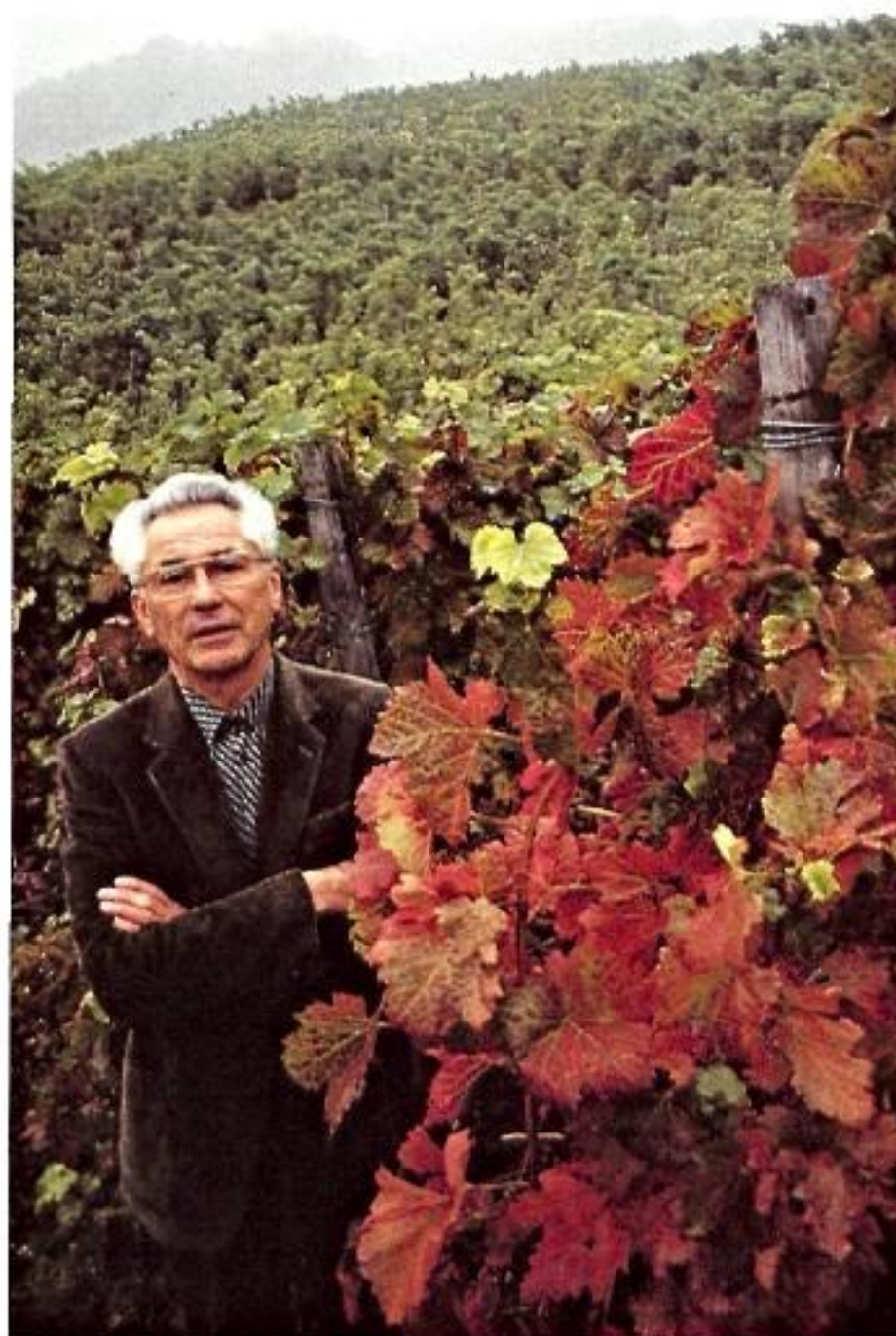




**Annual Report  
of the Bayerische  
Motoren Werke  
München  
on the  
1979 Business Year**

BMW AG





# BMW

## Year to Year Comparison

		1979	1978	Change %
<b>BMW AG</b>				
Sales <sup>1)</sup>	DM million	6,560.3	5,959.2	+ 10.1
Automobile output	units	336,981	320,853	+ 5.0
Automobile sales				
Domestic	units	162,271	157,065	+ 3.3
Foreign	units	172,861	164,131	+ 5.3
Total	units	335,132	321,196	+ 4.3
Personnel at end of year		36,777	35,171	+ 4.6
Personnel expenses	DM million	1,626.3	1,439.2	+ 13.0
Balance sheet total	DM million	3,177.9	2,938.4	+ 8.2
Common stock	DM million	500.0	500.0	
Shareholders' equity	DM million	1,086.3	1,011.3	+ 7.4
Fixed assets and financial assets	DM million	1,590.5	1,450.9	+ 9.6
Investments in tangible fixed assets	DM million	472.8	304.9	+ 55.1
Depreciation on tangible fixed assets	DM million	294.4	249.6	+ 17.9
Year's net income	DM million	175.0	150.6	
Dividend	DM million	100.0 <sup>2)</sup>	80.6	
per share of DM 50 nominal value	DM	10.00 <sup>2)</sup>	9.00 <sup>3)</sup>	
	%	20 <sup>2)</sup>	18 <sup>3)</sup>	
<b>BMW Motorrad GmbH</b>				
Motorbike output	units	24,415	29,580	- 17.5
Motorbike sales				
Domestic	units	8,758	8,329	+ 5.2
Foreign	units	18,581	18,263	+ 1.7
Total	units	27,339	26,592	+ 2.8
<b>BMW Group (worldwide) <sup>4)</sup></b>				
Sales <sup>1)</sup>	DM million	7,407.4	6,557.1	+ 13.0
Personnel at end of year		41,926	39,817	+ 5.3
Investments in tangible fixed assets	DM million	807.6	452.5	+ 78.5

<sup>1)</sup> without value-added tax

<sup>2)</sup> proposal of the management

<sup>3)</sup> per old share of DM 50 nominal value

<sup>4)</sup> 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%.



**Bayerische  
Motoren Werke  
Aktiengesellschaft  
München**

**Annual Report  
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# Report of the Supervisory Board

The Supervisory Board of Bayerische Motoren Werke AG has had twenty members since December 3, 1979, pursuant to the provisions of the Comanagement Law, of whom ten are elected by the shareholders' general meeting and ten by the employees. The Chairman of the Supervisory Board and his deputies were elected at the constituent session on December 10, 1979.

The Supervisory Board regularly watched over the conduct of business at the company throughout the business year. At joint meetings with the Managing Board, 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 them with the Managing Board.

The annual financial statement for the 1979 business year, the books of account and the annual report have been examined by the Deutsche Treuhand-Gesellschaft Wirtschaftsprüfungsgesellschaft, Munich, which 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 annual report of Bayerische Motoren Werke AG, prepared by the Managing Board. The annual financial statement and report are thereby adopted.

The proposal of the Managing Board to employ the balance sheet profit of DM 100 million to pay a dividend of DM 10 per share of DM 50 nominal value on the DM 500 million of common stock entitled to dividend has been examined by the Supervisory Board, which supports the proposal.

On the basis of the final result of the Supervisory Board's examination, it has no objections to raise.

The consolidated financial statement and the consolidated annual report, which have been provided with the unrestricted confirmatory audit certificate of the Deutsche Treuhand-Gesellschaft Wirtschaftsprüfungsgesellschaft, Munich, as well as the report of the auditor of the consolidated financial statement, have been seen by the Supervisory Board.

Munich, April 1980

The Supervisory Board  
Dr. h. c. Herbert Quandt  
Chairman



# Report of the Managing Board

## General

In the western industrial countries in 1979 economic developments were overshadowed by repeated drastic price increases on the world's crude oil markets and a substantial rise in the prices of the other raw-material imports. Business in the automobile industry was not left unaffected but still remained at a high level of activity in most countries.

In the Federal Republic of Germany, the automobile industry experienced in 1979 the late phase of an unusually vigorous boom lasting several years. Domestic demand, which since 1975 had been the biggest stimulant to growth, showed clear signs of a long-expected slackening-off, which became more evident as the year passed and obliged some manufacturers to make production adjustments from the fall of 1979 onwards.

For BMW, the 1979 business year marked the continuation of the good results from the preceding years. In pursuance of the company policy hitherto, the network of marketing companies abroad was further extended. At home and abroad, the share of the automobile markets was consolidated. There was a further increase in demand and in production. The extended manufacturing capacity was also fully utilized. The higher priced BMW models were in particularly keen demand. All BMW models profited from the many years of development work which has made it possible to reduce fuel consumption by an average of more than 7%. In the year under review, there were over 33,000 new registrations of BMW motorbikes throughout the world, a higher figure for a single year than ever before in the history of the BMW motorbike. Under these conditions, it was a good year for the company as a whole and for all of its divisions.

## Worldwide business slowdown

In 1979, economic growth in the industrial countries of the Western world slowed down, being affected by explosive increases in mineral oil prices, which pulled other raw materials behind

them. The OPEC selling price for oil, which had still averaged around 14 dollars per barrel in the spring of 1979, was being quoted above the 30 dollar mark by most suppliers towards the end of the year. Although consumers and investors reacted less nervously than in the years 1974/75 after the first energy crisis, the accelerated price rise curbed production and employment in the course of the year. Private households had to rearrange their expenditure and to economize on the whole, in view of the unexpected cut in real purchasing power. This also affected the demand for automobiles.

These factors were encountered in a world economic situation which — based on the level of investment activity — was altogether on the upswing. Admittedly, private consumption, which was sluggish in the course of 1979, moderated sales expectations in many branches; more restraint was consequently exercised in making investments in the second half of 1979. In addition, central banks all over the world tightened up their restrictive monetary and credit policy, in order to combat inflation. In some countries, the bank rate reached record levels and had a particularly big impact on demand in the construction industry, which is traditionally sensitive to interest rate changes.

As a consequence of the worldwide increase in the price of oil, the difference in the level of business activity between the large economic blocs decreased in the course of 1979.

In the United States, the most important foreign sales market for the German automobile industry, the recession expected in many quarters held off for the time being. Gross national product in terms of real value and overall activity continued to increase. However, the trend varied greatly from one branch of economic activity to the other. The US automobile industry had to live with a substantial fall-off in demand and production, particularly for large and medium-size automobiles. Towards the end of 1979, US manufacturers were at

a production level one quarter below the figures for the previous year. Plant closures and short-time working characterize the scene right up to the present time.

The US Federal Reserve Bank radically altered its policy, but at too late a stage to check inflation in the year under review. On the other hand, the balance of trade has improved. Altogether, the position of the dollar in the international currency system was stabilized in 1979. Owing to a further upward revaluation of the DM against the dollar, imports from the Federal Republic of Germany have become still more expensive; this has also adversely affected German automobile exports.

In Japan, domestic demand likewise slackened off in the aftermath of higher payments to the OPEC countries for oil. In much the same way as the Federal Republic of Germany, Japan had an adverse balance of trade for the first time in years. In the course of the year exports leaped up, not least because of the drastic devaluation of the yen, to an extent which is unusual even for Japan. As a result, the negative effects of the oil price increases on the rate of economic growth were countered for the time being. At 6.0%, it was higher than in the previous year.

In Western Europe, an upturn in business activity had become apparent from the second half of 1978 onwards. Owing to the disturbing factors in the world economy, this upturn could not be sustained in 1979. However, the economies of the European countries have, on the whole, coped better with the shock of drastically more expensive oil imports in 1979 than in the years 1974/75, when the first crisis situation arose. It is true that demand and production slowed down considerably, but altogether they increased over the year. The gross national product, in terms of real value, showed a slight increase of 3.4% on the previous year. This was not enough to get significantly nearer to the goal of full employment; in most countries, unemployment remained at



a high level. In all countries, there was a considerably steeper upward movement in prices, the additional impetus of inflation being mainly attributable to the drastic price increases for mineral oil. On a yearly average, consumer prices in Western Europe rose almost 10%, compared with 7.6% in 1978.

The OECD countries, which account for a substantial portion of world trade, had an adverse balance of trade of 33,000 million dollars in 1974 after the first oil crisis. After a phase of recovery in the following years, they had a surplus again for the first time in 1978. Nevertheless, in 1979 they were back again to an adverse balance of 27,000 million dollars, which on present estimates will increase to over 50,000 million dollars in the current year.

#### **Vigorous economic upturn in the Federal Republic of Germany**

In the Federal Republic of Germany, the economic recovery in the second half of 1978 was sustained in 1979 and developed into an upturn on a wide scale. Despite all disturbing factors in foreign trade and world politics, it was maintained throughout 1979, being based primarily on the further stepped-up investments of companies, the outcome of optimistic expectations for the first time in years on the part of the German business community. The gross national product grew 4.4% in terms of real value, a degree of growth which has rarely been achieved in the past decade. Of this increase of DM 37,000 million over 1978, increased gross investment alone accounted for DM 27,000 million.

In contrast to 1978, the industrial sector (+ 6%) and the construction industry (+ 7%) were the biggest growth stimulants in the year under review, not the services sector. Vehicle manufacture, on the other hand, which had been the impeller of economic growth in German industry in the preceding years, rose only 1.5% in 1979.

The favorable overall economic trend in the Federal Republic significantly improved the labor market situation as

well. On a yearly average, the number of persons in employment rose almost 400,000 to a round figure of 22 million, while the number of unemployed dropped some 120,000. Last year, for the first time since 1974, the number of unemployed was below the one million mark in December, despite the usual seasonal increase at this time of the year.

The upsurge in domestic demand was backed up by a rise in exports, which was sharp particularly in the first half of the year. As price increases for imported goods were not curbed via the currency — there was no further revaluation of the DM on a weighted average — the increase in the value of imports was almost double that of exports; the foreign trade surplus declined noticeably. Owing to the worsened terms of trade caused by the price for oil, the Federal Republic had an adverse balance of trade (minus 9,000 million DM) for the first time since 1965.

Price conditions deteriorated unexpectedly rapidly and markedly in 1979. Unlike the past, it was not the movement of labor costs which was the determining factor but the rising prices of imported goods, especially of oil, as well as administrative price increases, such as the upward adjustment of value-added tax. Almost one third of the overall inflation rate of 4.1% was accounted for by such factors. Without these, the net incomes of employed persons would have risen 4.5% and not 3% in terms of real value.

#### **Japanese automobiles make worldwide advances**

There was less dissimilarity in the run of international automobile business in 1979 than in the preceding years. In all important markets, the peak of an upswing in demand lasting several years was reached or passed. In a majority of countries, there were fewer new registrations of automobiles than in 1978.

In the USA, where decades of low fuel costs have had a pampering effect, the unexpected shortage and higher price

of mineral oil products led to a substantial falling-off in demand. Total registrations were 6% down on the previous year. Particularly affected were the medium-size and large automobiles of all U.S. manufacturers; sales from domestic production dropped 12%. A much bigger share of the market was gained by economical imported vehicles from European and, above all, Japanese production. The share of imports, which had still only averaged 18% in 1978, rose to around 24% towards the end of 1979. Some two thirds of these were Japanese makes, which thus reached a share of 16% of the total market in the USA.

On the Japanese automobile market, there was not more than a limited increase in domestic demand to some 3 million units. While it is true that more vehicles were imported than in the previous year, their market share of 2% is still slender compared with the international average of more than 26%.

