Before appropriation of result)

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Total
1 January 2007	**1,750**	**36,226**	**2,048**	**244,094**	**30,923**	**315,050**
Change in effective portion unrealised fair value change of cash flow hedge derivatives	–	–	5,068	–	–	5,068
Net income recognised directly in equity	–	–	5,068	–	–	5,068
Net income 2007	–	–	–	–	41,583	41,583
Total income and expenses recognised in the period	–	–	5,068	–	41,583	46,651
Appropriation of 2006 results	–	–	–	30,932	(30,932)	–
31 December 2007	**1,750**	**36,226**	**7,116**	**275,026**	**41,583**	**361,701**
Change in effective portion unrealised fair value change of cash flow hedge derivatives	–	–	(1,292)	–	–	(1,292)
Net income recognised directly in equity	–	–	(1,292)	–	–	(1,292)
Net income 2008	–	–	–	–	(41,163)	(41,163)
Total income and expenses recognised in the period	–	–	(1,292)	–	(41,163)	(42,455)
Appropriation of 2007 results	–	–	–	41,583	(41,583)	–
31 December 2008	**1,750**	**36,226**	**5,824**	**316,609**	**(41,163)**	**319,246**

[1] Accounting principles and policies

The 2008 financial statements of BMW Finance N.V. (the "Company") were prepared by the Management Board, and will be submitted for approval to General Meeting of Shareholders scheduled on 25 June 2009.

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 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 the balance sheet date. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), were also applied.

A number of new standards, amendments to standards and interpretations is not yet effective for the year ended 31 December 2008, and has not been applied in preparing these consolidated financial statements. The relevant standards and interpretations not applied are:

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8 becomes mandatory for the Company's 2009 financial statements. Currently the Company presents segment information in respect of its business and geographical segments.
- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The statement of changes in equity already includes the total comprehensive income for the period to be presented under IAS 1 (revised).
- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by a parent in its subsidiary, while maintaining control, to be recognised as an equity transaction with equity holders in their capacity as equity holders. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

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.

Basis of preparation

The financial year contains the period from 1 January to 31 December. The financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and the following assets and liabilities are stated at amortised cost: receivables, debt securities and other non-derivative liabilities. Recognised assets and liabilities that are part of fair value hedge relationships are stated at fair value in respect of the risk that is hedged. The changes in the fair values of these assets and liabilities are reported in the income statement.

Consolidation principles

The equity of subsidiaries is consolidated in accordance with IFRS 3 (Business Combinations). This standard however does not apply to business combinations under common control. For these acquisitions, the identifiable assets and liabilities acquired are measured initially at the same value as the carrying amount of the previous owner insofar these are based on IFRS. The excess of the Company's interest in the net fair value of the identifiable assets and liabilities acquired over cost is recognised as goodwill and is subjected to a regular review for possible impairment. In case of a deficit, the difference is recognised in income in the year of acquisition. Receivables, liabilities, provisions, income and expenses and profits between consolidated companies (inter-group profits) are eliminated on consolidation.

Investments in other companies are accounted for using the equity method, when significant influence can be exercised (IAS 28 Accounting for Investments in Associates). This is normally the case when voting rights of between 20% and 50% are held (associated companies). Under the equity method, investments are measured at the group's share of equity taking account of fair value adjustments on acquisition, based on the group's shareholding. Any difference between the cost of investment and the group's share of equity is accounted for in accordance with the purchase method.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make certain assumptions and estimates that affects the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. The assumptions and estimates relate principally to the group-wide determination of economic useful lives, the recognition and measurement of provisions and the recoverability of future tax benefits. Actual amounts could in certain cases differ from those assumptions and estimates. Where new information comes to light, differences are reflected in the income statement.

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 EURO zone,
- 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.

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.

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

	Closing rate		Average rate	
	31.12.2008	31.12.2007	2008	2007
CZK	26.8676	26.5517	24.9585	27.7554
GBP	0.9517	0.7330	0.7975	0.6847
JPY	126.7410	163.7720	152.2890	161.2820
MXN	19.3433	15.9857	16.3096	14.9759
NOK	9.7469	7.9427	8.2389	8.0170
SEK	10.8631	9.4302	9.6291	9.2513
SKK	30.1380	33.6230	31.2770	33.7660
USD	1.3979	1.4648	1.4713	1.3706
ZAR	13.0416	10.0003	12.0679	9.6562

Financial instruments

Receivables from BMW Group companies, liabilities due to BMW Group companies and receivables, debt securities and other non-derivative liabilities classified as "other liabilities" are recognised at amortised cost. If hedge accounting is applied, subsequent to initial recognition the hedged risk(s) of the financial instruments are stated at fair value.

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised at inception against fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

Financial instruments are classified as current (less than one year) or non-current (more than one year) based on their expected maturity date, unless, based on contractual agreements, the settlement of the financial instrument can be demanded by a counterparty. In this case, the instrument is classified as current as soon as this contractual right becomes due within one year.

All financial instruments are recorded on the settlement date, which is the date that the instrument is delivered to the Company.

