



**Annual Report
of the Bayerische
Motoren Werke
München
on the
1982 Business Year**

BMW AG



BMW

Year to Year Comparison

| | | 1982 | 1981 | Change % |
|--|------------|-----------------------|---------|-------------|
| BMW Group (worldwide) ¹⁾ | | | | |
| Sales | DM million | 11,620.4 | 9,545.0 | + 21.7 |
| Workforce at end of year | | 47,466 | 44,648 | + 6.3 |
| Investments in tangible fixed assets | DM million | 1,354.8 ²⁾ | 883.4 | + 53.4 |
| BMW AG | | | | |
| Sales | | | | |
| Total | DM million | 9,371.6 | 7,822.1 | + 19.8 |
| Domestic | DM million | 3,649.1 | 3,464.5 | + 5.3 |
| Foreign | DM million | 5,722.5 | 4,357.6 | + 31.3 |
| Production | | | | |
| Automobiles | units | 378,769 | 351,545 | + 7.7 |
| Motorcycles | units | 30,554 | 33,120 | - 7.7 |
| Automobile sales | | | | |
| Total | units | 377,684 | 348,946 | + 8.2 |
| Domestic | units | 130,798 | 138,399 | - 5.5 |
| Foreign | units | 246,886 | 210,547 | + 17.3 |
| Motorcycle sales | | | | |
| Total | units | 30,398 | 32,452 | - 6.3 |
| Domestic | units | 10,314 | 10,963 | - 5.9 |
| Foreign | units | 20,084 | 21,489 | - 6.5 |
| Workforce at end of year | | 40,738 | 39,777 | + 2.4 |
| Workforce expenditure | DM million | 2,243.8 | 2,030.8 | + 10.5 |
| Balance sheet total | DM million | 4,626.1 | 3,953.0 | + 17.0 |
| Common stock | DM million | 600.0 | 500.0 | + 20.0 |
| Shareholders' equity | DM million | 1,451.3 | 1,201.3 | + 20.8 |
| Fixed assets and financial assets | DM million | 2,422.7 | 2,254.3 | + 7.5 |
| Investments in tangible fixed assets | DM million | 752.5 | 815.6 | - 7.7 |
| Depreciation on tangible fixed assets | DM million | 615.8 | 473.1 | + 30.2 |
| Year's net income | DM million | 200.0 | 145.0 | |
| Dividend | DM million | 110.0 ³⁾ | 90.0 | |
| per old share of DM 50 nominal value | DM | 10.00 ³⁾ | 9.00 | |
| | % | 20 ³⁾ | 18 | |
| per new share of DM 50 nominal value | DM | 5.00 ³⁾ | - | |
| (entitled to dividend as of July 1, 1982) | | | | |

¹⁾ The BMW Group (worldwide) comprises BMW AG and the domestic and foreign companies in which it holds direct or indirect interests of more than 50 %

²⁾ including BMW Motoren Gesellschaft m.b.H.

³⁾ proposal of the management

**Bayerische
Motoren Werke
Aktiengesellschaft
München**

**Annual Report
on the
1982 Business Year**

BMW AG



BMW AG

Dr. Herbert Quandt died on June 2, 1982, shortly before his 72nd birthday. His death, which came unexpectedly but for which we were not unprepared, has deprived the world of an outstanding man. BMW, however, is especially affected by his death. For this Company, its people and its products were so very dear to him that he often spoke of his "favorite child".

This love came into being at a difficult time when, abandoned by many, BMW threatened to be left to a bitter fate at the end of 1959. Dr. Quandt's courage as an industrialist, his belief in the good sound of the Company's name and his confidence in its employees' efficiency and willingness to serve a good cause, changed the fate that had seemed inevitable and paved the way for recovery.

Herbert Quandt's enterprising personality was seen not only in the high financial risk that he and his family were prepared to take, but also in the great care with which managerial staff were chosen and in the special value he always attached to outstanding technologies.

More than virtually any other product, he regarded the automobile, which greatly fascinated him as an achievement of engineering with which the people who make it can identify themselves.

The proverbial BMW spirit was and is an expression of this close association. Herbert Quandt was always particularly proud of this spirit. As early as in 1966/67 BMW took a decisive step into a new dimension by taking over the Glaswerke in Dingolfing and beginning to expand them into one of the most modern automobile plants in Europe by today's standards. Again, this risky step would not have been taken without Herbert Quandt's confidence in the team and in the newly developed products.

During the 1973/74 oil crisis it became apparent that the foundations of the company had grown strong in the meantime. There were neither dismissals nor settlement schemes as elsewhere. On the contrary, in 1974 a company financial accumulation scheme was introduced at BMW that clearly bore Herbert Quandt's hand, and was further improved in 1980. Herbert Quandt did not merely pay lip service to social obligations. His close personal cooperation based on mutual trust with the works councils and their speakers was truly exemplary at our Company.

Herbert Quandt played a decisive role in the history of BMW. The Company's landmarks, which unmistakably bear his stamp, are both a stimulus and an obligation for us all. He will remain an example to us. We pay our respects in gratitude and high esteem to both the industrialist and the man, Herbert Quandt.

From the speech by
Hans Graf von der Goltz,
Chairman of the Supervisory Board
of BMW AG,
at the 1982 Annual General Meeting

AG

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Report of the Supervisory Board

The Supervisory Board of Bayerische Motoren Werke AG regularly watched over the conduct of business at the Company throughout the business year. At joint meetings with the Board of Management and on the basis of the latter's written and verbal reports, it has studied closely the Company's situation, the course of business and the intended business policy, and discussed these matters with the Board of Management.

The Annual Financial Statement for the 1982 Business Year, the Books of Account and the Annual Report have been examined by Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Munich, which has provided its unrestricted confirmatory audit certificate. The Supervisory Board assents to the result of this audit.

The Supervisory Board has examined and approved the Annual Financial Statement and the Annual Report of Bayerische Motoren Werke AG, prepared by the Board of Management. The Annual Financial Statement is thereby adopted.

The proposal of the Board of Management on the employment of the balance sheet profit has been examined by the Supervisory Board which supports the proposal. In accordance with the final result of the Supervisory Board's examination, no objections need be raised.

The Consolidated Financial Statement and the Consolidated Annual Report, which have been provided with the unrestricted confirmatory audit certificate of Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Munich, as well as the report of the auditor of the Consolidated Financial Statement, have been duly submitted to the Supervisory Board.

Dr. h. c. Herbert Quandt died on June 2, 1982. He had been Chairman of the Supervisory Board of BMW AG for many years. In his place, upon the decision of the registry court based on a joint motion by the Supervisory Board and the Board of Management, Mrs. Johanna Quandt was appointed member of the Supervisory Board as of July 1, 1982.

Munich, May 1983

The Supervisory Board
Hans Graf von der Goltz
Chairman

The Automobile Industry in General

World economy in the third year of recession

The upswing of the world economy originally expected for 1982 in keeping with experience of past economic cycles did not materialize. Both the utilization of capacity and employment declined over the entire year in the Western industrial nations. In real terms, the gross national product of the OECD countries was below the level of the previous year.

This recession, the longest since the war, had dramatic repercussions on the employment market. By the end of 1982 over 30 million people were unemployed in the OECD countries, i.e., five million more than in the previous year. At 10%, unemployment reached a level that had not been experienced since the depression at the beginning of the 1930s.

The factors that had been a source of pressure in previous years persisted. In spite of a downward trend, interest rates remained at a generally high level. This was due both to growing government debts and the industrial countries' continuingly tight monetary policy aimed at fighting inflation. Weak growth in the industrial countries was passed on to the countries exporting oil and raw materials as demand for their products dropped noticeably. The prices for oil and other raw materials, and subsequently such countries' export earnings, decreased in the course of the year. In addition, interest burdens from the substantial indebtedness in the international financial markets were oppressive. In some cases countries exporting raw materials had to cut down imports drastically. This in turn had repercussions on the exports of the classic industrial countries and further weakened their level of economic activity.

Private consumption remained weak in 1982; nevertheless, it became the mainstay of the economy. Although wages and incomes increased at a far lower rate than in the previous year, the purchasing power of private households did not decrease further because of the decline in inflation rates.

In connection with the gradual reduction of interest rates, this contributed to a stabilization of the automobile business at a low level. Substantial demand for replacement cars, that had built up since the beginning of the second oil price crisis in 1979, slowly began to materialize in actual sales. At roughly 28 million units, just as many automobiles were sold worldwide in 1982 as in the previous year. In order to reduce excessive stocks from the previous year, production was cut back again, however, by 3% to approximately 27 million units.

Renewed recession in the United States

In the United States the repercussions of the economic policy introduced by the new government in the previous year were fully felt in the year under review. The combinations of sharply rising state deficits and a continuingly rigorous, restrictive monetary policy to combat inflation led to a severe economic crisis in the first half of 1982.

The government indeed took steps towards the middle of the year to curb the growth of public debt; in the second half of the year the monetary policy was also relaxed. As, however, inflation decreased parallel to interest rates, the overall level of interest in real terms remained high; interest rates for consumer loans were still in the order of 15% at the end of the year.

At over 10%, unemployment reached its highest level since the war. The poor economic situation and the high costs of borrowing again influenced demand in 1982 and prevented a recovery of the American automobile market. At just under 8 million units, registrations were again down by 6% from the previous

year; the domestic market thus shrank in 1982 for the fourth consecutive year. American manufacturers were still the worst hit. Imported makes remained relatively popular, also thanks to the development of the exchange rate. American automobile production had to be reduced above average because of the high level of stocks from previous years. It dropped by 19% to 5.1 million units; this is the lowest level since the end of the 1950s.

Imported makes increased their total market share from 18% in 1978 to the most recent figure of 28%. In spite of voluntary export restrictions every fifth vehicle registered in the USA still came from Japan. Automobile imports from Germany remained 13% below the 1981 registration volume but nevertheless improved their market position in the course of the year. Business developed along quite different lines for the various manufacturers. BMW sold 25% more automobiles than in the previous year.

Towards the end of 1982 there were signs of a sales recovery for the American producers when they made the financing of automobile purchases very much cheaper. This led first of all to a definite reduction of stocks; afterwards production and employment increased slightly again. Although only little more than half the capacities were used in 1982 because of the lower volume of sales, the structure of costs has considerably improved because of radical adjustment measures in the last few years. This has not yet affected the earnings of the American automobile industry in the short term.

Unusually slow growth in Japan

In view of the unfavorable situation in the world market, but also for political reasons, the Japanese automobile industry was no longer able in 1982 to continue its export successes of previous years. The export volume of 3.8 million units was 5% below the record levels achieved in the two previous years. As domestic demand could not compensate for this drop the Japanese automobile industry had to reduce production slightly as in 1981. Nevertheless, in the year under review every fourth automobile produced in the world came from Japan.

At roughly 3 million units, new registrations exceeded the volume of the previous year by 6%. The already small number of imports of foreign vehicles dropped further to a share of only 1.2%. About three-quarters of the 36,000 automobiles imported came from the Federal Republic of Germany; every fifth German automobile was a BMW.

Continued weak growth in Europe

Economic development in Europe in 1982 was marked by greater efforts in all countries to curb the growth of public deficits. This, linked with the dominance of American monetary policy, prevented the effective reduction of interest rates, which could have livened up the economy by increasing domestic demand. In real terms, the gross national product stagnated at the level of the previous year. Unemployment continued to rise and affected more than 15 million people in Europe at the end of the year.

In contrast, the fight against inflation was more successful. Thus, real-term incomes and with them private consumption gradually stabilized in the course of the year in spite of a generally moderate development of wages.

This finally created more favorable conditions for the automobile business. After a drop in the number of new regis-

trations in the first half of 1982 the first signs of revival became evident in the second half of the year. This trend was supported to the very end by a gradual reduction of interest rates.

At about 10 million units, the total number of automobile registrations in the West European markets was 2% higher in 1982 than in the previous year. Some markets, such as France and the Scandinavian countries, recorded increase rates between 10 and 22% because of special developments. In Italy and the Federal Republic of Germany, registrations declined, in Germany for the fourth year running. BMW exports to European countries, however, increased by 14% on average.

The improved sales situation eased the employment problems of the European automobile industry to a certain extent. With production amounting to 10.5 million units in 1982, the output was 5% above that of the previous year. Europe's share in world production rose again for the first time after many years of decline and, at 39%, attained the same level as in 1974.

Sharp setback in growth in the Federal Republic of Germany

Contrary to many forecasts there was again a sharp economic setback in the Federal Republic of Germany in the course of 1982. The national product, which had stagnated in 1980 and even declined slightly in 1981, decreased by 1.2% in real terms. Utilization of capacities in industry sank to an all-time low in the post-war period. The number of unemployed was about 1.8 million on average over the year, and was thus over one-third more than in the previous year. Including employees put on short time, nearly every seventh employed person in the Federal Republic of Germany was directly affected by the recession by the turn of the year 1982/1983.

This unfavorable development was triggered by the reduction of exports. The latter, still the mainstay of the economy in the previous year, declined noticeably as a result of a drop in foreign

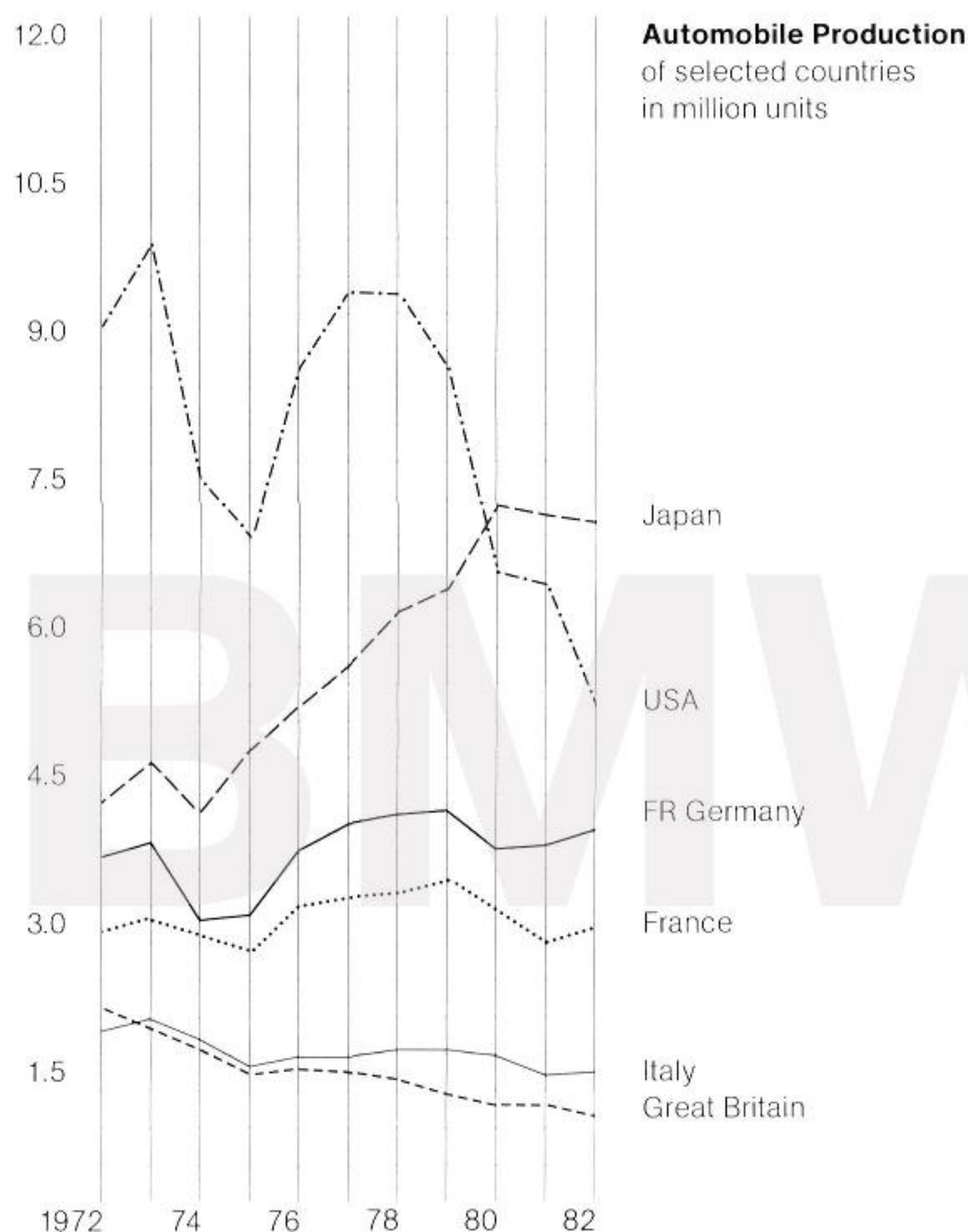
demand in the course of the year. Since domestic demand continued to decrease at the same time, a decline in production could not be avoided.

Numerous factors coincided to generate a negative overall effect. The companies invested less as a result of lower profits and unfavorable sales prospects. In contrast to the OECD average, private consumption continued to decrease with purchasing power at an unexpectedly fast rate; private consumption was indeed hardly any higher than in 1978. The increasing deficits of public authorities prevented a lasting reduction of interest rates and thus encouraged restraint amongst investors and consumers. This also affected the number of automobiles sold.

A bright spot in the generally unfavorable economy of the Federal Republic of Germany in 1982 is the successful struggle against inflation. Stiffer price competition in all markets helped to offset increases caused by higher administration expenses so that at 4% consumer prices rose less than in the previous year. The foreign trade situation also improved vigorously. Although exports slackened off in the course of the year because of the worldwide recession, imports dropped by an even greater margin. At DM 51 billion this led to the highest surplus in the German balance of trade so far in the post-war period. After high deficits, the current account showed a surplus again for the first time since 1978.

The German automobile industry — both manufacturers and suppliers alike — made a considerable contribution to this improvement. Exports rose in the year under review by one-fifth to DM 77 billion. While imports of products remained practically unchanged, the surplus rose by DM 13 billion to just under DM 60 billion. Almost half of the improvement of the German balance of trade in 1982 is thus to be ascribed to this branch of industry.

Tabelle S. 10 oben



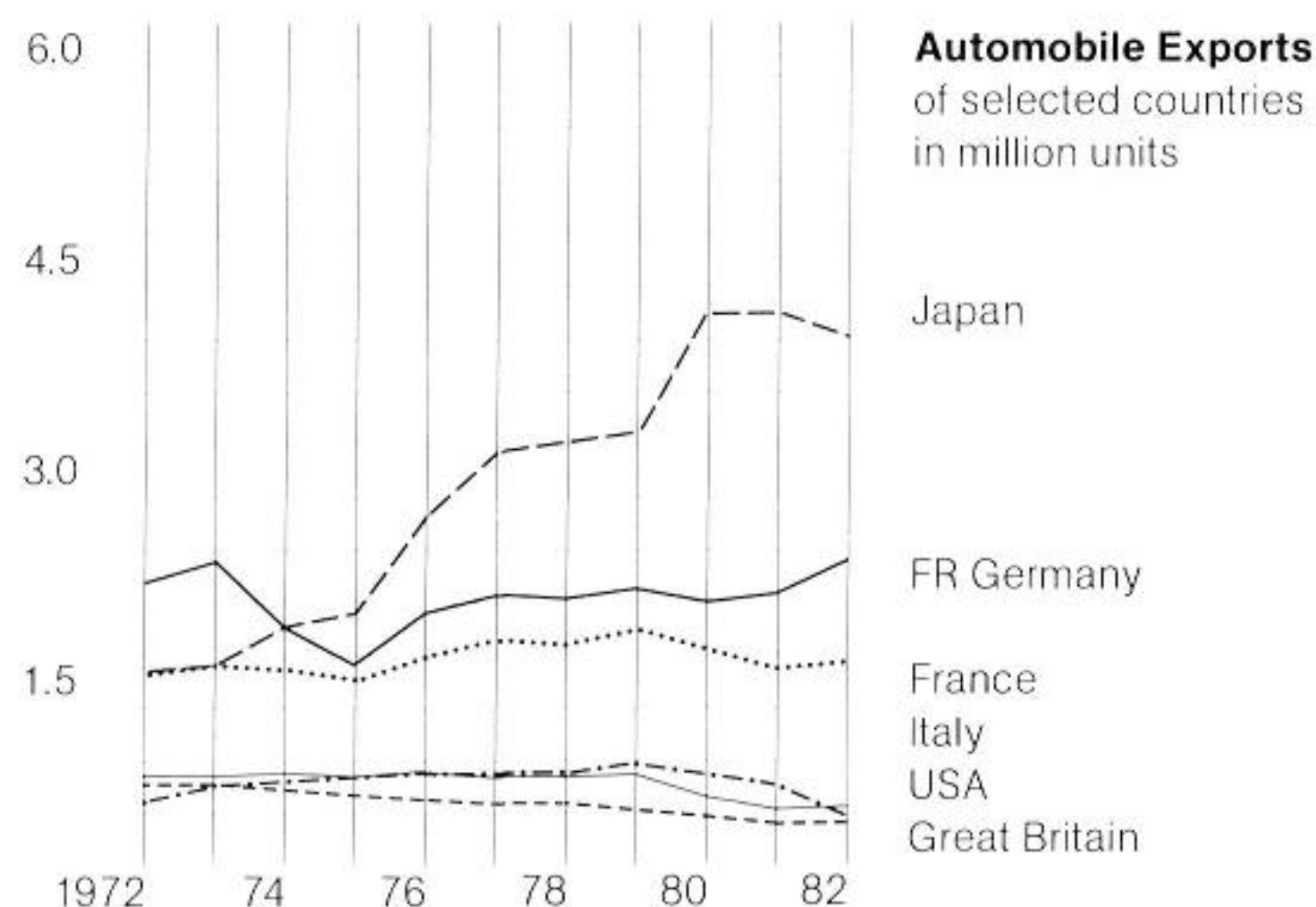
The automobile industry as a stabilizing factor

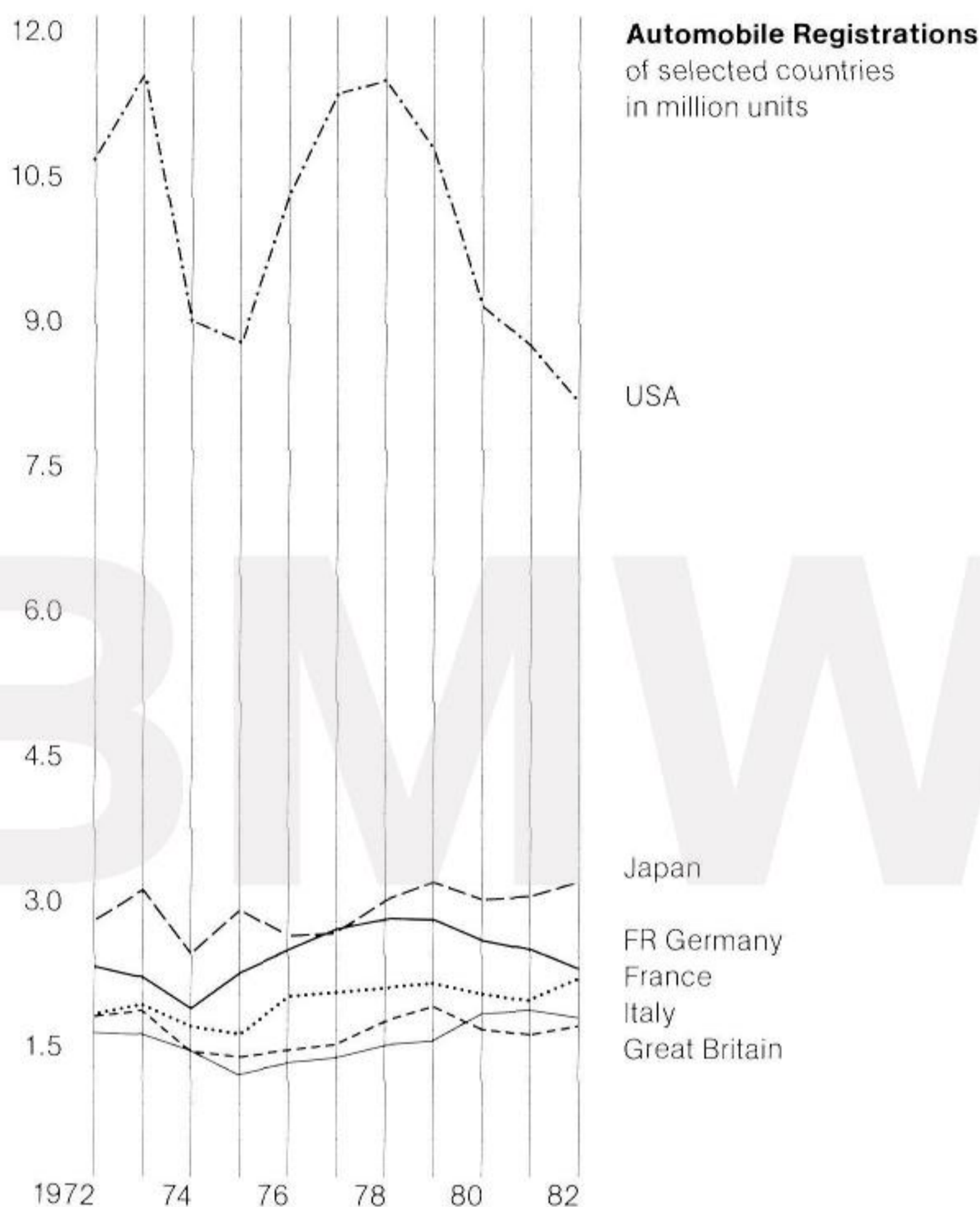
The German automobile industry once again proved to be the mainstay of general economic development in 1982. Its production rose by 5% to 3.8 million units, while overall industrial production dropped by 3%.

Exports played a decisive role in this process. While foreign demand declined considerably as a result of which exports clearly decreased in the second half of the year, German manufacturers nevertheless recorded the highest volume of exports in their history with a 13% rise to 2.19 million units, thanks to the large number of exports in the first months of 1982.

In 1982 the automobile industry maintained its high employment level of the previous year, while the number of persons employed in industry as a whole declined by 3.5% on average. The 10% rise in investments to DM 9 billion also shows optimism as regards the future of the automobile; industry overall invested 3% less than in the previous year.

The German automobile manufacturers improved their market position in nearly all European countries in 1982. Great Britain was the most important sales market with imports from Germany amounting to almost 370,000 units, i.e., about one-third more German automobiles than in the previous year. In France sales rose to 340,000 units, a quarter more than in 1981. Only in Italy, traditionally an important German export market, did sales of German vehicles decline by 10%, that is more than in the overall market.





Hesitant recovery of automobile demand in the domestic market

In the Federal Republic of Germany the lasting recovery expected according to the general trend did not start until the end of the year. High interest rates, insecure employment prospects and increasing savings activities prevented a revival beforehand. At 2.16 million automobiles, registrations were 8% below the level of the previous year. Since 1978, the best year of the last automobile cycle, the German automobile market has shrunk one-fifth.

As in 1981, the German manufacturers increased their market shares without re-attaining their former position so far. The share of foreign makes has dropped since 1980 from over 26% to about 24%.