The West European markets, with few exceptions, followed a common pattern. On the bulk markets, which had experienced particularly big increases in registrations in the preceding years — France, Belgium, Holland and also the Federal Republic of Germany — demand slackened off in the course of the year from a high level. With the exception of Belgium, all major markets had fewer registrations in the second half of 1979 than in the corresponding period of the previous year.

In the Scandinavian countries and in Austria, the automobile business improved. In the previous year, new registrations had declined considerably in these countries, owing to the pressure of import restrictions. The increases achieved in 1979 (Austria + 35%; Sweden + 7%; Norway + 14%) can therefore largely be explained by the low basis for comparison. Restraint continued to be exercised on the Danish automobile market.

A worldwide production of about 31.5 million automobiles in 1979 meant that production was only just under the



level of the previous year. Admittedly, this overall figure conceals considerable shifts in the pattern among the various countries.

The Japanese automobile industry achieved the biggest increase of 8%. The manufacture of 6.5 million automobiles has now raised its share of world production to almost 21%, after a figure of 19% in the previous year and only 14% at the beginning of the seventies.

U.S. manufacturers had to face a drop in production of some 8%. Their production volume was down to 8.4 million units.

All EEC countries taken together with an output of some 10 million units were able to maintain their previous year's share of 32% in world production. Within the EEC countries, the Federal Republic only slightly improved its position with an increase of 1.1%. The growth rate of French automobile production, in contrast, was more than three times higher; in the past ten years alone, France's automobile industry has expanded three times as rapidly as that of the Federal Republic. Italian production, on the other hand, showed no increase, while the difficult situation of the automobile industry in Great Britain worsened.

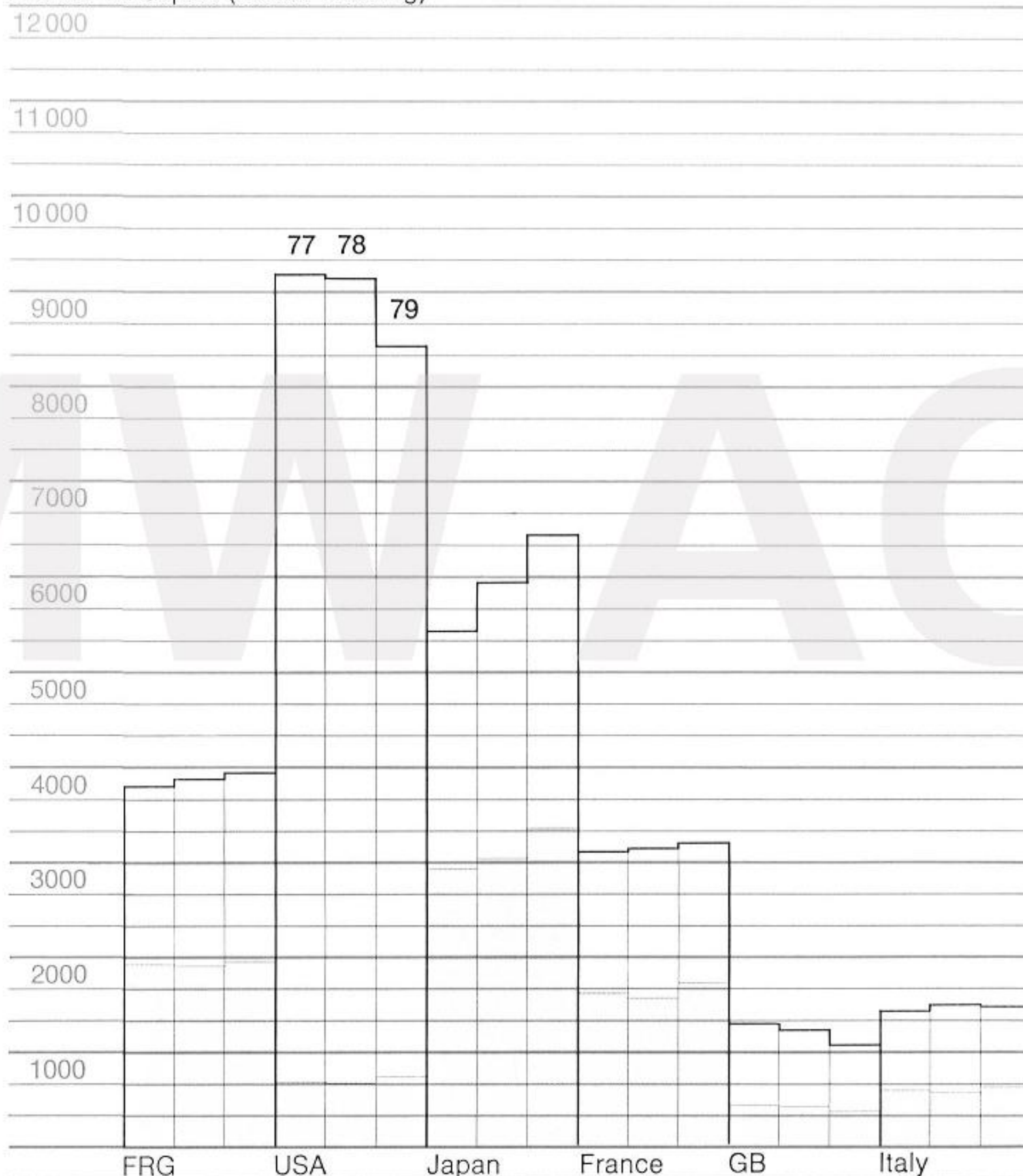
#### Stiffer competition for German automobiles

The automobile industry in the Federal Republic was once more among the successful branches of economic activity in 1979. Although the growth impulses it provided were less strong, as in previous years it remained a mainstay of economic activity.

A 6.5% real growth in sales in road vehicle manufacture was roughly half as high again as that for the economy as a whole. With its sales amounting to DM 125,000 million, the industry took second place among the industrial sectors in the Federal Republic of Germany. At the end of 1979, some 800,000 persons were employed in road vehicle manufacture, 25,000 more than at the same time in the previous year. Since

#### The Big International Automobile Markets

Automobile production in 1,000 units  
thereof for export (darker shading)





the low level in 1975, new jobs have been created for 120,000 persons.

The rise in production which had lasted five years came first of all to a standstill in the first half of 1979; since then, the tendency is downward. This results from the long-expected slackening-off in domestic demand. The Federal Republic of Germany has the highest automobile density in Western Europe. A further million automobiles were added in 1979, bringing the total automobile population to 22.6 million units. Within a decade, it has increased by 10 million units or about two thirds. Of every 1,000 Germans in the Federal Republic, 370 last year owned an automobile; in 1978, it had been only 353.

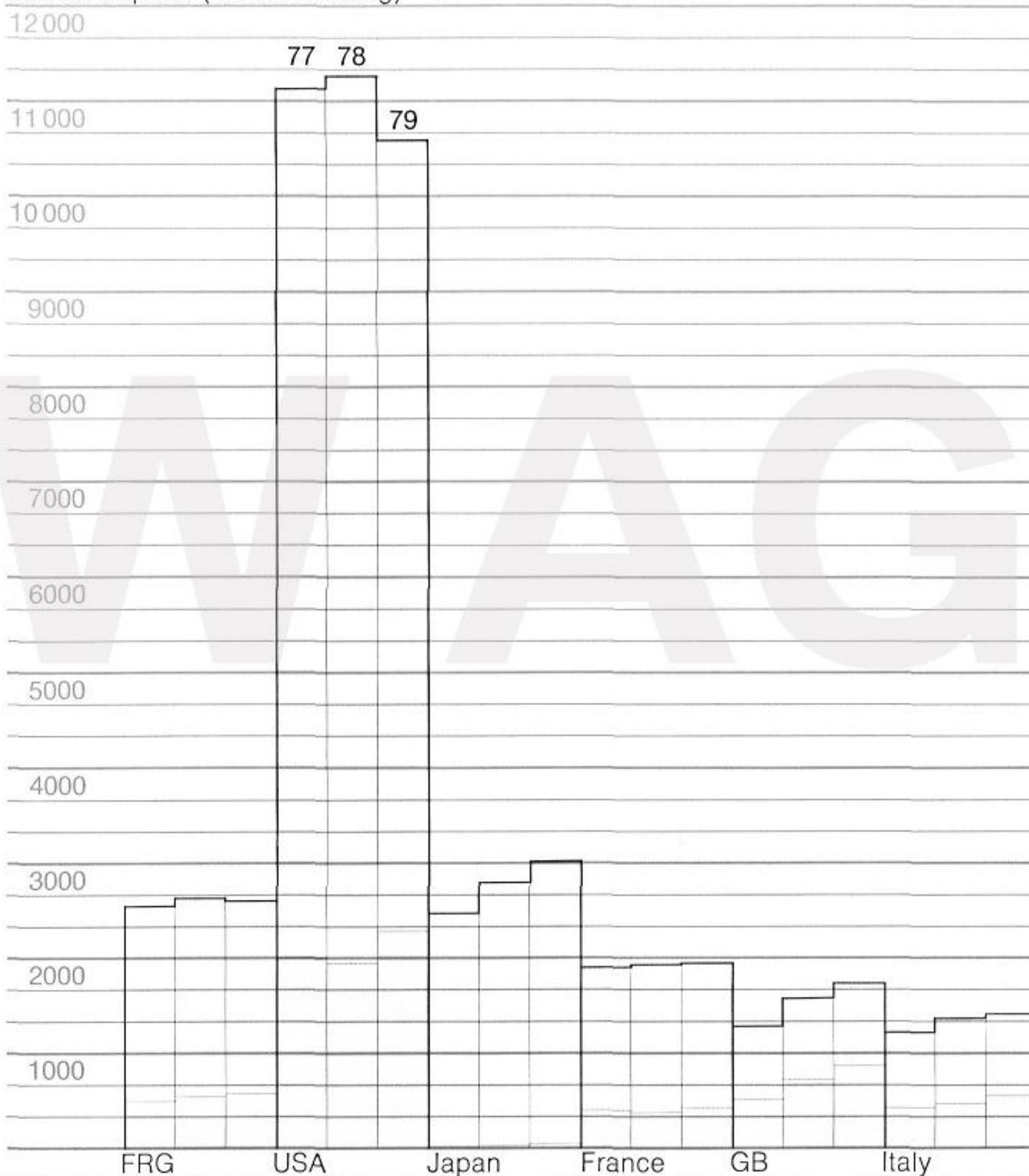
Although the general downturn in the automobile business had already become apparent by the end of 1978, it did not have an effect on the number of new registrations until the second half of 1979, owing to the large number of orders on hand. A total of 2.62 million new automobile registrations for the year as a whole was only 1.5% short of the previous year's record.

The class of customers who buy medium-size automobiles reacted particularly sensitively to the changes in household budgets forced on them by more expensive fuel. Accordingly, losses were sustained in this sector through, for instance, delays in the covering of replacement needs.

As in the previous year, the share of domestic manufacturers in the total market declined again in 1979. With the drop in total registrations, this was also reflected in the number of units sold, which was 3% below the figure for 1978. The market share of foreign manufacturers, on the other hand, rose by one percentage point to over 23%. Above all, this is a success of the Japanese automobile industry, which increased its sales in the Federal Republic by more than fifty percent against 1978 and thus to a similar degree as in the previous year. Its market share increased from 3.7% to 5.6% at the expense of the other foreign manufacturers.

### The Big International Automobile Markets

Automobile registrations in 1,000 units  
thereof imports (darker shading)



There was a further increase in demand for vehicles with diesel engines. Registrations rose 22% in 1979 (+ 33% in 1978) to 197,000 units. The diesel engine market share thus attained 7.5% in 1979, compared with 6.1% in the previous year.

The Federal Republic's automobile industry fared better with exports in 1979 than on the home market. Automobile exports rose 4.9% to nearly 2 million units, boosting the share of exports to 49.8%, against 47.3% in the previous year. The other EEC countries took around 55% (1978: 50%) and Europe altogether some 75% of total exports from the Federal Republic. Exports up by more than 200,000 units to European countries contrasted with decreased



exports to many non-European countries. In Japan, all German manufacturers taken together slightly increased their sales in 1979 to 33,000 vehicles.

Exports in 1979 became the mainstay of production. Owing to the slackening of demand on the domestic market, production of 3.9 million automobiles in 1979 in the Federal Republic achieved only a 1.1% rise on the figure for the previous year. Within a period of ten years, production had risen 18%. Worldwide production of automobiles went up some 42% in the same period. The share of the Federal Republic of Germany thus dropped from around 16% at the beginning of the seventies to around 12% at the end of the seventies.

This development reflects, on the one hand, substantially stiffer price competition internationally, to which German manufacturers were particularly exposed as a result of the heady movement in labor costs and change in exchange rates during the first half of the seventies. On the other hand, this structural shift in production shares is attributable to headway made by manufacturers in foreign countries (Eastern bloc, developing countries) from the markets of which German exporters of automobiles are excluded owing to state controls.

#### **Steady upward trend at BMW**

In 1979, BMW continued the successes of the preceding years and again improved on important past performances. The activities of the past – the introduction of new models and new engines, the enlargement of its plants and its sales network – bore fruit. In the fall of 1979, the three-millionth post-war BMW came off the production line.

The long-anticipated calmer period on the home market enabled BMW to keep production in step with demand for the first time since 1975. Daily production between the end of 1978 and the end of 1979 was stepped up further from 1420 units to more than 1460 units. The order book remained well filled; delivery times for some models could be reduced. By the second half of 1979, six-cylinder

engines had a share of almost 70% in production after a rise from around 60% in the previous year and 30% in 1977. Even in the case of the BMW 3-Series automobiles, more than 50% had a six-cylinder engine in 1979.

Higher production made a further increase necessary in the labor force. At the end of 1979, BMW AG had 36,777 employees, just under 5% more than at the same time in the previous year. When the domestic and foreign subsidiaries are included, BMW employed a total of 41,926 persons at this time throughout the world.

#### **Production to the limits of capacity**

Working at full capacity, BMW produced 336,981 automobiles in 1979, 5% more than in 1978. As in the preceding years, this increase would not have been possible without extra shifts and overtime being worked in nearly all divisions of the company.

Daily production at the Munich plant, that is of the BMW 3-Series, was increased to 815 units at the end of the year. At the Dingolfing plant, daily output was raised in the course of the year to almost 650 automobiles. It was possible to produce considerably more of the 5- and 6-Series models; as in the previous year, the available production capacity was fully utilized in the case of the 7-Series models.

Owing to the limited capacities at the Munich plant, the share of the larger models in the total output of the plants rose slightly to 44%.

#### **High investments at BMW**

BMW invested altogether about DM 473 million in tangible fixed assets in 1979, following upon DM 305 million in the previous year. This sum is higher than ever before in the history of BMW AG. The investment ratio – the ratio of capital expenditure to sales – working out at 7.2% was above the average for the industry, as it has been for many years.

Investment activity was concentrated on structural improvements and the en-

largement of capacities. In addition, tasks to safeguard the future played an ever more prominent role. There were thus high rates of increase in investments in manufacturing equipment for new products, also caused by the use of new manufacturing technologies. At the Munich plant, a pilot plant was set up to prepare for series production tailored to the assembly line; this will facilitate starting up production of new automobile models in the future.

At the Munich plant, where enlargements of capacity are excluded, the measures for structural improvement, modernization and rationalization determined investment activity. In the middle of the year, the first stage of a new electric power station was put into operation. To bring the central workshops under one roof, a start was made on a new building which will be completed in 1980 at a total cost of DM 30 million.