Fair valuing principles

Interest rate and currency swaps

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

Forward foreign exchange contracts

Forward foreign exchange contracts are valued with the forward exchange rate. 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.

Forward rate agreements

Fair values of forward rate agreements are calculated based on quoted market rates at the balance sheet date. Changes in the fair value on these instruments are reported in the income statement.

Equity derivatives

Fair values of cash settled equity derivatives are calculated by revaluing the contract at year-end quoted market rates. Changes in the fair value on these instruments are reported in the income statement.

Embedded derivatives

Embedded derivatives are identified and monitored and fair valued at the balance sheet date. In assessing the fair value of embedded derivatives the Company uses an external convertible pricing model, and makes assumptions that are based on market conditions existing at balance sheet date. The changes in the fair values of these contracts are reported in the income statement.

Hedge accounting

In those cases where hedge accounting is applied, effectiveness is periodically tested and changes in fair value are recognised either in income or directly in equity under hedging reserve, depending on whether the transactions are classified as fair value hedges or cash flow hedges. If, contrary to the normal practice within the Company, hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the line Net balance of fair value measurement of financial instruments of the income statement.

Fair value hedges

In the case of fair value hedges, the results of the fair value measurement of derivative financial instruments and the related hedged items are recognised in the line Net balance of fair value measurement of financial instruments of the income statement.

Cash flow hedges

In case of cash flow hedges, the unrealised changes in the fair value are recognised directly in equity (hedging reserve). The ineffective portion of the gains or losses from the fair value measurement is recognised immediately in the line Net balance of fair value measurement of financial instruments of the income statement. For foreign exchange forwards qualifying for cash flow hedge accounting the change in fair value is deferred in shareholders' equity to the extent that the hedge is effective. Accumulated fair value changes from qualifying hedges are released from shareholders' equity into the line Net balance of fair value measurement of financial instruments of the income statement, in the period when the hedged cash flow affects the income statement.

If the hedged cash flow is no longer expected to take place, all deferred gains or losses are released into the line Net balance of fair value measurement of financial instruments of the income statement immediately. If the hedged cash flow ceases to be highly probable, but is still expected to take place, accumulated gains and losses remain in equity until the hedged cash flow affects the income statement.

Related party transactions

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. 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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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.

Revenue recognition

Interest revenues are recognised on a time proportion basis and take into account the effective yield on an asset. Income from investments has been included in the accounts of the Company to the extent of dividends declared.

Cost recognition

Miscellaneous income and expenses, interest expense and similar expenses are accounted for in the period to which they relate.

Impairment

The carrying amounts of the Company's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. The Company's assets mainly consist of receivables from BMW Group companies and subsidiaries. If any indication to impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Since the Company's (current and non-current) receivables mainly consist of balances due from companies of the BMW Group, valuation/collectibility of these receivables largely depends upon the financial position and credit worthiness of the involved companies and of the BMW Group as a whole.

Taxes

Income tax on the net income for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case income tax is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

In accordance with IAS 12, deferred tax assets and liabilities are recognised on all temporary differences between the fiscal valuation of assets and liabilities and their respective book values. Deferred tax assets also include claims to future tax reductions that arise from the expected usage of existing tax loss carry forwards. Deferred taxes are computed using tax rates already enacted or expected to apply.

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 18.

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.

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.

Geographical segments

In accordance with IAS 14, the Company presents segment information. Segment information is presented in respect of the Company's business and geographical segments. Due to the fact that the Company's activities consist only of financing activities, the geographical segment is considered to be the primary format. The clients of the Company are based all over the world. The tables below provide an overview of dividends, interest income and interest expense per geographical segment.

Dividends

in euro thousand	2008	2007
Rest of Europe	36,000	60,000
Rest of World	–	3,929
Total	**36,000**	**63,929**

Interest income

in euro thousand	2008	2007
The Netherlands	98,159	85,366
Rest of Europe	747,419	336,862
USA	–	15,861
Asia	–	668
Africa	33,869	8,760
Rest of the world	1,531	658
Total	**880,978**	**448,175**

Interest expense

in euro thousand	2008	2007
The Netherlands	33,814	44,012
Rest of Europe	849,193	426,325
USA	68	255
Asia	–	5,140
Rest of World	5,061	–
Total	**888,136**	**475,732**

[2] Interest income and expense

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

in euro thousand	2008	2007
Interest income on financial assets at amortized cost	838,893	422,719
Interest income on financial assets at fair value	42,085	25,456
Interest expense on financial liabilities at amortized cost	(774,207)	(435,989)
Interest expense on financial liabilities at fair value	(113,929)	(39,743)
Interest margin	**(7,158)**	**(27,557)**

[3] Net balance of other financial income and expenses

The item comprises a loss of euro 25.0 million (2007: profit euro 5.4 million) due to exchange rate differences related mainly to unhedged liabilities in Swiss Franc and Japanese Yen.