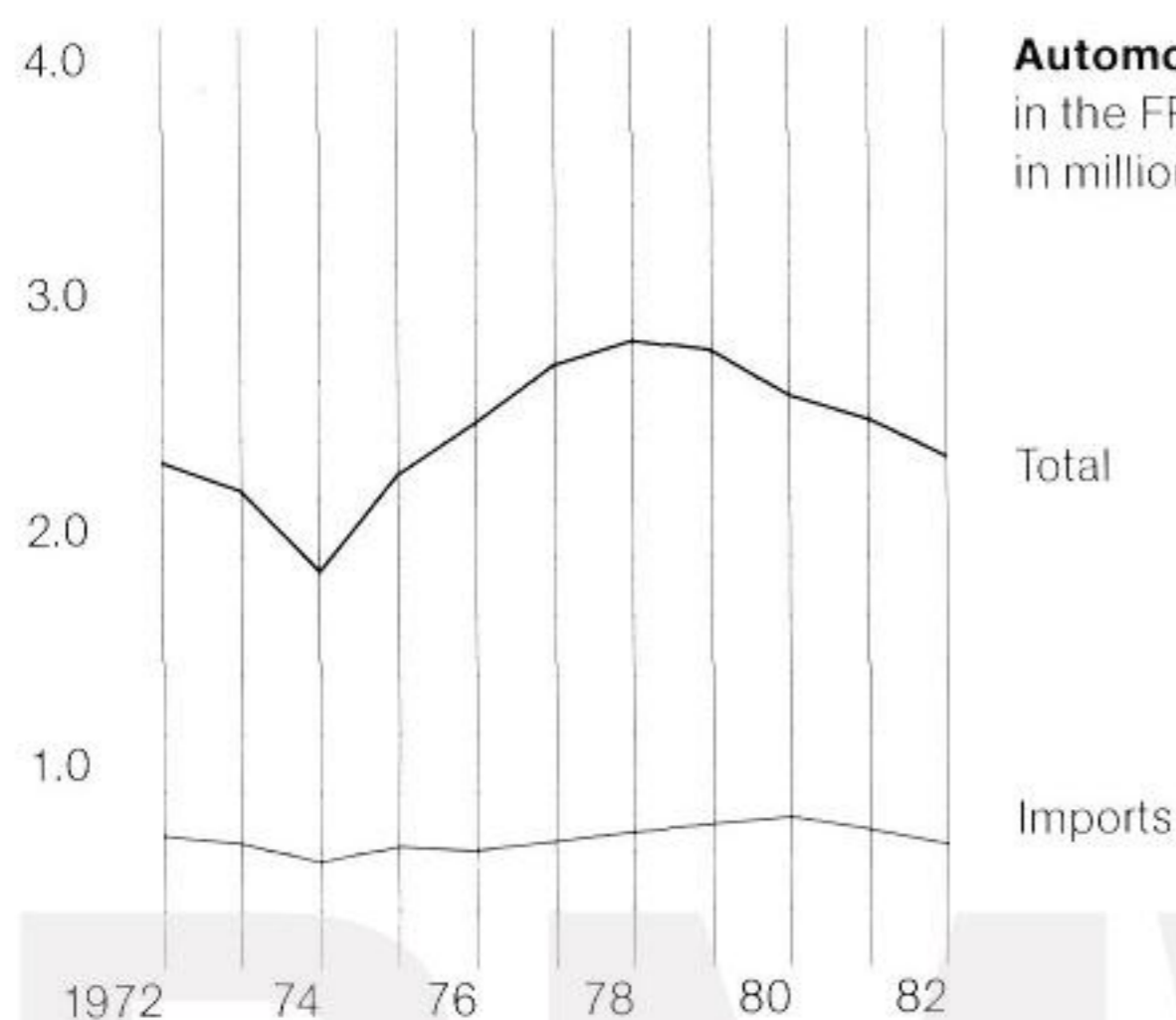
The second-hand automobile business had already been developing favorably since early 1982. Then, towards the end of the year, demand for new vehicles also revived. This was triggered by a build-up of replacement demand over the last few years. At the beginning of 1983 registrations again exceeded the corresponding figures of the previous year.

Renewed debate on the automobile

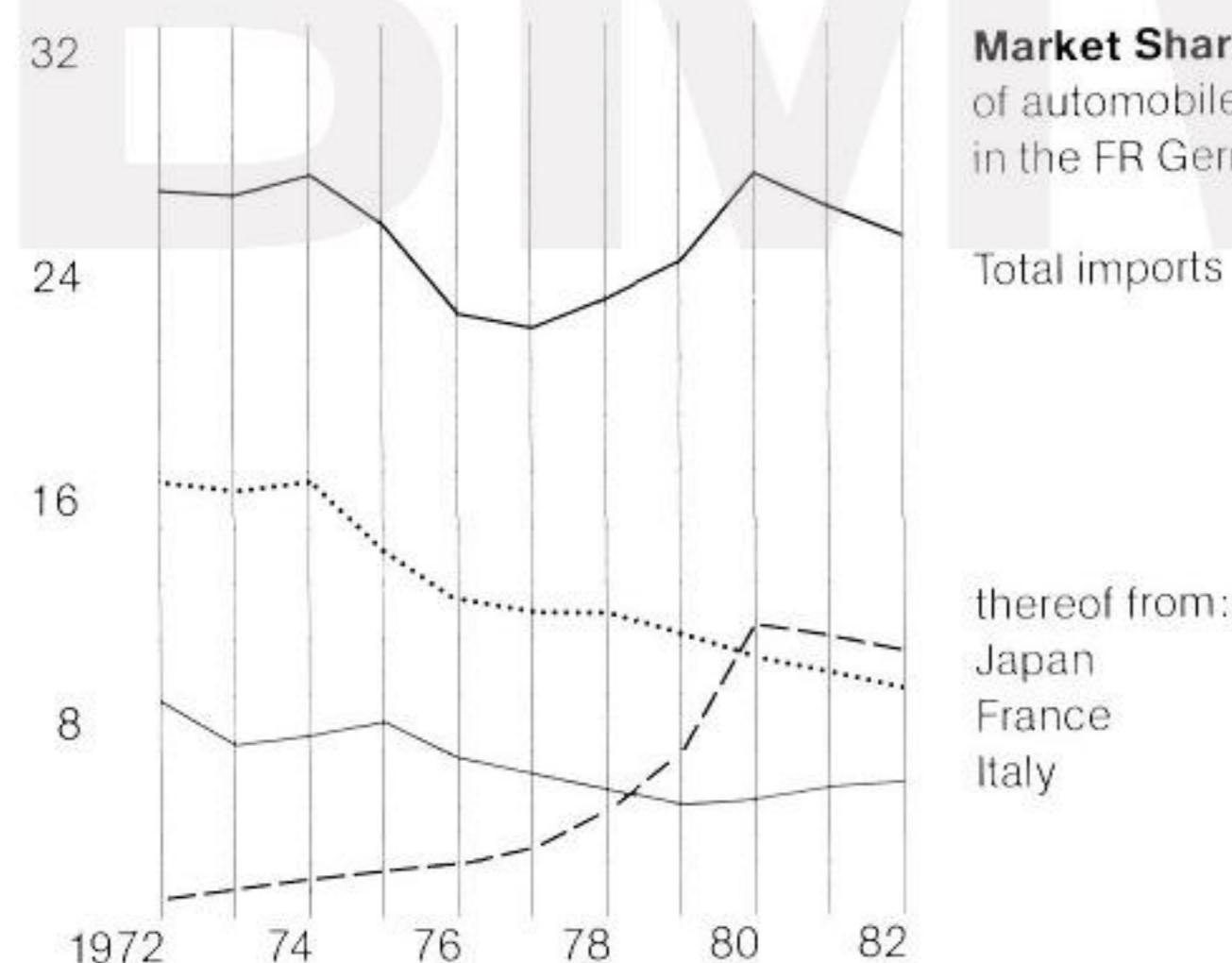
In spite of the unfavorable economic climate, the use of individual means of transport rose by about 4% in 1982 according to the calculations of the Association of German Car Manufacturers (VDA). The demand for public transport services, on the other hand, dropped. As the number of vehicles on the road went up only slightly, this increase is largely the result of the greater use of vehicles. Road use per car rose by 2%.

The fact that the amount of fuel consumed was only about 1.5% above the previous year's level proves the success of the automobile industry in designing and constructing more economical vehicles. Compared with the 1978 figures, the average consumption of new German automobiles registered in the Federal Republic of Germany has decreased by about 1.5 liters per 100 km.

Automobile Registrations
in the FR Germany
in million units



Market Shares
of automobile registrations
in the FR Germany in %



The general debate on the automobile, that had gradually become more rational in the last few years, once again grew in urgency in the course of the year under review. Fuel consumption levels were less in the foreground than the question of environmental protection in general and air pollution in particular. In the search for the causes of acid rain in some regions of Europe that have by no means a high traffic density, the nitrogen oxide emissions of individual means of transport have been given the blame, in addition to the sulfur dioxide emissions from both industrial plants and power stations. Although this question has not yet been finally settled, the public expected political steps to be taken immediately, even if they perhaps do not represent a decisive solution to the problem.

A suitable step to further reduce environmental pollution by the automobile would be the introduction of unleaded petrol in Europe also, following the example of the USA. BMW has indeed recommended such a step. It is important to remember that in the case of new vehicles the level of emissions of specific pollutants has already been greatly reduced thanks to the efforts of the automobile industry so far. In terms of the individual automobile, carbon monoxide emissions have been reduced by 68% and hydrogen and nitrogen oxide emissions by 55% since the days of unregulated exhausts in 1970.

The continuous replacement of old automobiles by models reflecting the "state of the art" will gradually lead to a reduction of air pollution by road traffic in absolute terms in spite of continuing growth in the total number of vehicles. In the case of nitrogen oxide this development could be expedited considerably by the introduction of the technology used in US vehicles.

BMW has stated its willingness to offer the first new models based on the US licensing regulations one year after the conversion of the European fuel system. To do so, however, this conversion has to take place all over Europe.

Business Development at BMW

General review

1982 was one of the best years for BMW in a long series of good years. In spite of the adverse economic climate throughout the world the essential figures of the previous year were again clearly exceeded. Within a decade production and sales of automobiles at BMW have more than doubled.

This is largely the result of BMW's long-term model policy. Production and marketing capacities were expanded to meet the high demand. The steady increase in the number of models and the range of fittings over the last few years has proved a major prerequisite for good development in foreign markets. In the shrinking domestic market BMW's overall position improved slightly in the year under review in spite of temporary repercussions caused by the model change within the BMW 3 Series.

In 1982 every second BMW automobile was fitted with a 6-cylinder engine. Almost half of all the 6-cylinder engines produced in Europe came from BMW.

In November 1982 Regensburg was chosen as the location for BMW's new automobile production plant. The decision in favor of a further BMW plant had been taken some time ago and is an expression of confidence in the future demand for BMW automobiles.

At the end of 1982 BMW AG employed 40,738 people, which is 2% more than at the same time in the previous year. Owing to the takeover and expansion of foreign companies 47,466 people were employed in the BMW Group worldwide at the end of the year under review, corresponding to 6% more than at the end of 1981.

BMW model innovations

The replacement of the BMW 3 Series by the new 316 to 323i models was the highlight of the model innovations in 1982. Performance and economy in particular were again improved in the third generation of this model series.

The new BMW coupés were launched in early summer 1982. The new 628 CSi and 635 CSi models are characterized by progressive engine and chassis designs as well as by favorable consumption levels.

The revised models of the 7 Series offer all the new technologies available today. Owing to its reduced weight, improved streamlining, modified chassis and the second generation Digital Motor Electronics, today's 735i Automatic consumes less fuel, for example, than the smallest automatic transmission BMW in 1978, the BMW 318.

The most comprehensive use of electronics is offered, however, in the computer-controlled engine/transmission unit of the 745i. Here, unified electronic control of the entire drive system has been introduced for the first time. This provides a further reduction of fuel consumption by about 10%.

High demand for BMW automobiles worldwide

In over 100 countries throughout the world, BMW sold 377,684 automobiles in the year under review, which is 8% more than in the previous year. In the largest sales market, the Federal Republic of Germany, 127,315 new BMW automobiles were registered, i.e., 5% less than in 1981. While the recession affected the total market more severely, BMW had a market share of 6.0% compared with 5.9% in the previous year.

Exports rose by 17% to 246,886 units; this corresponds to approximately two-thirds of the entire production. The share of BMW automobiles in the exports of German manufacturers was 11%, compared with a share in production of 10%.

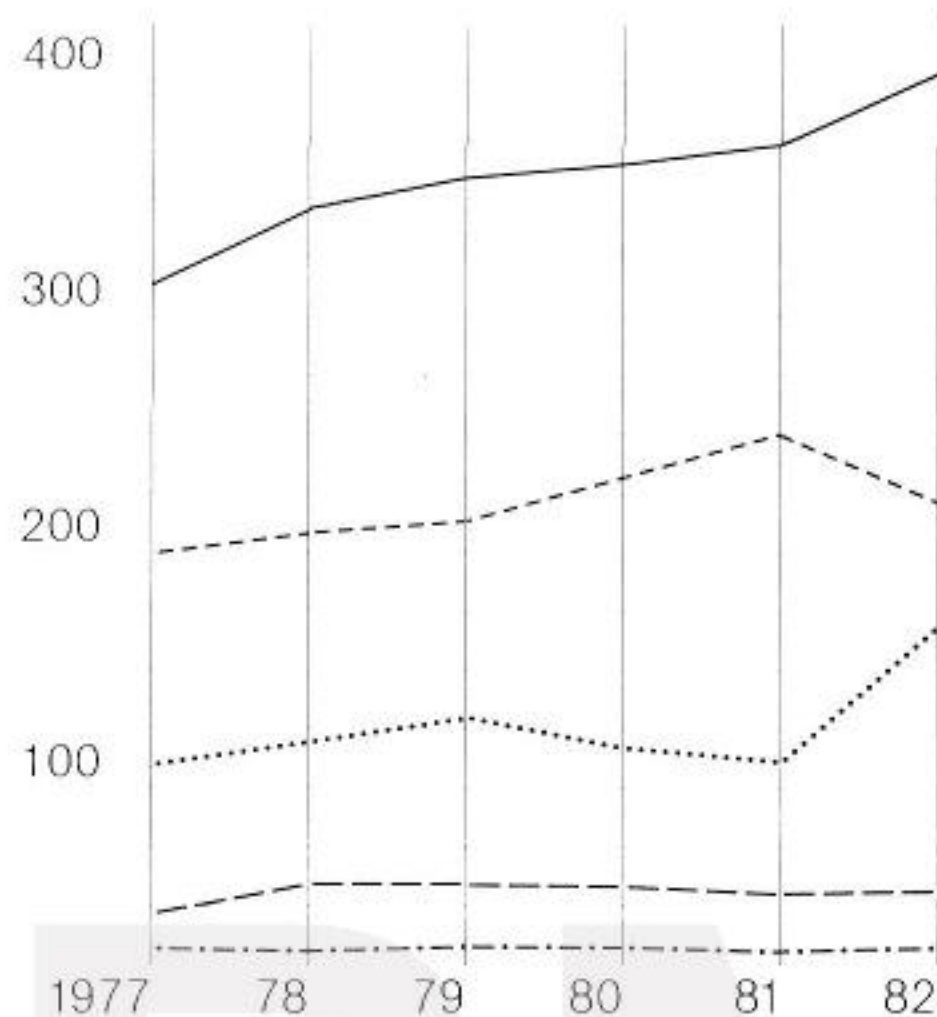
Approximately 90% of BMW's automobile exports are sold in 15 countries.

Altogether the registrations of new automobiles in these markets were on the decline for the fourth year running. In contrast, BMW has achieved increase rates of over 10% for three years now; in the year under review this figure was 16%. BMW's market position has been expanded further in the most important foreign markets. In Western Europe BMW's market share has risen within five years from 2.2% to 2.7% and worldwide from 1% to about 1.5%.

In absolute terms, BMW achieved the highest increase in the USA, where for the first time more than 50,000 BMW automobiles were sold. In France sales increased to over 30,000 and in Great Britain to over 20,000 units. The greatest relative increase was in Japan, however: BMW Japan Corp., that has only been in operation since 1981, sold about 5,000 BMW automobiles, which is 45% more than in the previous year.

It was not possible to escape negative market developments in all countries. In Italy, after years of above-average growth, BMW sales dropped more than total registrations. In the Scandinavian countries, in turn, where sales had been low in past years, BMW registrations rose at a disproportionately high rate, superior even to the positive development of the overall market. This also applies to the countries of the Middle East: In Saudi Arabia alone, the largest market in this region, over 1,000 BMW automobiles were sold, i.e., three times as many as three years ago.

Again in 1982 there were obstacles in many countries to meeting the demand for BMW automobiles. The large number of uncoordinated technical regulations hits manufacturers with a relatively small number of units particularly hard. Hindrances of all kinds for imported automobiles continued to increase in a number of countries. In other markets imports are either subject to a quota or completely impossible.



BMW Automobile Sales
in thousand units

Total Sales

3 Series

5 Series

7 Series

6 Series (coupé)

Total Sales

Domestic

Foreign

3 Series

5 Series

7 Series

6 Series (coupé)

321,196 335,132 339,232 348,946 377,684

157,065 162,271 140,772 138,399 130,798

164,131 172,861 198,460 210,547 246,886

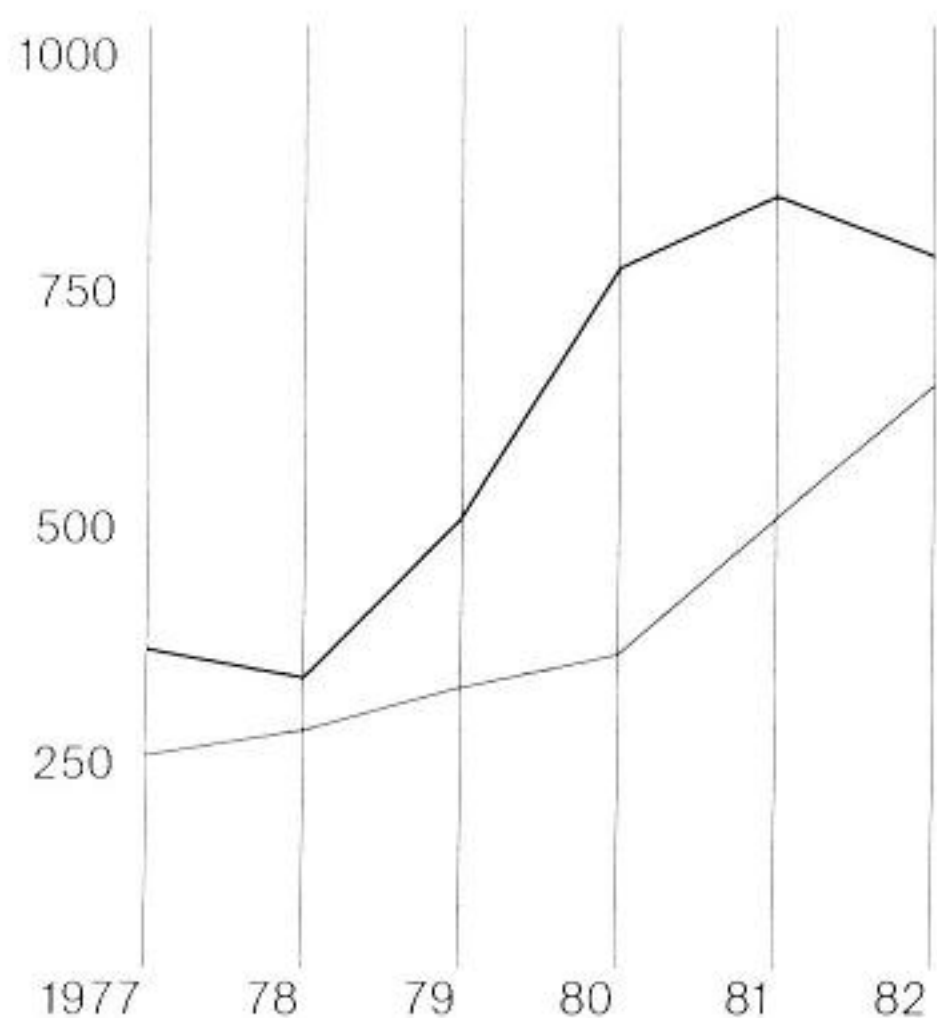
183,793 188,887 207,098 226,236 195,507

96,065 105,115 92,190 87,332 143,376

35,728 34,402 33,148 29,583 31,438

5,610 6,728 6,796 5,795 7,363

78 79 80 81 82



**Investments in and Depreciation on
Tangible Fixed Assets of BMW AG**
in million DM

Investments

Depreciation

Investments in million DM

Depreciation in million DM

304.9 472.8 738.9 815.6 752.5

249.6 294.4 330.1 473.1 615.8

78 79 80 81 82

In some cases this situation can be evaded by assembly in the country itself. Thus, BMW has its own plant in South Africa; in some other countries small assembly plants are run by BMW importers. Owing to problems of the domestic economy, warlike events as well as restrictive tax and customs duties imposed in some South American countries, exports of BMW cars to that continent went down in all by one-third to about 2,500 units; in previous years only small numbers had been sold in any case.

BMW model policy

The substantial overall demand for BMW automobiles was essentially determined by the new 5 Series in 1982. In the first full year after the introduction of this model series, registrations in the Federal Republic of Germany rose by about one-third. This series attained a share in the comparable class of almost 12% in 1982; its predecessor achieved just under 9% in its best year. Exports of the 5 Series in 1982 rose by about 80% over the volume of the previous year. At about 145,000 units, production considerably exceeded the top figure reached by the predecessor model.

The BMW 3 Series, which was replaced at the end of 1982, sold well right up to the end of its term, contrary to the usual situation when a model is changed. In the previous year it reached the highest share in its comparable class, and even in the year of its replacement the 3 series reached the same level as in 1979, which had been a good year. In BMW's export markets, deliveries to customers even exceeded the previous year's figure.

With sales totalling 1.3 million units, the 3 Series is the most successful BMW series since the war. Including the previous series, more than two million units have been produced and sold since 1966. The acceptance by the market of this lead in experience in this automobile class is indicated clearly by the high demand for the new BMW 3-Series.

In all, the large BMWs of the 6 and 7 Series also developed satisfactorily.

Demand for the coupé after its complete revision in the early summer of 1982 led to an increase in production of one-third over the year. 1982 was the best year for this model series since its introduction in 1976.

The model improvements on the BMW 7 Series have also helped to increase demand in the market. Sales were above the previous year's figure. The number of sales was outstanding in the USA as well as in Great Britain, France and South Africa, as has been the case for years.

Dealer organization and customer service at BMW

The dealer organization and customer service have also contributed to the favorable development at BMW. The number of BMW automobiles on the road rose again in 1982. Throughout the world there were almost three million automobiles to be maintained and serviced, which is about 40% more than five years ago. In line with the large share of exports the number of BMWs in foreign markets increased at an overproportionate rate to more than 1.5 million automobiles.

The worldwide service network was improved correspondingly. About 4,300 authorized BMW dealers and service workshops in well over 100 countries employing almost 36,000 people, see their task in providing proper customer and parts service for BMW automobiles and motorcycles. As competition increases, the quality of service gains in importance.

The high technical standard and growing use of electronics in BMW automobiles again required comprehensive schemes in the year under review to improve the efficiency of the organization and to train the workforce. A new computer-aided teaching system will allow effective training at dealerships at lower expense in future.

The supply of BMW workshops with parts and accessories is a major function of parts distribution. The total volume of parts and the amount of special versions for some countries has risen sharply in the last few years. The range of Genuine BMW Parts now comprises some 56,000 items. In the year under review extension work was started on the handling and dispatch areas of the central parts warehouse in Dingolfing.

In the previous year, with the launch of the new 5 Series, BMW introduced a completely new system of automobile servicing. The service interval indicator is the central component of this system: Based on the conditions under which the automobile is driven, it provides individual service instead of the usual fixed maintenance intervals based on mileage. Intervals between inspections were thus increased by about 50%, in this way reducing the automobile's running costs. Surveys have shown that customers are extremely satisfied with this system. In the meantime it has become a standard component of practically all BMW models.

Dealers continued to invest in their businesses in spite of the unfavorable economic climate in the year under review.

BMW plant capacities again fully utilized in 1982

In line with world demand, 378,769 BMW automobiles were produced in 1982, i.e., 8% more than in the previous year. The new 5 Series contributed considerably to this increase. In all plants capacities had to be increased accordingly. At the Dingolfing plant, capacities have become larger in the meantime than at the main plant in Munich where they have been used to the full for years. In November 1982 the millionth automobile rolled off the Dingolfing assembly lines since the plant was opened in 1973.

In all, daily production in 1982 was almost 1,700 automobiles. After the final extension of the Dingolfing plant, which is within sight, the continuing increase in demand for BMW automobiles in the

long term is to be met by constructing a new assembly plant in the Regensburg area.

Motorcycle production at the Berlin works dropped by 8% to 30,554 units because of the unfavorable course of the economy throughout the world.

In spring production began at the new BMW plant in Steyr/Austria. This gives BMW greater flexibility in the production of engines, too, as has been achieved through the linked system of plants in Munich, Dingolfing, Landshut and Berlin in the last few years. The plant planned in Regensburg will be integrated accordingly.

The BMW plant in South Africa produces models of the 5 and 7 Series with automobile kits supplied by the domestic plants.