At Dingolfing, 45 more BMW automobiles were manufactured every working day on a yearly average than in the previous year. To enlarge capacity still further, a start was made in 1979 on extending the paint shop, the assembly shop and the storage areas. In the next few years, the Dingolfing plant will thus reach its planned final stage of development. Altogether, DM 227 million were invested there in the year under review.

There was also an increased amount of investment in research and development facilities, which accounted for a markedly bigger share of overall investment by BMW AG than in the preceding years.

In 1979, investments of some DM 65 million intensified measures to protect the environment and to save energy. Residential areas have increasingly encompassed the site of the Munich plant in the past years. This called for substantial extra investments on the part of BMW AG to protect the environment; BMW again did more in this respect in the year under review than it was required by law to do.





Bavarian motors for automobiles,  
motorbikes and boats: combining perfor-  
mance, culture and fuel economy.





The economical use of energy is also a golden rule in manufacturing. It is true that further measures to save energy call for disproportionately high capital expenditure, as they necessitate the employment of new technologies, such as heat pumps, waste heat recovery equipment, as well as the coupling of power and heat. Energy savings of up to 30% were achieved in individual cases in 1979 through the planned application of such measures.

Beyond its investments in tangible fixed assets, BMW AG also applied considerable funds in 1979 to qualifying employees to put these measures into practice. Merely on the basis of that portion which can be quantified, BMW AG expenditure on training and further training measures amounted to over DM 30 million.

#### New tasks in purchasing and logistics

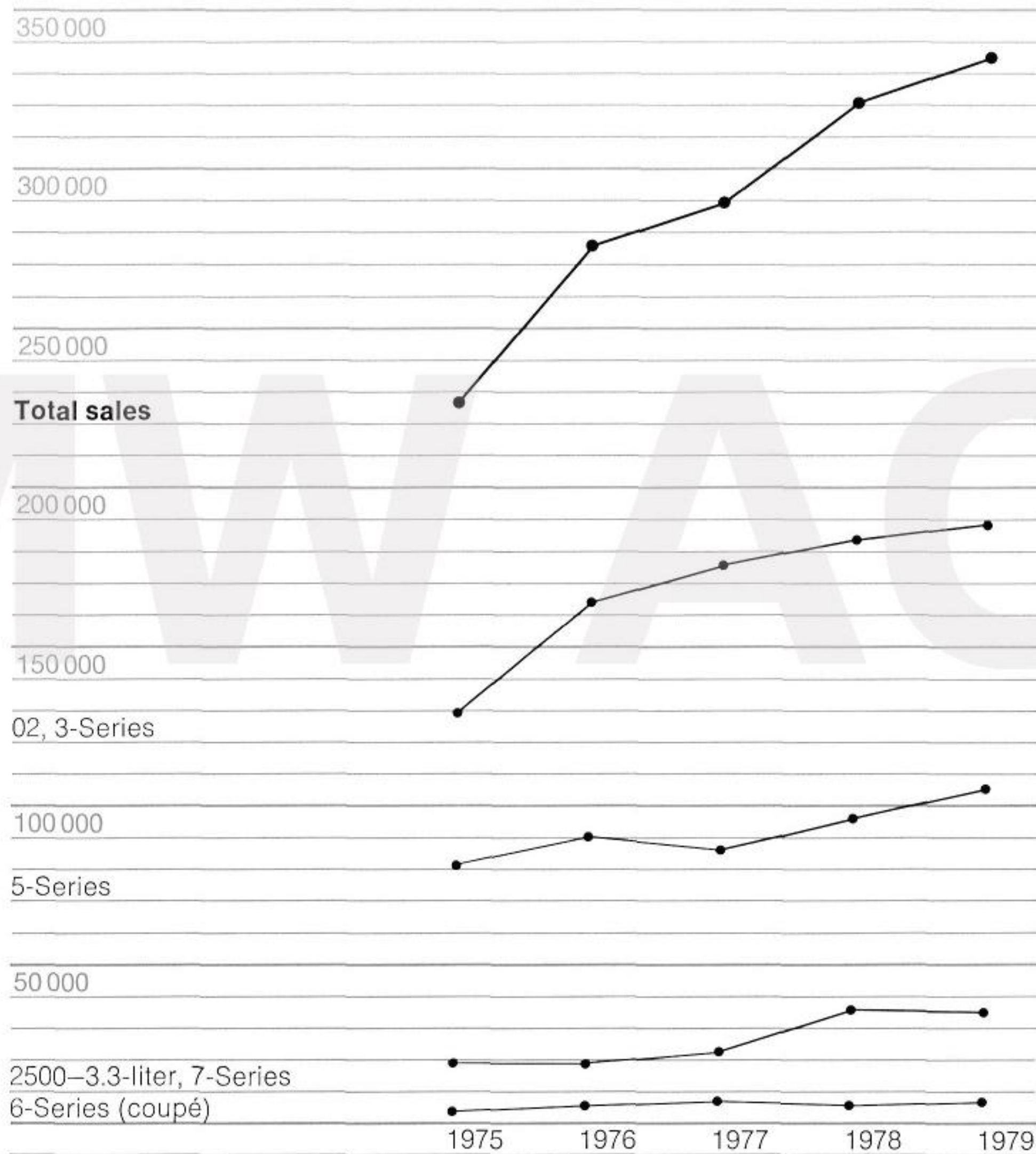
Again in 1979, disturbing external factors, such as bottlenecks in supplies owing to wage and labor disputes, had to be coped with in purchasing and logistics. On January 11, 1979, the strike in the iron and steel industry in North Rhine-Westphalia, Bremen and Osnabrück was ended after 44 days. Thanks to fine cooperation with suppliers and as a result of the precautionary measures with regard to supplies, there was no supply crisis at BMW. Neither did numerous strikes in major foreign markets from which supplies are obtained have any after-effects. Once again, the time-proven cooperation between BMW and its suppliers furnished evidence of its success.

Further improvements were made in the systems for the flow and supply of materials for manufacturing and assembly. A reduction was again possible in the value of stocks of raw materials and supplies in relationship to sales and the balance sheet total in the year under review.

New tasks had to be confronted in the past year in purchasing and in logistics, as a result of the sometimes explosive rises in the costs of energy

#### BMW Automobile Sales

(in units)



Total sales	226,688	275,596	288,260	321,196	335,132
Domestic	120,553	135,994	143,774	157,065	162,271
Foreign	106,135	139,602	144,486	164,131	172,861
02, 3-Series	127,798	163,519	175,094	183,793	188,887
5-Series	79,982	89,715	85,318	96,065	105,115
2500-3.3-liter, 7-Series	17,032	17,912	21,748	35,728	34,402
6-Series (coupé)	1,876	4,450	6,100	5,610	6,728



and raw materials. Crude oil and petrochemical products were especially affected. Roughly one fifth of total purchases by BMW involve derivatives from these initial materials, such as, for instance, rubber, plastics and paints. Still other raw materials, which at least on a short-term basis are irreplaceable in automobile manufacture, were pulled into the wake of the increases in the price of oil; for instance, to a great extent, the non-ferrous metals, in particular aluminum, copper and lead. The repercussions on costs were and are considerable. They will augment, as it is precisely in conjunction with the call for lighter automobiles that greater use will have to be made in future of plastics and aluminum.

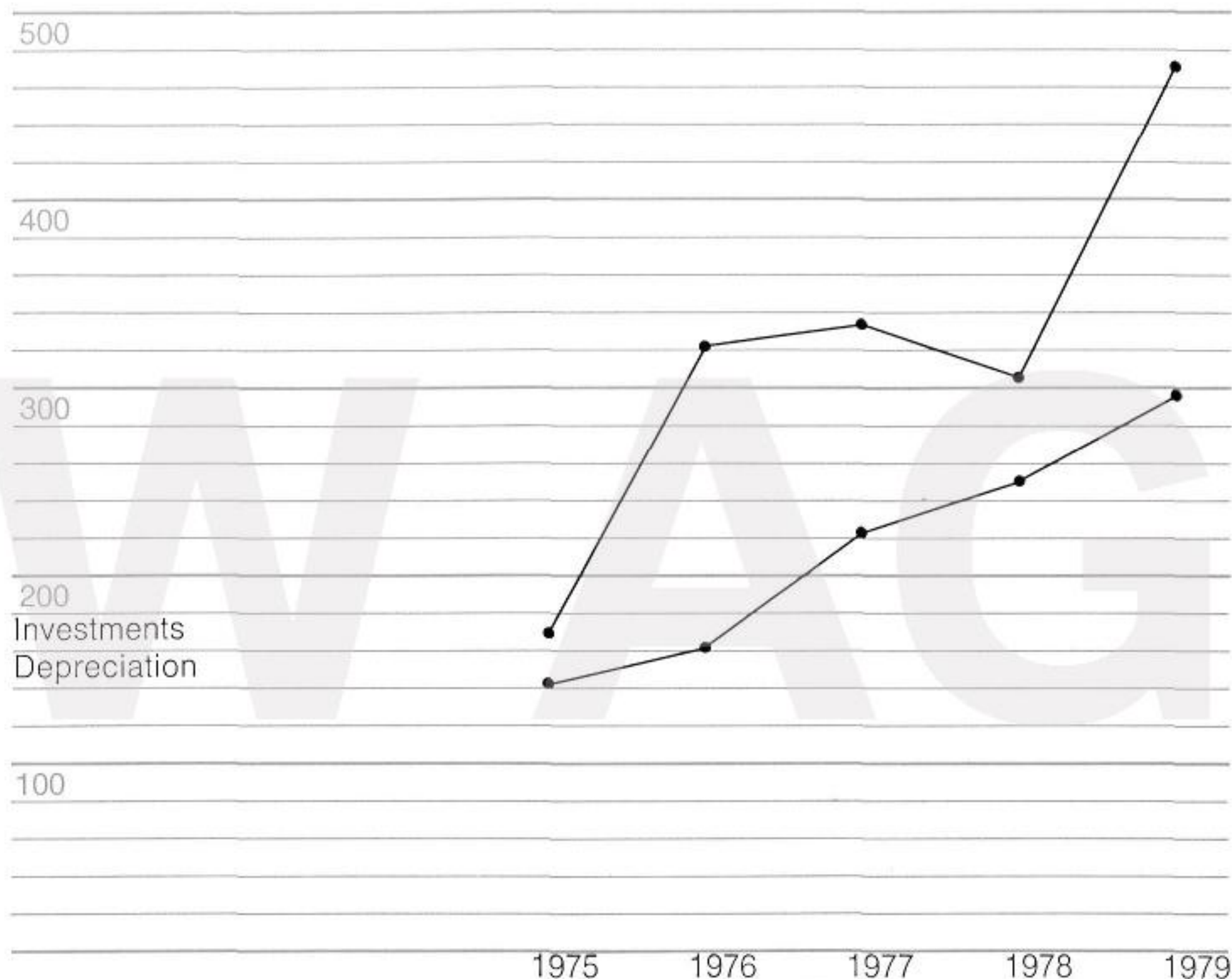
The number of BMW suppliers rose in 1979 to over 7,000. The majority of them are small and medium-sized firms. Foreign markets where supplies are purchased have assumed greater importance. In 1979, BMW imported from more than one hundred foreign suppliers in some two dozen countries. These figures and total purchases from abroad are multiples of what they were a few years ago.

In this way, BMW as an importer has assumed greater significance in the balance of payments for some countries, as a considerable part of rising exports of BMW vehicles is already covered by imports. Where two-way trade is particularly intensive, there is even a beneficial effect on the infrastructure of the country involved in the partnership. This applies, for instance, to countries in which local importers run plants in which BMW automobiles are manufactured or assembled.

Ties between BMW and its supply industries were further strengthened in 1979, resulting in a growing number of joint developments. This type of co-operation will assume greater importance. In the automobile of the future, more entirely novel materials and components will be used than hitherto. Cooperations have been added to traditional preoccupations like reliability, quality and costs.

#### Investments in and Depreciation on Tangible Fixed Assets of BMW AG

DM million



Investments	167.3	320.8	335.1	304.9	472.8
Depreciation	142.8	160.5	222.5	249.6	294.4
DM million					





Construction sites at plants and related companies: At Steyr, Upper Austria, the engine plant of BMW-STEYR Motoren-gesellschaft m.b.H. is taking shape. At Dingolfing, a main office building was also needed, following the years of expansion of production. In Berlin, the motorbike plant has a new building for parts manufacture.





### **Another worldwide increase in demand for BMW automobiles**

In 1979, a total number of 335,132 BMW automobiles were sold, 4% more than in the previous year. In the latter part of the year, for the first time in years, the supply of stocks to the dealers and importers all over the world was improved to a desirable standard.

All the BMW model series contributed their part to the good business. As demand returned to normal towards the end of the year, there were signs of cyclically induced changes within the classes of automobiles. It can be seen that demand for the small and large BMW classes tends to remain steady, whereas demand for the BMW medium-size class is sooner affected by external influences.

There were 153,923 first-time registrations of BMW automobiles in the Federal Republic of Germany, a result almost as good as the very high figure of the previous year. In view of the declining total market, BMW's market share increased to 6.0%. Exports in 1979 were 5% up on the previous year, bringing the export share to 51.6%. As in 1978, the share of BMW automobiles in total automobile exports by manufacturers in the Federal Republic was just under 9%.

### **Differentiated pattern in exports**

Against the background of a downward trend in the automobile business in many places, BMW did generally well in its export markets. It did particularly well in the overseas markets, whereas the rate of growth levelled off in Europe. In nearly all major foreign markets, there were more new registrations of BMW automobiles than in the previous year. In the USA, Great Britain, Italy, Belgium and South Africa, BMW improved its market share.

Analyzing developments over a considerable period of time, it becomes clearer why BMW is attaching greater importance to future exports. Within the last five years, total exports at BMW have risen 75% against an average of

17% for all manufacturers in the Federal Republic. Until 1975, BMW's export ratio was below the average for the industry; in the meantime, the position has been reversed. In 1979, there were seven countries to each of which BMW exported over 10,000 automobiles, as against only two such countries in 1974. On six of the major markets for sales, more than twice as many BMW automobiles were sold in 1979 as five years ago.

In some countries, new possibilities are emerging since 1979, as a result of the liberalization of import conditions. In Japan, more than 4,000 BMW automobiles or about 70% more than in the previous year were newly registered. Exports to Spain and Argentina were many times higher than the level of the previous year, which was admittedly also low. Despite a big demand, the exports to some other countries had to be restricted or discontinued, for instance in the case of Iran, to which some 2,500 BMW automobiles had still been supplied in 1978. In some markets abroad, government intervention is directed expressly against the bigger automobiles. Further legal restrictions must be reckoned with in the future. Apart from Australia, such measures are looming up at present in particular in France and in Greece.

Local production or assembly of automobiles is one possibility of supplying the markets in question. Apart from the company plant in South Africa, BMW automobiles have been assembled for some years in Portugal, Thailand, Indonesia, Uruguay and, since 1979, in Malaysia as well. These plants are being run by the local importers and are turning out what are, admittedly, still small quantities at present of 500 to 1,000 units per year.

All the BMW model series contributed their part to the good export business. Again in 1979, the large BMWs of the 6- and 7-Series had the highest sales of German vehicles in their class in the major European customer countries. Thus, the market position they had al-

ready captured in the previous year — the first year after their introduction — was consolidated and improved.