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

in euro thousand	2008	2007
Share options BMW Group companies	–	(5,574)
Share options Third parties	–	2,829
Currency options BMW Group companies	6,872	29
Ineffective portion of fair value hedges	(10,869)	(6,009)
Revaluation of derivatives not included in a hedge relationship	(68,414)	(4,900)
Total	**(72,411)**	**(13,625)**

BMW AG guarantees the currency risk related to the JPY 15.0 billion debt security until maturity. This agreement has been recognised as a currency option and therefore valued at fair value. The security rate is fixed at EUR/JPY 121.88 and will mature in 2009.

[5] Miscellaneous income & expenses

in euro thousand	2008	2007
Salaries & social security charges	(690)	(391)
Pension premiums	(21)	(30)
Advisory	(223)	(275)
Other miscellaneous income & expenses	(446)	(305)
Total	**(1,380)**	**(1,001)**

[6] Taxes

Income taxes comprise the following:

in euro thousand	2008	2007
Current tax income/(expense)	1,684	13,605
Deferred tax income/(expense) attributable to temporary differences	27,097	808
Total tax income/(expense) in income statement	**28,781**	**14,413**

Reconciliation of the effective tax rate:

in euro thousand		2008		2007
Income before tax		(69,944)		27,170
Income tax using the domestic corporate tax rate	25.5%–30%	17,217	25.5%–32.5%	(9,049)
Tax benefit arising from tax exempted income (e.g. participation exemption)		13,159		23,462
Tax charges relating to other periods		(1,595)		–
Total tax income/(expense) in income statement		**28,781**		**14,413**
Effective tax rate		**41.1%**		**(53.0%)**

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

The wholly owned subsidiary BMW España Finance S.L. presides over a fiscal unity with its Spanish subsidiaries for income tax and is severally liable for the tax debt of the whole fiscal unit. Income tax payables comprise the indebted taxes for the Spanish fiscal unity.

[7] Remuneration of Board of Directors

In 2008, the remuneration of the Board of Directors amounted euro 0.2 million (2007: euro 0.2 million).

[8] 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	31.12.2008	31.12.2007
Silent partnership with BMW Holding B.V.	Spain	28%	55,355	54,410

Change in investments:

in euro thousand	2008	2007
Balance at beginning of year	54,410	45,555
New subsidiaries	–	3,078
Disposal of subsidiary	(290)	–
Capital injections	1,235	5,777
Balance at end of year	**55,355**	**54,410**

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.

The estimated fair value of the Company's interest in the CCP based on the investments' net asset value amounts to euro 100.3 million as at 31 December 2008, which exceeds the above-mentioned book value by approximately euro 44.9 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.

[9] Receivables from BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2008	11,197,335	6,692,760	744,393	18,634,488
31.12.2007	7,747,868	3,702,041	738,988	12,188,897

Change in long term receivables from BMW Group companies

in euro thousand	2008	2007
Balance at beginning of year	**4,441,029**	**3,235,285**
Foreign currency translation differences	(34,212)	(12,241)
Loans granted	4,626,061	3,126,949
Maturity within 1 year	(1,595,725)	(1,908,964)
Balance at end of year	**7,437,153**	**4,441,029**

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	2008	2007	2008	2007	2008	2007
Total	**7,437,153**	**4,441,029**	**3.90**	**4.83**	**4.58**	**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	2008	2007	2008	2007	2008	2007
Current receivables	325,000	1,075,000	0.08	0.08	3.48	4.19
Non-current receivables	1,075,000	325,000	4.30	1.08	3.48	3.48

[10] Other receivables and miscellaneous assets

in euro thousand	31.12.2008	31.12.2007
Interest receivables Third parties	265,024	206,745
Other receivables	17	1.619
Total	**265,041**	**208,364**

[11] 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	31.12.2008	31.12.2007
Bank balances	EUR	159,045	34,394
Call deposits	EUR	35,000	169,800
Total		**194,045**	**204,194**

[12] **Deferred taxes**

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

in euro thousand	31.12.2008	31.12.2007
Derivatives – assets	(67,190)	(5,901)
Debt securities in a hedge relationship	78,607	(35,063)
Derivatives – liabilities	6,356	31,199
Net asset/(liability)	**17,773**	**(9,765)**
Reconciliation to the balance sheet:		
Deferred tax asset	18,712	–
Deferred tax liability	(939)	(9,765)
Total	**17,773**	**(9,765)**

Deferred taxes recognised directly against equity amount to euro 2.0 million (2007: euro 2.4 million).

[13] **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 2007, there were no changes in these figures. The Company generated a loss per share of euro 11,761 (2007: gain of euro 11,881).

[14] **Share premium reserve**

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

[15] **Hedging reserve**

At 31 December 2008, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to euro 5.8 million (2007: euro 7.1 million) net of deferred taxes. The hedging reserve as at 31 December 2008 is related to cash flow hedges.