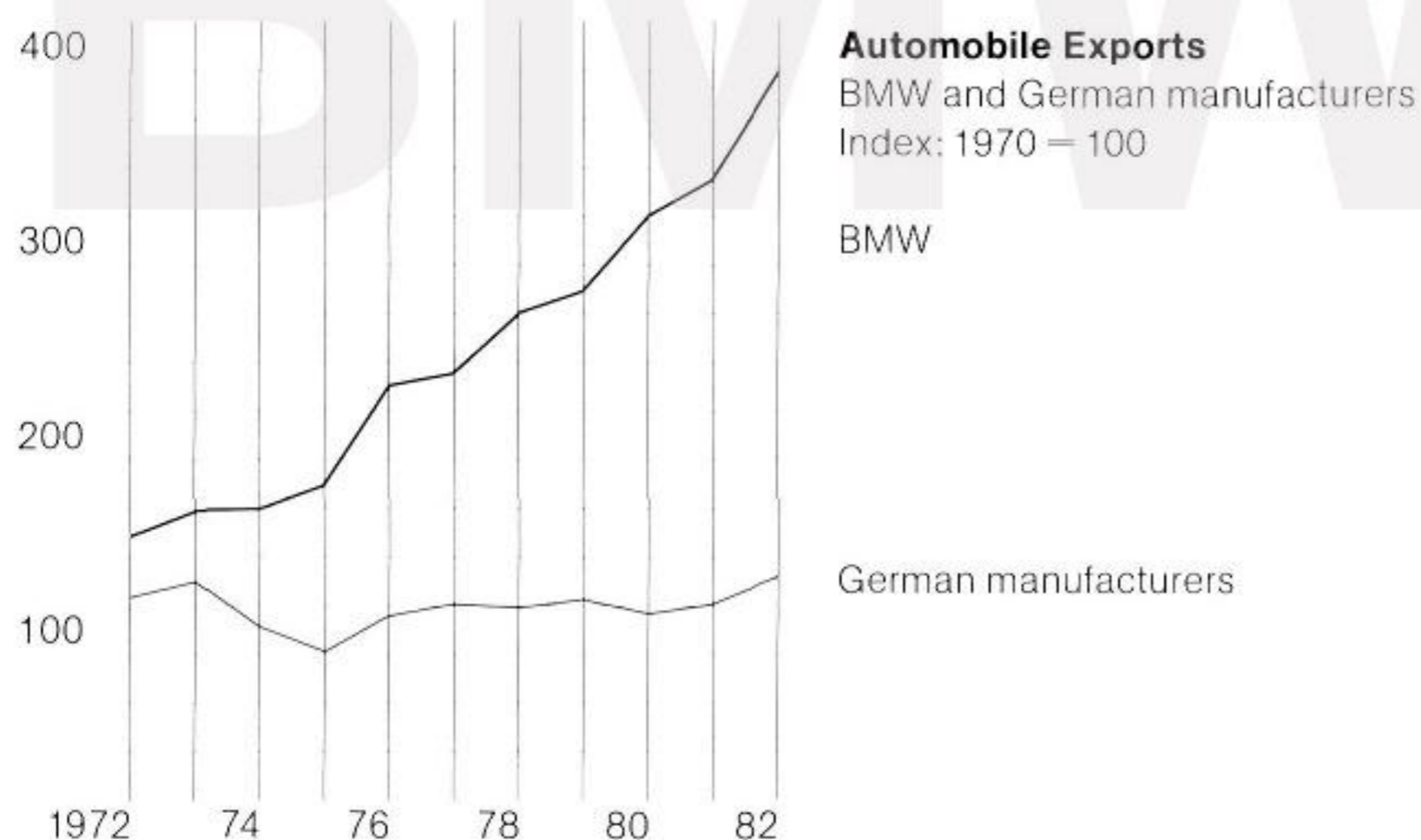
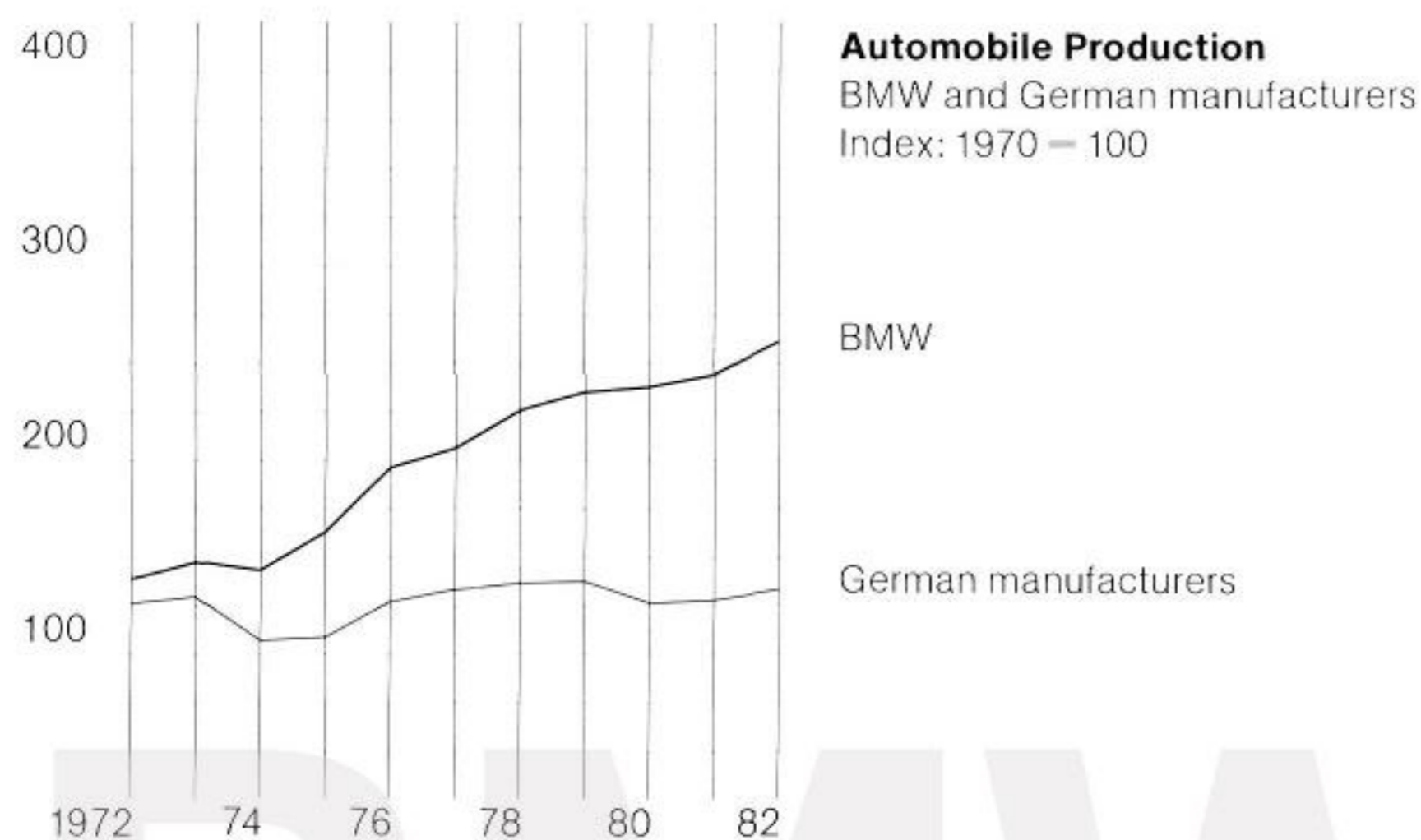
Lively investment activity continues

BMW AG invested a total of DM 753 million in fixed assets in all four domestic plants in 1982 as part of the Company's medium-term plan. This corresponds to the high investment volume in recent years.

In 1982 investments were concentrated on preparing for the launch of the new 3 Series. Investments connected with the development of this model series in previous years allowed substantial structural improvements in BMW's production technology, linked with effects on rationalization and capacity, in the year under review.

Most of the investments were therefore at the Munich plant. Here, at a total expenditure of about DM 300 million, a flexible, fully automatic body construction line was installed for the 3 Series. The level of automation in bodywork production rose to over 90% through the use of robots.

In the Munich and Dingolfing plants a total of almost 300 ultra-modern robots guarantee a constant level of quality thanks to their high standard of repetitive accuracy.



With the launch of the new 5 Series a high degree of automation had already been introduced in Dingolfing in the previous year. The investments in 1982 mainly served to expand capacities. Furthermore, the launch of the new 3 Series was also prepared in Dingolfing as the Munich plant cannot be extended any more. New, fully automated systems were installed for chassis production. These systems allow a further improvement of BMW's consistently high standard of quality.

The production of components, plastic parts and aggregates for BMW automobiles is concentrated at the Landshut plant. Here, existing production facilities have been improved and adjusted to meet the increase in automobile production.

At the Berlin plant a substantial amount of the investments went into the preparations for a new generation of motorcycles. Capacities were increased again for the production of automobile components.

Connected with the change in production technologies, measures for rationalization and structural improvement were also taken in the year under review and will for their part further raise the quality of BMW's automobiles. In Munich these include systems to improve anti-corrosion treatment. As an example, the reorganization of the paintwork line was completed after a total expenditure of almost DM 100 million. This also helps to further reduce the odor problem for the surrounding residential areas that have increasingly closed in around the plant over the years.

A total of DM 30 million was furthermore used for individual schemes in all plants to improve quality. As in previous years investments in research and development also rose at a overproportionate rate, namely 35%, in the year under review. The introduction of new technical concepts and the preparation of future model launches were given priority.

Purchasing and logistics

Purchasing and logistics in 1982 were influenced by the volume and structure of demand for BMW automobiles and motorcycles.

The supply of raw materials and parts provided no problems in the year under review as BMW's markets for provisions were largely spared wage conflicts and the resulting industrial disputes. Suppliers continued to react with great flexibility to the production concepts that had to be adjusted to the various market requirements.

In 1982 BMW again had a positive influence on the capacities and employment situation in the predominantly small and medium-sized supplying industries since BMW's purchasing volume rose as the Company developed.

BMW's demand for quality, reliability and good value of the parts it produces itself and obtains from suppliers, is also reflected by the comprehensive measures taken to ensure quality as a prerequisite for the production of top-grade BMW automobiles and motorcycles. More than half of each BMW automobile is made of parts and components from external suppliers. Increasing use is made of the specific advantages and know-how of purchasing markets in about two dozen countries. To a great extent, BMW owes its development to the partner-like cooperation with suppliers all over the world.

Some of BMW's exports are covered by imports. In Austria purchases in the year under review attained the value of BMW's vehicle exports — also due to the establishment of the engine plant in Steyr.

The development of prices of imported raw materials was influenced worldwide by weak demand due to the economic climate, while the supply of goods was adequate and exchange rates remained almost constant. For the first time since the middle of 1981 prices for crude oil — the most important source of energy and a major raw material for the automobile industry — stopped rising. Crude oil prices in 1982 were neverthe-

less still 35% above the 1980 average. Prices for steel, accounting for approximately 70% of the weight of the automobile and thus also a decisive cost factor, rose further due to regulations imposed by the European Community. In the previous year the supplying industries' prices for parts had risen initially; in 1982 the automobile manufacturers were also affected as direct purchasers. Within a year BMW was faced with price increases for steel products of up to 13%.

The launch of the new 3 Series was one of the special demands made of BMW logistics in 1982. It entailed a further optimization of all handling systems for the flow and supply of material as well as the control of customer orders and assembly. The concept of total logistics has proven successful.

Subsidiaries and affiliated companies continue to be successful

At BMW's subsidiaries and affiliated companies the 1982 business year again provided pleasing overall results.

Since July 1982 with the takeover of Spanish imports by BMW Iberica S.A., Madrid, BMW has had 12 wholly-owned marketing subsidiaries in the most important foreign markets. The large majority of foreign sales go through these subsidiaries.

BMW-STEYR Motoren Gesellschaft m.b.H. in Steyr/Austria became a wholly-owned BMW subsidiary at the end of April 1982. It now operates under the name of BMW Motoren Gesellschaft m.b.H. Cooperation with Steyr-Daimler-Puch in the development of diesel engines has ceased. The capital stock was increased by AS 200 million to AS 1 billion as the plant was built up according to plan. As scheduled, the production of 6-cylinder petrol engines for BMW began in May 1982. The new plant was opened officially on March 10, 1983.

Pleasing business development

The sales of BMW AG rose by 19.8% in 1982 to DM 9.37 billion. Domestic business accounted for DM 3.65 billion and exports for DM 5.72 billion. Sales of the

BMW Group amounted to DM 11.62 billion, corresponding to a 21.7% increase over the previous year.

The Company's success in business was also reflected by the continuing large increase of the cash flow in the year under review. There was an increase in depreciations and allocations to reserves, to special items containing reserves as well as to pension fund provisions and transfers to benevolent funds.

BMW AG achieved a net income of DM 200 million. After allocation to reserves of DM 90 million, the Supervisory Board and the Board of Management propose to the Annual General Meeting that the balance sheet profit of DM 110 million be applied as follows: Payment of a DM 10 dividend per share with a nominal value of DM 50 on the common stock with full dividend rights for 1982, and payment of a DM 5 dividend per share with a nominal value of DM 50 with half dividend rights for 1982 from the capital increase in the year under review.

The automobile business

General conditions for a recovery of the world economy improved in the first few months of 1983; there are signs of a revival. Declining interest rates throughout the world, greater purchasing power due to the recent drop of energy prices as well as a general improvement of the economic and political climate are stimulating both investors and consumers to spend more money. Accordingly, the volume of new registrations worldwide is also showing signs of recovery. This applies particularly to the US automobile market which has experienced the hardest and longest recession of all the major markets.

The extent to which these trends will lead to sustained economic recovery depends especially on the uninterrupted development of the overall economic powers of growth in the further course of the year. This presupposes on the one hand that there will be no grave interferences of the international financial system by crises caused by the excessive debts of some Third World countries. On the other hand the price balance between supply and demand in the world energy markets will have to return to normal. An abrupt drop in the price of oil products would, as in the case of past price increases by leaps and bounds, lead to considerable difficulties for the world economy.

Conditions have improved for a revival of the German automobile business. The increasing number of registrations in the first few months of 1983 indicates that the buildup of replacement demand since 1979 is beginning to dissolve as interest rates fall. This applies all the more as worldwide demand for automobiles has continued. In 1982 the number of automobiles on the road increased once again; at 24 million units in the Federal Republic of Germany there were 1.5% more automobiles than in the previous year.

Although incomes in 1983 will again rise nominally by a smaller margin than in the previous year, the real purchasing power of private households will not drop further as inflation rates decrease. Indeed, in the second half of the year purchasing power is even likely to increase in real terms. This will influence demand for automobiles favorably.

The foreign markets are hardly expected to provide a further increase of German exports above the high level of 1982. Just as the DM exchange rate had a positive influence on the foreign sales of German automobiles in 1981 and 1982, it will tend to curb sales in 1983.

Overall, there are signs of German manufacturers being able to increase production and sales in the course of the year. In view of the low initial level at the beginning of 1983, however, it is hardly likely that the volume of the previous year will be exceeded.

Protectionism and state rules and regulations

There is a growing danger of free world trade and business activity being obstructed openly or covertly by state intervention. For the German automobile industry, more than half of which depends on exports, this means considerable risks: The German automobile manufacturers require free access to the world markets as well as appropriate and predictable overall economic conditions.

The Federal Republic of Germany itself has for a long time been the freest automobile market in the world as regards market access.

The tendency towards protectionist measures to solve economic problems, however, has increased worldwide. In the long run such measures undermine the very principles of a free market economy. The authorities' imagination and inventiveness as regards rules and regulations is hardly inferior to the manufacturers' efforts to improve their automobiles. What is new, is that the states concerned no longer conceal their wish to protect their own economies, even at the expense of others. In particular, they no longer have confidence in the powers of their own automobile industries. Measures range from appeals by trade unions to boycott imports to schemes for nationalistic procurement policies.

In many countries the burden imposed on the automobile by taxes, customs duties and other charges is reaching discriminating proportions. In almost all EC countries higher rates of value added tax or special taxes are levied both on the purchase and maintenance of automobiles. Wherever different rates of value added tax are charged, the automobile mostly falls within the highest class of luxury goods. In some cases large automobiles or business vehicles are again at a disadvantage because of the terms of pre-tax deduction and the depreciation rates allowed.

The development of automobiles is also influenced by an increasing variety of detailed, and partly contradictory, technical licensing regulations imposed by state authorities. In addition to specific regulations regarding fuel consumption as well as exhaust and noise emissions in some countries, there are a host of different regulations regarding the safety, visibility and operation as well as the general quality of road vehicles.

This accumulation of different regulations impedes technical progress in the automobile industry. It overshoots the mark and limits the range of products offered, as well as making them more expensive. All this affects the customer.

The decisive responsibility for many of the questions concerning the automobile industry lies with the politicians at European level. This also applies with regard to the European authorities' renewed attempts during the period under review to bring about European unity by controlling the market planning of individual companies rather than by standardizing the general market conditions.

BMW, like other companies, has thus felt the need time and again to emphasize the importance of the selective marketing system, the price sovereignty required in all European markets and the distribution of parts through specific, predetermined channels which is necessary for reasons of competition, safety and supply. These discussions will undoubtedly continue in the current year.

Outlook for BMW

The year 1982 has shown that BMW can also cope with difficult market situations. This justifies the expectation that the Company will be able to expand its market position in years of more favorable economic development. A major prerequisite for this has been created by the decision to build a new production plant in Regensburg.

There has been a marked increase in the number of orders in the first few months of 1983. Both domestic and foreign demand clearly rose for the whole model range, in particular, however, for the new 3 Series. Thus, production and sales of BMW automobiles over the whole year are not only expected to reach the high 1982 level but will in all probability exceed it.

The company's activities will remain widely spread in 1983, too. The foreign marketing organization will again be expanded; this will further stimulate sales. Engine production at the new plant in Steyr/Austria, which started manufacturing diesel engines for BMW and other purchasers in the spring of 1983, will be increased according to plan.

In 1983 BMW will again make considerable investments. As in the past, these will serve to continue projects that are already under way for improving and renewing both the model and engine range and the assembly structures of BMW's plants. The first investments will also be made for the construction of the new plant in Regensburg as planned. Purposeful expenditure on research and development continues to rank highly. This expenditure, along with additional investments to further improve quality, is essential for the Company's business success in the future.

The Board of Management of BMW AG considers the most important task to be the further expansion of the market position that BMW has gained worldwide in recent years and the preparation of the Company's entire structure to meet future challenges.

The Motorcycle Business

After many years of growth, the number of registrations in the international motorcycle markets had already stopped increasing in the previous year. In 1982 registrations declined by 7% overall because of continuing unfavorable economic development.

The German motorcycle market, which had constantly been following an upward trend since 1967, dropped by 4% for the first time in 1982; 127,000 motorcycles were registered.

Foreign markets developed along various lines. In Great Britain and the USA registrations dropped by 23% and 13%, respectively. In Italy, France, Japan and Sweden, however, motorcycle sales rose in some cases by the same percentage figures.

The market sector for motorcycles above 500 cc was also affected by weak demand in the year under review. Owing among other things to an overproportionate decrease in the USA, registrations in this category decreased worldwide to the same extent as the total market.

Since the Japanese manufacturers that dominate the market had increased their production of motorcycles in 1981 despite stagnating world sales, they had to cut back production by 16% in 1982 due to the drop in demand. Although exports declined at a comparable rate, the excessive stocks from previous years were only partly reduced. The Japanese manufacturers continued to compete fiercely with one another with clearance sales and special price offers; this impaired the earnings of the dealers. In addition, consumers felt insecure because of extremely short periods between the introduction of new models — sometimes only one year.

BMW was hardly affected by this keen Japanese competition thanks to the Company's independent product and price policy. The influence of the poor overall economic situation, however, was felt by BMW, too. In a declining total market BMW maintained a worldwide market share of 1.8%. In the actual BMW range, the market sector above 500 cc, BMW's share of new registrations rose slightly to 4.4%. The market share in the upper class above 750 cc improved in practically all countries; in the Federal Republic of Germany and Great Britain it rose considerably to almost 24% and 22%, respectively.

In spite of the aggressive price competition by manufacturers in the Far East, BMW managed to expand its international position in business with authorities and to open up new markets especially in the Third World.

At a total of 30,398 units, sales of BMW motorcycles in 1982 were 6% below the level of the previous year. BMW nevertheless maintained its market position at home and abroad. The daily production output amounted to 137 units.

20,084 BMW motorcycles were sold abroad; this corresponds to two-thirds of the production. The export quota has thus remained unchanged since 1980. BMW's subsidiaries took over the sale of motorcycles in Spain in the middle of 1982 and in Holland at the beginning of 1983. Despite difficult market conditions, sales were increased here by over 30%.

Demand in the year under review shifted from the smaller models of the R 45/R 65 series to the larger BMW models from 800 cc upwards; accordingly, their share in production rose to 63%. This favorable development was influenced by the introduction of the new R 80 ST and R 80 RT models in 1982 which complete the range of motorcycles with flat twin engines. The BMW R 80 ST was voted "The Commonsense Motorcycle 1982" by readers of the "PS" motorcycle journal; its sister model was awarded second place. Demand is so

great that a further upward trend is expected for high-quality motorcycles in the upper middle class range.

The profit situation was influenced by the drop in sales, the use of special depreciations for Berlin and preparatory measures for an additional generation of models planned for the future.

The comprehensive, long-term investment program for the Berlin plant was continued according to plan. The installations and production facilities were further improved. A large share of the investments served to prepare for the new generation of motorcycles and were linked with an expansion of capacities for the next few years. The number of employees remained almost unchanged.

BMW motorcycles again scored numerous successes in motorsport. The Paris-Dakar Rally at the beginning of 1983 is worth special mention. For the second time after 1981 Hubert Auriol won this most difficult long-distance race in the world on a BMW R 100.

The motorcycle business will only be able to develop at a restrained rate in 1983. The repercussions of the first signs of an economic upturn are likely to be hesitant; thus, demand is expected to decline again slightly. Supported by the new R 80 ST and R 80 RT models, BMW will nevertheless further consolidate its market position worldwide in 1983.

"The best road machine ever made by BMW." This is how "Motorrad", Europe's largest motorcycle journal, as well as other specialized magazines judged the new R 80 ST. The road version of the successful R 80 G/S also has the BMW monolever and is noted especially for its excellent handling.



The new R 80 RT offers touring comfort. It is an interesting alternative to the larger R 100 RT. It gained second place behind the R 80 ST which was awarded the title of "The Commonsense Motorcycle 1982" by readers of a motorcycle journal.



The Model Range

R 45

473 cc
20/26 kW (27/35 hp)



R 65/R 65 LS

650 cc
37 kW (50 hp)



R 80 G/S

797 cc
37 kW (50 hp)



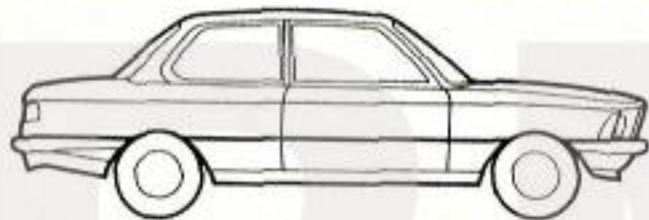
R 80 ST

797 cc
37 kW (50 hp)



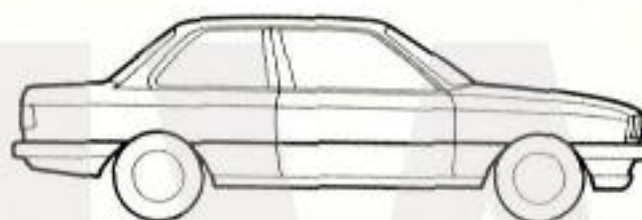
315

1573 cc
55 kW (75 hp)



316

1766 cc
66 kW (90 hp)



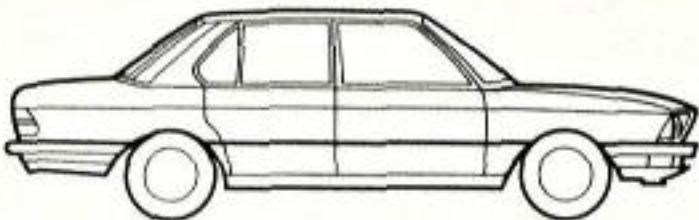
318i

1766 cc
77 kW (105 hp)



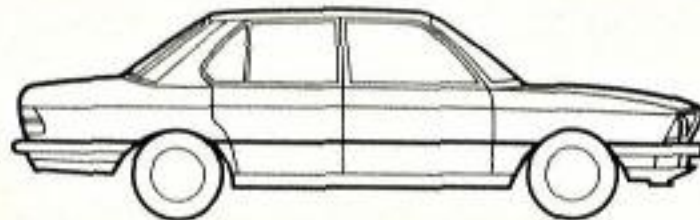
518

1766 cc
66 kW (90 hp)



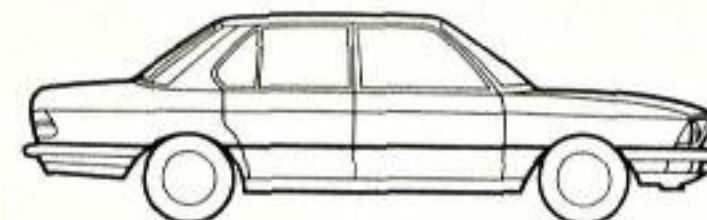
520i

1990 cc
92 kW (125 hp)



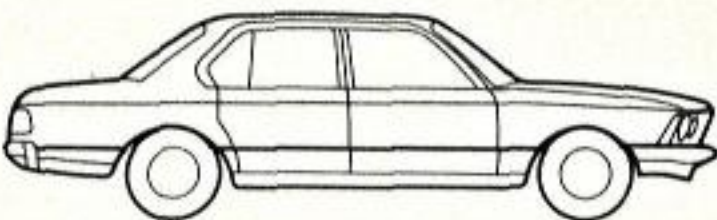
524 td*

2443 cc
85 kW (115 hp)



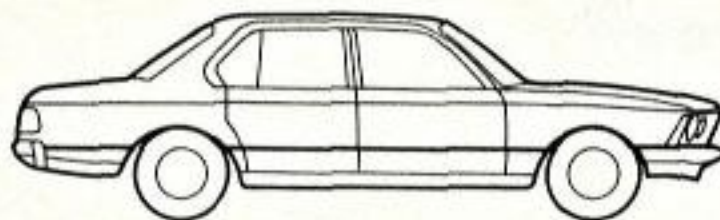
728i

2788 cc
135 kW (184 hp)



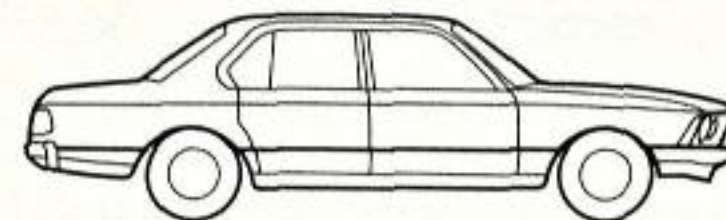
732i

3210 cc
145 kW (197 hp)



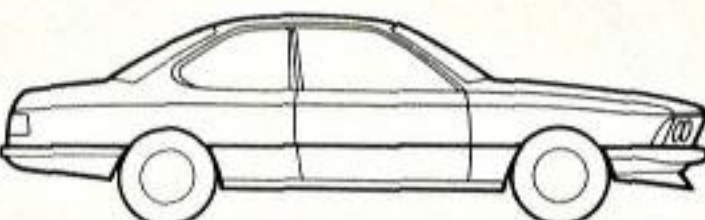
735i

3430 cc
160 kW (218 hp)



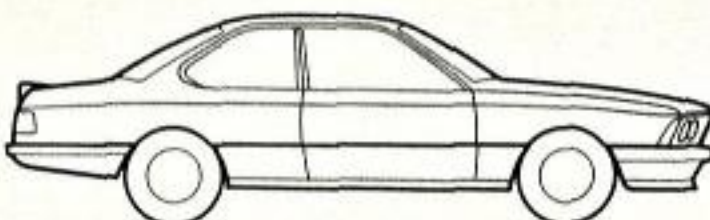
628 CSI

2788 cc
135 kW (184 hp)



635 CSI

3430 cc
160 kW (218 hp)



R 80 RT/R 100 RT

797/980 cc

37/51 kW (50/70 hp)

**R 100**

980 cc

49 kW (67 hp)

**R 100 CS**

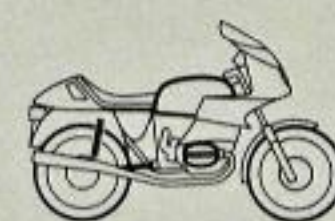
980 cc

51 kW (70 hp)

**R 100 RS**

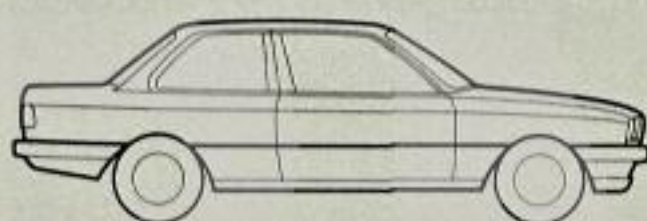
980 cc

51 kW (70 hp)

**320i**

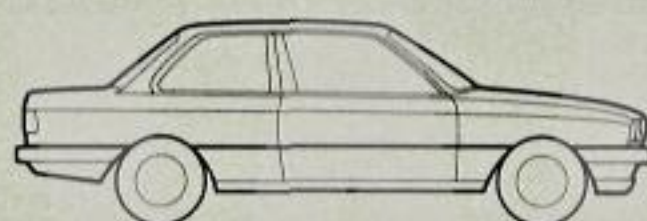
1990 cc

92 kW (125 hp)

**323i**

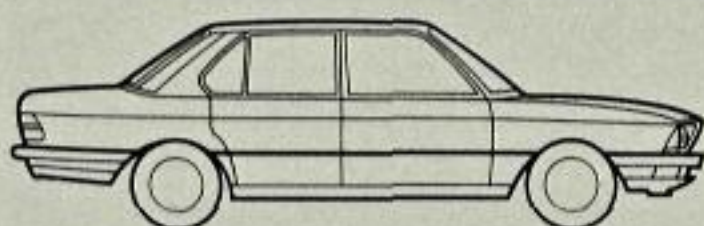
2316 cc

102 kW (139 hp)

**525e**

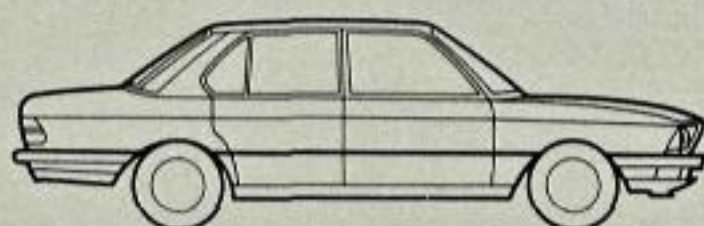
2693 cc

92 kW (125 hp)

**525i**

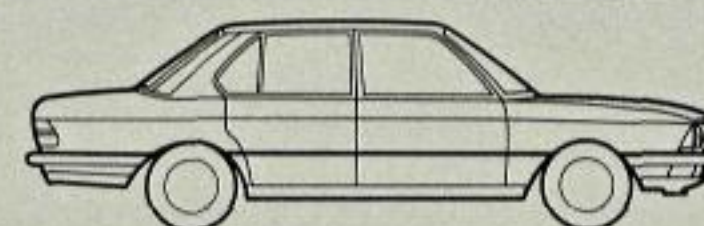
2494 cc

110 kW (150 hp)

**528i**

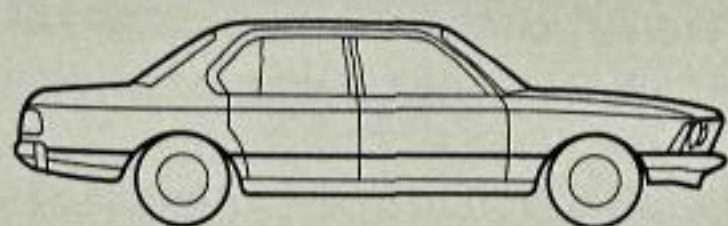
2788 cc

135 kW (184 hp)

**745i**

3430 cc

185 kW (252 hp)





The third generation of the 3 Series, the compact, high-performance and sporty class of small BMWs.