### **BMW model innovations**

Since the annual holiday at the company in 1979, the second generation of the 7-Series has been in production. It supersedes the models introduced in 1977. In the course of the two years, some 90,000 of these automobiles had enabled the company to carry on the BMW tradition as a maker of exclusive large sedans.

The new large BMWs are practical embodiments of meaningful progress in automobile engineering. Their functional exterior remained as before; the changes involve performance, equipment and fuel consumption. All of these large models now have the fuel-saving injection engines. The 7-Series BMWs are now up to 70 kg lighter, depending on the model. As a result of these measures, fuel consumption is down on the average by more than 7%. At the top of this model series, there is the BMW 745i with an exhaust-turbocharged six-cylinder engine, on-board computer, antiblock system, automatic transmission and hydropneumatic level control.

Another introduction was the BMW M 535i from BMW Motorsport GmbH. This top model of the 5-Series with a 3.5 liter fuel-injection six-cylinder engine provides outstanding performance with good fuel economy.

The M 1 mid-engine coupé went into production and started its career on the roads and in racing competition.

From the annual holiday onwards, a series of modifications incorporated in the other models lowered fuel consumption by an average for all models of 7.3%, while at the same time performance and comfort were further enhanced.

### **Higher standards in the dealer organization**

For many years, surveys have shown that BMW customers are highly satisfied with the quality of service at the BMW



workshops. Efforts continued in 1979 to maintain and even improve this quality standard.

Nearly every third person employed in the BMW dealer organization attended one of more than 500 training courses and seminars which were held in the course of 1979 and in which over 7,000 people took part. In the Federal Republic alone, the four mobile training teams which had all been set up within the space of a year visited thirty centers and gave instruction to nearly 4,000 BMW service personnel, also in new assignments including training for the BMW service test. This involves a new generation of test equipment as a workshop data center for optimum maintenance of BMW automobiles. The sophisticated technology package provides an optical test data bank, comparisons of the vehicle actual data with target data and gives the extent of repairs based on microfilm data.

The total of BMW automobiles registered throughout the world came to over 2.2 million in 1979. More than 3,100 BMW workshops ensure maintenance and service and supplies of parts and accessories in 110 countries. An essential requirement is an adequate supply of genuine BMW spare parts. Stocks include over 40,000 items valued at DM 500 million in retail prices. Since the end of 1978, an optimum supply system with its base at the computer-controlled high-rack warehouse at Dingolfing is guaranteed.

The dealers continued to invest in their firms in the year under review. New or extension buildings were completed by every tenth BMW dealer in the Federal Republic. Total investments involved DM 80 million. Due regard was also paid to the visual corporate identity of the BMW company and its worldwide marketing organization.

The domestic network of altogether nine company-owned regional centers was further adapted to the increased volume of business by means of structural improvements. The rebuilt center

at Offenbach was completed on schedule at the end of 1979.

#### **Satisfactory position of BMW companies maintained in 1979**

Business was good for almost all BMW subsidiaries and related companies in the 1979 business year.

BMW Motorrad GmbH benefitted from the model changes in the previous year. The success of the R 45, R 65 and R 100 RT models continued undiminished. The restructuring of the Berlin motorbike plant was one of the important reasons leading to a curtailment of production. Stocks at the plant and at the dealers' premises were therefore almost completely depleted. Worldwide new registrations of BMW motorbikes in 1979 were an all-time record. The business result, however, was still not satisfactory.

Reorganization of the marketing organizations abroad was systematically continued. On January 1, 1979, the importing companies in Holland and Australia became fully owned subsidiaries of BMW. Since January 1, 1980, BMW (GB) Ltd. has taken over the import and sale of BMW vehicles in Great Britain. As a result, BMW now has its own marketing subsidiaries in ten major customer countries, handling some 84% of total BMW sales abroad.

Since the beginning of 1979, BMW-STEYR Motoren Gesellschaft mbH based in Steyr, Upper Austria, in which BMW AG, Munich, and Steyr-Daimler-Puch AG, Vienna, each have a 50% interest, has been in existence. With this joint venture, development and manufacture have also been taken by BMW beyond the national frontiers. The new company will develop, manufacture and sell engines. The new jointly-owned engine plant in Steyr is the biggest industrial project in Austria in recent years. The first spade was dug in June, 1979; since then, construction has proceeded on schedule.

#### **Continued good business results**

The value of sales of BMW AG rose 10.1% to DM 6,560 million in 1979. Domestic business accounted for DM 3,410 million and exports for DM 3,150 million.

Factors contributing to this increase were the larger number of vehicles sold and the continued shift in demand to the higher-priced models. Price increases played only a minor role on the domestic market, the total effect here of upward adjustment of the non-binding price recommendations for BMW automobiles in the year under review accounting for an increase in 1979 of 1.8%. Export prices were increased in line with the changes in exchange rates and with the specific competitive position in individual markets. BMW importers and subsidiaries were obliged to make corresponding price changes.

Sales of the BMW Group (worldwide) increased by 13.0% in 1979 to DM 7,410 million.

The continuation of favorable market conditions, the improved product mix and the same high utilization of capacity as previously, resulted in a net income of BMW AG in 1979 of DM 175 million.

#### **Economic situation of the automobile industry in 1980**

In the first few months of 1980, the business upswing in the Federal Republic of Germany continued. Even if the upswing had lost some momentum, investment activity, which was still brisk, prevented a marked cooling of the economic temperature. In general, present signs are that the overall level of production will continue to remain high.

The underlying assumption is that no serious supply bottlenecks occur on the world crude oil markets, despite all uncertainty about how prices and quantities will develop. However, the events of the past year 1979 make it clear that there is no definite assurance in this respect.

It is no easy matter to assess how the automobile business will develop



in the future, a significant element being that extraneous factors beyond internal control are having a much bigger effect. As a result, the domestic automobile business is becoming uncertain and forecasts are more difficult.

Demand abroad is thus assuming growing importance. Altogether, foreign markets favor German automobiles; a basic requirement is that no extra handicaps emerge in the way of changes in exchange rates beyond the national differences in the level of prices and costs. Admittedly, trends in business and the balance of payments in the countries which are the major customers for German manufacturers will be factors of growing importance in overall exports.

As domestic demand has for some years been the major factor determining production, the automobile industry in the Federal Republic must reckon in 1980 with not achieving the level of production and volume of sales it attained in 1979.

#### **BMW in 1980 — stabilization at a high level**

Demand for BMW automobiles in the first few months of 1980 continued to be satisfactory. This applies particularly to the small and large BMW models. Demand for the BMW 5-Series followed the general downward trend in the market segment comprising the upper bracket of medium-size automobiles. Overall, the order book is full enough to provide a secure basis for future production.

As in the past, the trend of business for the subsidiaries and related companies is again likely to vary in the current year, in view of the market and exchange-rate fluctuations. On the motorbike market, much will depend on the extent to which the measures applied to improve the ability to compete above all with the Japanese manufacturers are not undermined by a further de facto devaluation of the yen.

The market prospects for BMW can be considered good, also in the long run. In order to make use of them, BMW

must continue to make investments to enlarge capacity. However, its more long-term investment plans are aimed, above all, at increasing productivity, satisfying market requirements concerning the products and meeting the need of the employees for modern workplaces. In the next five years, the investments of BMW in tangible fixed assets will be considerably higher than in the past five years. The investment ratio will continue to rise. These efforts are indispensable to provide a lasting basis for the future prosperity of the company.

In the long run, no fundamentally negative trends are to be expected in the automobile and motorbike markets. Admittedly, bigger cyclical fluctuations in the demand for automobiles cannot be excluded because, with the large increase in the number of automobiles and the growing importance of replacement demand, customers will in future react more sensitively to the changes in economic and business conditions than in the past. The inclination of many countries to remedy structural difficulties by protectionistic measures also increases the uncertainty about the future sales volume of the automobile industry.

The same situation could be expected, if consumers were hampered through controls affecting the free use of the automobile in times of energy crises — simply for short-term advantages and not because of objective logic.

In view of these medium-term problems, the Managing Board of BMW AG considers its priority assignment to be to safeguard the market position achieved in the last few years, to consolidate the company in its entire structure and to prepare it for the challenges of the future.



# The BMW Production Program

## R 45

473 c.c.  
20/26 DIN kW (27/35 h.p.)



## R 65

650 c.c.  
33 DIN kW (45 h.p.)



## R 80/7

798 c.c.  
37/40 DIN kW (50/55 h.p.)



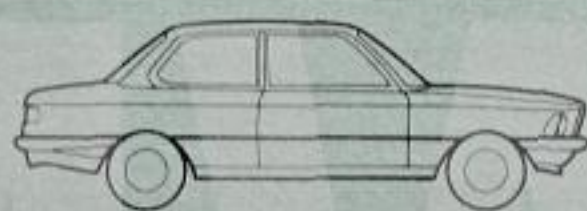
## 316

1573 c.c.  
66 DIN kW (90 h.p.)



## 318

1766 c.c.  
72 DIN kW (98 h.p.)



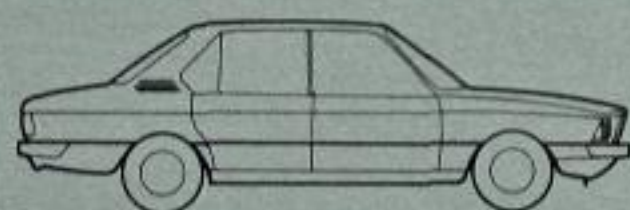
## 320

1990 c.c.  
90 DIN kW (122 h.p.)



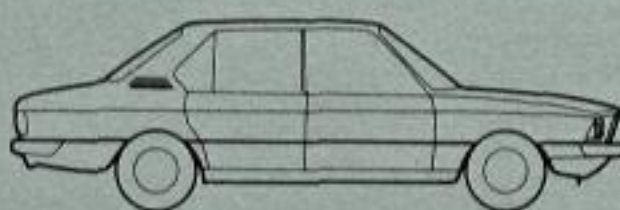
## 518

1766 c.c.  
66 DIN kW (90 h.p.)



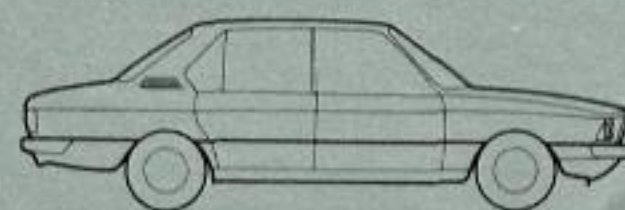
## 520

1990 c.c.  
90 DIN kW (122 h.p.)



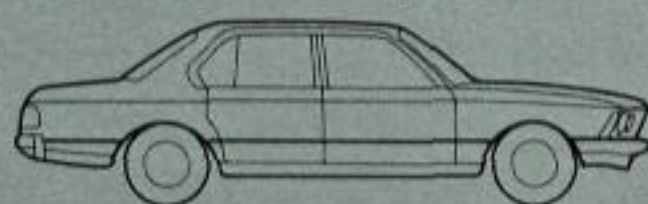
## 525

2494 c.c.  
110 DIN kW (150 h.p.)



## 728i

2788 c.c.  
135 DIN kW (184 h.p.)



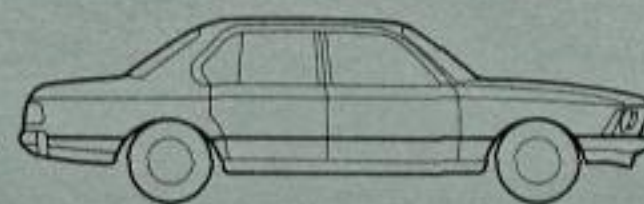
## 732i

3210 c.c.  
145 DIN kW (197 h.p.)



## 735i

3453 c.c.  
160 DIN kW (218 h.p.)



## 628 CSI

2788 c.c.  
135 DIN kW (184 h.p.)



## 633 CSI

3210 c.c.  
145 DIN kW (197 h.p.)



## 635 CSI

3453 c.c.  
160 DIN kW (218 h.p.)





**R 100 T**

980 c.c.  
47 DIN kW (65 h.p.)

**R 100 S**

980 c.c.  
51 DIN kW (70 h.p.)

**R 100 RT**

980 c.c.  
51 DIN kW (70 h.p.)

**R 100 RS**

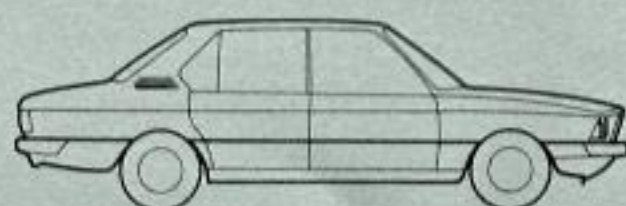
980 c.c.  
51 DIN kW (70 h.p.)

**323i**

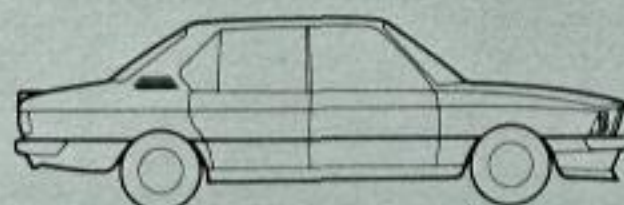
2315 c.c.  
105 DIN kW (143 h.p.)

**528i**

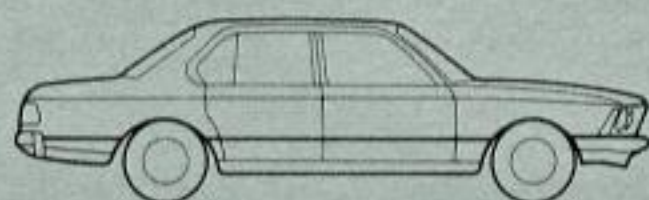
2788 c.c.  
135 DIN kW (184 h.p.)

**M 535i**

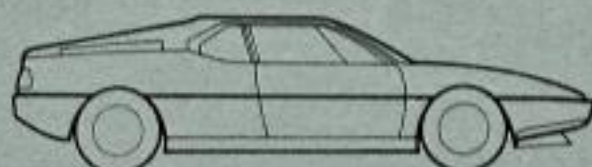
3453 c.c.  
160 DIN kW (218 h.p.)

**745i**

3210 c.c.  
185 DIN kW (252 h.p.)

**M 1**

3453 c.c.  
204 DIN kW (277 h.p.)