[16] **Debt securities**

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

in euro thousand	31.12.2008	31.12.2007
Debt securities part of a hedge relationship	8,606,588	7,227,083
Debt securities at amortised cost	4,609,318	737,127
Commercial paper	1,874,484	1,641,766
Total	**15,090,390**	**9,605,976**

The following debt securities are part of a hedge relationship have either variable or fixed interest rates:

Security	Maturity	Issue volume in relevant currency (thousand)	Issue currency	Interest	Interest rate as of 31.12.2008	Type o f hedge relation
EMTN	2009	50,000	EUR	FLOAT	5.04	CFH
EMTN	2009	55,000	EUR	FIX	5.00	FVH
EMTN	2009	61,000	USD	FLOAT	2.84	FVH
EMTN	2009	100,000	GBP	FIX	5.00	FVH
EMTN	2009	135,000	EUR	FIX	4.72	FVH
EMTN	2009	400,000	EUR	FIX	3.00	FVH
EMTN	2009	600,000	SEK	FIX	4.63	FVH
EMTN	2009	700,000	SEK	FIX	4.56	FVH
EMTN	2009	735,000	CZK	FIX	4.56	FVH
EMTN	2009	6,500,000	JPY	FLOAT	1.08	FVH
EMTN	2009	7,000,000	JPY	FIX	0.46	FVH
EMTN	2009	21,700,000	JPY	FIX	0.09	FVH
EMTN	2009	25,000,000	JPY	FIX	0.28	FVH
EMTN	2009	30,000,000	JPY	FIX	0.91	FVH
EMTN	2010	325,000	EUR	FIX	5.38	FVH
EMTN	2010	768,000	SKK	FLOAT	4.46	FVH
EMTN	2010	10,000,000	JPY	FLOAT	1.35	FVH
EMTN	2011	50,000	USD	FLOAT	3.21	FVH
EMTN	2011	150,000	USD	FIX	5.00	CFH
EMTN	2011	200,000	USD	FIX	5.00	FVH
EMTN	2011	300,000	USD	FIX	4.50	FVH
EMTN	2011	300,000	USD	FIX	5.00	FVH
EMTN	2011	750,000	EUR	FIX	3.87	FVH
EMTN	2012	250,000	EUR	FIX	4.13	FVH
EMTN	2012	300,000	USD	FIX	5.25	FVH
EMTN	2012	750,000	EUR	FIX	4.13	FVH
EMTN	2012	1,000,000	EUR	FIX	4.88	FVH
EMTN	2013	300,000	GBP	FIX	5.25	FVH
EMTN	2014	400,000	EUR	FIX	4.25	FVH
EMTN	2014	1,000,000	EUR	FIX	4.25	FVH
EMTN	2018	750,000	EUR	FIX	5.00	FVH
Security	2013	367,500	EUR	FIX	4.95	FVH

The following debt securities at amortised cost have either variable or fixed interest rates:

Security	Maturity	Issue volume in relevant currency (thousand)	Issue currency	Interest	Interest rate as of 31.12.2008	Type o f hedge relation
EMTN	2009	25,000	EUR	FLOAT	5.08	None
EMTN	2009	50,000	EUR	FLOAT	4.96	None
EMTN	2009	50,000	EUR	FLOAT	5.05	None
EMTN	2009	50,000	EUR	FLOAT	5.44	None
EMTN	2009	50,000	EUR	FLOAT	6.20	None
EMTN	2009	53,000	EUR	FIX	5.52	None
EMTN	2009	68,000	EUR	FLOAT	5.34	None
EMTN	2009	75,000	EUR	FLOAT	5.34	None
EMTN	2009	100,000	EUR	FLOAT	5.19	None
EMTN	2009	100,000	EUR	FLOAT	5.49	None
EMTN	2009	150,000	EUR	FIX	5.50	None
EMTN	2009	150,000	EUR	FIX	5.50	None
EMTN	2009	250,000	EUR	FLOAT	4.35	None
EMTN	2009	305,000	EUR	FLOAT	5.12	None
EMTN	2009	360,000	EUR	FLOAT	3.83	None
EMTN	2009	15,000,000	JPY	FIX	5.13	None
EMTN	2010	32,000	EUR	FLOAT	3.63	None
EMTN	2010	150,000	EUR	FLOAT	4.42	None
EMTN	2012	111,828	EUR	FIX	4.95	None
EMTN	2013	750,000	EUR	FIX	8.88	None
Security	2012	145,646	EUR	FIX	7.12	None
Security	2013	982,500	EUR	FLOAT	5.84	None
Security	2014	42,000	EUR	FIX	6.13	None
Security	2014	25,000	EUR	FIX	6.13	None
Security	2017	102,179	EUR	FIX	7.25	None
Security	2018	150,000	EUR	FIX	5.85	None

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 the equivalent of euro 4.3 billion (2007: euro 7.8 billion). Further issuers are BMW AG, BMW US Capital, LLC, BMW Coordination Center V.O.F., BMW Australia Finance Limited, BMW (UK) Capital plc and BMW Japan Finance Corp. Furthermore the Company participates in the euro 5.0 billion Multi-Currency Commercial Paper Programme established by BMW AG. BMW Finance N.V., BMW UK Capital, and BMW Coordination Center support flexible and broad access to capital markets. Since May 2006, the Company acts as an issuer under the euro 2.0 billion French Commercial Paper (Billets de Trésorerie) Programme established by the Company. Debt issuances under these programmes have unconditional and irrevocable guarantees from BMW AG.