Research and Development

BMW's research and development policy aims at using trendsetting technology in the company's products in order to safeguard its competitive advantage. In this context, the company plans and decides on the use of its development capacity according to the chances of economic success.

Emphasis in development is placed on top quality, environmental considerations and economic efficiency. The availability of energy and raw materials is, of course, of high-ranking importance. Apart from low fuel consumption, however, economy in the automobile also means that the cost/benefit relationship of buying and running an automobile has to be right. Moreover, equal consideration must be given to the typical BMW characteristics that go far beyond the pure utility value.

Only with progressive design and production techniques for engine, chassis and bodywork can account be taken of all these demands in systematic development work.

Within a short time BMW had to realize its long-term development aims in two decisive model developments. And within a mere 18 months BMW's 3 and 5 Series were revised. A new generation of the large BMW and the coupé was presented in 1982.

After the introduction of the new 5 Series in the previous year, whose market success reflects the validity of the concept and its practical execution, BMW launched the new 3 Series as a major event in the year under review. Development had to meet the challenge of offering an even better overall version of BMW's most successful automobile in the history of the Company.

A compact high-performance automobile was to be created that convinces drivers through its excellent handling and fulfils every demand for comfort, operational efficiency and quality, while ensuring maximum possible safety and economy as well as low levels of emission. In spite of even lower air resistance, the automobile's styling was to retain its special BMW look. BMW's typical features had to be further developed while fulfilling new requirements and manifold statutory regulations.

Thus, a completely new automobile was developed. In so doing, essential components of proven solutions, used in more than 1.3 million units of the preceding model, were taken as a basis.

When designing the new lighter bodywork, not only aerodynamic improvements but also safety and comfort were taken into consideration. These find expression in unrestricted vision and plenty of room to get in and out, low susceptibility to crosswinds and low lift forces. For the first time in this BMW class a four-door version is also to be built.

Comprehensive changes to the engine, drive system, chassis and bodywork resulted in a considerable reduction of noise. Greater use of electronics, in which BMW has held a leading position for years, made a further reduction of fuel consumption possible despite greater engine capacity, and with a lower level of emissions of noxious substances. Owing to the new development of the front axle and the systematic further development of the proven BMW rear axle, driving safety and comfort have been increased once again.

With the new 3 Series BMW is being consistent in gradually offering new technical developments that have already been introduced in the large class in the other model series, too. Thus, the 3 Series is also a compact automobile that combines good handling and sporty character with top technology.

In the early summer of 1982 BMW presented the second generation of the coupé. The focal point of further devel-

opments in this series was constituted by technical achievements that noticeably increase the utility value of the automobile for the customer. By changing aspects of the body, such as a reduction in weight and aerodynamic improvements, by further optimizing the engine and taking over a modified chassis from the 7 Series, the coupés provide a standard of economy comparable to that of low-consumption middle-class limousines. Their road performance and handling, however, are those of a thoroughbred sports car.

The introduction of the new generation of coupés was followed by that of the revised 7 Series models. The main aim in developing this series was, apart from higher performance of the drive system and chassis, an improved level of economy. This was achieved by using the second generation of Digital Motor Electronics and by modifying the entire drive system. Apart from the newly designed 5-speed gearbox, a newly developed 4-speed automatic transmission deserves special note; the latter features a converter lock-up clutch to prevent reduced performance through slip losses. In the BMW 745i this new transmission combines the advantages of a manual gearbox and automatic transmission with a high degree of motoring comfort thanks to the electronic/hydraulic control system.

Apart from the revision of the current engine range and the preparations for the standard production of a 6-cylinder diesel engine with exhaust turbocharging, a 6-cylinder engine with optimized efficiency has been fully developed on the basis of the BMW eta concept and introduced in the USA and Japan. The most distinctive features of this eta concept are the changed performance characteristics with a very high torque at low and medium engine speeds and a significant reduction in the overall speed level of the engine.

The R 80 ST and R 80 RT motorcycles have been developed on the basis of the R 80 G/S which for the third time has won the title "Enduro of the Year" awarded by readers of the motorcycling journal, "Motorrad". The ST is the road version of the R 80 G/S, which is unbeatable for its handling, and with a dry weight of only 183 kg it is the lightest motorcycle in its class worldwide. The R 80 RT with an integrated fairing fitted as standard was developed particularly with riders in mind who want to travel long stretches with minimum fatigue. Both motorcycles were launched in autumn 1982.

The D 190 marine engine with exhaust turbocharging and intercooler, introduced by BMW Marine GmbH, excels by its low weight and compact dimensions and at the same time by its high performance and optimum economy. Thus, it is especially suitable for fast sports boats and cabin cruisers as well as in double units in motor yachts.

In motorsport BMW's success in Formula 1 racing in 1982 clearly confirmed the concept of the 1.5-ltr 4-cylinder turbocharged engine.

Considerable funds were required in order to achieve the aims set by research and development. With new facilities and equipment, efficiency rose once again to cope with the tasks of the future.

Thus, in the period under review new facilities for testing emissions and a new test stand center for drive and gear systems were set up. The wind tunnel has now been extended and can be used in full. Construction work has begun on an acoustic testing center.

Passive safety and weight reduction through light construction not only require modern calculating methods but also an increasing number of crash tests. A new extended crash center has been in operation since the autumn of 1982. It was also needed because of the growing number of registration standards throughout the world and because of cooperation with international associations.

All measures in the period under review served the aim of expanding the scope of applied research and development, thus providing innovative solutions to technical problems in standard development in the light of increasing competition and faster progress.

The Japanese and their BMWs

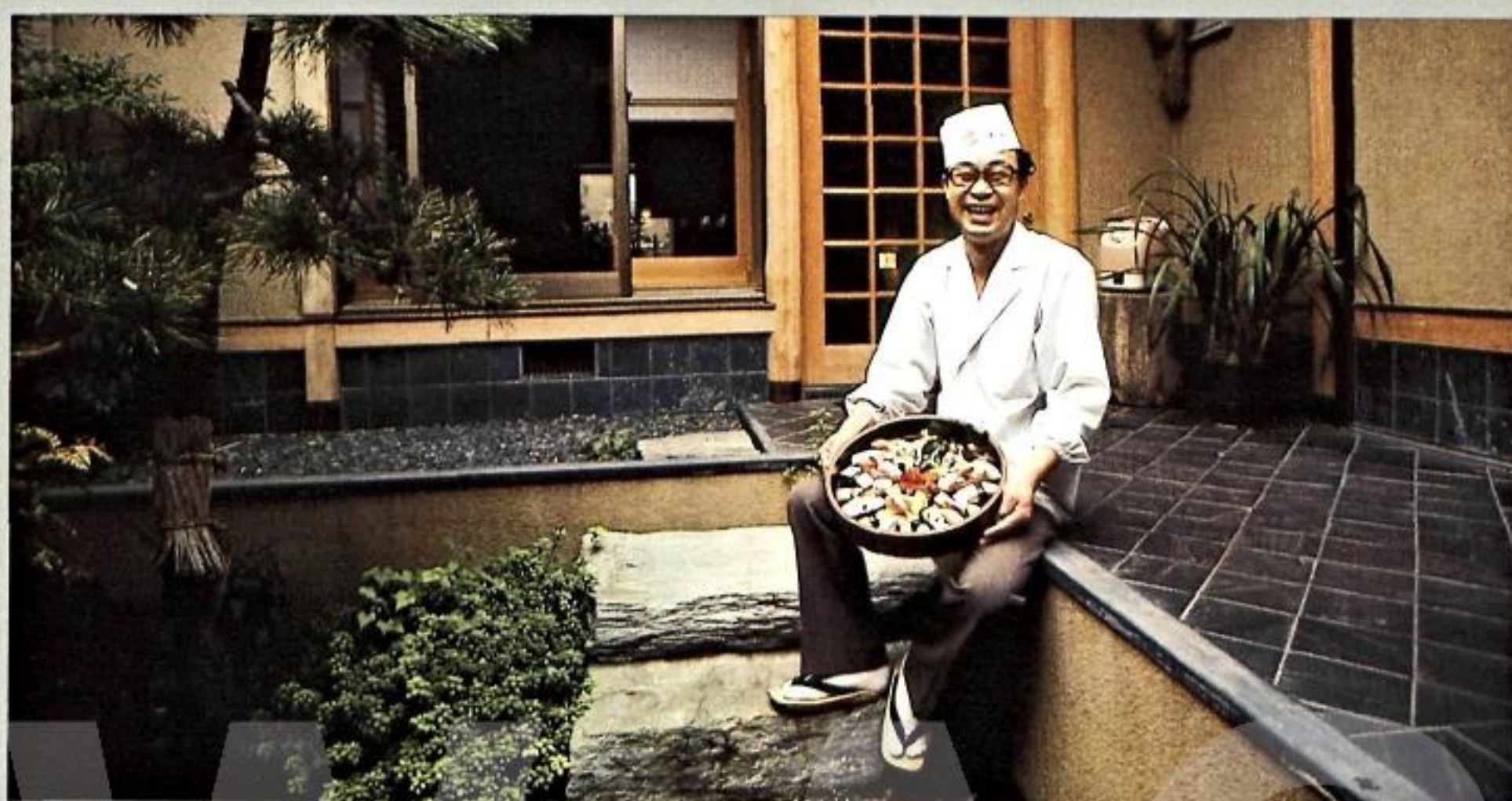
In Japan about three million new automobiles are registered each year. 99 per cent of them are made in Japan. German makes dominate amongst the few foreign vehicles.

One of these German makes is gaining ground from year to year. A growing community is embracing the philosophy that stands behind it. What kind of people are they? And what do they value in a BMW?

Tsutomu Yoshizawa, 43, owns a Sushi restaurant between Tokyo and Yokohama. Sushi is the Japanese way of preparing raw fish. "Your cuisine needs oil, ours needs water", he says.

He sees his work as a highly skilled craft. Not only the preparation of the food is an art in itself, but also the way it is served. He learnt this skill for 10 years and now he knows that he will go on learning for the rest of his life.

The BMW 318i, for a long time nothing but a dream, became reality after a lot of hard work: "It is like a work of art specially made for me", he says.



Makiko Nakamura, 33, used to dress windows. Now she arranges the scenery for photographic sessions of fashion magazines and publicity agencies, designs posters for the consumer goods industry, and is one of Japan's most sought after stylists—a very independent woman.

She shares her roomy apartment in Tokyo with her cat, Kagemaru, called after a famous Japanese spy who lived about 300 years ago. Her greatest pleasure is to ride an R 65 LS.

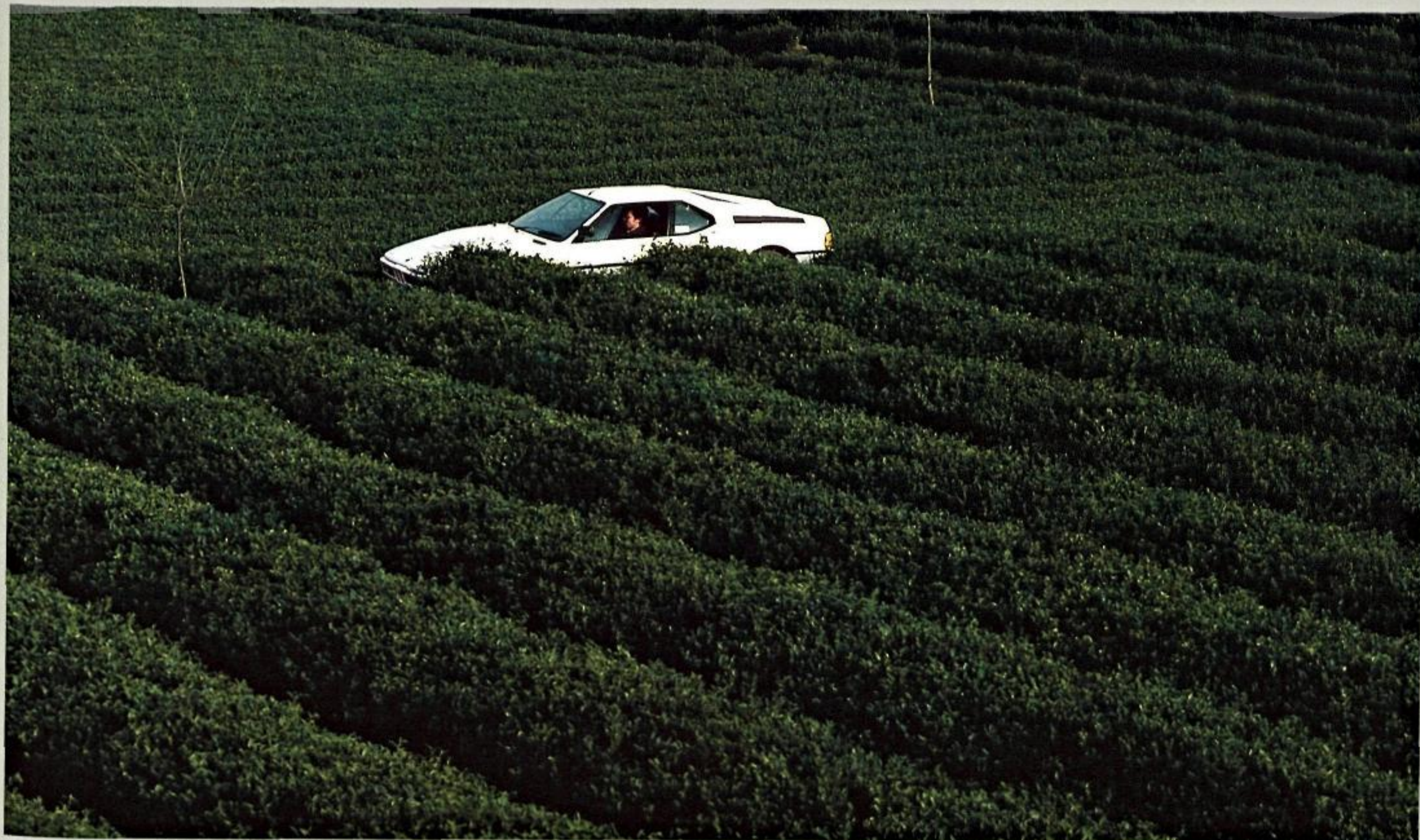
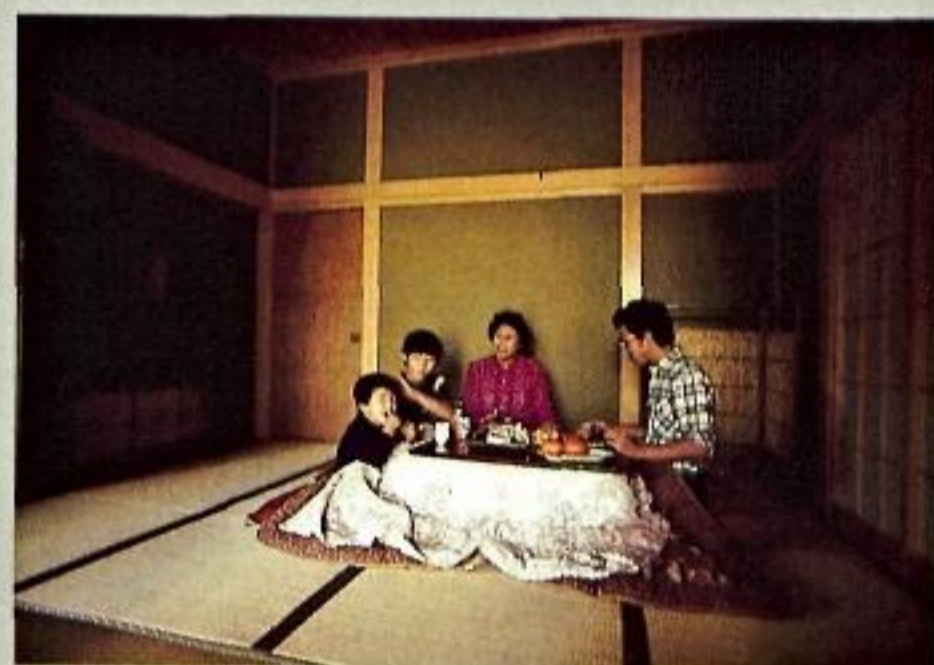
Sometimes she meets people of the same ilk. And what do they like about the motorcycles? "Their clean-cut lines, their design."



Dr. Kagehiko Hanai, 45, runs a large dental surgery with his wife in Kawagoe, not far from Tokyo. The couple and their two sons live in a country house right in the middle of a tea plantation. It has some rooms in "Western" and others in "Japanese" style. But the family's cars are all BMWs, as if this make embodies both worlds at the same time.

The 3.0 CSi is used to go to the surgery every day; the 320i is for shorter errands and the M1 is for relaxing excursions on the weekend.

Dr. Hanai finds "the same philosophy" in all three. And that is? "... pure pleasure."



Mitsuhiro Kurokawa, 39, is Vice President of Toraya, a company with 450 employees and 67 shops all over Japan as well as one just recently opened in Paris. Toraya, the tiger shop, was founded 450 years ago as a cake bakery and is now a real factory.

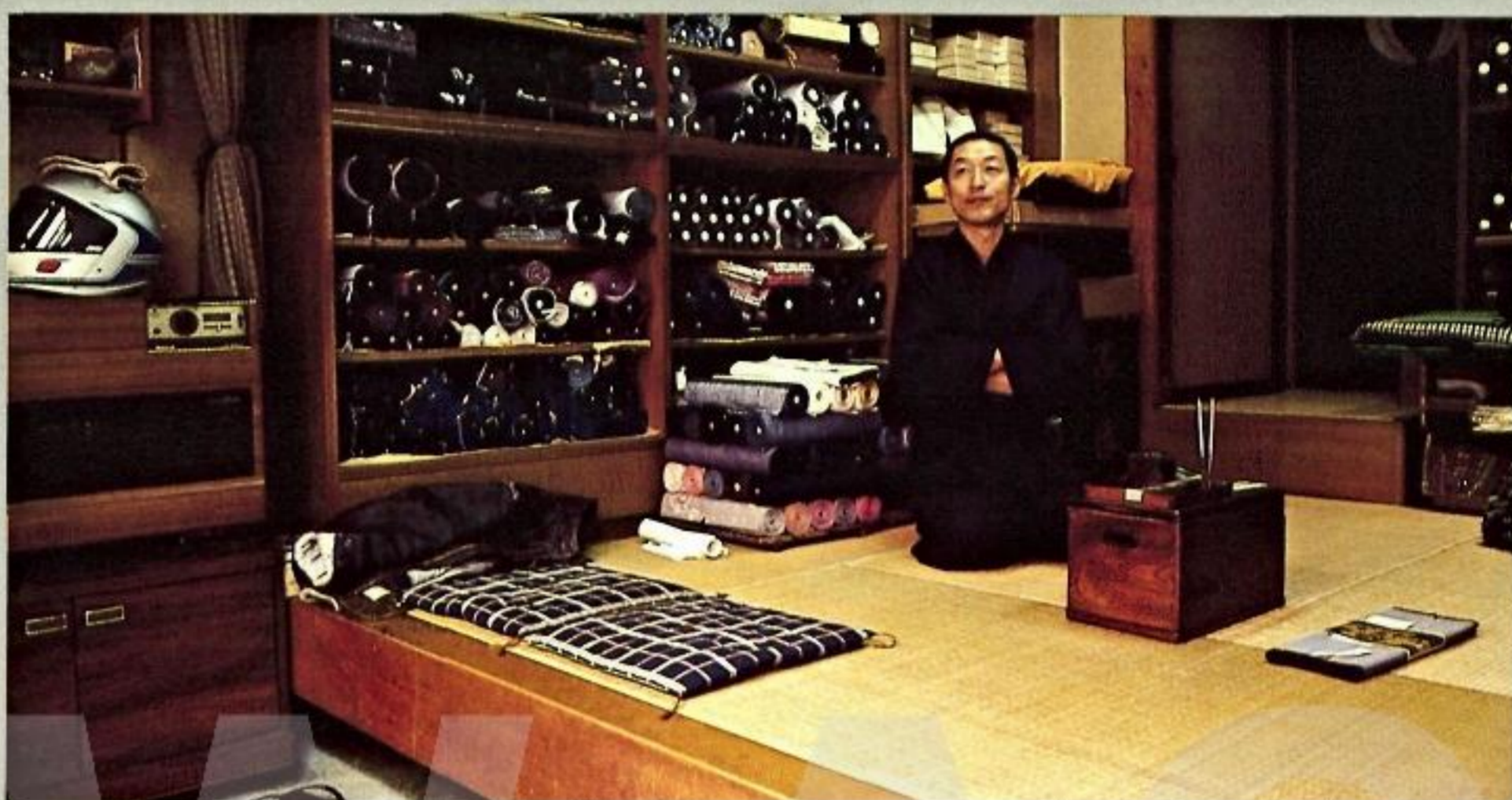
The company is particularly famous for Wagashi, a traditional cake which became the symbol of Japanese culture together with the tea ceremony.

This style of culture is marked by concentration, tasteful conduct and simplicity of utensils. At Toraya this includes the Japanese stone garden of almost Zen-Buddhist austerity; and — for Mitsuhiro Kurokawa — the 3.0 CSI.



Takeshi Saito, 49, sells kimono materials in the Ginza. Business is best before Shichi-go-san, the feast of the seven-, five- and three-year-old children, who then in their new kimonos visit the Shinto shrines as pilgrims. He fits out brides and women who want splendid new clothes for the New Year festival.