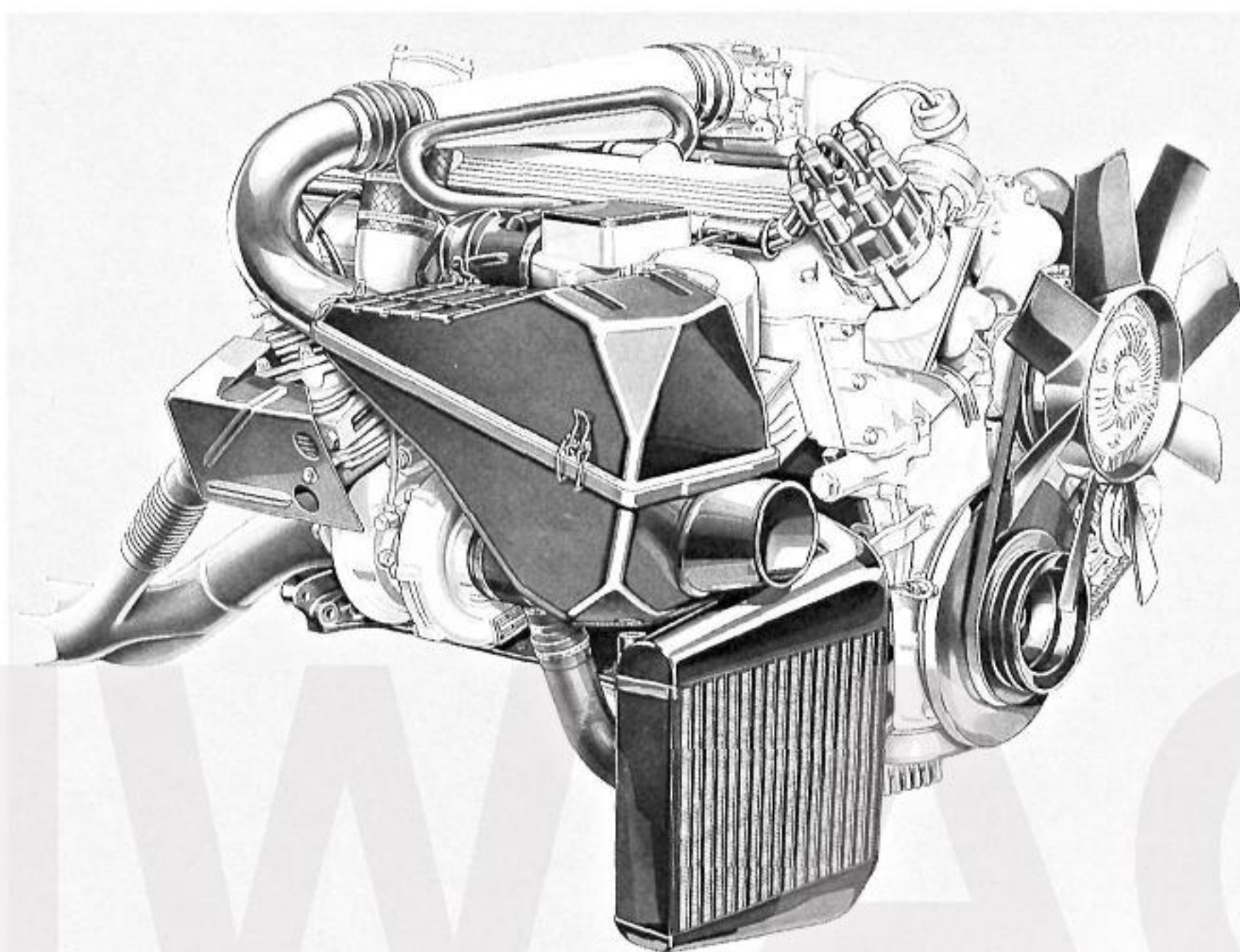


## Research and Development

Provoked by the events in Iran, public discussion about the automobile and its future development reached a new climax in 1979, as a result of the worldwide shortage and higher prices of oil and fuel. Although road traffic accounts for about only 18% of the consumption of energy by ultimate users in the Federal Republic of Germany, it is nevertheless the priority objective in development work on automobiles to put vehicles which are as economical as practicable, that is to say as fuel saving as practicable, on to the market. Exceptional efforts have to be made, because the automobile has to satisfy many other requirements at the same time, including still stricter regulations on exhaust emission and noise, as well as the call for elaborate passive safety features which entail extra weight and higher costs. Moreover, as the regulating legislation varies from country to country, and as again last year no trend towards coordination of the regulations could be perceived, the only way to make headway entails still bigger efforts in development work.

As a manufacturer of what are already highly sophisticated technical products, BMW again improved its research and development resources in the year under review. As one of the results of its development efforts in previous years, BMW was in a position at the Frankfurt International Automobile Show in the fall of 1979 to introduce a range of 1980 models with fuel consumption on average over 7% lower than that of their predecessors, despite the long-standing reputation BMW models have for good fuel economy.

In this way, BMW was already more than halfway, in the year under review, to fulfilling the commitment the automobile industry in the Federal Republic has given to the government to produce automobiles which are 12% more economical within the next five years.



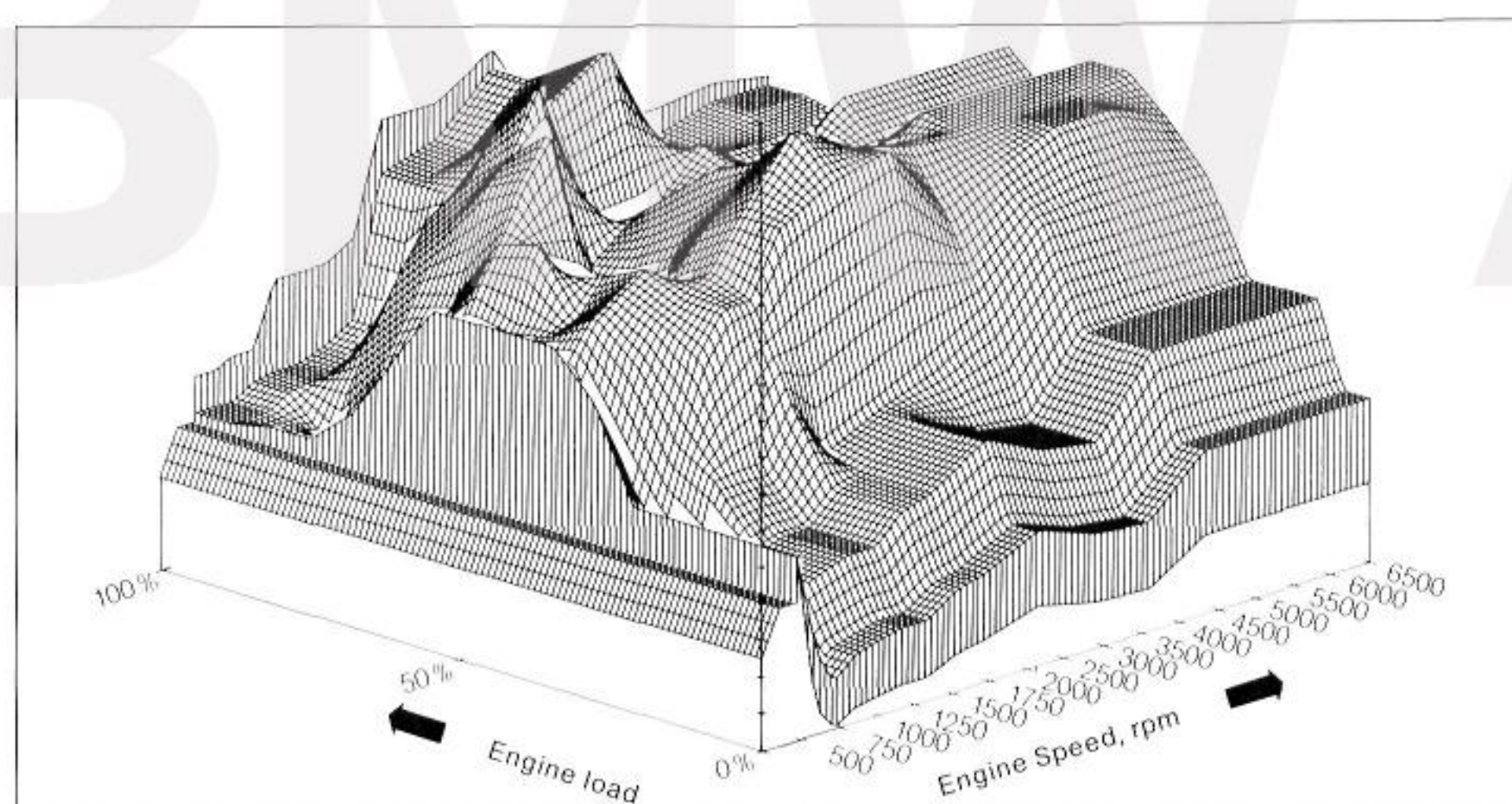
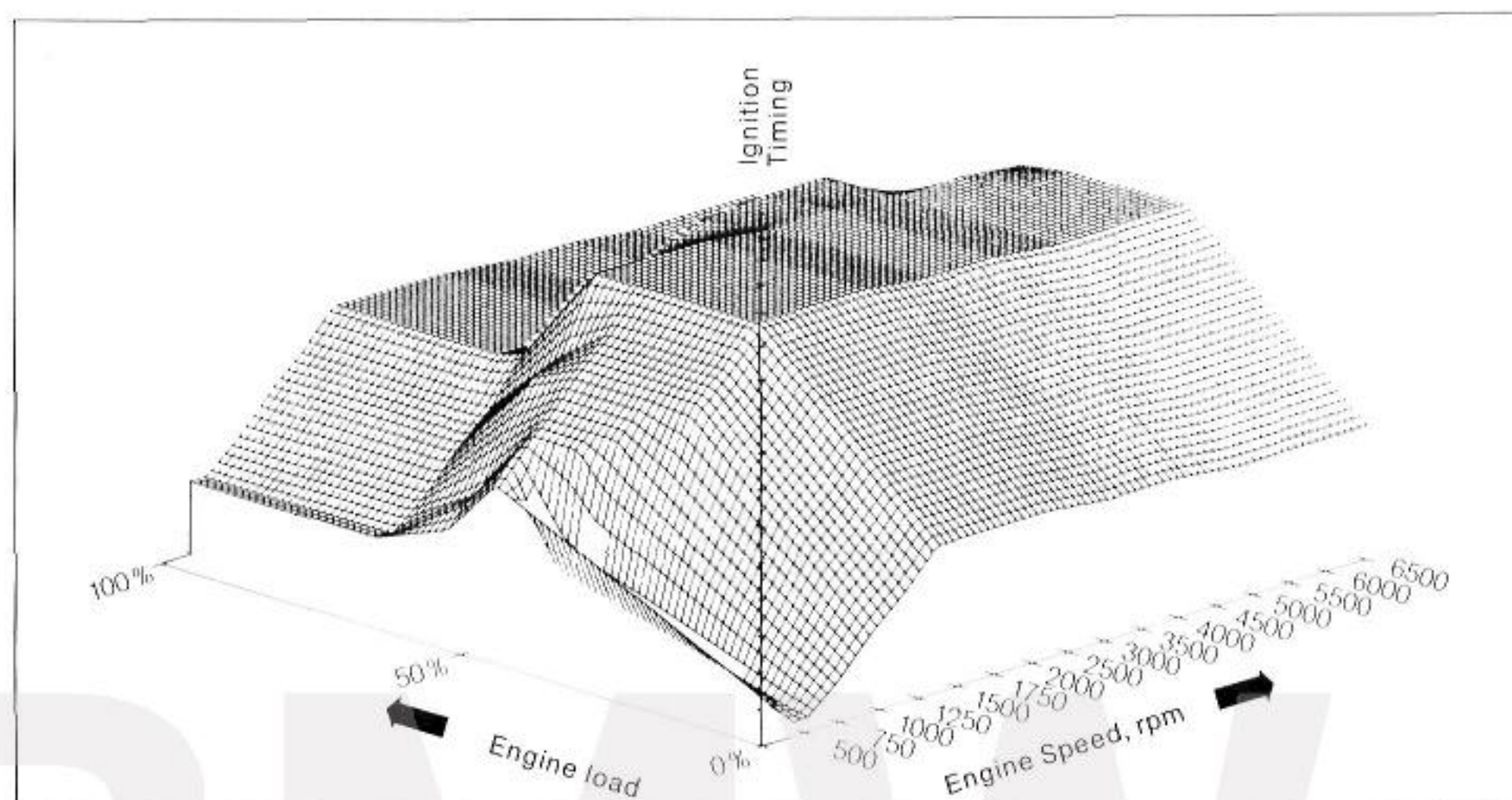
Significant contributions to the progress already achieved were made by improved engines, systematic weight reduction and detail aerodynamic improvements.

The BMW 7-Series, in particular, was updated with a view to still better fuel economy, enhanced performance and yet higher standards of comfort. For the 728i, 732i, 735i and 745i in this series, from the 1980 models onwards only fuel-injection engines are being offered, all with electronically controlled (L-Jetronic) injection systems. These six-cylinder engines are known for their refinement of operation and high performance.

For the first time in the automobile industry, a digital engine electronic system is being used in the BMW 732i and 633 CSi. A joint development by BMW and Bosch, the so-called Motronic system optimizes fuel injection and ignition timing on the basis of all important operating conditions for the engine. Fuel savings, good emission control, particularly smooth engine running and complete freedom from maintenance are the advantages. It is planned to extend use of the system to other engines.

The BMW 745i six-cylinder engine with exhaust turbocharger and charge-air intercooling is outstanding for its high power output and good torque characteristics. Economy, compactness and light weight are among its other salient features.





The digital engine electronic system used for the first time in the BMW 732i and 633 CSi employs microprocessors which control ignition timing and fuel injection, always optimizing them for the operating conditions. The variations it makes possible in ignition control in comparison with conventional ignition systems are evident from the upper and lower illustrations.

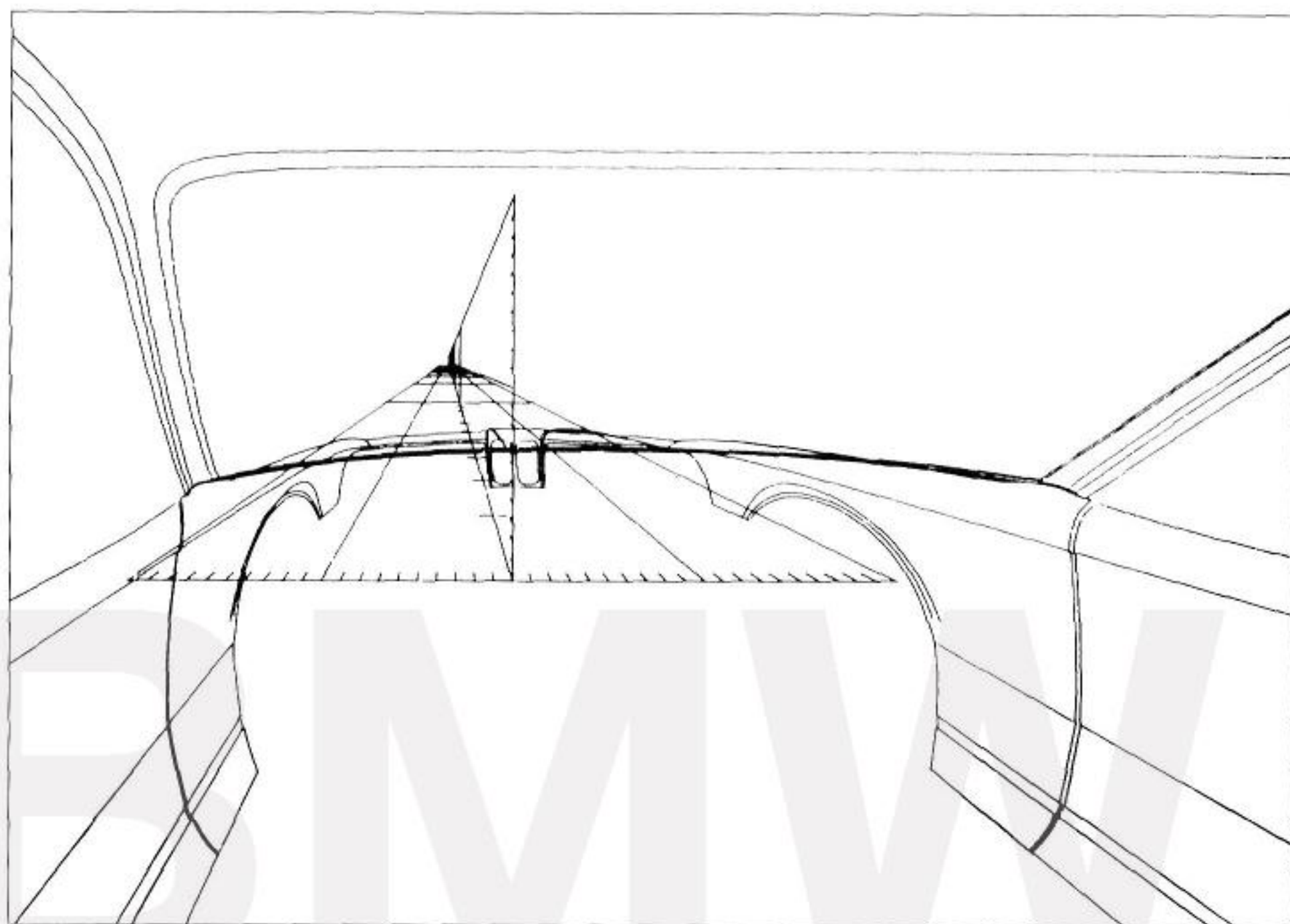
The BMW 745i, which will be available for delivery from the early summer of 1980, is the model with the highest performance in the 7-Series. After thorough theoretical and practical system comparisons with various engine designs, a 3.2 liter six-cylinder inline engine with exhaust turbocharger will be built in series production. With its 185 kW (252 h.p.), this engine has a performance comparable with a much more elaborate 4.5 liter naturally aspirated twelve-cylinder engine, which was a parallel development. It represents an appropriate contemporary synthesis of economy, performance and smooth running characteristics.