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

	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
in euro thousand	2008	2007	2008	2007	2008	2007
Total	**1,874,484**	**1,641,766**	**0.11**	**0.11**	**4.39**	**4.85**

[17] Loans due to banks

These loans bear an approximate average interest rate on 2008 year-end of 5.35% (2007: euro 4.85%).

[18] 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	2008	2007
Interest rate for discounting liabilities	5.50%	5.10%
Salary increase rate	1.50%	1.50%
Inflation	1.50%	1.50%
Expected return on plan assets	5.50%	5.10%

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	31.12.2008	31.12.2007
Present value of the obligation	25,153	26,936
Fair value of plan assets	(24,841)	(24,105)
Deficit / (surplus)	**312**	**2,831**

The Group plan gave rise to a total pension expense in fiscal year 2008 of euro 1.0 million (2007: euro 1.2 million) comprising the following components:

in euro thousand	2008	2007
Current service cost	697	906
Interest cost	1,399	1,215
Expected return on plan assets	(1,267)	(1,037)
Additional charges	128	122
Net Periodic Pension Cost	**957**	**1,206**

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

in euro thousand	2008	2007
Balance sheet begin of the year	2,831	2,561
Pension expense	957	1,206
Expense recognised in SORIE	(971)	1,042
Contributions received	(2,505)	(1,978)
Balance sheet end of year	**312**	**2,831**

[19] **Other liabilities**

in euro thousand	31.12.2008	31.12.2007
Accrued interest Third Parties	476,511	338,142
Other liabilities	160	786
Total	**476,671**	**338,928**

[20] **Contingent assets and liabilities**

In December 2003, the Company issued an exchangeable bond of euro 560.5 million. The bondholders had a right to exchange their notes for a certain amount of shares of Rolls-Royce Group plc. As at 31 December 2007 the bondholders fully exchanged their debt securities against Rolls-Royce Group plc shares. The Company entered into a call option agreement with BMW International Investment B.V. to acquire Rolls-Royce Group plc shares.

When the bondholders exchanged their rights, the Company realised a result with respect to the transfer of the shares in Rolls-Royce Group plc. This result will probably be covered by the participation exemption. With regard to the fulfilment of the obligation to deliver shares or the equivalent amount in cash, it is not clear whether the participation exemption will apply. The financial consequence as at 31 December 2008 would be a tax receivable of up to euro 136.6 million (31 December 2007: 136.6 million).

[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 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
Other assets						
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
Other liabilities						
Liabilities to BMW Group companies		2,258,531				2,258,531
Other		476,671				476,671
Total financial liabilities		**19,125,592**	**98,744**	**38,350**	**133,607**	**19,396,293**

31 December 2007 in euro thousand	Loans and receivables	Other Liabilities	Held for trading	Cash flow hedges	Fair value hedges	Total
Assets						
Financial assets						
Derivative instruments			49,387	9,552	150	59,089
Loans to third parties	208,364					208,364
Cash and Cash equivalents	204,194					204,194
Other assets						
Receivables from BMW Group companies	12,188,897					12,188,897
Total financial assets	**12,601,455**		**49,387**	**9,552**	**150**	**12,660,544**
Liabilities						
Financial liabilities						
Bonds		7,964,210				7,964,210
Liabilities to banks		905,234				905,234
Commercial paper		1,641,766				1,641,766
Derivative instruments			13,710	–	322,492	336,202
Other liabilities						
Liabilities to BMW Group companies		1,146,233				1,146,233
Other		338,928				338,928
Total financial liabilities		**11,996,371**	**13,710**	**–**	**322,492**	**12,332,573**

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	SKK	GBP
Interest rate for 6 months	2.11	1.75	0.92	0.81	2.88	2.96
Interest rate for one year	2.02	2.00	1.09	1.10	3.12	3.07
Interest rate for five years	3.26	2.08	0.91	1.93	3.24	3.19
Interest rate for 10 years	3.81	2.49	1.24	2.65	3.70	3.52

The Company has similarly to 2007 applied the discounted cash flow model for valuing interest rate derivatives, foreign exchange swaps and foreign exchange forward transactions held as of 31 December 2008. 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.

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 2008, the indicative fair value using the zero-coupon method, of these loans was euro 268.8 million above their carrying value (2007: euro 121.0 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 390.4 million (2007: euro 343.1 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 31.12.2008	Fair Value 31.12.2008	Notional Amount 31.12.2007	Fair Value 31.12.2007
Assets				
Foreign exchange derivatives	2,454,227	311,186	817,850	42,270
Interest rate derivatives	7,415,579	221,114	3,032,904	16,545
Currency options BMW Group companies	123,072	7,146	123,072	274
Share options BMW Group companies	–	–	–	–
Total	**9,992,878**	**539,446**	**3,973,826**	**59,089**
Liabilities				
Foreign exchange derivatives	1,417,935	211,522	2,273,760	204,845
Interest rate derivatives	3,752,000	59,179	5,703,432	131,357
Share options Third parties	–	–	–	–
Total	**5,169,935**	**270,701**	**7,977,192**	**336,202**