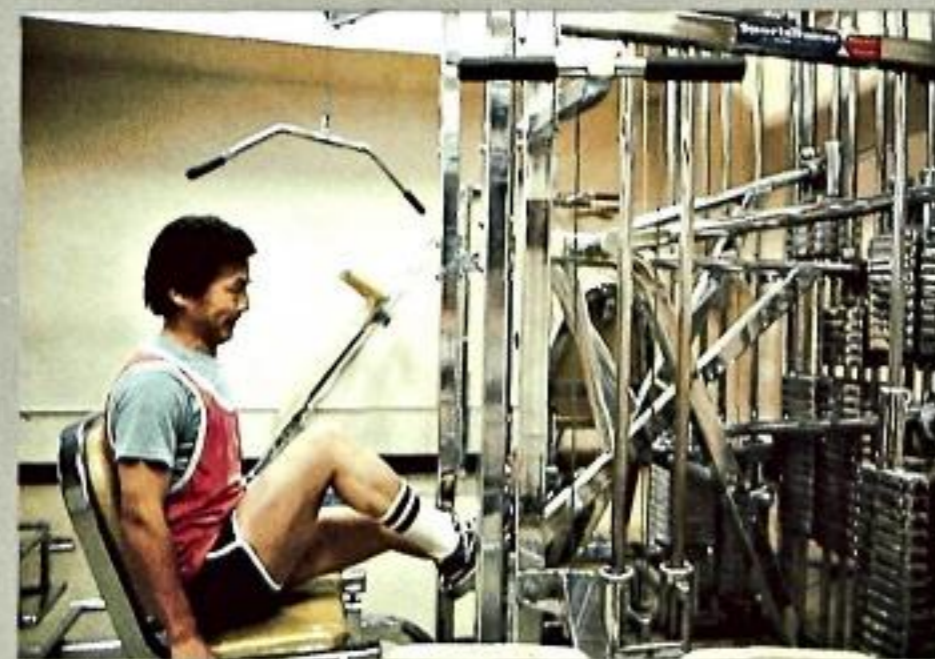
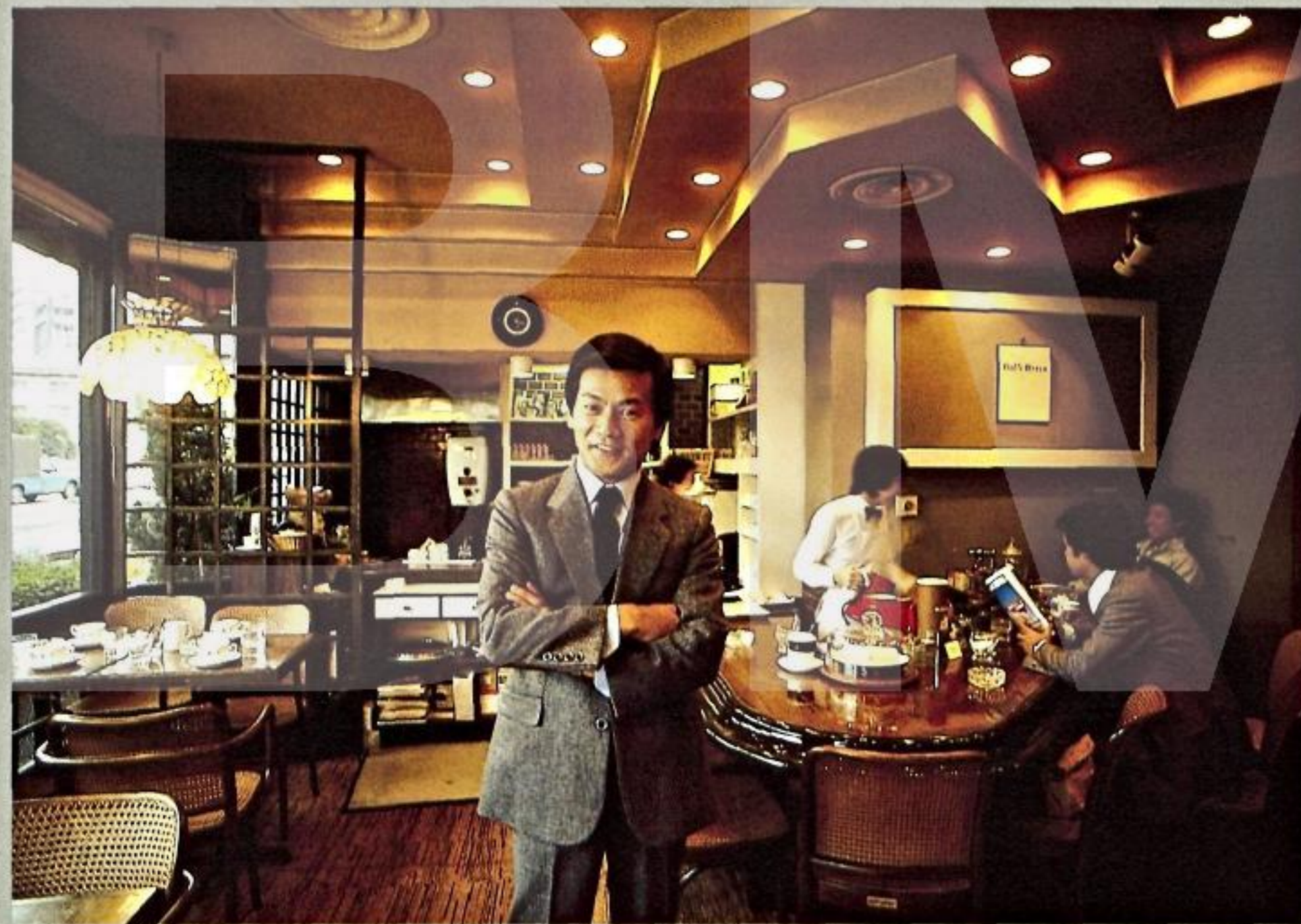
He finds the R 100 RS, his sixth BMW, splendid, too. He parks it right in front of the shop and his helmet then becomes part of the interior decor.



Yujiro Nishida, 38, was the manager of a travel agency and then a golf center before he began producing coffee filters. Today, apart from the filter business, he owns two coffee houses; one of these, the "Café Greco", is well-known throughout Tokyo.

A Japanese selfmade man, he finds time to keep up a fitness program in the evening and play golf on quieter weekdays. He practises his sport with unusual powers of endurance; undoubtedly a contrast to the "coffee culture".

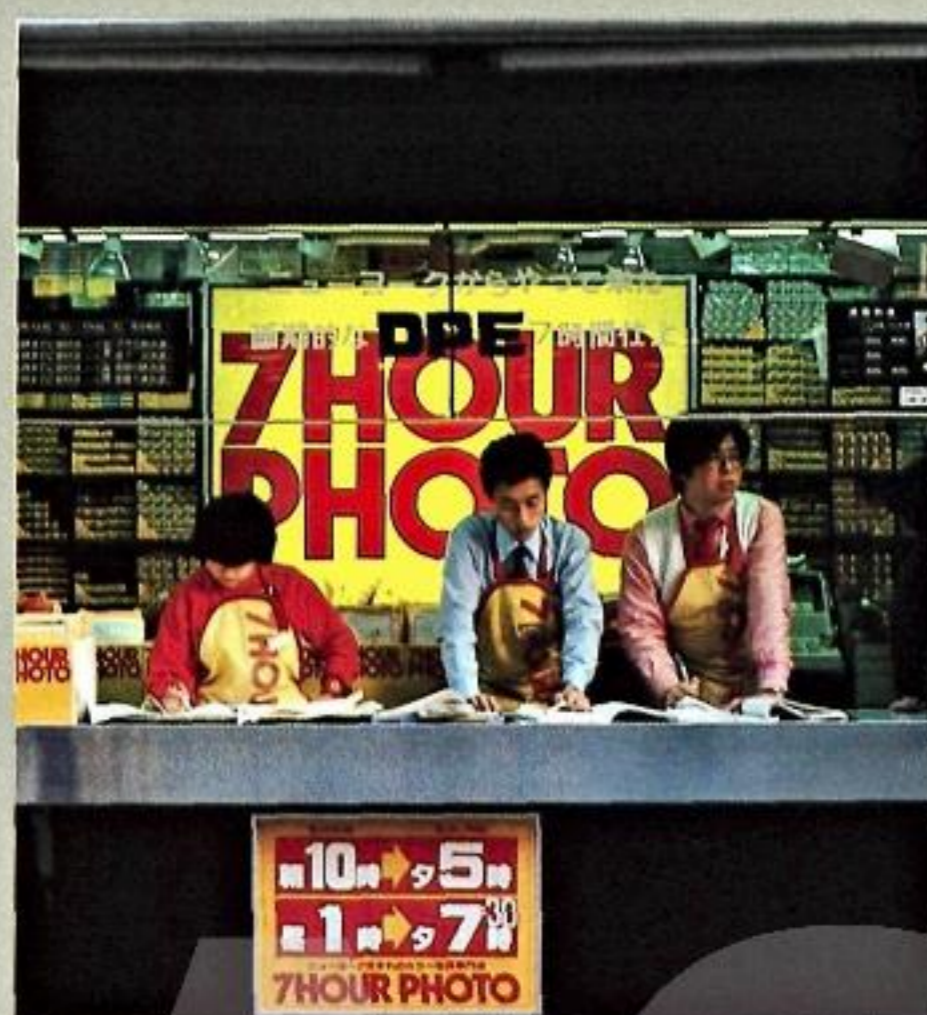
As a sportsman, he bought himself a BMW 2000 many years ago. Today, as a family man, he drives a 528e. He would not like to miss the comfort of this car.



Kimio Doi, 56, collects old BMWs. There are more than 20 in his garage, most of them snow-white automobiles that reflect the last 25 years of BMW's history. They include a BMW 507, one of the even rarer 503 models . . .

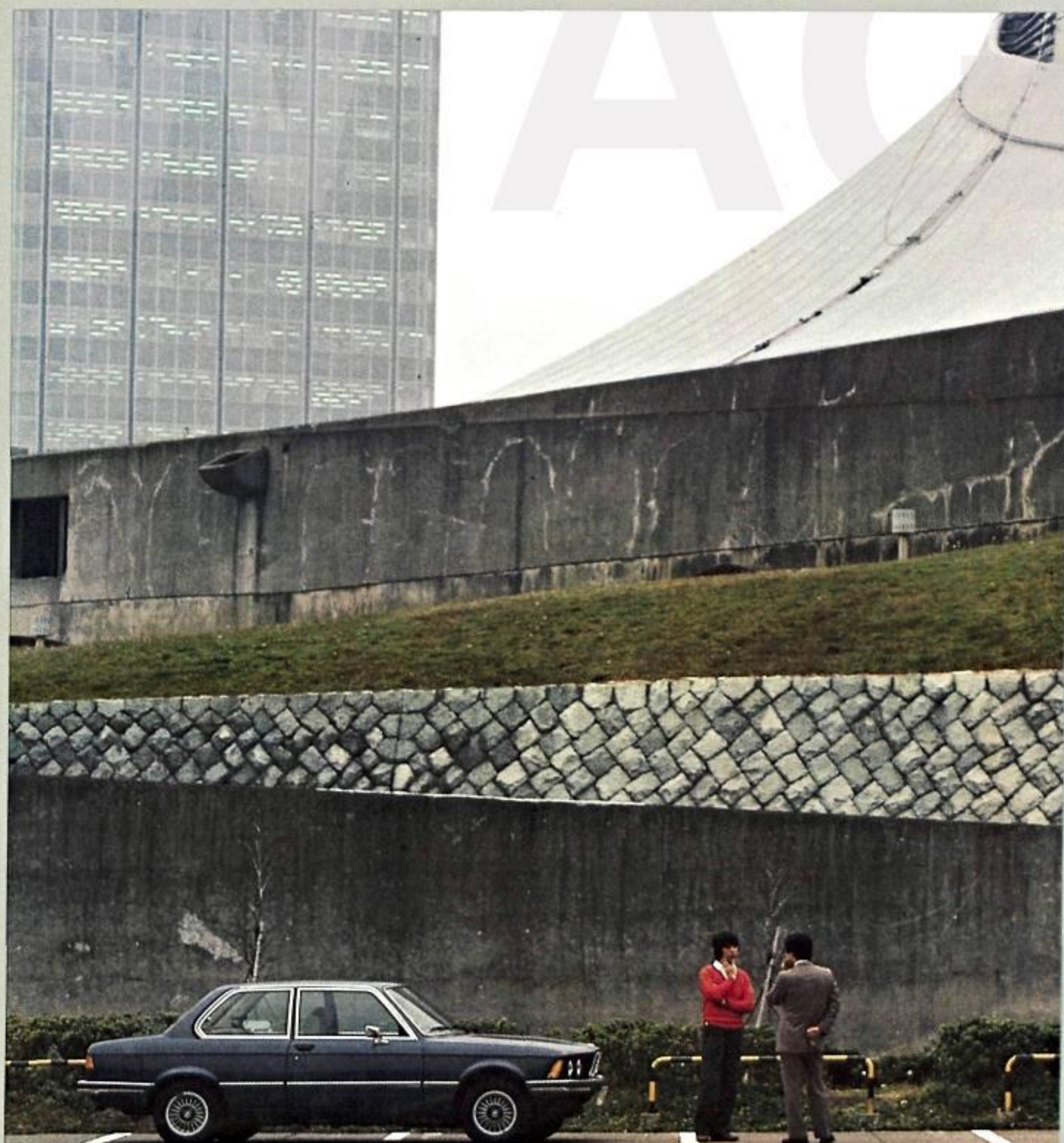
They are all in full working order. Occasionally Kimio Doi takes them out and has them driven to the meetings of the BMW Club of Japan. This makes the eyes of many a fan widen and light up.

The Doi Camera Ltd., which enables its owner to indulge in such a rare pleasure, has grown from a small photography business that an uncle used to run in Osaka. Today it is Japan's largest photographic trading company.



Motomi Kawakami, 41, designer by profession, loves the functionality of his 320i; the steering wheel, the controls and handles, the gear-shift. He knows his way around and he knows the world. From 1966 to 1968 he worked in an architect's office in Milan. In 1977 he won the first prize at the International Chair Design Competition in the USA, and in 1981 the prize for "good industrial design" at the Hanover Trade Fair.

He was a teacher for years at his alma mater, the National School of Art. Today he has his own design studio in Tokyo and works there with Mitsko, his wife, and an assistant.



Yoshinobu Kobayashi, 45, has a farm a long way outside the city. He grows about 20 different types of vegetables which he largely processes himself after harvesting. Greenery is removed from radishes, for example, before they are cleaned and hung up to dry; afterwards they are cut into slices and put down in a pickle for 20 days to make "Tsuke-mono". Other vegetables, like spinach, are made into conveniently sized bundles. Yoshinobu Kobayashi supplies the markets of the outlying districts of Tokyo.

The farmhouse is 150 years old. It houses Yoshinobu Kobayashi and his wife, their three children and his parents. A Shinto and a Buddha altar bear witness

to the family's piety. White notes with the monks' prophecies sometimes hang in the boxtree, or else a carp made of paper, to bring the house good fortune.

"There are not many cars you can be proud of", says farmer Kobayashi of his 318i. He likes the solidity of the vehicle, the way it feels when he drives it; he keeps it as spanking clean as his house and produce.



Yoshie Doi, 51, has a Ryokan in Ito, a traditional holiday resort 110 km from Tokyo. There are hot springs in Ito which are good for rheumatism and gout. Mrs. Doi's guesthouse is thus called Shushuien (Beautiful Water).

She is the boss, as the job of running such a traditional type of Japanese hotel is reserved for women. The women of the Doi family have been running Shushuien for 80 years. All the members of the family work there: her husband, her daughter, her son-in-law and her son. Her parents and grandchildren are the only exception. They are driven in the 320i while all the others clammer to drive them.



Workforce and Social Report

At the end of 1982 BMW employed almost 47,500 people worldwide, nearly twice as many as ten years ago. In the Federal Republic of Germany the number of employees grew to almost 42,000 for the first time. Since 1972 BMW has created 17,000 new jobs in Germany.

At 6%, the increase in the number of people employed by the Group in 1982 was greater than at BMW AG; this has been the case for five years now and is due to the continuous growth of international business. In the year under review BMW Motoren Gesellschaft in Austria became a wholly-owned BMW subsidiary; the plant in South Africa was considerably expanded; the Spanish marketing subsidiary assumed its activities.

While there was a 2% increase of the workforce at BMW AG, automobile production rose by 8%. Once again, rationalization schemes that have been developed for years with high investment costs proved successful.

In the year under review the structure of the workforce changed slightly. The share of productive labor remained almost stable; in sectors with heavy or monotonous work it even dropped as a result of highly automated production facilities. The share of indirect labor decreased. In the administrative sector the rationalization schemes introduced in recent years were continued with a further streamlining of structures for good results. The share of salaried employees amongst the total workforce nevertheless rose slightly since, as in the past, the Research and Development Division in particular was further expanded to deal with new tasks.

At the Munich headquarters the number of employees increased accordingly; in the Munich-Milbertshofen plant it remained at the level of the previous year. Altogether just under 22,000 people were working at BMW in Munich at the end of 1982.

In connection with the increase in production, the Dingolfing plant employed over 600 people more, bringing its total workforce up to over 14,000. The Landshut plant employs 1,100 people in the meantime. As the largest employer in Lower Bavaria, BMW thus continues to have a positive influence on the employment situation of this structurally weak region. The unemployment rate in the labor exchange district concerned was once again far below the average.

A workforce policy aimed at long-term job security cannot be achieved without considerable efforts to increase productivity. The Company's employees have again made a substantial contribution to such increased productivity in the year under review. The Board of Management of BMW AG thanks all employees for their cooperation and efficiency.

The Company has further improved conditions for the development of individual performance with various means and schemes.

These include training. At BMW the share of apprentices in the total number of employees is traditionally above the average of the automobile industry. It rose again in 1982 as the number of apprenticeships was increased by 10% in order to contribute towards reducing unemployment amongst young people. Nevertheless, the demand for apprenticeships once again exceeded by far the places available. This reflects BMW's reputation for high-quality training as well as the justified expectations in the future of the Company and the entire automobile industry.

At the end of 1982 BMW AG employed a total of 1,889 apprentices, trainees and employees undergoing job conversion. In the course of the year almost 1,000 students were offered the opportunity of participating in trainee programs, usually lasting for several months.

Initial training is provided in 36 recognized professions, 28 of which are in the industrial and technical and 8 in the commercial field. Over 600 young people started their training in 1982. Almost 500 completed their training courses successfully in the year under review; nearly all of them are employed at BMW in the job they have learnt. This also includes children of foreign BMW employees who had participated in a preparatory apprenticeship training course beforehand. This trial scheme was continued in the year under review with a new group.

Other schemes and programs to link training and practice were also continued. These include the trainee pro-

Social Expenditure of BMW AG

in million DM

Legal and Collective Social Expenditure

| | 1982 | 1981 |
|--|--------------|--------------|
| Social security contributions | 271.7 | 249.7 |
| Sick pay | 73.3 | 77.7 |
| Paid public holidays | 57.8 | 58.1 |
| Collective vacation pay (50 %) | 79.3 | 74.9 |
| Capital savings payments | 19.8 | 19.4 |
| Other collective pay | 14.7 | 12.9 |
| Collective part of 13th month wages and salaries | 41.2 | 40.0 |
| | 557.8 | 532.7 |

Operating Social Expenditure

| | | |
|--|-------------|-------------|
| Canteens, travel expenses, housing subsidies, health care etc. | 56.4 | 53.1 |
|--|-------------|-------------|

Additional Social Expenditure

| | | |
|---|--------------|--------------|
| Old age pensions and benefits | 73.6 | 53.9 |
| Christmas bonus and profit sharing (voluntary part) | 140.7 | 117.6 |
| Other benefits such as long-service and loyalty premiums, times-off, additional vacation etc. | 22.4 | 22.3 |
| | 236.7 | 193.8 |
| Total | 850.9 | 779.6 |

Workforce Development

| | 1982 | 1981 |
|------------------------------|--------|--------|
| BMW Group (worldwide) | 47,466 | 44,648 |
| BMW AG | 40,738 | 39,777 |
| thereof: | | |
| Head office and Munich plant | 21,901 | 21,609 |
| Dingolfing plant | 14,020 | 13,372 |
| Landshut plant | 1,102 | 1,045 |
| Motorcycle division | 2,039 | 2,087 |
| BMW regional offices | 1,676 | 1,664 |

gram for qualified university and technical college graduates; here too the number of applications was many times the increased number of places to be filled.

In 1982 BMW continued to participate in the technical college model with a group of final year school students in the field of mechanical engineering. This scheme had been started upon the initiative of industry in order to counteract in the long term the problem of a shortage of engineers with practical experience by alternating theoretical and practical training.

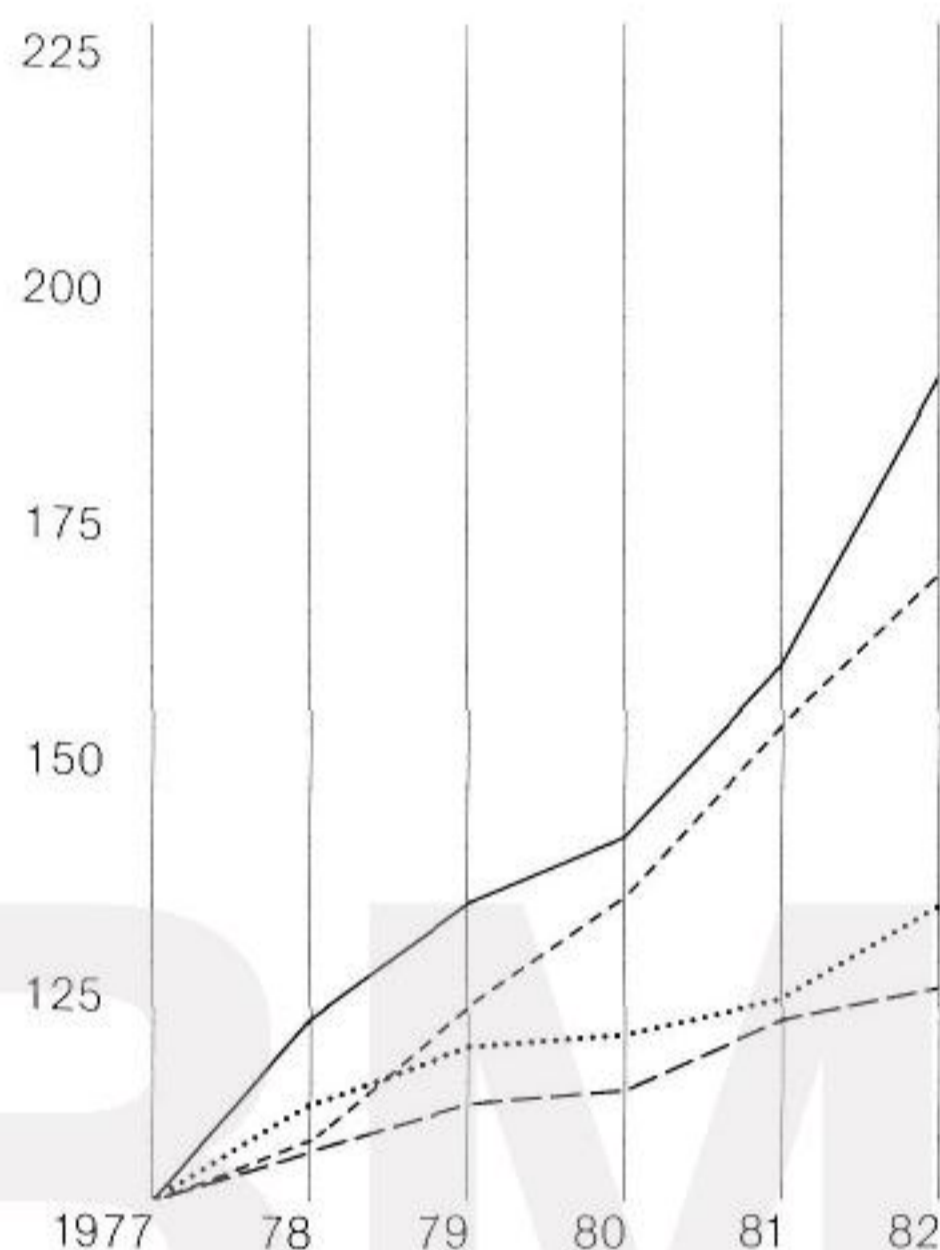
Further training is in the interest of both the company and the employees in search of professional advancement. Further training was increased again in the year under review.

Apart from the training of managerial staff, one of the focal points was the specialized further training of BMW employees. In the light of technological change in all spheres of the Company, programs were needed to pass on concrete knowledge on the application of new technologies. Several hundred employees of the Munich and Dingolfing plants were prepared specifically for changed working conditions due to the use of industrial robots.

Another focal point in the workforce sector was the "learning shop". At over 1,900 learners, the number of participants doubled compared with the previous year. For several years BMW has used this pattern, developed at the Company, to creatively solve the problems of workers and foremen in production by way of groups formed "on the spot". Innovation, product quality and planning efficiency have been influenced positively.

In 1982 BMW invested approximately DM 16 million in further training schemes of all kinds, almost twice as much as three years ago. The number of participants rose to almost 17,000, a fifth more than in the previous year.

The Company's suggestion scheme is an expression of the employees' awareness of problems and their com-



Sales in million DM

Workforce expenditure in million DM

Automobile production

Workforce at end of year

Workforce Expenditure Sales, Workforce and Production of BMW AG ¹⁾

Index: 1977 = 100

Sales

Workforce expenditure

Automobile production

Workforce

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 5,959.2 | 6,560.3 | 6,898.5 | 7,822.1 | 9,371.6 |
| 1,439.2 | 1,626.3 | 1,781.1 | 2,030.8 | 2,243.8 |
| 320,853 | 336,981 | 341,031 | 351,545 | 378,769 |
| 35,171 | 36,777 | 37,246 | 39,777 | 40,738 |
| 78 | 79 | 80 | 81 | 82 |

¹⁾ since 1981 including motorcycle division

mitment to the concerns of the Company. The number of measures actually used from the large variety of suggestions submitted rose to a record level; the resulting savings and the bonuses paid thus developed accordingly.

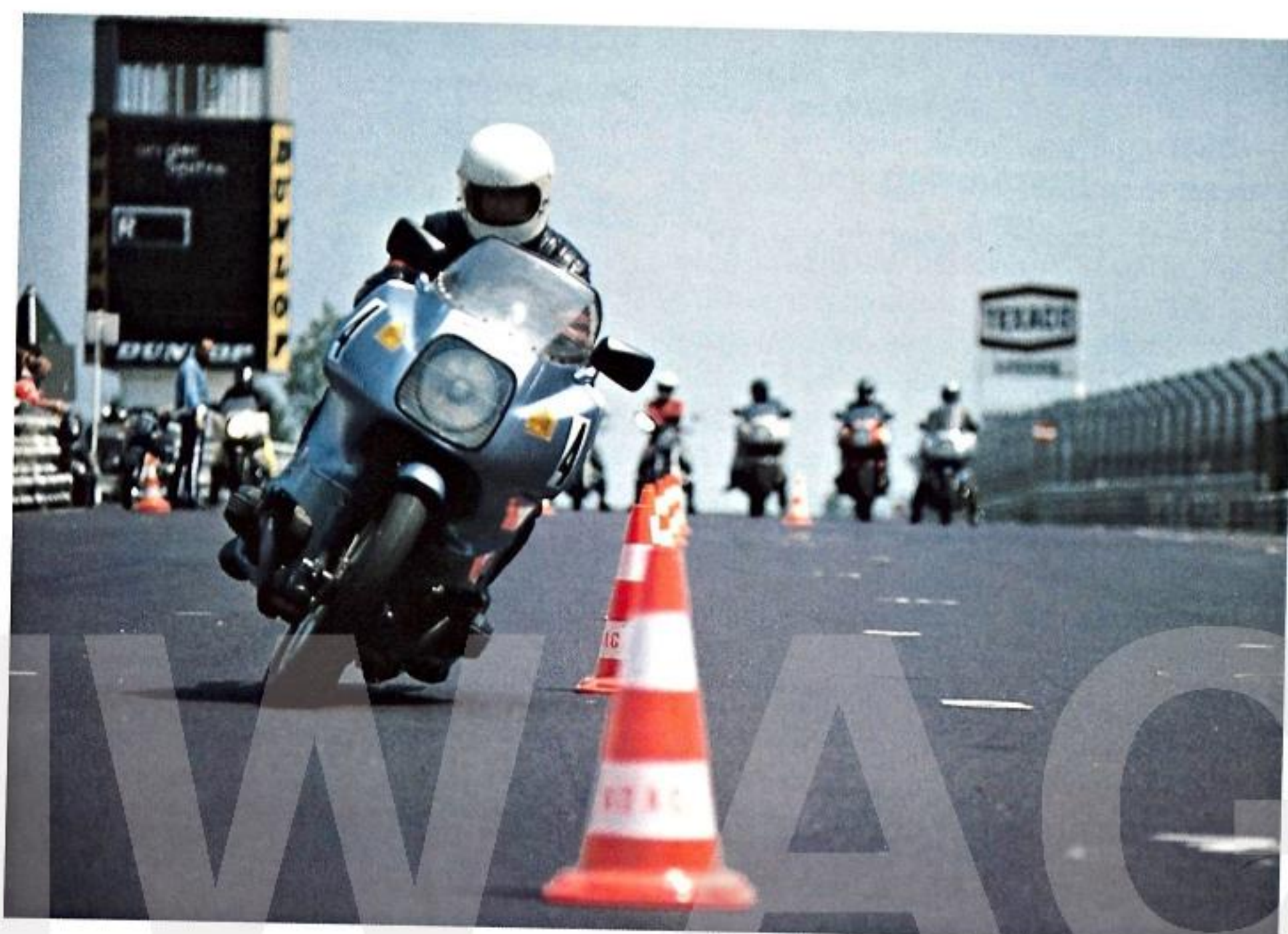
Safety provisions, health care and work organization were continuously improved as in the past. In spite of the increased number of employees and the rise of production, the number of accidents and their severity dropped again by a considerable margin. Thanks to intensive safety programs at BMW in 1982 the number of accidents was about one third below the average within the trade association. The sickness rate also decreased substantially, partly as a result of these measures. The situation in the labor market may also have played a role; similar developments were observed in varying degrees within the automobile industry and in the economy as a whole. The fluctuation of the workforce also decreased.