For automobiles exported to the USA, the development of new systems for the treatment of exhaust gas brought significant improvements. This was necessary in view of the radically sharpened regulations on exhaust emission and fuel consumption. Measurements by the US Environmental Protection Agency, in which American driving habits are taken into consideration, established for the BMW US model fleet as of 1980 a fuel consumption average of approximately 26 miles per gallon, the equivalent of 9 liters/100 km. In view of the high performance of BMW automobiles and the fact that only 20 miles per gallon are required by law (11.75 liters/100 km), great notice was taken of this by the American public.

Development work proceeded according to plan in 1979 on the new engine concepts already presented to the public. These involve the BMW turbo diesel engine, a spark-ignition engine based on the BMW Eta principle and the cylinder cut-off system.

In addition to the new models in the 6- and 7-Series, the whole range of BMW models has been further refined with numerous detail improvements and extra choices of equipment. To name a few examples, electrically adjustable outside mirrors and seat-belt locks integrated in the seats are standard equipment, optional equipment includes seat heating and auxiliary heating.





Systematic use of electronic data processing is made in development work on BMW automobiles. Visual conditions are being determined here with the help of computers.

Five-speed transmissions with over-drive qualities have been developed for all BMW models. Fuel consumption and noise are lowered through lower engine speeds. Average fuel savings of 1 liter per 100 km are possible.

In the 7-Series, the antilocking system (ABS) and an on-board computer are now being fitted, two developments which are outstanding examples of how BMW is systematically following up and exploiting the possibilities continually opening up for electronics in automobiles. For the automobile designer, the use of electronics is attractive, above all because there is a very favorable ratio between the extra uses to which electronics can be put and the weight penalty involved.

Low vehicle weight and low aerodynamic drag are nowadays the basis for low fuel consumption. BMW has long been in the vanguard of progress in the methods it uses for computing, designing and testing to achieve weight savings. In the spring of 1980, its own center for research and development work in aerodynamics and related fields will be put into operation.

BMW Motorrad GmbH has made further improvements to the R 45/R 65 and R 80/R 100 series of current models. The 1980 models meet the more stringent US exhaust emission regulations without performance having to be sacrificed. A decisive step forward was made in ride control with the introduction of the BMW Niveaumatt, an automatic level-controlling fork leg. On the basis of the R 45, a special motorbike for driving schools has been developed.

In the year under review, BMW Motor-Sport GmbH presented the BMW M 535i. In this automobile derived from the 5-Series, the fuel-injection engine producing 160 kW (218 h.p.) from the series of large BMW six-cylinder engines is used. Matched with a chassis, whose major components come from the BMW 635 CSi coupé this engine provides a sports sedan with outstanding handling characteristics and performance.

The BMW Marine GmbH range of small diesel engines was rounded off. In addition to the single-cylinder D 7 (4.5 kW) and D 12 (7.5 kW) engines which were already available, the entirely new D 35 two-cylinder (22 kW) and D 50 three-cylinder (33 kW) engines are now offered. Direct fuel injection for these water-cooled engines gives them very low fuel consumption. With their good power to weight ratio, compact dimensions and high reliability, they have the same favorable qualities for specific use on boats as the other products in the BMW Marine program.



## Services and Supplies from Outside

### Production for BMW by small and medium-sized suppliers

An automobile consists of ten thousand and more parts. They are manufactured by BMW itself and by many suppliers at home and abroad. Its engine is manufactured at the BMW Munich plant, but the connecting rods for the engine are made in the Sauerland and Catalonia; the bolts for the connecting rods come from the region of Brianza. The chassis is from Dingolfing; its brakes, however, are from Rheinböllen or from France. Norway contributes light-alloy wheels. The batteries from Varta may come from Canada; if the windshield belongs to a 3-Series automobile for the American market, it will be "made in USA". Yugoslavia provides air and oil filters. The protective clothing and safety gloves worn by the workers in the BMW plants come from Hongkong.

There are more than seven thousand firms which supply individual parts, components, machinery and materials — for the current series of vehicles more than one thousand firms. Small and medium-sized firms play their part in establishing the prerequisites on which a BMW product relies for its quality, the dependability that it will be delivered, and for its price; for purchasing and logistics steer a good fifty percent of BMW's total value of production.

Working from data BMW's experts in the Research and Development division place at their disposal, suppliers develop equipment of all degrees of complexity; they are also partners in trying out new technologies.

Some of them manufacture parts costing a few pennies: split pins, bolts, nuts. Others, however, produce technically sophisticated items such as computers for braking systems and fuel injection. Others turn out primary products for automobile and engine manufacture; BMW does without its own forge, its own foundry for steel or iron castings. In view of worldwide worksharing and specialization, a decision whether a part should be manufactured by BMW itself, or by a supplier on the basis of technical directives and quality specifications of BMW AG, will depend on economic and technical considerations.

Partnership begins at an early stage. Some specialized firms do design work together with BMW, manufacture tooling, try out know-how. Experts from BMW's Development and Purchasing divisions jointly choose the suppliers, whose contribution is not just the products but also their mutual experience, their thoughtful advice, their share in test work. The results are used by BMW in its planning.

A good partnership is a lasting one. The firm of Brockhaus Söhne was already a supplier of parts for BMW in the late twenties: for the Dixi, the first BMW automobile. Lisa Dräxlmaier at Vilsbiburg in Lower Bavaria was already a supplier of cable harnesses in the days of Hans Glas GmbH at Dingolfing.

Well over ninety percent of all parts are needed for current production. The rest is for spares, even for vehicles which already belong to the past. In this way, BMW ensures that there is also service for its earlier models. More than 40,000 items are covered in the parts catalogue; over 50 million separate parts are in stock at the Dingolfing parts center, from where some 3 million parts weighing almost 50,000 tonnes are dispatched every year.

Nearly ten percent of total purchases are from abroad, more than half of them from the EEC "home market". France, with its steel industry and tire companies,

is the country which supplies most. Austria, with its future plant of BMW-STEYR Motoren Gesellschaft m.b.H., is already the runner-up. Within five years, purchases across the latter border have increased sixfold, twice as fast as the number of finished BMW vehicles sold in the return direction. Half of the BMW exports to Austria are already covered by imports, a result of the close cooperation precisely with small and medium-sized industrial firms in that country.

Often, an order is shared between a domestic and a foreign supplier. This cuts down risks and safeguards supplies. The BMW Logistics division steers the material on its way from raw material to finished product. Just the material arriving every day by truck amounts to two thousand tonnes. A good third of incoming material is brought by rail. The buffer stage between arrival, quality control and use in production does not last long; usually, just a few days.

Planning and production create one whole out of these many parts, the vehicle — a whole which is greater than the sum of its ten thousand and more separate parts.



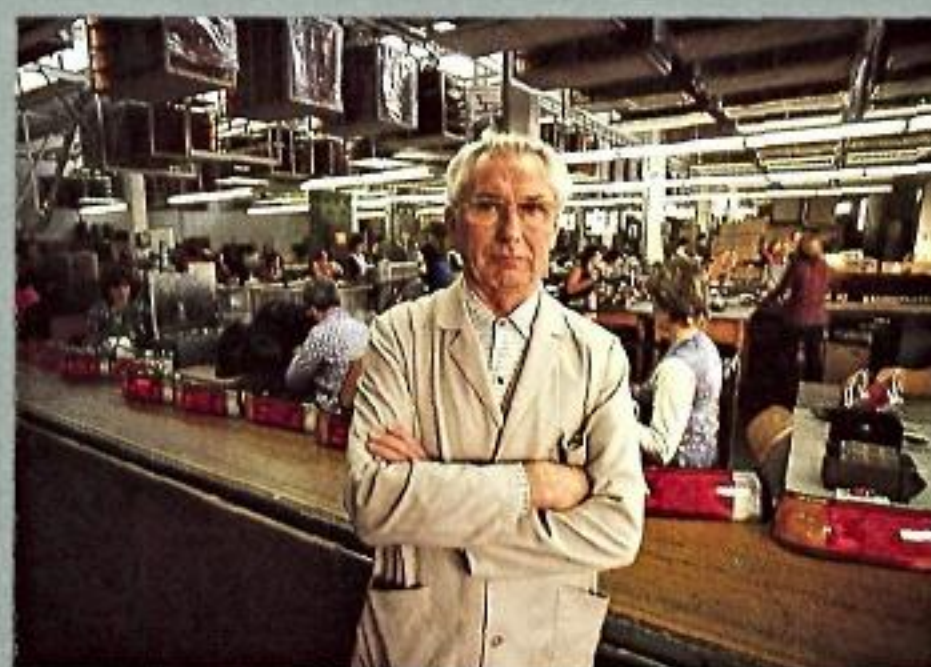


### Rear lamps from Württemberg

The old imperial city of Esslingen. This is the home of Reitter & Schefenacker KG. Its plant at Schwaikheim is a half-hour drive away, likewise in the Stuttgart commuter zone.

Alfred Schefenacker is the first man in the firm and the first on the job at seven in the morning in his grey work coat and knitwear shirt. Reitter & Schefenacker KG in Esslingen manufactures rear lamps and has been doing so since the thirties. In those days, Alfred Schefenacker packed the first lamps into a rucksack and used his BMW motorbike to make the delivery journeys through the countryside. Nowadays, the story

almost ranks as legend. For BMW alone, his team turns out 2,600 rear lamps every day. Just a rear lamp for the 3-Series models has 32 parts, even if it is — without chrome — the simplest for BMW. Around the clock, the casting machines are in action. 1,100 carrier baskets under the shop roof collect the work done during the night, shuttle in loops above the assembly line; there, stocks are used up in the eight-hour working day. One thousand rear lamps can be assembled per hour at the Schwaikheim plant. Except for rubber, screws and the tag, everything is produced on the spot.

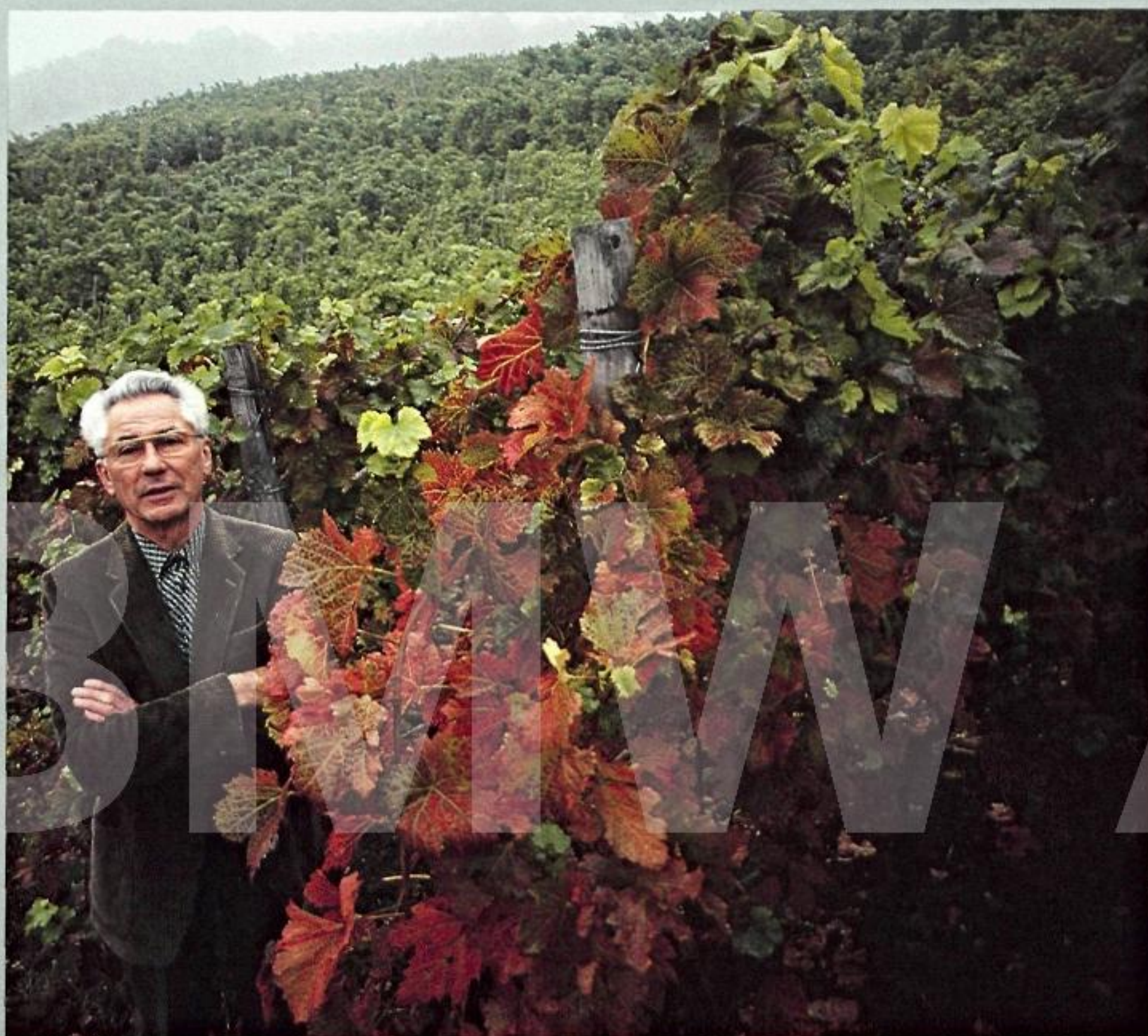




Alfred Schefenacker is a producer of rear lamps, wine and fruit. Up on the "Korber Kopf", a genuine Trollinger vine grows. Admittedly, it is not for commercial purposes that Schefenacker's biologically cultivated grapes are pressed. His presents of wine and fruit are a coveted distinction for employees who have done good work, persons who have anniversaries and for friends.