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	2008	2007
Held for Trading	(61,542)	(7,616)
Ineffective portion of cash flow hedges	–	–
Ineffective portion of fair value hedges	(10,869)	(6,009)
Net balance of other financial measurement of financial instruments	**(72,411)**	**(13,625)**

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	2008	2007
Revaluation on hedging instruments	395,893	(73,025)
Profit/loss from hedged items	(406,762)	67,016
Ineffective portion of fair value hedges	**(10,869)**	**(6,009)**

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	2008	2007
Balance at 1 January	9,552	2,748
Total changes during the year	(1,734)	6,804
Balance at 31 December	**7,818**	**9,552**
Deferred taxation on cash flow hedge derivatives	(1,994)	(2,436)
Net unrealised fair value of cash flow hedge derivatives recognised in equity	**5,824**	**7,116**

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 2008, the company held derivative instruments with terms of up to 59 months (2007: 38 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 realisation. Financial risks arise mainly from credit risk, liquidity risk, and market risk.

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 2008 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 2008.

The maximum exposure to credit risk at reporting date was:

in euro thousand	31.12.2008	31.12.2007
Loans and Receivables		
Receivables from BMW Group companies	18,634,488	12,188,897
Loans to third parties	265,041	208,364
Cash and Cash equivalents	194,045	204,194
Held for trading derivatives	165,301	49,387
Cash Flow Hedge derivatives	72	9,552
Fair Value Hedge derivatives	374,073	150
Gross exposure	19,633,020	12,660,544
Guaranteed by BMW AG	18,546,347	12,085,479
Residual maximum exposure	1,086,673	575,065

During 2008 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 2008 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	3,614,969	7,062,657	2,538,280	13,215,906
Liabilities to banks	–	400,000	900,000	1,300,000
Commercial paper	1,874,484	–	–	1,874,484
Derivative instruments	34,405	236,296	–	270,701
Other financial liabilities	2,735,166	36	–	2,735,202
Total	**8,259,024**	**7,698,989**	**3,438,280**	**19,396,293**

31 December 2007 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	767,229	4,519,838	2,677,143	7,964,210
Liabilities to banks	5,234	400,000	500,000	905,234
Commercial paper	1,641,766	–	–	1,641,766
Derivative instruments	18,504	279,359	38,339	336,202
Other financial liabilities	1,485,127	34	–	1,485,161
Total	**3,917,860**	**5,199,231**	**3,215,482**	**12,332,573**

The maturity analysis comprises discounted cash flows categorised on maturity of the financial instrument. The use of discounted cash flows should not deflect insights on liquidity risk in any significant manner as no early redemption options are available for holders of bonds. Furthermore 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.

Indeed, the conditions in the money and capital markets deteriorated considerably especially in Q4/2008. The European Central Bank began the lowering of its key interest rates October 15, 2008, and lowered in the course of the fourth quarter 175 bps. Those monetary policy measures were accompanied by special liquidity schemes like the full allotment fixed rate tenders to European Banks. Nevertheless, lending of the ECB to Euro area credit institutions almost doubled within one month after the bankruptcy of the American Investment Bank Lehman Brothers In due course, inter-bank lending came almost to a halt by the middle of October 2008 with the deposit and marginal lending facility reaching volumes not seen before, thereby indicating that the return of capital was suddenly more important than the return on capital, mirroring a deep trust crisis in the inter-bank lending market. Effectively, the European Central Bank became the major supplier of liquidity in the Euro zone in Q4/2008. The reflection of the dry out in the money markets was a dry out in the credit markets due to the financial de-leveraging pursued by the banking sector to restructure its financial asset portfolio and to cope with required capital ratios. Bank Lending Standards tightened since the beginning of the financial crisis in Q3/2007 and reached a height in Q4/2008. Caused by the de-leveraging process, the growth of credit to non-financial corporations and households in the Euro zone dropped precipitously and made the access to capital more demanding. But even in this once-in-a-century financial crisis, the Company actively managed its liquidity in accordance with the BMW Group Financial Guideline successfully. The seized upon its developed and well-diversified funding base it already has, with regard to the number of markets, the instruments used, and the number of investors.

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	31.12.2008	31.12.2007
EUR	24,476	130,101

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.

Due to the financial market conditions in the second half of 2008, the duration of the asset portfolio rose to 2.38 and the duration of the liabilities portfolio rose to 3.00. The development of our asset and liabilities duration was caused by a considerable increase of interest rates. In case the yield curve at December 31, 2008 would have shifted parallel one basis point, the net present value of the whole portfolio would have been reduced by euro 238,623, a 0.58% net present loss (2007: 0.38% 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.