Sports activities are an important component of the Company's health policy. Participation has risen steadily over the last few years and is clearly higher than in many comparable large companies.

A study begun in 1979 and promoted by the Federal Ministry of Research and Technology on the possibilities of integrating physically handicapped employees is about to be concluded. Its aim is to select, develop and try out suitable workplaces.

In the year under review measures to improve the workplace environment were continued. In the administrative sector repercussions of new technologies and new types of work organization in word processing were studied. The analysis of workplaces in the design sector, which began in the previous year, was also continued.

Measures were also taken to make working hours more flexible. Part-time work is one of the possibilities. Employees' wishes for an individual, shorter working week were met to a certain extent, in as far as they did not clash with



Safe motoring is not a matter of course. Perfect control over a vehicle is a skill one can learn. This is why the Association of BMW Clubs has already invited its members 20 times to practise correct driving on the Nürburgring. Here it is fun to drive quickly and yet safely.



Company interests. Experience with this type of work organization has been good so far. Studies on more flexible working hours are being continued.

The total workforce expenditure of BMW AG – wages and salaries, social contributions, old age pensions and benefits – rose by 10.5% compared with the previous year to DM 2.24 billion. The increase is due to the rise in collectively agreed wages and salaries from March 1, 1982 by 4.2% (a lump sum of DM 120 was paid for March) as well as to the increasing size of the workforce. Other factors are the further increase of social contributions and the improvement of company benefits.

For the first time for many years, wage-related additional costs did not increase in 1982. However, these costs are still at practically the same level as the wage costs for the actual work done. The wage-related additional costs are one of the main reasons why the German automobile industry takes a top place in international wage cost comparisons.

In 1982 a profit share of DM 51 million was paid to employees for the 1981 business year. The Christmas bonus rose by DM 10 million compared with the previous year to DM 118 million due to the increase in the workforce and collectively agreed and individual wage and salary increases. DM 41 million of this amount were collectively negotiated and DM 77 million were voluntary payments by BMW AG.

In the year under review DM 13 million were paid for Company social benefits to 3,653 retired employees and surviving dependents. This results in an additional average pension provided by the Company of almost DM 300 per month. At the end of 1982, due to statutory provisions, 490 former employees who had not reached the age of retirement had non-lapsable qualifying periods for benefits from the Company old age pension scheme; this was about 30% more former employees than in the previous year.

BMW spent DM 20 million in 1982 on financial savings plans for its employees as part of the collectively negotiated payments in accordance with the so-called "624-Mark-Law".

In addition, the establishment of financial savings was encouraged by the issue of registered dividend right certificates (pursuant to section 221 AktG, Corporation Law) with an unlimited term. With profit shares equal to the dividend paid per share, employees participate directly in the success of the Company. The Annual General Meeting had approved this financial saving concept in 1980.

In 1982, according to their years of employment and provided they reinvested amounts that had matured from the 1976 financial savings program, employees were able to subscribe to as many as 25 registered dividend right certificates with a face value of DM 50 each, i.e., five more than in the previous year. At 23%, participation of the employees entitled to subscribe was slightly below the level of past years. Owing to the higher subscription rights, about 145,000 certificates were issued at a total face value of DM 7.25 million in 1982, i.e., 41,000 certificates more than in 1981. At the end of 1982 over 12,000 employees with a total of DM 31 million and an average of DM 2,600 per subscriber participated in the Company's financial savings program.

The low-interest loan program for the purchase of housing by employees was expanded in 1982. At the end of the year BMW was promoting a total of 800 properties with loans totalling more than DM 15 million.

Subsidiaries

Bayerische Motoren Werke
Aktiengesellschaft, Munich
Common stock: DM 600.0 million

| | Domestic | Foreign |
|--|---|---|
| 100%* BMW Leasing GmbH, Munich DM 10.0 million Leasing of automobiles and motorcycles | 100%* Bavaria Wirtschafts- agentur GmbH, Munich DM 0.2 million Arrangement of insurances and other services | 100% BMW Holding AG, Zurich, Switzerland SF 10.0 million Holding |
| 100%* BMW Marine GmbH, Munich DM 6.0 million Production and marketing of marine engines | 51%* Bavaria-Lloyd Reisebüro GmbH, Munich DM 0.05 million Company travel service and tourism | 100% BMW Belgium S.A./N.V., Kontich, Belgium BF 66.0 million Marketing of BMW products |
| 100%* BMW Maschinenfabrik Spandau GmbH, Berlin DM 6.0 million Industrial company | 100%* Schorsch Meier GmbH, Munich DM 0.3 million Marketing company | 100% BMW Services Belgium S.A./N.V., Kontich, Belgium BF 500.0 million Service company |
| 100%* BMW Motorrad GmbH, Landshut DM 0.02 million Industrial company | 100%* Fahrzeug- und Maschinen- fabrik GmbH Landshut, Landshut DM 0.3 million Property company | 100% BMW (Schweiz) AG, Dielsdorf, Switzerland SF 0.5 million Marketing of BMW products |
| 99%* BMW Motorrad GmbH + Co., Munich Marketing of motorcycles | 1%* BMW Kredit Bank GmbH, Frankfurt/M. DM 15.75 million Finance company | |
| 100%* BMW Motorsport GmbH, Munich DM 0.02 million Participations in motorsport, production and marketing of products for motorsport | | |

Important interests
held by BMW AG
in May 1983

* Included in the 1982 con-
solidated financial statement

Development of Subsidiaries

BMW Leasing GmbH, Munich

After extraordinary growth rates in recent years, the demand for leased automobiles in the Federal Republic of Germany was weaker in 1982 than in the year before. The number of leased automobiles increased by 7% at the end of the year to about 300,000 units; in 1981 it had risen by 40%.

BMW Leasing GmbH was no longer able to escape the sustained weak level in the automobile business. Nevertheless, the number of contracts concluded by the company increased by 8% in 1982; its share in the total number of leased automobiles was just under 10%. Thus, it holds second place amongst the leasing companies in the Federal Republic of Germany that are linked with a manufacturer. Every tenth new BMW registered in the Federal Republic of Germany is a leased automobile.

In view of the broader range of BMW models and the support of the dealer organization, business is expected to develop positively in 1983, especially business with major customers.

BMW Marine GmbH, Munich

The international market for marine engines was again on the decline in 1982. Decreasing incomes in real terms and high interest rates in major export countries, such as in the USA, Great Britain and the Scandinavian countries, curbed demand.

In spite of unfavorable market conditions BMW Marine GmbH managed to slightly increase its sales of engines. This was possible because of more intensive marketing activities such as the development of new markets.

Sales clearly increased because of the great demand for the new 6-cylinder diesel engines at the upper end of the product range. In the autumn of 1982 the choice of models offered was completed by a 6-cylinder turbocharged diesel with intercooler.

The production capacities allocated to BMW AG since the autumn of 1980 for parts and prototype parts were also assigned to the Munich plant in terms of company organization at the beginning of 1983.

The company's profit was again influenced by even keener competition. Only a limited upswing is expected in the marine engine market in 1983.

BMW Motorrad GmbH + Co., Munich

This company sells BMW motorcycles, parts and accessories for motorcycles throughout the world.

The development of the motorcycle business is described in a separate section (see page 20).

Bavaria Wirtschaftsagentur GmbH, Munich

This company is responsible for the permanent control and placement of insurances for the BMW Group worldwide. Its services also include the advice and arrangement of private insurances for BMW employees and increasingly for clients not belonging to the BMW Group.

The positive development of business in the last few years continued in 1982. In particular, the foreign department again achieved above-average growth. This was mainly due to the increase of BMW AG's exports. Turnover and profits again rose substantially.

In 1982, Bavaria-Lloyd Reisebüro GmbH, Munich, continued to develop favorably as in past years. High growth rates were achieved both in the business travel service, which also provides an increasing range of services for industrial and private clients, and in the field of organizing conventions and special events. The tourist sector also developed more favorably despite the general pressure of competition in the travel business. Turnover and earnings were correspondingly good.

In view of the attractive range of services they offer, both companies expect continued growth of their business.

Schorsch Meier GmbH, Munich

This company did not quite reach the high level of sales of recent years because of the continuing recession in the domestic automobile business. Sales and earnings in 1982 were completely satisfactory.

BMW Motorsport GmbH, Munich

In 1982 Formula 1 racing cars were fitted with BMW engines for the first time. Powering a Brabham, the 1.5-ltr 4-cylinder turbocharged engine developed by BMW scored one victory, several placings and a total of 22 world championship points in just 10 races. This power unit comprises the engine block of the standard 4-cylinder engine; thus, even in the top class of motor racing there is still a link with standard production.

The high technical level of BMW engine technology was also apparent in Formula 2 racing in 1982. For the sixth time BMW engines won the European Formula 2 Championship. More than three-quarters of all the competitors in Formula 2 use BMW engines.

In the European Touring Car Championship a BMW 528i was successful in the driver classification. A Group A BMW 635 CSi was developed for standard production motor racing; it started the 1983 season with a win in the first race.

BMW's driver training courses were continued in 1982. They aim at contributing to greater traffic safety by improving drivers' control over their vehicles. All the courses were fully booked.

The company's activities in 1983 will again center on the development, production and maintenance of engines for Formulas 1 and 2.



Racing for the first time in 1982: the BMW Formula 1 engine; Nelson Piquet won 22 world championship points in a Brabham BMW. Mechanics from BMW prepared the car carefully before each race. BMW was successful in touring car racing, too. A Group A BMW 528i driven by Helmut Kelleners and Umberto Grano won the European Touring Car Championship.



In all, the 1982 business year was again pleasing for BMW's foreign subsidiaries. In view of the significance of foreign business for BMW, separate reports have been compiled below on the important companies and their markets.

**BMW of North America Inc.,
Montvale, N.J., USA**

In the USA automobile registrations fell in 1982 to just under 8 million units and thus dropped to the lowest level for 20 years.

This affected particularly the US manufacturers whose range of models has been fundamentally revised at great expense but has not yet been received on the market as expected. Imported automobiles, on the other hand, maintained the level of sales achieved at the end of the 1970s, namely over 2 million units. Although in the year under review registrations of imported automobiles declined by 4.5%, also because of the import restriction on Japanese automobiles, their market share rose to a record level of 28% as the total market shrank even more.

In the market sector of high-performance luxury saloons, the number of registrations rose by 12% to one million automobiles. Here again, preference was given to imported automobiles from Europe.

For BMW of North America 1982 was an especially successful year. With over 52,000 automobiles, company sales exceeded the previous year's figure by almost 11,000 units or more than one-quarter; in absolute terms, this was the highest increase of all automobile importers in the USA.

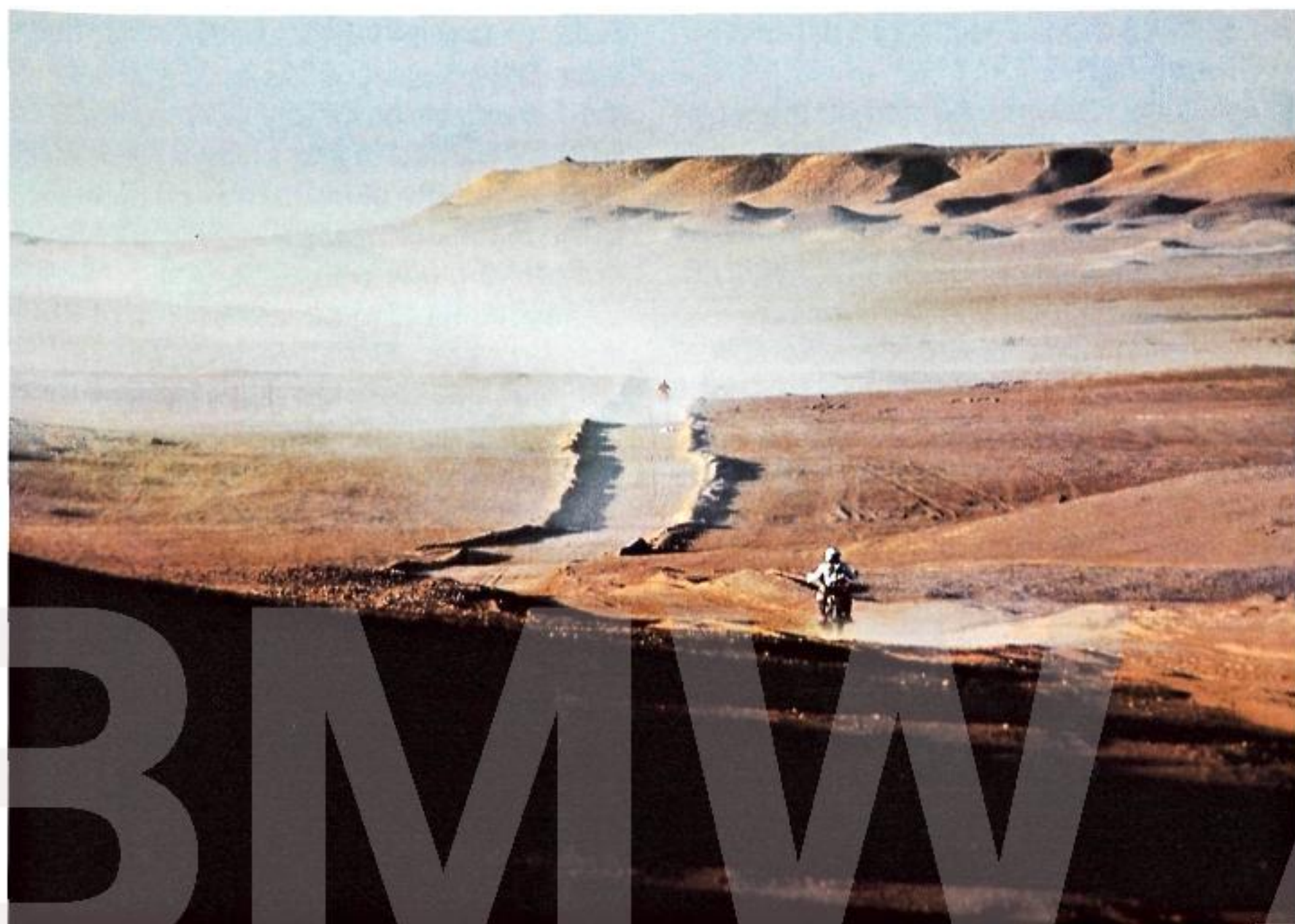
Demand for the 5 Series was two-thirds greater than in 1981. This was due particularly to the introduction of the BMW 528e driven by an efficiency-optimized 6-cylinder engine based on the BMW eta concept. Similar increase rates were achieved by the BMW 7 Series automobiles. Registrations of BMW coupés went up by one-third. The United States was therefore the most important foreign market for the large BMW class in 1982.

Sales of the BMW 3 Series were just as pleasing. In spite of the model change, 36,000 3 Series models were sold, more than ever before in a single year.

The share of 6-cylinder models in the total sales of BMW of North America has risen from just under 24% to over 30%.

The systematic improvement of the customer service organization has contributed substantially to this development. The organization now includes over 400 dealers. With the establishment of a new regional office in Atlanta/Georgia BMW now has five such marketing and customer service centers in the USA. In spite of long distances the existing system therefore ensures that dealers are supplied and catered for at short notice.

| Automobile registrations 1982 | Units | Change |
|-------------------------------|-----------|---------------|
| | | cf. 1981 % |
| Total Market | 7,977,600 | - 6 |
| BMW | 52,400 | + 25 |



In January 1983 the Frenchman, Hubert Auriol, won the Paris-Dakar Rally, the most difficult of the world's long-distance races, for the second time after 1981. He achieved this victory over strong Japanese competition on a 1000 cc BMW.

BMW France S.A., Bois d'Arcy, France

The change in French economic policy led to a decline in economic activity in 1982. Nevertheless, consumer demand remained lively, particularly for imported goods.

The automobile market clearly recovered after setbacks in the two previous years and for the first time exceeded the threshold of two million new registrations. The French manufacturers were able to benefit only in part from the revival of demand, mainly because of their production losses due to strikes. The share of automobiles manufactured abroad rose to over 30%; all the major automobile manufacturing countries of Europe and also Japan shared in this development, each with a high increase rate.

More than half of the increase in imports in 1982 was constituted by automobiles made in Germany. Adjustments of the exchange rate and increased efforts by the government to give French products advantages in competition did not have a decisive effect on the demand for imported goods in the year under review.

BMW France continued the unusually large increase in its volume of business already attained in the previous year. New registrations of BMW automobiles have almost doubled within two years. In 1982 France became the most important foreign market in Europe for BMW.

The new BMW 5 Series played a special role in France, too; while there were only slight changes in the overall market sector, demand for this model series was more than twice as high in the year under review as in 1981. The BMW 3 Series, whose comparable class achieved the highest growth rate at about 20%, held its market position in spite of the approaching model change. In the BMW 6 and 7 Series the figures of the previous year were attained even though tax disadvantages continued to be imposed on the owners of large automobiles. In the case of the BMW 7 Series demand continued to shift towards the 728i which is

less burdened by tax legislation than the larger models of this series.

The increase in sales in recent years was possible because long-term market investments had been made and the marketing organization built up; in 1982 the overall organization of BMW France had a workforce of about 4,000 people.

| Automobile registrations 1982 | | Change |
|-------------------------------|-----------|----------|
| | Units | cf. 1981 |
| | | % |
| Total Market | 2,056,500 | + 12 |
| BMW | 33,500 | + 36 |

BMW Italia S.p.A., Palazzolo di Sona (Verona), Italy

In the Italian automobile market the decline in demand that had already begun during 1981 continued in the year under review. Apart from the generally unfavorable economic situation, the higher cost of keeping a car put the demand for automobiles under a strain. In addition to the increasing cost of fuel and insurance premiums, the rates of value added tax were raised. In the case of vehicles above 2000 cc the rate is now 38%, and with lower cubic capacities it is 20%.

Domestic manufacturers and automobile importers alike suffered a loss of business. Only British makes managed to achieve certain growth, albeit at a low level. In all, the share of foreign makes in Italy remained unchanged at 42%. The import of Japanese automobiles is limited to a total of 2,300 units per year.

Owing to the large price differences between petrol and diesel fuel as well as the growing range of diesel vehicles in the market (also in the lower class), the diesel share of over 20% in Italy continued to be higher than in other European markets. The special tax on diesel automobiles of over 1700 cc, however, was raised.

The market sector of automobiles with petrol engines over 1500 cc, to which all BMW models belong, dropped to 9% of the total market. BMW was not able to escape this shift either. While the sales of BMW 5 Series automobiles rose by more than half, this was not sufficient to compensate for the drop in sales of the BMW 3 Series models being phased out of production. In the large BMW class the previous year's results were not achieved.

Relative to their direct competitors, however, BMW automobiles have gained market shares. In the class above 2000 cc BMW remained in first place with a share in registrations of more than 30%, and in the class below from 1500 cc upwards, in second place with a share of 16%.

Investments in the marketing center in Palazzola di Sona (Verona) were continued as planned. The headquarters of BMW Italia S.p.A. and its subsidiary BMW Italia Leasing S.p.A. have been moved to the center. The number of exclusive BMW dealers rose again in 1982.

| Automobile registrations 1982 | | Change |
|-------------------------------|-----------|----------|
| | Units | cf. 1981 |
| | | % |
| Total Market | 1,680,900 | - 3 |
| BMW | 28,700 | - 17 |

BMW (GB) Ltd., Bracknell, Great Britain

While economic stagnation prevailed throughout Great Britain in 1982, demand was comparatively stable. The automobile market recovered again after the repeated slight decline in the previous year, although demand was still about 10% below the top level of 1979.

The domestic manufacturers increased their market share slightly to about 52%. Foreign makes, on the other hand, developed along very different lines. There was a drop in Italian and French makes, while Swedish and particularly German manufacturers achieved definite growth rates. The latter continued to expand their leading position of many years' standing; every sixth foreign automobile came from the Federal Republic of Germany in the year under review. Japanese manufacturers again limited themselves to a market share of about 11%.

For BMW (GB) the pleasing development of the previous year continued. Once again the highest increases in the number of registrations were achieved amongst the makes not produced in England. Altogether BMW (GB) sold 70% more automobiles in the year under review than in 1980, its first full year of business.

Within the BMW model range the new 5 Series attained the highest relative increase, as expected. Sales of 3 Series automobiles again rose at the rate of the previous year by about 3,500 vehicles. At over 50%, the share of 6-cylinder models in this series is particularly high in Great Britain.

Registrations in the large class were slightly below those of the previous year; with 2,700 automobiles, sales of these models were, however, again clearly higher than in any other foreign market in Europe.

Expansion of the dealer organization was continued according to plan. In the meantime about 85% of all BMW dealers represent BMW exclusively.

| Automobile registrations 1982 | | Change cf. 1981 |
|-------------------------------|-----------|--------------------|
| | Units | % |
| Total Market | 1,555,000 | + 5 |
| BMW | 23,000 | + 34 |

BMW Nederland B.V., 's-Gravenhage, Netherlands

In the Netherlands the economic downswing took on critical proportions in 1982. The demand for automobiles nevertheless stabilized at the low level of the previous year. Altogether, however, the Dutch automobile market was still about 30% below the average figure of the years 1977 to 1979.

Signs of recovery came to a standstill in the second half of the year because of a change in taxation. Now a special tax of 24% is levied when buying a new automobile with a list price of more than DFL 10,000 (otherwise 16%). This measure particularly affects BMW.

The middle and upper market sectors again developed more weakly than the total market. The sale of diesel automobiles rose to more than 8% of the new registrations.

German manufacturers further expanded their leading position in 1982; their market share was for the first time over 40%. Amongst them BMW Nederland again achieved the highest growth rate. All BMW model series once again gained shares in their classes. Registrations of BMW 3 Series automobiles exceeded the previous year's figure by 17% owing to the great demand for the 315 model.

At the beginning of 1983 the company also took over the marketing of BMW motorcycles.

| Automobile registrations 1982 | | Change cf. 1981 |
|-------------------------------|---------|--------------------|
| | Units | % |
| Total Market | 406,800 | + 4 |
| BMW | 14,300 | + 25 |

BMW (Schweiz) AG, Dielsdorf Switzerland

In 1982 the Swiss economy was caught up by the worldwide recession. In the automobile market the new exhaust and noise regulations as of October 1, 1982 created growing insecurity both among the trade and the public. The extra costs caused by these new regulations also made BMW models more expensive. The consequence was advance purchases of automobiles. The increase in sales tax from 6.5% to 8% in the last quarter of the year under review had similar repercussions.

As a result of this situation, new registrations in Switzerland remained at the same level as in the previous year. The share of diesel automobiles continued to be insignificant. German manufacturers altogether increased their automobile sales by 9%; other makes mostly suffered a decline in sales.

BMW (Schweiz) continued its steady development of past years. The market share of BMW automobiles rose to 4.4% and was thus larger in Switzerland than in any other foreign market in Europe. In the medium-size BMW range every tenth automobile newly registered was a BMW. Registrations of 3 Series automobiles were slightly lower than in the previous year; in the large class the demand for BMW coupés grew by almost 30%.

Owing to the stiffer licensing regulations the variety of models had to be reduced in Switzerland; thus, amongst others, BMW's smallest models, the 315 and 316, as well as the top model, the 745i, were dropped for the time being. BMW nevertheless offers a 316 with a 1.8-ltr injection engine specially for the Swiss market.

| Automobile registrations 1982 | | Change cf. 1981 |
|-------------------------------|---------|--------------------|
| Units | | % |
| Total Market | 290,900 | ± 0 |
| BMW | 12,800 | + 11 |

BMW Belgium S.A./N.V., Kontich, Belgium

The Belgian economy suffered a further setback in 1982. The number of automobile registrations sank to the lowest level since 1974, the year of the first oil price crisis. In the course of the year there were no signs of demand reviving; nevertheless, German manufacturers in particular were able to catch up again after the decline in business in the previous year. Japanese automobiles fell back to third place behind German and French makes.

The traditionally large share of diesel automobiles rose in 1982 to 17.5% of new registrations. In the medium-size BMW range the share of diesels was 45%.

Following the decline in business in 1981, the automobile sales of BMW Belgium again developed better in 1982 than the total market. Registrations of the BMW 5 Series rose by 50%; in the 3 Series demand for the lowest-priced model, the 315, was twice as high as in the previous year, while in the large class demand continued to be generally weak.

BMW Services Belgium S.A./N.V., Kontich, a wholly-owned subsidiary of BMW Belgium, was founded in the year under review with capital stock of BFR 500 million. One of the functions of this service company is the construction of the import center planned for the Belgian market.

| Automobile registrations 1982 | | Change cf. 1981 |
|-------------------------------|---------|--------------------|
| | Units | % |
| Total Market | 344,300 | - 2 |
| BMW | 11,400 | + 9 |

BMW Austria Gesellschaft m.b.H., Salzburg, Austria

In 1982 the clear downturn of the previous year did not continue in the Austrian automobile market although the economy in general grew weaker. Over the last four years demand has settled at around 200,000 automobiles a year. At about 300 automobiles per 1,000 inhabitants the level of motorization in Austria is still below the average of comparable European countries.

Every second newly registered automobile again came from Germany. Japanese manufacturers consolidated their market share at over 25%. The demand for diesel automobiles rose in 1982 by about one-third to 5.5% of the total market; however, it only slightly exceeded the figures that had already been reached at the end of the 1970s.

For BMW Austria the year under review was clearly marked by the approaching model change in the 3 Series. However, the drop in sales of the 3 Series was more than balanced by a 50% increase in sales in the 5 Series. The share of the 5 Series in BMW's overall sales increased from 25% to 37% in Austria. At the same time the use of BMWs as company cars, with the exception of the smaller 3 Series models, was still taxed heavily until the end of 1982.

The BMW 6 and 7 Series models stood their ground well within a market sector generally following a downward trend.