When the new wine is ready, workers at Schwaikheim meet at the house of Otto and Meta Escher. The living room is turned into a wine bar with a bush put up outside as vintner's sign, and in the kitchen the new wine is fermented. The menu is written by hand, the salted

cakes, sausage and wine are home-made. Soon after the new year, the barrel of new wine is empty. The bush is taken in. Until October comes again.



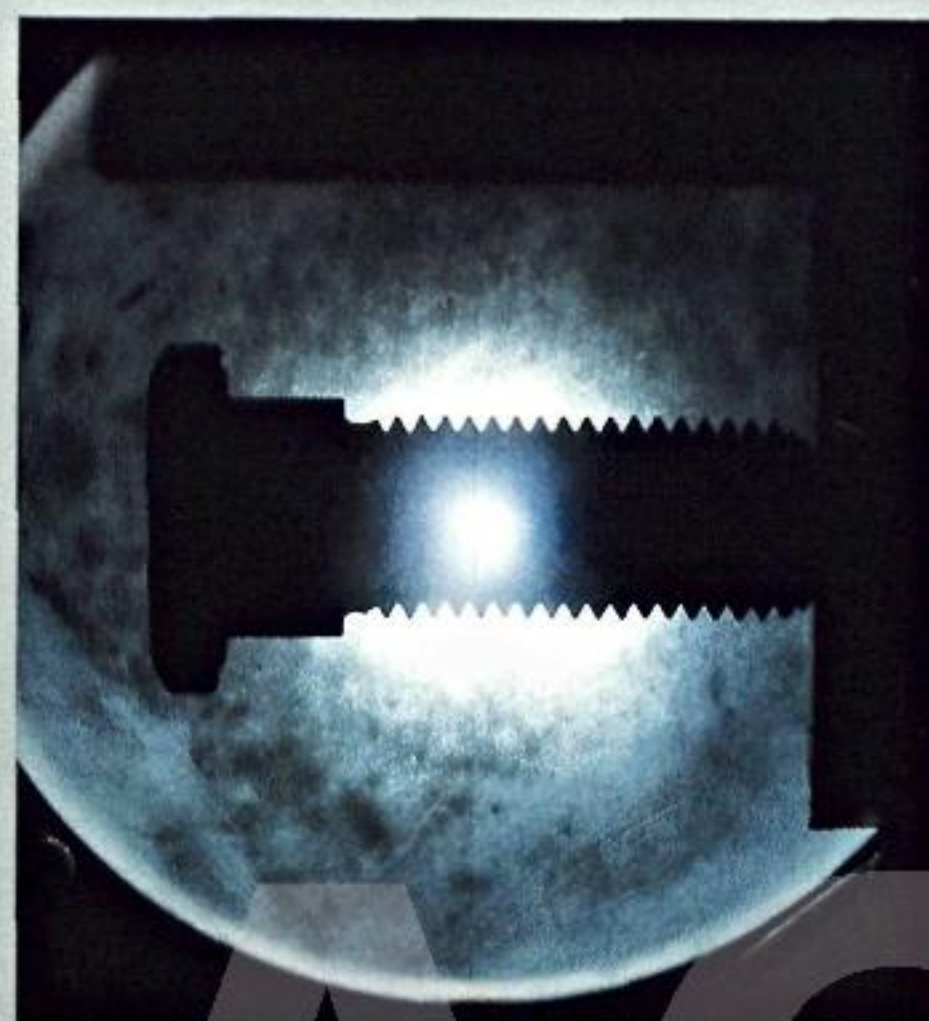
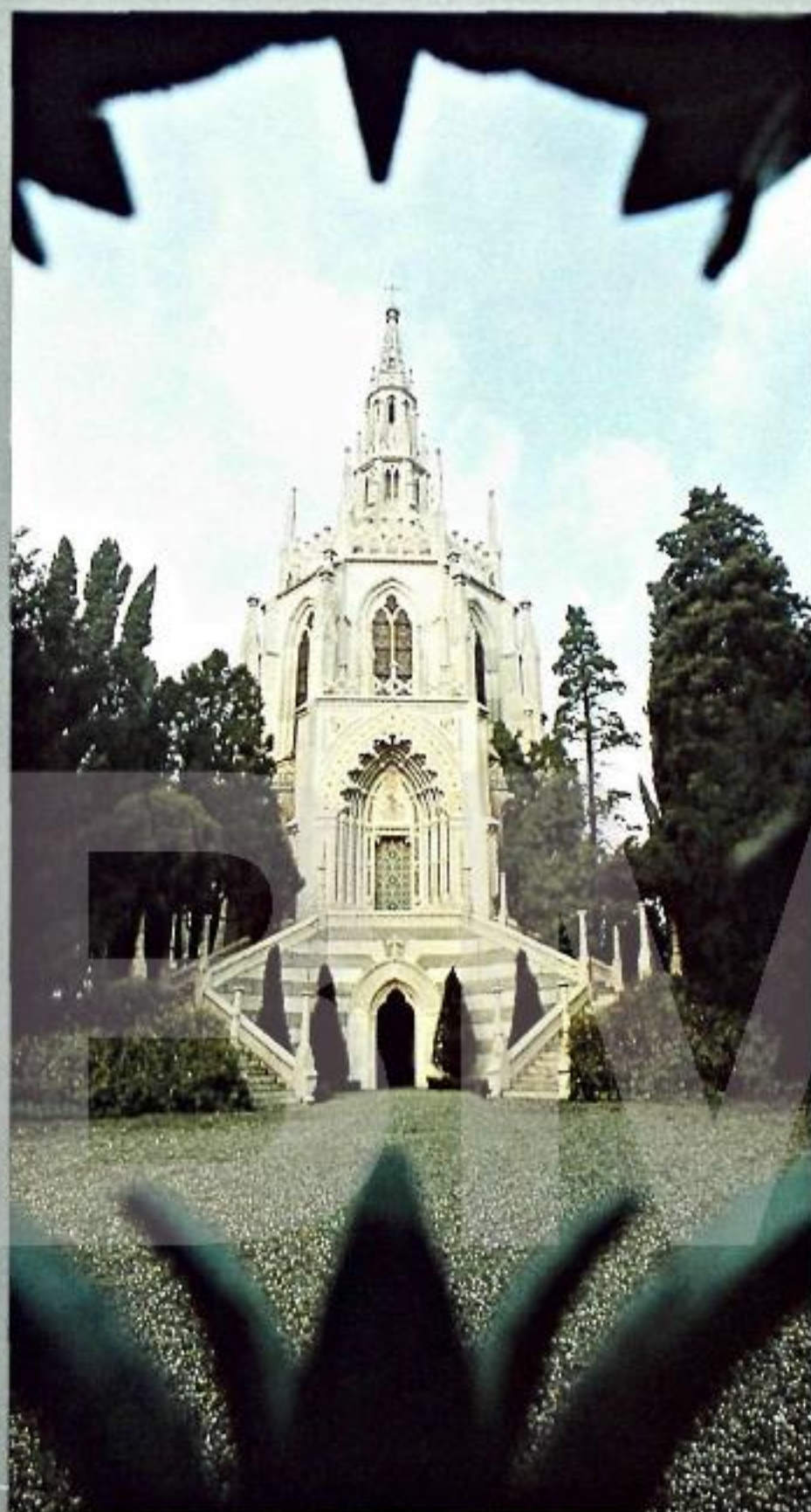


### Bolts and screws from the region of Brianza

Milan to the rear, the lake of Como ahead. In this holiday area, industry is also at home. Veduggio, halfway between the two localities, has 4,500 inhabitants but jobs for 5,000. This is the home of Italy's biggest bolt and screw factory. Where a Visconti had a magnificent monument set up for himself, 700 persons forge, harden, cut 14 million bolts and screws every day and 5 million nuts as well, just for Fontana Luigi S.p.A. One in every twenty bolts and screws is needed by BMW. Every week, truckloads of this freight from the forges come over the Brenner pass.

Under the microscope: steel galvanized – the bolt on which life depends. It anchors a safety belt. It must withstand a load of 2,000 kg. For twelve years, it has been in production. In BMW's crash test, it has to prove its strength.

Lombardian cuisine. Senior staff from the Fontana factory put it to the proof in a restaurant. No longer is there somebody in every household who knows the secrets of cooking polenta, even if corn still characterizes the countryside.





Walter and Loris Fontana run the family business. Their grandfather was a blacksmith. To start off with, furniture fittings were made. The two Fontana brothers still have their houses here. One is just a few yards away from three multi-storey buildings in which Fontana employees live.

Nowadays, the Fontanas make 25,000 different types of bolts and screws. Tricky things, for connecting rods as an example, take a long time: two months in production is no rarity, from the coil of wire to the finished product ready for dispatch. — 300,000 types of bolts and screws are known. Just under one hundred are supplied to BMW by Fontana.





### Cable harnesses from the Inn district

Wheels are not the only things which make an automobile mobile. At Vilsbiburg and some of the nearby communities in Lower Bavaria, some 600 people provide one of the essentials in making all its parts work together properly. They organize its electrical system through a ramified network of contacts – in a single automobile over 500 in all – brought together by means of a cable harness.

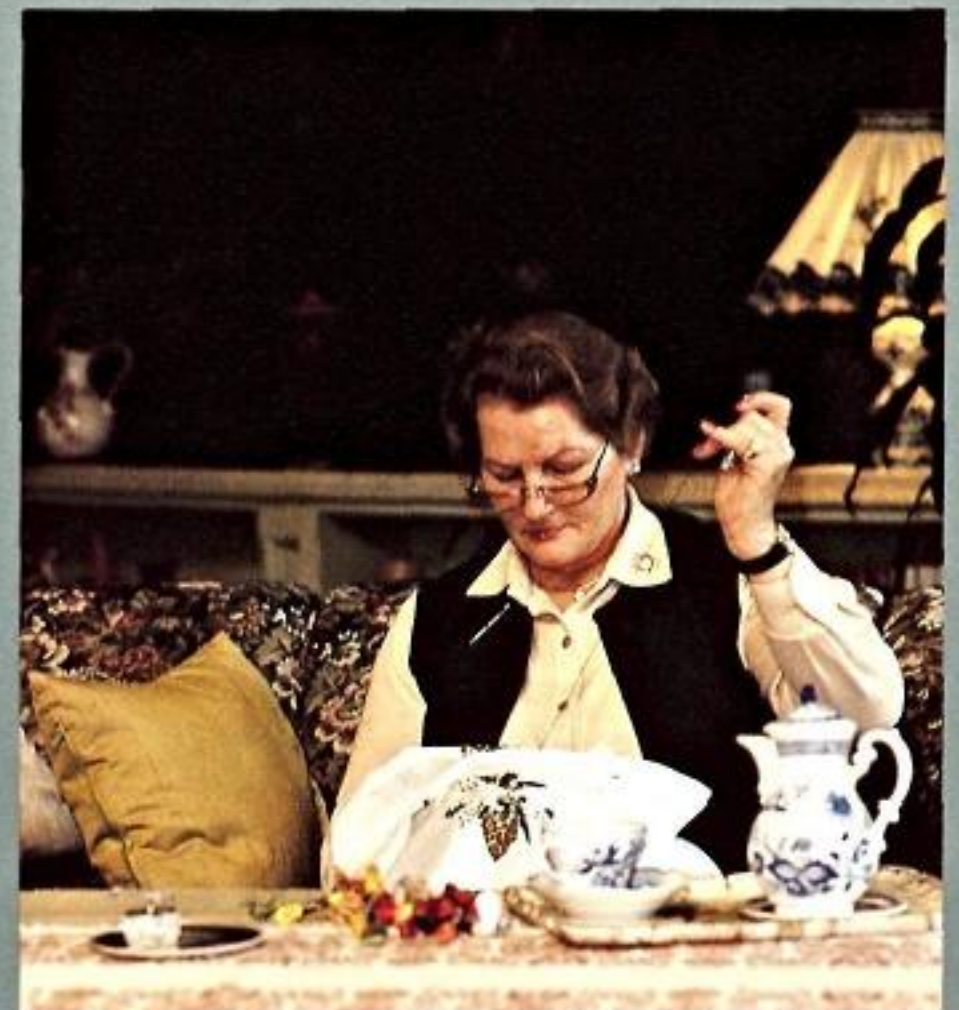
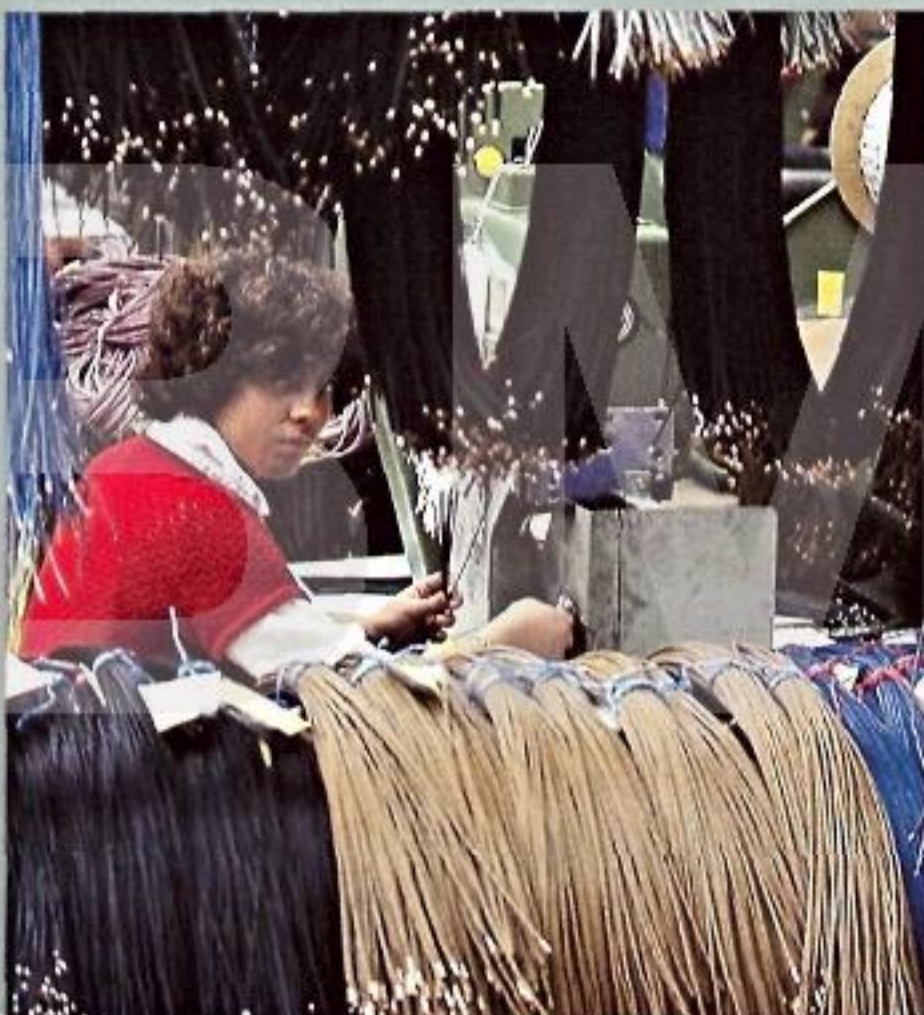
A start is made on this work at Vilsbiburg: cutting to length, insulating, fitting terminals, tin-plating, soldering, fastening with clips, shrinking, plugging together of connectors, re-spraying to

make connections permanently waterproof. The work is finished at Braunau in Austria. There, in what was once Bavaria's Inn district, women workers in the firm of Dräxlmaier put together the finished cable harness.