In thousands	Non derivative financial instruments denominated in foreign currency	Derivative financial instruments in place to hedge currency exposure	Net foreign currency exposure
Financial assets			
GBP	100,000	–	100,000
NOK	2,164,661	(2,164,661)	–
SEK	3,086,500	(3,086,500)	–
ZAR	3,444,300	(3,444,300)	–
DKK	2,070,000	(2,070,000)	
USD	15,000	(15,000)	
MXN	–	1,157,000	1,157,000
Financial liabilities			
GBP	(400,000)	300,000	(100,000)
SEK	(1,300,000)	1,300,000	–
CZK	(735,000)	735,000	–
JPY	(115,200,000)	100,200,000	(15,000,000)
SKK	(768,000)	768,000	–
USD	(1,361,050)	1,361,000	(50)
MXN		(1,157,000)	(1,157,000)

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

In euro thousand	JPY	USD
Net exposure in euro equivalent	(118,349)	(36)
Effect on results of a 10% rise in thousand euro against the respective currency	10,759	(3)

This sensitivity analysis assumes that all other variables, in particular interest rates remain the same. The downward currency risk related to the JPY 15.0 billion debt security has been guaranteed by BMW AG until maturity. The security rate is fixed at EUR/JPY 121.88 and will mature in 2009.

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.

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.

[23] Cash Flow

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

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

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

in euro thousand	2008	2007
Interest received	811,128	352,743
Interest paid	880,648	342,558

[24] Related parties

BMW Finance N.V. and consolidated group companies enter into related party transactions on a regular basis. The related parties primarily include BMW Group companies. The terms of these transactions are in principle “at arm's length”. The relevant transactions and resulting positions are clearly identified in the financial statements and the notes thereto.

BMW Finance N.V.
Income Statement

in euro thousand	Notes	2008	2007
Interest income BMW Group companies		840,362	416,370
Interest income Third parties		32,386	31,112
Interest income		**872,748**	**447,482**
Interest expense BMW Group companies		(127,521)	(84,304)
Interest expense Third parties		(735,436)	(360,036)
Interest expense		**(862,957)**	**(444,340)**
Interest margin		**9,791**	**3,142**
Net balance of other financial income and expenses		(24,506)	5,560
Net balance of fair value measurement of financial instruments		(70,939)	(13,625)
Financial income		**(85,654)**	**(4,923)**
Miscellaneous income & expenses	[26]	(836)	(674)
Income before taxation		**(86,490)**	**(5,597)**
Taxes	[27]	22,055	1,427
Net income		**(64,435)**	**(4,170)**

BMW Finance N.V.
Balance Sheet at 31 December
(Before appropriation of result)

Assets in euro thousand	Notes	2008	2007
Investments in subsidiaries	[28]	86,808	86,808
Receivables from BMW Group companies	[29]	7,437,153	4,441,029
Deferred tax asset		18,712	–
Derivative assets	[21]	372,567	29,661
Non-current assets		**7,915,240**	**4,557,498**
Receivables from BMW Group companies	[29]	11,114,580	7,648,935
Income tax receivables		412	2,560
Derivative assets	[21]	166,879	29,428
Other receivables and miscellaneous assets	[30]	265,024	206,098
Cash and cash equivalents	[31]	193,874	204,142
Current assets		**11,740,769**	**8,091,163**
Total assets		**19,656,009**	**12,648,661**

Equity and liabilities in euro thousand	Notes	2008	2007
Issued capital	[13]	1,750	1,750
Share premium reserve	[14]	36,226	36,226
Hedging reserves	[15]	5,824	7,116
Retained earnings		178,154	182,324
Undistributed income		(64,435)	(4,170)
Equity	[32]	**157,519**	**223,246**
Debt securities	[16]	9,600,937	6,988,444
Loans due to banks	[17]	1,300,000	900,000
Liabilities due to BMW Group companies	[33]	36	34
Derivative liabilities	[21]	245,295	317,698
Deferred tax liabilities		–	9,765
Income tax liabilities	[6]	1,558	–
Non-current liabilities		**11,147,826**	**8,215,941**
Debt securities	[16]	5,489,453	2,617,532
Loans due to banks	[17]	–	5,234
Liabilities due to BMW Group companies	[33]	2,350,210	1,230,125
Derivative liabilities	[21]	34,405	18,504
Other liabilities	[34]	476,596	338,079
Current liabilities		**8,350,664**	**4,209,474**
Total equity and liabilities		**19,656,009**	**12,648,661**

BMW Finance N.V.
Cash Flow Statement

in euro thousand	2008	2007
Net income for the year	(64,435)	(4,170)
Adjustments for non-cash items		
Amortization financial instruments	–	13,856
Unrealised foreign exchange losses/(gains)	24,506	(5,560)
Fair value measurement losses/(gains)	69,648	13,625
Current and non-current tax	(22,480)	(12,154)
Other non-cash items	–	5,068
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(6,461,769)	(4,143,394)
Liabilities to BMW Group companies	1,120,089	529,431
Derivative assets	(234,926)	76,253
Derivative liabilities	33,889	17,706
Debt securities	5,053,145	3,106,928
Loans due to banks	394,766	495,107
Receivables and other assets	(58,926)	(110,745)
Other liabilities	138,516	177,620
Income tax paid	(2,291)	13,362
Cash flow from operating activities	**(10,268)**	**172,933**
Cash flow from investing activities	**–**	**–**
Cash flow from financing activities	**–**	**–**
Net increase/decrease in cash and cash equivalents	(10,268)	172,933
Cash and cash equivalents at January 1	204,142	31,209
Cash and cash equivalents at December 31	**193,874**	**204,142**

See Note 23 of the Notes to the Financial Statements.