As part of the reorganization of BMW's activities in Austria, the company became a wholly-owned subsidiary of BMW Motoren Gesellschaft m.b.H. in Steyr in the year under review.

| Automobile registrations 1982 | | Change cf. 1981 |
|-------------------------------|---------|--------------------|
| | Units | % |
| Total Market | 201,200 | + 1 |
| BMW | 7,000 | + 2 |

BMW Japan Corp., Tokyo, Japan

The favorable development of the Japanese economy in recent years was followed by a general stagnation of the market. The demand for automobiles, however, has livened up, reaching in general the same level as in 1979. Apart from favorably priced automobiles in the lower class, there was a demand for technically sophisticated, high-performance vehicles.

Imported automobiles continue to be of virtually no significance for the Japanese market. In all, 35,500 automobiles were imported, i.e., 7% less than in the previous year. American manufacturers were hit hardest by the decline; the number of US models registered in Japan dropped by over 50%. The market share of German automobiles remained unchanged at 0.9%.

In the company's first full year of business, BMW Japan increased its automobile registrations by 45% although the number of units remained at a low level. BMW's share in total automobile imports was nevertheless 15% in 1982.

The further expansion of the internal organization as well as the improvement of the dealer network were the highlights of BMW's activities.

| Automobile registrations 1982 | | Change cf. 1981 |
|-------------------------------|-----------|--------------------|
| | Units | % |
| Total Market | 3,038,300 | + 6 |
| BMW | 5,300 | + 45 |

BMW Australia Ltd., Melbourne, Vic., Australia

After three years of above-average growth the Australian economy was also affected by the low level of demand worldwide in 1982. In the automobile market the number of registrations nevertheless exceeded those of previous years. In view of the lower level of demand this was only possible with tough price battles waged between the two leading domestic producers and resulting in advance purchases, particularly in the lower market sectors.

The share of foreign automobiles is limited to 20%; furthermore, customs duty of 58% is levied on cars from abroad. The Australian licensing regulations demand special versions for the domestic market. These in turn require additional development and production costs. In particular, they affect imported automobiles which are subject in any case to a comparatively low sales quota.

The development of BMW was also limited by government restrictions. However, ever since BMW Australia took over the function of importer in 1979 sales of BMW automobiles in Australia have increased by three-quarters. In the upper market sector BMW has a share of over 10%. The demand for models in the 5 Series has increased threefold since the introduction of the new BMW 528i.

| Automobile registrations 1982 | | Change cf. 1981 |
|-------------------------------|---------|--------------------|
| | Units | % |
| Total Market | 480,100 | + 4 |
| BMW | 2,400 | + 9 |

BMW Iberica S.A., Madrid, Spain

BMW Iberica had already been founded as a wholly-owned BMW subsidiary in 1981. Towards the middle of the year under review it then took over the marketing of BMW automobiles and motor-cycles in Spain.

High customs duties and taxes on automobiles not manufactured in the country as well as strict licensing regulations make the sale of foreign automobiles difficult in Spain. These obstacles are expected to be relaxed at the earliest when Spain enters the European Community. In the meantime competition by new suppliers in the market will become stiffer.

In 1982 BMW again took a leading position amongst the manufacturers that do not produce their automobiles in Spain. As in the previous year about 3,800 BMWs were registered for the first time.

The further course of business of BMW in Spain will also be influenced by the pending political and economic changes. The company's main task is first of all to expand the dealer and service organization to meet long-term requirements.

BMW (South Africa) (Pty) Ltd., Pretoria, South Africa

After three years of economic growth the development of the South African gross national product came to a halt in 1982. A drop in exports of raw materials, the rapid increase of interest rates and high inflation rates led to a general decrease in consumer demand. This also affected the automobile market. After registrations in the previous year had for the first time exceeded the 300,000 mark, the second best result was achieved in the year under review.

In contrast, BMW (South Africa) continued to record constant growth as in the past. For the first time in 1982 approximately 15,000 BMW automobiles were registered in South Africa. BMW's market share increased further from 4.5% to 5.3%, although in South Africa BMW offers only the models of the 5 and 7 Series manufactured in the country. Both model series achieved record levels in the year under review. For the first time sales of the BMW 7 Series exceeded 3,000 units. The 5 Series exceeded the previous year's figure by 14%; its class share rose to 15%. In terms of registrations, this makes South Africa the largest market for the 5 Series outside Germany.

The volume achieved in 1982 was only possible because of an investment program worth a total of R 80 million, which is now well under way. With this investment, the capacities of the body and paint shops have also been expanded since 1980 and the assembly plant made larger; new centers have been established for training as well as research and development. The production of automobile seats was concentrated in a new plant in Bophuthatswana, an area near Pretoria, where most of the BMW (South Africa) employees live.

The workforce increased in 1982 by over 600 to about 2,500 people. The new jobs were predominantly filled by black employees.

In view of the growing number of employees and the high quality level of production, training and further training are of special value to BMW in South Africa. At the BMW training centers in Rosslyn near Pretoria and Isando near Johannesburg a broad range of programs was again offered to employees. In 1982 more than 1,900 employees attended internal and 160 employees external further training courses and seminars. This has already resulted, inter alia, in the share of black foremen increasing to over 70%; their share in quality control had already been about 90% in the previous year.

Cooperation between company management and the workforce was further improved, inter alia thanks to the assistance of the labor council. No industrial disputes occurred during the year under review.

As of January 1, 1983 the minimum hourly wage was raised from R 2.10 to R 2.40. It is therefore considerably higher than the minimum level specified by the EC Code of Conduct. Social benefits granted in addition by BMW in the year under review amounted to about one-quarter of all wages and salaries. As part of a scheme promoted by BMW to provide accommodation for black and white employees, the first houses near Pretoria were completed and occupied at the end of 1982. A special bus service subsidized by the company was introduced for commuters from nearby Bophuthatswana.

| Automobile registrations 1982 | | Change |
|-------------------------------|---------|----------|
| | Units | cf. 1981 |
| | | % |
| Total Market | 283,400 | - 6 |
| BMW | 15,000 | + 12 |

BMW Motoren Gesellschaft m.b.H., Steyr, Austria

Since April 1982 the company has been a wholly-owned subsidiary of BMW AG. Cooperation with Steyr-Daimler-Puch AG in the development of diesel engines has ceased. The company's capital stock was raised in the year under review from AS 800 million to AS 1 billion. As part of the reorganization of BMW's activities in Austria, BMW Austria Gesellschaft m.b.H. with its headquarters in Salzburg became a subsidiary of BMW Motoren Gesellschaft m.b.H.

After three years of construction, the plant was largely completed in 1982. In the early summer standard production of petrol engines was started first; diesel engine production followed in the spring of 1983 as planned. The research and development center, the first major section to be built, has been in operation since autumn 1980. All BMW development work on diesel drive systems has been concentrated there.

The share of passenger cars with diesel engines was below the 5% mark in the major automobile markets back in the mid-1970s; in the USA it was insignificant. Triggered by the energy crisis and the subsequent increase in the price of fuel, drive systems were required with a higher standard of economy, which caused the demand for diesel vehicles to increase by leaps and bounds.

Owing to increasing traffic density, automobiles in congested urban areas in particular are largely driven without the engine running under full load; in this situation diesel engines have advantages in terms of fuel consumption. In the light of this development all major automobile manufacturers included diesels in their range of models. The number of diesel models offered in the market increased more than tenfold within six years. In 1982 the share of diesels in the total number of new registrations rose to 10% in France, 15% in the Federal Republic of Germany, 18% in Belgium and even more in Italy. Increasing shares of diesel automobiles can be observed in other markets, too.

As legal regulations to limit emissions of noxious substances grew stricter, the development of diesel engines was intensified throughout the world. The new BMW diesel engine has special features in terms of its starting behavior, specific performance, noise and vibration levels.

Market prospects for the diesel engine continue to be favorable. In the Federal Republic of Germany every fifth automobile is therefore expected to have a diesel engine by the turn of the century. BMW will take part in this development. With this aim in mind, the plant in Steyr was established at a cost of just under AS 4 billion so far, BMW's largest investment abroad. Diesel and petrol engines can to a large extent be manufactured here with the same production facilities. With the integration of this fifth BMW location in the linked system of BMW plants, the pressure can be taken off engine production in Munich, too. In autumn 1983 deliveries of diesel engines to FORD USA/Canada will begin, as agreed by contract.

At the end of 1982 the company employed 770 people; in the meantime this figure has risen to almost 1,000. In autumn 1983 a second shift will be started. The decision to expand capacities was announced on the occasion of the official opening of the plant on March 10, 1983.



The new BMW engine plant in Steyr is one of the largest private investments in Austria since the war. The plant covers an area of 80,000 sq.m. The major sections are the production of mechanical components, engine assembly and the development center.



Diesel and petrol engines can be manufactured flexibly with the same facilities. When designing the assembly lines, special value was attached to the layout of the workplaces. In the mechanical components production shop, engine parts are produced on ultra-modern transfer lines.



Finance

In the year under review BMW AG invested DM 753 million in fixed assets and DM 85 million in participations. In order to finance these investments DM 635 million was available from depreciation and retirements of fixed assets, DM 34 million from retirements of financial assets, DM 90 million from the transfer to reserves from net income, DM 107 million from the transfer to special items containing reserves and DM 64 million from the increased pension fund provisions and liabilities to the Benevolent Fund.

In this way 111% of investments (85% in the previous year) were covered by internal financing.

The increase of capital stock in 1982 and the surplus from internal financing allowed a reduction of long-term liabilities by DM 192 million.

The increase of other provisions as well as of short-term liabilities as a result of the increased volume of business served on the one hand to finance the increased inventories and receivables; on the other hand substantially higher liquid funds remained with the Company.

Sources and Application of Funds 1982 in million DM

Application of Funds

| | |
|--------------------------------------|-------|
| Investments in tangible fixed assets | 752.5 |
| Investments in participations | 85.4 |
| Reduction of long-term liabilities | 192.1 |

| | |
|--|----------------|
| Long-term | 1,030.0 |
| Increase in inventories | 104.9 |
| Increase in liquid funds | 203.2 |
| Increase in receivables from subsidiaries (less liabilities) | 128.3 |
| Increase in other assets (including advance payments made) | 99.4 |
| Distribution for the previous year | 90.0 |
| Short-term | 625.8 |
| | 1,655.8 |

Sources of Funds

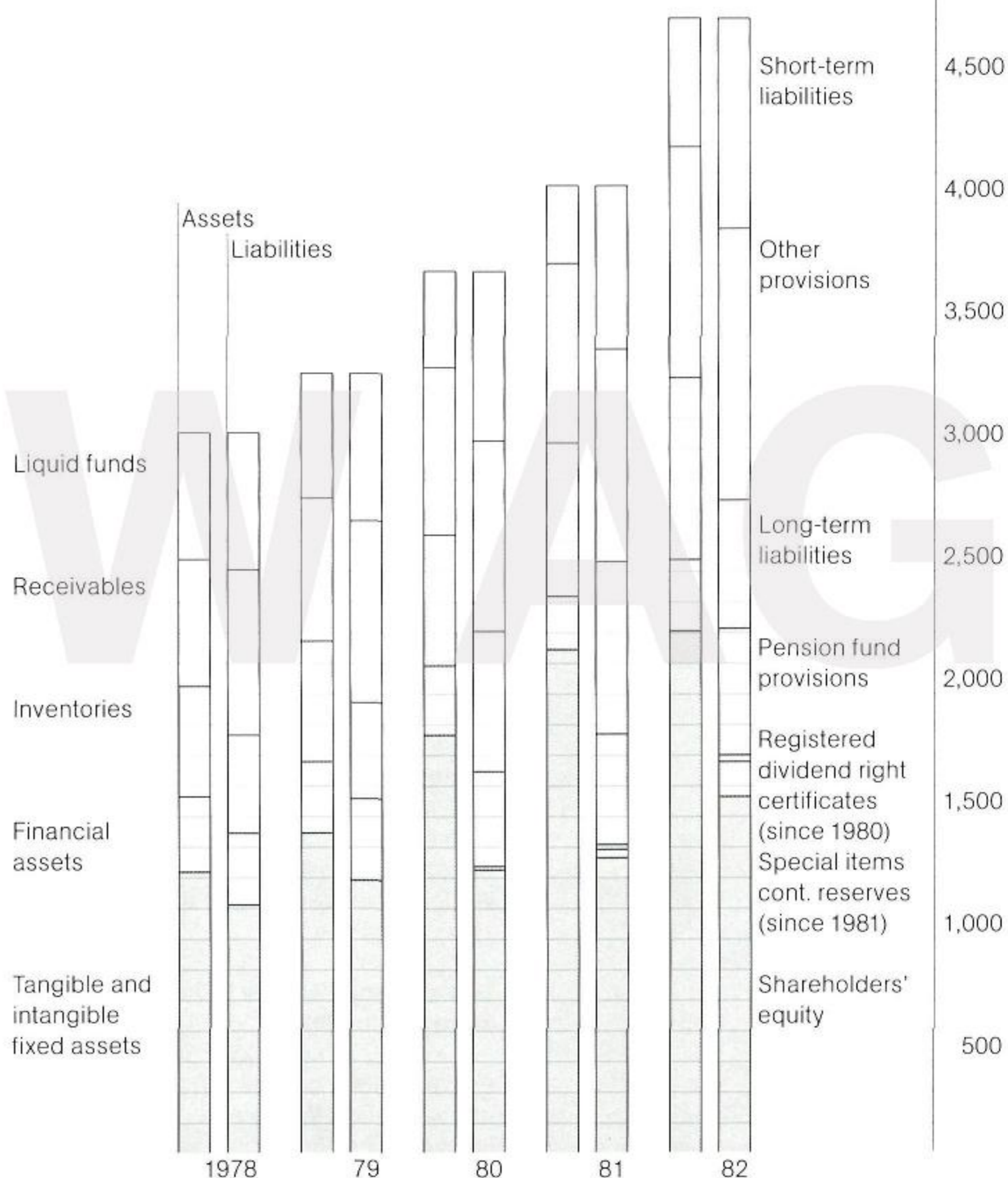
| | |
|--|-------|
| Increase in common stock | 100.0 |
| Transfer from surplus to legal reserves | 60.0 |
| Transfer to other reserves from net income | 90.0 |
| Transfer to special items containing reserves | 106.8 |
| Increase in liabilities in registered dividend right certificates | 10.5 |
| Increase in pension fund provisions and liabilities to BMW Benevolent Fund | 64.4 |
| Depreciation and retirement of tangible fixed assets | 635.1 |
| Retirement of participations | 18.3 |
| Decrease in other financial assets | 16.1 |

| | |
|---|----------------|
| Long-term | 1,101.2 |
| Increase in other provisions | 243.4 |
| Increase in trade payables | 107.9 |
| Increase in miscellaneous liabilities (including advance payments received) | 66.3 |
| Decrease in trade receivables ¹⁾ | 27.0 |
| Balance sheet profit | 110.0 |
| Short-term | 554.6 |
| | 1,655.8 |

¹⁾ less general allowance for doubtful accounts

The increase in the balance sheet total by DM 673 million to DM 4.6 billion is attributable to the large investments and their financing as well as to the increase in short-term items which are in keeping with the expanded volume of business.

Development of Balance Sheet Structure of BMW AG in million DM



Fixed assets decreased from 57% of the balance sheet total in the previous year to 52%.

Shareholders' equity grew from 30.5% to 31.4%, despite the increase of the balance sheet total. This increase of the shareholders' equity in relative terms is due to the increase in capital and the allocation to reserves.

Fixed assets are covered at a rate of 110% by long-term funds (compared with 107% in the previous year).

Shareholders' equity, special items containing reserves and pension provisions and liabilities to the Benevolent Fund now account for 79% of the long-term funds (compared with 70% in the previous year).

Notes on the Financial Statement of BMW AG

Balance sheet

Assets

Fixed assets

A detailed account of additions to fixed assets and their use has been given in the earlier sections of this report. A breakdown of the various types of assets showing how they have changed is given in the balance sheet.

As in the previous year, fixed assets were again valued at their initial or manufacturing cost less normal and special depreciation.

For the purpose of calculating the normal depreciation, the following useful lives were mainly taken as a basis:
20–50 years for office and factory buildings, including distribution facilities which are part of the buildings,
10–20 years for facilities connected with real estate,
2–20 years for machinery and equipment, including operations facilities,
3–10 years for furniture and fixtures.

Movable assets with a useful life of more than three years have been depreciated for tax purposes by the declining balance method using the highest allowable rates and subsequent planned conversion to the straight-line method. Minor-value additions to assets were fully written off in the same year.

Depreciation for machinery utilized in multiple-shift operation was accordingly increased by shift allowances.

Special tools were written down pro rata on the basis of a useful life of four years.

As in previous years, full advantage was taken of special depreciation facilities pursuant to section 14 BerlinFG (Berlin Promotion Law), DM 67 million, and to section 7d EStG (Income Tax Law), DM 5 million. Exceptional depreciation was applied where a lower valuation was required.

Land owned by the company in the Federal Republic of Germany, including that owned by related companies, totalled 3.40 million sq.m. (3.46 million sq.m. in the previous year) on the balance sheet date. Most of this real estate is in Munich, Dingolfing, Landshut and Berlin.

BMW AG has rented its head office building erected on company land in Munich under a long-term lease. In 1982 DM 10.7 million was paid in rent. A heritable building right on the land is registered in favor of the company which owns the building.

Depreciation Relating to Additions and Transfers in 1982

Real estate without buildings and with office, factory and other buildings (including residential buildings)
Buildings on land not owned
Machinery and equipment
Furniture and fixtures
Construction in progress and advances for fixed assets

| Additions and transfers in million DM | Depreciation in million DM |
|---------------------------------------|----------------------------|
| 75.5 | 5.9 |
| 33.5 | 6.6 |
| 663.0 | 182.4 |
| 56.1 | 34.4 |
| – 75.6 | 51.2 |
| 752.5 | 280.5 |

Financial assets

Changes in participations have been discussed in the section on subsidiaries.

In the case of participations, the additions of DM 85 million mainly related to the acquisition of 50% of the interest in BMW-STEYR Motorengesellschaft m.b.H. in Steyr, and a subsequent capital increase of that company. BMW AG now owns all the interest in the company whose name has been changed in the meantime to BMW Motoren Gesellschaft m.b.H., Steyr.

Retirements of DM 18 million resulted from the sale of 55% of the interest in BMW Kredit Bank GmbH, Frankfurt, and the absorption of BMW Grundstücks-gesellschaft Berlin GmbH, Berlin, into BMW AG.

Investments in participations are shown in the balance sheet at the initial cost or lower values on the balance sheet date.

Loans with a minimum term of four years and securities decreased because of scheduled repayments.

Loans are shown at their current value.

Inventories

The increase in inventories is attributable to the higher volume of business.

The valuation of inventories remained unchanged compared to the previous year:

Raw materials and supplies as well as purchased parts were shown at cost price as in previous years, taking account of the lower of cost or market value. Advantage was taken of the allowance for imported goods pursuant to section 80 EStDV (Income Tax Regulations).

Work in progress and finished products are shown at the cost of production, i.e., expenditure on material and labor plus a proportionate share of the overheads for manufacturing and materials.

Adequate depreciations were applied for risks arising from the length of storage or diminished technical usability.

Other current assets

Trade receivables amounting to DM 136 million comprise 52% domestic and 48% foreign receivables.

Receivables from subsidiaries increased also because of the expansion of export business and the takeover of the marketing in Spain.

Adequate allowance was made for all recognizable risks on receivables by depreciations on the assets side, in addition to the allowance for doubtful accounts on the liabilities side.

The 65% increase in liquidity is explained in the section on finance.

Miscellaneous assets, which increased by DM 65 million, include real estate earmarked for future utilization in the Group, bonded loans as well as claims involving interest payments, claims to suppliers from returned goods, freight and empties, and VAT refunds.

Shareholders' equity and liabilities

Common stock

On June 30, 1982 the Annual General Meeting resolved to increase the common stock by DM 100 million to DM 600 million. In accordance with this resolution the shareholders were offered new shares at a ratio of 5 to 1 and at an issuing price of DM 80 per share. The premium of DM 60 million was allocated to the statutory reserves. The capital increase was concluded in August 1982.

Reserves

DM 90 million from net income for the year under review was allocated to other reserves. Reserves now amount to DM 851 million including the allocation from the capital increase.

Special items containing reserves

Special items containing reserves were formed according to the tax regulations pursuant to section 3.1 of the Foreign Investment Law, section 74 EStDV (Income Tax Regulations – reserve for price increases) and section 6b EStG (Income Tax Law).

Registered dividend right certificates

Employees subscribed to DM 11 million in this capital savings plan in the year under review. Further explanations are found in the Workforce and Social Report.

General allowance for doubtful accounts

As in the previous year a 2.5% allowance for domestic and a 5.0% allowance for foreign receivables was formed to cover general risks arising from deliveries and services, notes held, advance payments and miscellaneous assets.

Pension fund provisions and liabilities to the BMW Benevolent Fund

Compared to the previous year, pension fund provisions increased by DM 60 million. Actuarial calculations are still based on an interest rate of 5.5%. The provision permitted for tax purposes is calculated at 6% in accordance with the 2nd Law on Budget Structure. The amount released is included in the commercial balance provisions as a result of maintaining the calculatory interest rate.

DM 362 million of the pension fund provisions is allocated to pension expectancies and DM 96 million to current pensions. The covering capital of the BMW Benevolent Fund was raised by DM 4 million to DM 62 million. This addition mainly serves as security for non-recurring payments to employees.

Other provisions

Other provisions increased mainly because of greater commitments as regards the workforce, warranty and manufacturer's liability and tax provisions. The provisions also contain items for dealers' and suppliers' accounts. Impending losses on transactions in the course of settlement, as well as liability and litigation risks at home and abroad were adequately covered.

Liabilities with a term exceeding four years

Long-term liabilities from loans and to banks and other creditors were reduced by DM 192 million in the year under review. Registered participating debenture bonds of the years 1977 and 1978 amounting to DM 12 million are included in the long-term liabilities.

Land charges valued at DM 47 million on the balance sheet date provide security for these loans.

Foreign exchange liabilities were shown at their respective higher rates of exchange on the relevant date; the option to retain them was exercised.

Other liabilities

Trade payables rose because of the increased volume of purchases and investments. Liabilities to related companies are mainly to subsidiaries abroad.

Miscellaneous liabilities mainly include items relating to current wages and salaries and to interest and taxation payable.

Statement of income

In the year under review both existing and newly created production capacities were again fully utilized. The total value of Company production rose by 20.2% to DM 9.467 billion. This increase is attributable to a growth in sales by about 29,000 automobiles, the shift to more profitable models and price increases.

Expenditure on raw materials, supplies and purchased goods – after deduction of discounts – rose by 21.8% to DM 5.046 billion in the year under review. The increase was due to the higher prices of materials, the increase in production as well as to the greater use of materials in models because of improved fittings.

Interest income remained at the level of the previous year while interest expenditure was clearly reduced. The reasons for this were on the one hand improved liquidity and on the other hand the reduction of long-term loans as well as lower interest rates. The positive interest balance thus increased to DM 19 million.

Gains from the liquidation of provisions were the result of a smaller number of risks as regards suppliers' and customers' accounts and other obligations.

Miscellaneous income mainly comprises income from rents and leases, license fees, service units as well as exchange profits and further settlements for services and investment grants received.

Wages and salaries as well as social insurance contributions rose mainly because of collectively agreed and discretionary increases in wages and salaries, and higher statutory and collectively agreed social security benefits.

Structure of Expenditure Relative to Total Value of Production

Total Value of Production

| | 1978 | 1979 | 1980 | 1981 | 1982 |
|---|-------|-------|-------|-------|-------|
| in million DM | 5,955 | 6,613 | 6,953 | 7,873 | 9,467 |
| in % | | | | | |
| Material expenditure | 50.2 | 50.3 | 52.9 | 52.6 | 53.3 |
| Workforce expenditure | 24.2 | 24.6 | 25.6 | 25.8 | 23.7 |
| Depreciation | 4.2 | 4.5 | 4.7 | 6.0 | 6.5 |
| Other expenditure and income items offset | 12.6 | 11.9 | 10.2 | 10.6 | 10.4 |
| Taxes | 6.3 | 6.1 | 4.3 | 3.2 | 4.0 |
| Net income | 2.5 | 2.6 | 2.3 | 1.8 | 2.1 |

The composition and changes in expenditure on old-age pensions and benefits have been discussed in the Workforce and Social Report.

Depreciation on tangible fixed assets increased by DM 143 million (30.2%) compared to the previous year. The reasons for this increase, which is again substantial, are the high volume of investment in both the year under review and in previous years, as well as the rise in special depreciation according to the Berlin Promotion Law.

The growth of taxes on income, profits and property by DM 127 million is the result of improved earnings.

Miscellaneous expenses include especially expenditure on administration and distribution, warranties, outgoing freight, maintenance and repairs, advertising, insurance premiums and rents.

Provided that the Annual General Meeting resolves on the proposed dividend, the remuneration of serving members of the Board of Management for the 1982 business year amounts to DM 6,742,000 and that of former members of the Board of Management and their surviving dependents to DM 892,224. Total remuneration of the Supervisory Board for 1982 amounts to DM 1,170,000.

Balance sheet profit

The financial statement of the year ending December 31, 1982, as drawn up by the Board of Management, approved and thus adopted by the Supervisory Board, closes with a balance sheet profit of DM 110 million. In agreement with the Supervisory Board it is proposed that this balance sheet profit be used to pay out a dividend of DM 10 per DM 50 share on the common stock of DM 500 million with full dividend rights (corresponding to 20%) and of DM 5 per DM 50 share on the common stock of DM 100 million with half dividend rights.