BMW Finance N.V.
Statement of Changes in Equity
(Before appropriation of result)

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Total
1 January 2007	**1,750**	**36,226**	**2,048**	**201,159**	**(18,835)**	**222,348**
Change in effective portion unrealised fair value change of cash flow hedge derivatives	–	–	5,068	–	–	5,068
Net income recognised directly in equity	–	–	5,068	–	–	5,068
Net income 2007	–	–	–	–	(4,170)	(4,170)
Total income and expenses recognised in the period	–	–	5,068	–	(4,170)	898
Appropriation of 2006 results	–	–	–	(18,835)	18,835	–
31 December 2007	**1,750**	**36,226**	**7,116**	**182,324**	**(4,170)**	**223,246**
Change in effective portion unrealised fair value change of cash flow hedge derivatives	–	–	(1,292)	–	–	(1,291)
Net income recognised directly in equity	–	–	(1,292)	–	–	(1,291)
Net income 2008	–	–	–	–	(64,435)	(64,435)
Total income and expenses recognised in the period	–	–	(1,292)	–	(64,435)	(65,726)
Appropriation of 2007 results	–	–	–	(4,170)	4,170	–
31 December 2008	**1,750**	**36,226**	**5,824**	**178,154**	**(64,435)**	**157,519**

[25] 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.

[26] Miscellaneous income & expenses

in euro thousand	2008	2007
Salaries & social security charges	(534)	(323)
Pension premiums	(21)	(30)
Advisory	(209)	(132)
Other miscellaneous income & expenses	(72)	(189)
Total	**(836)**	**(674)**

[27] **Taxes**

Income taxes comprise the following:

in euro thousand	2008	2007
Current tax income/(expense)	(5,981)	619
Deferred tax income/(expense) attributable to temporary differences	28,036	808
Total tax income/(expense) in income statement	**22,055**	**1,427**

Reconciliation of the effective tax expense:

in euro thousand		2008		2007
Income before tax		(86,490)		(5,597)
Income tax using the domestic corporate tax rate	25.5%	22,055	25.5%	1,427
Other		–		–
Total tax income/(expense) in income statement		**22,055**		**1,427**
Effective tax rate		**25.5%**		**25.5%**

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.

[28] Investments in subsidiaries

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

In euro thousand	Country	Ownership	31.12.2008	31.12.2007
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 246.5 million as at 31 December 2008, which exceeds the above-mentioned book value by approximately euro 159.8 million (2007: euro 138.5 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 2008.

[29] Receivables from BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2008	11,114,580	6,692,760	744,393	18,551,733
31.12.2007	7,648,935	3,702,041	738,988	12,089,964

Change in long term receivables from BMW Group companies

in euro thousand	2008	2007
Balance at beginning of year	**4,441,029**	**3,235,285**
Foreign currency translation difference	(34,212)	(12,241)
Loans granted	4,626,061	3,126,949
Maturity within 1 year	(1,595,725)	(1,908,964)
Balance at end of year	**7,437,153**	**4,441,029**

[30] Other receivables and miscellaneous assets

in euro thousand	31.12.2008	31.12.2007
Interest receivables Third parties	265,024	206,079
Other receivables	–	19
Total	**265,024**	**206,098**

[31] 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	31.12.2008	31.12.2007
Bank balances	EUR	158,874	34,342
Call deposits	EUR	35,000	169,800
Total		**193,874**	**204,142**

[32] Reconciliation between Statutory equity and consolidated equity

in euro thousand	31.12.2008	31.12.2007
Statutory equity	157,519	223,246
Undistributed income until 2005	42,935	42,935
Undistributed income 2006	49,767	49,767
Undistributed income 2007	45,753	45,753
Undistributed income 2008	23,272	–
Consolidated equity	**319,246**	**361,701**

[33] 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
31.12.2008	2,350,210	36	–	2,350,246
31.12.2007	1,230,125	–	34	1,230,159

[34] Other liabilities

in euro thousand	31.12.2008	31.12.2007
Accrued interest Third Parties	476,511	338,007
Other liabilities	85	72
Total	**476,596**	**338,079**

The Hague, 17 April 2009

E. Ebner von Eschenbach	**A.W. de Jong**	**Dr. J. Hensel**
Director	**Director**	**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 2007 amounting to euro 4,170 thousand has been endorsed by the General meeting of Shareholders dated June 25th, 2008.

The Board of Directors proposes to offset net loss for the year 2008 amounting to euro 64,435 with the retained earnings.

BMW Finance N.V.
Auditors' Report

To: The Shareholders of BMW Finance N.V.

Auditors' Report

Report on the financial statements

We have audited the accompanying financial statements 2008 of BMW Finance N.V., The Hague, which comprise the consolidated and company balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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.

Auditors' 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 auditors' 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 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e 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, 17 April 2009

KPMG ACCOUNTANTS N.V.

G.A. Maranus 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.

The Hague, 17 April 2009

BMW Finance N.V.

E. Ebner von Eschenbach	**A.W. de Jong**	**Dr. J. Hensel**
Director	**Director**	**Director**