Munich, May 1983

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Balance Sheet of BMW AG at December 31, 1982

with comparative figures for the previous year

Assets

| | Jan. 1, 1982 DM | Additions DM | Transfers DM | Retire- ments DM | Depre- ciation DM | Dec. 31, 1982 DM | Dec. 31, 1981 DM |
|--|-----------------------|-----------------|-----------------|------------------------|-------------------------|------------------------|------------------------|
|--|-----------------------|-----------------|-----------------|------------------------|-------------------------|------------------------|------------------------|

I. Fixed and Financial Assets

Tangible and Intangible

Fixed Assets

| | | | | | | | |
|---|---------------|---------------|-------------|------------|-------------|---------------|---------------|
| Real estate and equivalent rights with office, factory and other buildings | 600,575,687 | 30,787,409 + | 48,405,716 | 1,448,139 | 40,459,937 | 637,860,736 | 600,575,687 |
| Real estate with residential buildings | 8,318,508 | - + | 1,424 | - | 347,484 | 7,972,448 | 8,318,508 |
| Real estate without buildings | 16,359,744 | 66,915 - | 3,769,771 | 1,050,227 | 34,817 | 11,571,844 | 16,359,744 |
| Buildings on land not owned | 36,875,259 | 13,351,114 + | 20,134,846 | 91,095 | 10,743,749 | 59,526,375 | 36,875,259 |
| Machinery and equipment | 986,390,998 | 443,232,140 + | 219,785,750 | 4,215,541 | 457,682,057 | 1,187,511,290 | 986,390,998 |
| Furniture and fixtures | 63,940,012 | 51,119,862 + | 4,957,181 | 3,313,027 | 55,386,502 | 61,317,526 | 63,940,012 |
| Construction in progress and advances for fixed assets | 321,745,423 | 213,947,305 - | 289,515,146 | 9,172,428 | 51,163,279 | 185,841,875 | 321,745,423 |
| Patents | 1 | - | - | - | - | 1 | 1 |
| | 2,034,205,632 | 752,504,745 | - | 19,290,457 | 615,817,825 | 2,151,602,095 | 2,034,205,632 |

Financial Assets

| | | | | | | | |
|---|-------------|------------|---|------------|---|---------------|---------------|
| Investments in participations | 181,730,326 | 85,353,569 | - | 18,318,893 | - | 248,765,002 | 181,730,326 |
| Securities | 13,569,950 | - | - | 7,077,400 | - | 6,492,550 | 13,569,950 |
| Loans with a minimum term of four years | 24,770,260 | 1,439,132 | - | 10,381,348 | - | 15,828,044 | 24,770,260 |
| - thereof secured by mortgages: DM 4,960,472 - | | | | | | | |
| | 220,070,536 | 86,792,701 | - | 35,777,641 | - | 271,085,596 | 220,070,536 |
| | | | | | | 2,422,687,691 | 2,254,276,168 |

II. Current Assets

Inventories

| | | |
|-----------------------------------|-------------|-------------|
| Raw materials and supplies | 211,298,129 | 179,780,248 |
| Work in progress | 133,137,170 | 106,206,362 |
| Finished products, trading stocks | 393,826,582 | 347,422,692 |
| | 738,261,881 | 633,409,302 |

Other Current Assets

| | | |
|---|---------------|---------------|
| Advance payments | 35,719,720 | 4,120,023 |
| Trade receivables - thereof with a maturity of more than one year: - DM - | 136,242,256 | 164,881,251 |
| Notes receivable - thereof rediscountable at the Federal Reserve Bank: DM 2,743,770 - | 5,584,982 | 3,074,929 |
| Cash on hand, deposits at the Federal Reserve Bank and at postal check accounts | 1,057,010 | 1,277,568 |
| Cash with banks | 273,721,088 | 237,323,961 |
| Marketable securities | 235,126,816 | 70,659,443 |
| Receivables from subsidiaries | 554,257,929 | 428,418,058 |
| Receivables resulting from loans granted under sec. 89 AktG (Corporation Law) | 2,107,763 | 1,171,031 |
| Miscellaneous assets | 218,026,787 | 153,275,066 |
| | 1,461,844,351 | 1,064,201,330 |
| | 2,200,106,232 | 1,697,610,632 |

III. Prepaid Expenses

| | |
|-----------|-----------|
| 3,281,356 | 1,081,704 |
|-----------|-----------|

4,626,075,279 3,952,968,504

Shareholders' Equity and Liabilities

| | | Dec. 31, 1982 DM | Dec. 31, 1981 DM |
|--|-----------------|------------------------|------------------------|
| I. Common Stock | | 600,000,000 | 500,000,000 |
| II. Reserves | | | |
| Legal reserves | | 187,083,250 | 127,083,250 |
| Other reserves | | | |
| Retained earnings | 574,188,750 | | |
| Transfer from 1982 net income | 90,000,000 | 664,188,750 | 574,188,750 |
| | | 851,272,000 | 701,272,000 |
| III. Special Items containing Reserves | | 135,500,193 | 28,669,936 |
| pursuant to sec. 3 Ausl. Inv. G. (Foreign Investment Law) and sec. 74 EstDV – implementation regulations and sec. 6b Income Tax Law | | | |
| IV. Registered Dividend Right Certificates | | 29,273,925 | 18,834,675 |
| V. General Allowance for Doubtful Accounts | | 7,475,883 | 9,197,674 |
| VI. Pension Fund Provisions and Liabilities | | | |
| Pension fund provisions | | 457,783,309 | 397,778,247 |
| Liabilities to BMW Benevolent Fund | | 61,557,345 | 57,080,804 |
| | | 519,340,654 | 454,859,051 |
| VII. Other Provisions | | | |
| Provisions for deferred maintenance | | 17,890,000 | 15,505,720 |
| Miscellaneous provisions | | 1,093,953,916 | 852,878,063 |
| | | 1,111,843,916 | 868,383,783 |
| VIII. Liabilities with a Term exceeding four Years | | | |
| Loans – thereof secured by mortgages: | DM 23,000,000 – | 70,530,000 | 77,530,000 |
| Due to banks | | 436,096,082 | 616,080,498 |
| – thereof secured by mortgages: | DM 6,375,000 – | | |
| Miscellaneous liabilities | | 15,437,704 | 20,572,849 |
| – thereof secured by mortgages: | DM 2,028,554 – | | |
| Of item VIII, due in less than four years: | DM 240,511,334 | | |
| | | 522,063,786 | 714,183,347 |
| IX. Other Liabilities | | | |
| Trade payables | | 518,173,543 | 410,258,369 |
| Advance payments received | | 6,010,335 | 7,923,394 |
| Liabilities to subsidiaries | | 41,235,893 | 43,603,550 |
| Miscellaneous liabilities | | 173,786,833 | 105,776,724 |
| | | 739,206,604 | 567,562,037 |
| X. Deferred Income | | 98,318 | 6,001 |
| XI. Balance Sheet Profit | | 110,000,000 | 90,000,000 |
| | | | |
| | | 1982 DM | 1981 DM |
| Contingent Liabilities on Rediscounted Notes Receivable | | 222,398,090 | 228,317,476 |
| Guarantees – thereof for Subsidiaries: | DM 40,799,255 – | 40,799,255 | 9,663,640 |
| Joint and Several Guarantee for SF Bonds of BMW Overseas Enterprises N.V., Curaçao | | 233,632,000 | 245,588,000 |
| | | 4,626,075,279 | 3,952,968,504 |

Statement of Income of BMW AG for the year ended December 31, 1982

with comparative figures for the previous year

Net sales
Increase of finished products and work in progress

Other company-produced additions to tangible fixed assets

Total value of production

Expenditure for raw materials, supplies and merchandise purchased

Gross income

Income from profit and loss absorption agreements
Income from investments in participations
Income from other financial assets
Other interest and similar income
Gains on retirement of fixed and financial assets
Gains on reduction of general allowance for doubtful accounts
Gains on liquidation of provisions
Miscellaneous income – thereof extraordinary income: DM 6,244,650 –

Wages and salaries
Social security contributions
Expenditure for old age pensions and benefits
Depreciation on tangible fixed assets
Depreciation for financial assets
Losses from depreciation on current assets other than inventories and
transfer to allowance for doubtful accounts
Losses on retirements of fixed assets
Interest and similar expenditure
Taxes
 on income, profits and property
 others
Expenditure for profit and loss absorption agreements
Transfer to special items containing reserves
Miscellaneous expenditure

Net income
Transfer from net income to reserves

Balance sheet profit

Note in accordance with sec. 159 AktG (Corporation Law):
In the 1982 business year we paid DM 9,535,030 for old age pensions.
In the next five years, old age pension payments will probably amount to 124 % of the cited amount in 1983, 135 % in 1984, 149 % in 1985, 164 % in 1986 and 181 % in 1987.
A total of DM 3,400,000 was allocated to the BMW Benevolent Fund as non-recurring allowances. These allocations are subject to the annual resolution of the Management.

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

DM 1982
DM

9,371,550,506
+ 62,253,222
9,433,803,728
33,015,075
9,466,818,803
5,045,878,925
4,420,939,878

11,740,534
39,829,776
1,816,991
84,924,675
6,254,317
1,721,791
27,714,258
120,316,071
294,318,413
4,715,258,291
1,898,515,042
271,689,880
73,639,384
615,817,825
—

1,166,659
8,885,808
67,384,707

372,459,518
3,287,085

375,746,603
6,945,318
106,830,257
1,088,636,808
4,515,258,291

200,000,000
90,000,000

110,000,000

DM 1981
DM

7,822,103,303
+ 20,224,388
7,842,327,691
30,621,470
7,872,949,161
4,142,552,751
3,730,396,410

11,651,755
28,839,624
7,778,832
85,623,083
2,946,144
—
16,172,189
99,814,956
252,826,583
3,983,222,993
1,727,167,935
249,698,225
53,891,620
473,144,176
453,635

4,567,771
4,080,883
91,517,178

245,642,244
2,144,679

247,786,923
5,064,366
28,669,936
952,180,345
3,838,222,993

145,000,000
55,000,000

90,000,000

According to our audit, conducted with all due professional diligence, the annual financial statement and the annual report relating thereto comply with all statutory requirements.

Munich, April 14, 1983

Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Clemm
Auditor

von Lippmann
Auditor

Consolidated Annual Report (Domestic)

The BMW consolidated financial statement had to be drawn up pursuant to section 329 and the consolidated annual report pursuant to section 334 AktG (Corporation Law).

BMW Kredit Bank GmbH, Frankfurt/M., left the group of consolidated companies due to the sale of 55% of the interest, and BMW Grundstücksgesellschaft Berlin GmbH, Berlin, due to absorption by BMW AG. The domestic companies listed on this page are consolidated companies.

The economic development of the domestic BMW Group was substantially determined by the course of business of BMW AG and BMW Leasing GmbH.

A report on the course of business of the other Group companies has been provided in the section on subsidiaries.

| Scope of Consolidation | Common stock on Dec. 31, 1982 DM million | Interest |
|--|--|---|
| Bayerische Motoren Werke AG, Munich (BMW AG) | 600.0 | |
| Bavaria Wirtschaftsagentur GmbH, Munich | 0.20 | 100% BMW AG *) |
| Bavaria-Lloyd Reisebüro GmbH, Munich | 0.05 | 51% Bavaria Wirtschafts- agentur GmbH |
| BMW Leasing GmbH, Munich | 10.00 | 100% BMW AG *) |
| BMW Marine GmbH, Munich | 6.00 | 100% BMW AG *) |
| BMW Maschinenfabrik Spandau GmbH, Berlin | 6.00 | 100% BMW AG |
| BMW Motorrad GmbH, Landshut | 0.02 | 100% BMW AG |
| BMW Motorrad GmbH + Co., Munich | - | 99% BMW AG 1% BMW Motorrad GmbH |
| BMW Motorsport GmbH, Munich | 0.02 | 100% BMW AG *) |
| Schorsch Meier GmbH, Munich | 0.30 | 100% BMW AG *) |
| Fahrzeug- und Maschinenfabrik GmbH Landshut, Landshut | 0.30 | 100% Schorsch Meier GmbH *) |

The following companies:

| | | |
|--|------|----------------|
| BMW Apparatebau GmbH, Munich | 0.05 | 100% BMW AG |
| Bavaria Verwaltungsgesellschaft mbH, Munich | 0.02 | 100% BMW AG *) |

are not included in the consolidated companies because of their minor importance.

*) Profit and loss absorption agreement
with the Parent Company

Notes on the BMW Consolidated Financial Statement

Consolidated balance sheet

The difference in amount between the balance sheet total of the consolidated companies and that of BMW AG decreased as BMW Kredit Bank GmbH has left the group of consolidated companies. This led to a substantial reduction of trade receivables and short-term liabilities to banks.

The consolidated financial statement is largely determined by BMW AG itself as well as by the leased products, the additional long-term funds and the deferred income of BMW Leasing GmbH.

Consolidated statement of income

The difference between the consolidated statement of income of BMW AG and the Domestic Group is largely attributable to BMW Leasing GmbH.

The Group's net income of DM 189 million is DM 11 million lower than that of BMW AG. The reason for this was the elimination of intercompany profits from inventories and leased products which have increased over the previous year's figure and were not set off by correspondingly large retained profits of consolidated companies.

BMW AG

Consolidated Balance Sheet at December 31, 1982

with comparative figures for the previous year

Assets

| | Dec. 31, 1982 DM | Dec. 31, 1981 DM |
|---|------------------------|------------------------|
| I. Fixed and Financial Assets | | |
| Tangible and Intangible Fixed Assets | | |
| Real estate and equivalent rights with office, factory and other buildings | 673,804,669 | 632,051,241 |
| Real estate with residential buildings | 7,972,448 | 8,318,508 |
| Real estate without buildings | 11,571,844 | 16,359,744 |
| Buildings on land not owned | 43,036,418 | 26,594,827 |
| Machinery and equipment | 1,201,844,429 | 1,000,544,426 |
| Furniture and fixtures | 70,121,515 | 66,655,509 |
| Construction in progress and advances for fixed assets | 186,067,428 | 322,438,077 |
| Patents | 1 | 1 |
| | 2,194,418,752 | 2,072,962,333 |
| Financial Assets | | |
| Investments in participations | 221,615,295 | 126,048,228 |
| Securities | 6,492,550 | 13,569,950 |
| Loans with a minimum term of four years | 15,883,461 | 24,813,435 |
| – thereof secured by mortgages: DM 4,960,472 – | | |
| | 243,991,306 | 164,431,613 |
| | 2,438,410,058 | 2,237,393,946 |
| II. Current Assets | | |
| Leased Products | 538,178,321 | 513,125,184 |
| Inventories | | |
| Raw materials and supplies | 218,485,809 | 185,400,906 |
| Work in progress | 133,714,178 | 106,690,693 |
| Finished products, trading stocks | 426,045,424 | 379,151,165 |
| | 778,245,411 | 671,242,764 |
| Other Current Assets | | |
| Advance payments | 37,755,013 | 7,342,209 |
| Trade receivables – thereof with a maturity of more than one year: – DM – | 186,035,495 | 580,345,875 |
| Notes receivable – thereof rediscountable at the Federal Reserve Bank: DM 2,910,336 – | 5,751,548 | 3,620,943 |
| Cash on hand, deposits at the Federal Reserve Bank and at postal check accounts | 1,519,734 | 19,005,727 |
| Cash with banks | 303,860,569 | 271,991,127 |
| Marketable securities | 235,126,816 | 80,108,543 |
| Receivables from subsidiaries | 404,211,524 | 372,959,102 |
| Receivables resulting from loans granted under sec. 89 AktG (Corporation Law) | 2,107,763 | 1,171,031 |
| Miscellaneous assets | 232,324,879 | 167,782,966 |
| | 1,408,693,341 | 1,504,327,523 |
| | 2,725,117,073 | 2,688,695,471 |
| III. Prepaid Expenses | 3,577,403 | 3,722,310 |
| | | |
| | | |
| | | |
| | | |
| | 5,167,104,534 | 4,929,811,727 |

Shareholders' Equity and Liabilities

| | | Dec. 31, 1982 | Dec. 31, 1981 |
|---|------------------|----------------------|----------------------|
| | DM | DM | DM |
| I. Common Stock | | 600,000,000 | 500,000,000 |
| II. Reserves | | | |
| Legal reserves | | 187,083,250 | 127,083,250 |
| Other reserves | | | |
| Retained earnings | | 574,188,750 | |
| Transfer from 1982 net income | | 90,000,000 | 574,188,750 |
| | | 851,272,000 | 701,272,000 |
| III. Consolidation Reserve | | 14,876,377 | 10,590,010 |
| IV. Minority Interests – thereof net income share: | DM 81,280 – | 105,780 | 63,804 |
| V. Special Items Containing Reserves | | 135,500,193 | 28,669,936 |
| according to sec. 3 Ausl. Inv. G. (Foreign Investment Law) and sec. 74 EstDV – implementation regulations and sec. 6b Income Tax Law | | | |
| VI. Registered Dividend Right Certificates | | 29,273,925 | 18,834,675 |
| VII. General Allowance for Doubtful Accounts | | 9,422,079 | 10,950,351 |
| VIII. Pension Fund Provisions and Liabilities | | | |
| Pension fund provisions | | 462,067,077 | 401,446,630 |
| Liabilities to BMW Benevolent Fund | | 61,557,345 | 57,080,804 |
| | | 523,624,422 | 458,527,434 |
| IX. Other Provisions | | | |
| Provisions for deferred maintenance | | 17,478,000 | 15,568,719 |
| Miscellaneous provisions | | 1,126,280,849 | 879,383,500 |
| | | 1,143,758,849 | 894,952,219 |
| X. Liabilities with a Term exceeding four Years | | | |
| Loans – thereof secured by mortgages: | DM 23,000,000 – | 70,530,000 | 77,530,000 |
| Due to banks | | 695,196,082 | 983,746,303 |
| – thereof secured by mortgages: | DM 114,475,000 – | | |
| Miscellaneous liabilities | | 15,437,704 | 20,572,849 |
| – thereof secured by mortgages: | DM 2,028,554 – | | |
| Of item X, due in less than four years: | DM 487,623,484 | | |
| | | 781,163,786 | 1,081,849,152 |
| XI. Other Liabilities | | | |
| Trade payables | | 542,142,945 | 436,336,213 |
| Due to banks | | – | 351,763,963 |
| Advance payments received | | 6,774,297 | 8,539,088 |
| Liabilities to subsidiaries | | 28,154,808 | 38,734,315 |
| Miscellaneous liabilities | | 188,615,538 | 120,353,036 |
| | | 765,687,588 | 955,726,615 |
| XII. Deferred Income | | 200,974,583 | 164,544,470 |
| XIII. Consolidated Balance Sheet Profit | | 111,444,952 | 103,831,061 |
| | | | |
| | | 1982 | 1981 |
| | | DM | DM |
| Contingent Liabilities on Rediscounted Notes Receivable | | 226,315,554 | 33,875,902 |
| Guarantees – thereof for Subsidiaries: | DM 40,444,126 – | 40,755,411 | 9,512,141 |
| Joint and Several Guarantee for SF Bonds of BMW Overseas Enterprises N.V., Curaçao | | 233,632,000 | 245,588,000 |
| Liabilities from Warranty Contracts | | 7,948,713 | – |
| | | 5,167,104,534 | 4,929,811,727 |

Consolidated Statement of Income for the year ended December 31, 1982

with comparative figures for the previous year

External sales

Expenditure, not disclosed separately, after adjustment
with change in inventories and capitalized expenditure

Income from investments in unconsolidated participations
Income from other financial assets
Other interest and similar income
Gains on liquidation of provisions
Miscellaneous income

Depreciation on tangible fixed assets
Depreciation for financial assets
Interest and similar expenditure
Taxes
on income, profits and property
others

Net income
Profit transfer brought forward from net income of previous year

Income from change in the consolidation reserve
Transfer to reserves
Minority interests in consolidated participations' net income

Consolidated balance sheet profit

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

| | 1982 | | 1981 |
|-------------|----------------------|-------------|----------------------|
| DM | DM | DM | DM |
| | 9,755,881,249 | | 8,072,444,160 |
| | 8,751,084,729 | | 7,332,841,199 |
| | <u>1,004,796,520</u> | | <u>739,602,961</u> |
| | 38,556,193 | | 26,544,791 |
| | 1,818,197 | | 7,778,832 |
| | 50,777,803 | | 91,180,156 |
| | 32,481,954 | | 17,690,585 |
| | 149,350,053 | | 119,386,661 |
| | <u>272,984,200</u> | | <u>262,581,025</u> |
| | 1,277,780,720 | | 1,002,183,986 |
| | 624,821,461 | | 479,049,872 |
| | - | | 454,035 |
| | 84,949,792 | | 124,663,438 |
| 375,116,801 | | 250,889,531 | |
| 3,903,314 | 379,020,115 | 2,747,426 | 253,636,957 |
| | 1,088,791,368 | | 857,804,302 |
| | 188,989,352 | | 144,379,684 |
| | 12,516,881 | | 13,474,472 |
| | 19,999 | | 1,030,909 |
| | 90,000,000 | | 55,000,000 |
| | 81,280 | | 54,004 |
| | 111,444,952 | | 103,831,061 |

According to our audit, conducted with all due professional diligence, the consolidated financial statement and the consolidated annual report relating thereto comply with all statutory requirements.

Munich, April 14, 1983

Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Schulz
Auditor

Kilgert
Auditor

BMW AG

Ten Year Survey

| | | 1973 | 1974 |
|--|------------|---------|---------|
| Sales | DM million | 2,608.0 | 2,492.3 |
| Increase (decrease) | % | + 12.5 | - 4.4 |
| Export share | % | 46.2 | 46.6 |
| Production – automobiles | units | 197,446 | 188,965 |
| Production – motorcycles ¹⁾ | units | 20,856 | 23,160 |
| Sales – automobiles | units | 193,978 | 184,330 |
| Sales – motorcycles ¹⁾ | units | 19,918 | 25,189 |
| Investments in tangible fixed assets | DM million | 250.0 | 159.4 |
| Additions to investments in participations | DM million | 9.6 | 6.4 |
| Depreciation on tangible fixed assets | DM million | 128.2 | 139.4 |
| Workforce at end of year | | 27,737 | 25,805 |
| Wage earners | | 20,079 | 18,338 |
| Salaried employees | | 6,522 | 6,385 |
| Fixed assets | DM million | 884.6 | 903.3 |
| Current assets | DM million | 681.5 | 590.4 |
| Common stock | DM million | 275.0 | 300.0 |
| Reserves | DM million | 236.0 | 248.5 |
| Shareholders' equity | DM million | 511.0 | 548.5 |
| as % of fixed assets | % | 57.8 | 60.7 |
| Long-term liabilities ²⁾ | DM million | 399.6 | 402.5 |
| Shareholders' equity, special items | | | |
| containing reserves, registered dividend | | | |
| right certificates, long-term liabilities | DM million | 947.8 | 987.2 |
| as % of fixed assets | % | 107.1 | 109.3 |
| Balance sheet total | DM million | 1,566.1 | 1,493.7 |
| Material expenditure | DM million | 1,363.4 | 1,356.2 |
| as % of total value of production | % | 50.8 | 53.9 |
| Workforce expenditure ³⁾ | DM million | 678.0 | 728.0 |
| as % of total value of production | % | 25.2 | 29.0 |
| Taxes on income, profits | | | |
| and property | DM million | 153.5 | 22.7 |
| Net income | DM million | 93.2 | 42.0 |
| Dividends | DM million | 49.5 | 42.0 |
| Dividend in % | % | 18 | 14 |

¹⁾ from 1976 to 1980 production and sales of BMW Motorrad GmbH

²⁾ pension fund provisions, liabilities to the BMW Benevolent Fund, liabilities with a term exceeding four years

³⁾ wages and salaries, social security contributions, expenditure for old age pensions and benefits

⁴⁾ proposal of the Management

| 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 |
|---------|---------|---------|---------|---------|---------|---------|----------|
| 3,254.5 | 4,287.0 | 4,993.0 | 5,959.2 | 6,560.3 | 6,898.5 | 7,822.1 | 9,371.6 |
| + 30.6 | + 31.7 | + 16.5 | + 19.4 | + 10.1 | + 5.2 | + 13.4 | + 19.8 |
| 40.7 | 47.3 | 47.0 | 47.6 | 48.0 | 55.0 | 55.7 | 61.1 |
| 221,298 | 275,022 | 290,236 | 320,853 | 336,981 | 341,031 | 351,545 | 378,769 |
| 25,566 | 28,209 | 31,515 | 29,580 | 24,415 | 29,260 | 33,120 | 30,554 |
| 226,688 | 275,596 | 288,260 | 321,196 | 335,132 | 339,232 | 348,946 | 377,684 |
| 25,553 | 28,171 | 31,231 | 26,592 | 27,339 | 29,263 | 32,452 | 30,398 |
| 167.3 | 320.8 | 335.1 | 304.9 | 472.8 | 738.9 | 815.6 | 752.5 |
| 47.0 | 32.4 | 11.7 | 5.6 | 4.5 | 46.1 | 66.2 | 85.4 |
| 142.8 | 160.5 | 222.5 | 249.6 | 294.4 | 330.1 | 473.1 | 615.8 |
| 28,989 | 30,192 | 33,398 | 35,171 | 36,777 | 37,246 | 39,777 | 40,738 |
| 21,043 | 21,554 | 23,804 | 24,815 | 25,461 | 25,118 | 27,113 | 27,398 |
| 6,590 | 6,979 | 7,786 | 8,408 | 9,294 | 10,022 | 10,583 | 11,113 |
| 986.0 | 1,216.7 | 1,353.4 | 1,450.9 | 1,590.5 | 1,976.6 | 2,254.3 | 2,422.7 |
| 711.2 | 981.4 | 1,203.7 | 1,487.5 | 1,587.4 | 1,619.1 | 1,698.7 | 2,203.4 |
| 300.0 | 330.0 | 396.0 | 500.0 | 500.0 | 500.0 | 500.0 | 600.0 |
| 268.5 | 331.5 | 391.5 | 511.3 | 586.3 | 646.3 | 701.3 | 851.3 |
| 568.5 | 661.5 | 787.5 | 1,011.3 | 1,086.3 | 1,146.3 | 1,201.3 | 1,451.3 |
| 57.7 | 54.4 | 58.2 | 69.7 | 68.3 | 58.0 | 53.3 | 59.9 |
| 520.5 | 582.2 | 711.7 | 694.2 | 734.6 | 968.5 | 1,169.1 | 1,041.4 |
| 1,124.1 | 1,277.8 | 1,499.2 | 1,705.5 | 1,820.9 | 2,126.1 | 2,417.9 | 2,657.5 |
| 114.0 | 105.0 | 110.8 | 117.5 | 114.5 | 107.6 | 107.3 | 109.7 |
| 1,697.2 | 2,198.1 | 2,557.1 | 2,938.4 | 3,177.9 | 3,595.7 | 3,953.0 | 4,626.1 |
| 1,709.3 | 2,213.1 | 2,620.9 | 2,989.5 | 3,327.8 | 3,675.6 | 4,142.5 | 5,045.9 |
| 52.8 | 51.5 | 51.8 | 50.2 | 50.3 | 52.9 | 52.6 | 53.3 |
| 902.7 | 1,135.6 | 1,350.8 | 1,439.2 | 1,626.3 | 1,781.1 | 2,030.8 | 2,243.8 |
| 27.9 | 26.4 | 26.7 | 24.2 | 24.6 | 25.6 | 25.8 | 23.7 |
| 84.4 | 200.5 | 242.2 | 374.6 | 400.7 | 298.1 | 245.6 | 372.5 |
| 74.0 | 126.0 | 125.3 | 150.6 | 175.0 | 160.0 | 145.0 | 200.0 |
| 54.0 | 63.0 | 65.3 | 80.6 | 100.0 | 100.0 | 90.0 | 110.0 4) |
| 18 | 20 | 18 | 18 | 20 | 20 | 18 | 20 4) |

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Bad Homburg v. d. H.

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Kurt Golda*

Gronsdorf

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Chairman of the Works Council
of BMW AG

Dr. h.c. Herbert Quandt

Bad Homburg v. d. H.

Deputy Chairman
(died on June 2, 1982)

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(since June 30, 1982)
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Purchasing and Logistics

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Sales and Marketing

General Counsel:

Dr. Hagen Lüderitz

* elected by the employees

BMW AG

Published by:
Bayerische Motoren Werke
Aktiengesellschaft
Petuelring 130
8000 München 40

Photos: p. 27–p. 38
Timm Rautert

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