Anna Schedlbaur makes cables. On her parent's farm at Wippstetten, she also has to do her daily work on the fields and to look after the animals. She takes part in the folk-dancing in the neighbouring community.

Lisa Dräxlmaier did more than give the firm its name, she gave it her own vitality. She needed no time and motion studies. She lent a hand herself in the factory long enough, assembled the

cables when time was short or production was difficult. As the senior partner in the firm, she can still put her hand to any of the jobs there, even if nowadays she no longer needs to do so every day.





Hans Eckmaier is not to be overlooked. Professionally not; as he inspects at Vilsbiburg the semi-finished products which then are sent across the Inn to be assembled at Braunau. Privately not; because in his spare time he is not only a farmer but also mayor and captain of the local fire brigade.

Gertrud Spreitzer puts cable harnesses together. She does her shopping on the town square at Braunau and lives there, too. Vilsbiburg and Braunau have more than just an attractive locality in common. Austria promotes ancillary industry serving the automobile industry. The new Dräxlmaier factory on the Inn was completed this year.

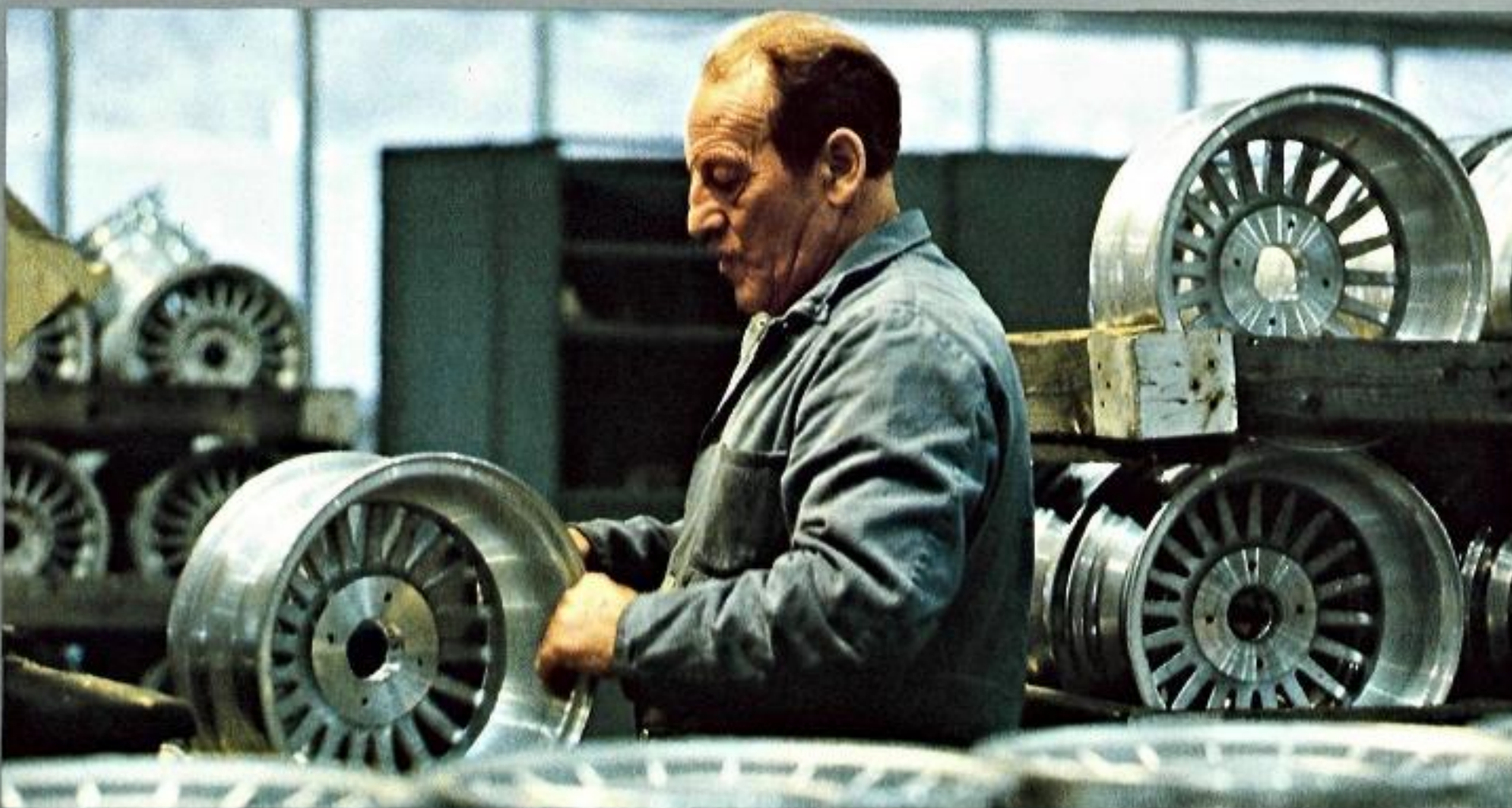
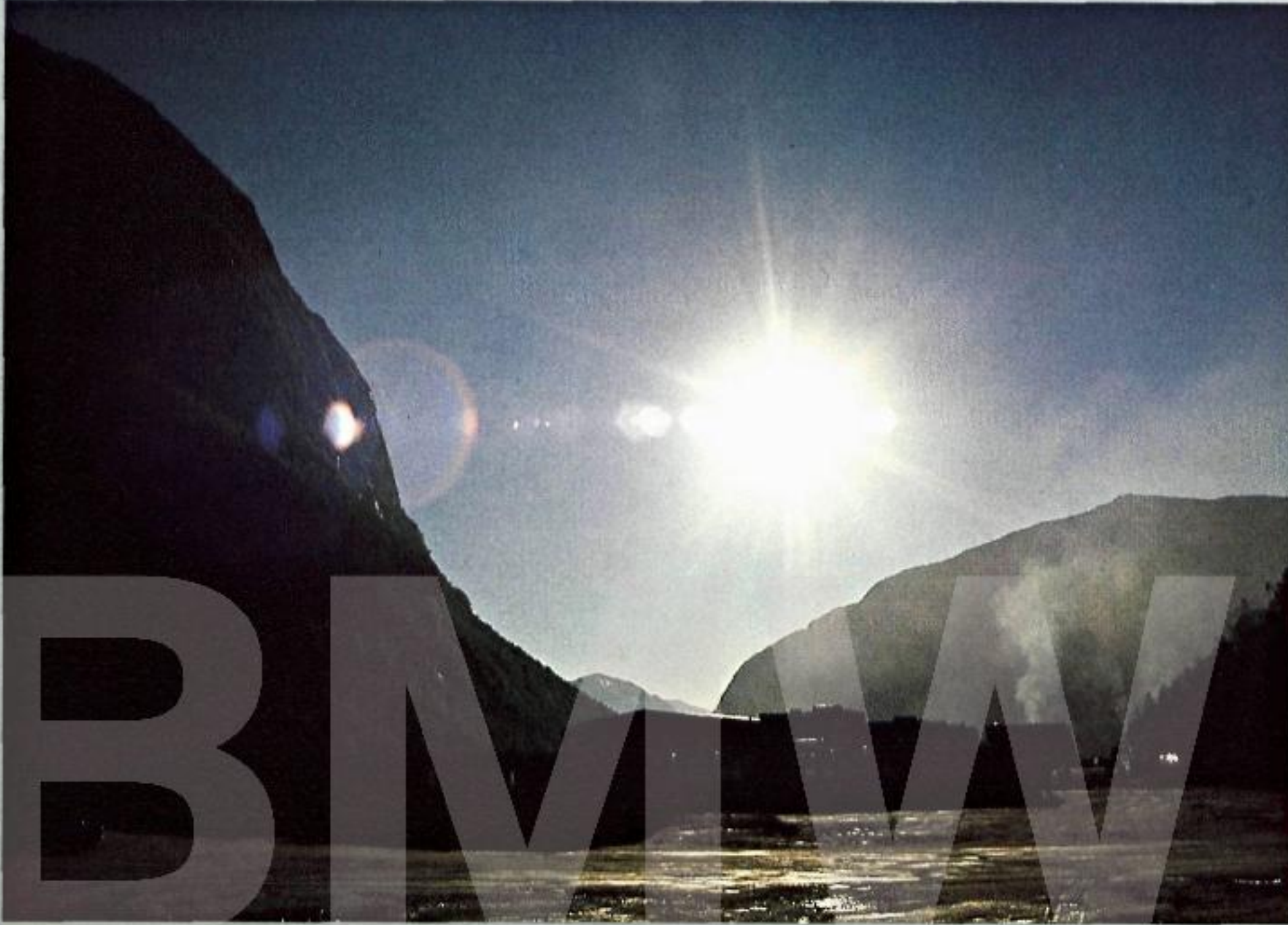




### Wheels from Høyanger fiord

Long enough to take a ship some hours to sail up and quite without sunlight for six winter weeks: the Høyanger fiord to the north of Bergen. Only from eleven until three is there daylight in December. Rain is plentiful. Water is a bargain. Twenty two reservoirs hold it back for the power stations. Electricity is inexpensive and reliable. And the harbor in the fiord remains free of ice.

An ideal location for aluminum manufacture, as the Årdag og Sunndal plant needs very much electricity for the electrolysis of bauxite. The raw material from which the aluminum is obtained is brought here mostly from the Caribbean.





In 1979, the plant processed as much as 20,000 tonnes of crude aluminum — still in the molten state — much of it to light-alloy wheels for automobiles. BMW was a customer for one third of them.

While light-alloy wheels are substantially more expensive than steel wheels, they are also stronger, more attractive and, above all, lighter. A powerful argument, in these days of high-price gasoline.

Five hundred persons have their jobs at the Høyanger plant, nearly all the labor supply in the community. Scarcely anybody is a commuter; after all, the fiord is there. Oslo is 460 km away: or better put, a seven hour journey. The wheels

on their way to Munich take four entire days before they arrive.

Kjell Olav Oma oversees the quality of the material and the precision of manufacturing. After work, people at Høyanger indulge in such pursuits as fishing or music making. There is a lot of activity in amateur dramatics and adult education is also popular. Their haul with fishing rod and net usually ends up on the dining room table at home. Høyanger has no restaurants, only two small hotels.





**Forgings and chromium-plated parts from Plettenberg in the Sauerland**

Plettenberg, 900 years old, has become what it is by the sweat of its brow. Iron hammers paved the way for the Österr valley to industry. Nowadays, the livelihood of the 30,000 inhabitants of Plettenberg is based on rolling mills, drop forges and on the small ironware industry.

The founder of Brockhaus Söhne GmbH & Co. KG was called Fritz. In 1864, he made use of the water power in this valley 20 km to the East of Lüdenscheid. Dr. Hans Brockhaus, businessman (but also yachtsman and amateur handicraftsman) and Siegfried Brock-

haus, engineer (horse fan and breeder) now run the family business, which has grown into a firm with 900 employees. Sheet metal, forgings and vises are its present-day products. Brockhaus Söhne supplies BMW with connecting rods, steering knuckles and other steering system parts. When the Dixi ushered in the BMW automobile era in 1928, Brockhaus Söhne was then already one of the suppliers.

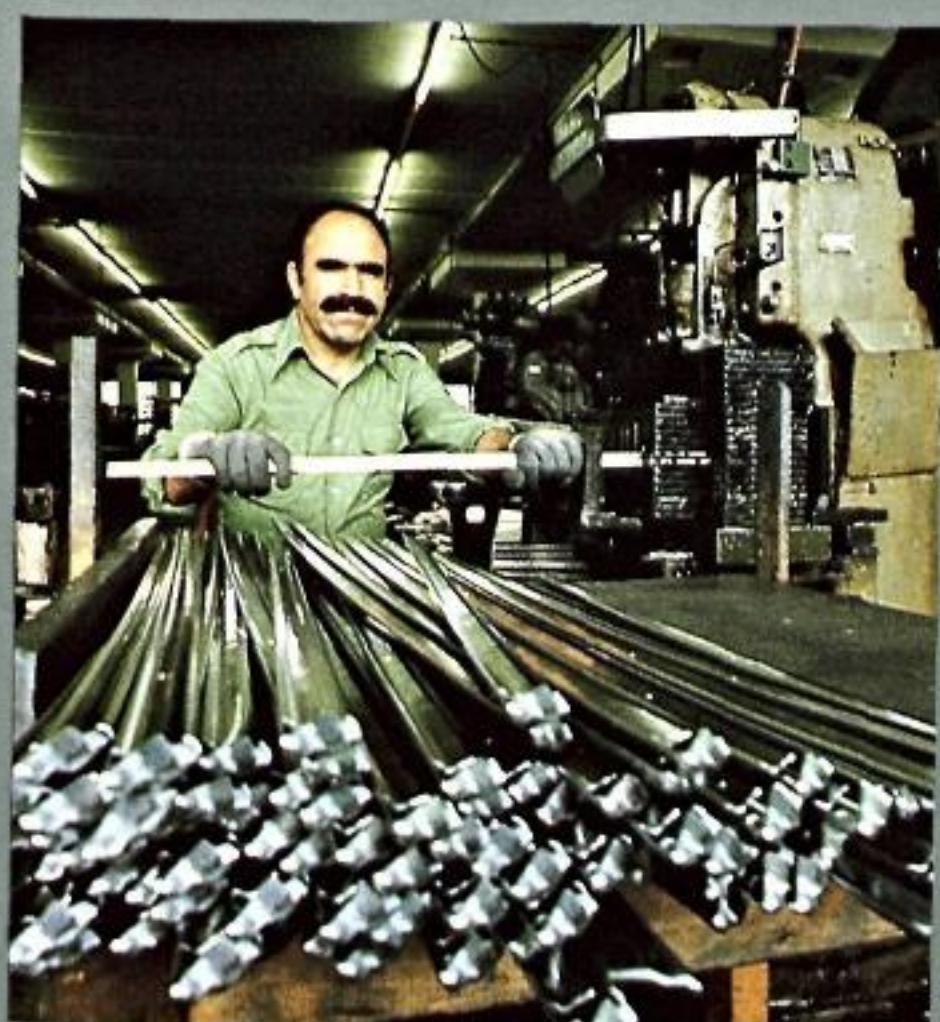




There is still a Dixi in Plettenberg today. It belongs to Dr. Fritz Schade and his four sons. Fifteen years ago, the coproprietor of the firm of Wilhelm Schade purchased it for 300 marks. Together with Dr. Annerose Iber-Schade, he looks after the business fortunes of this firm with its 1,500 employees, which supplies vehicle parts to the automobile industry in Western Europe. BMW purchases moldings and window frames from it. Annerose Iber-Schade speaks for 1,800 women employers in the Federal Republic of Germany as president of their organization, administers justice — in an honorary capacity — at the Federal Social Court, and will talk gladly

about her three grown-up children. Norbert Iber had completed half his course in medicine, when he was needed at Plettenberg. He switched his studies to engineering and is now technical director in charge of manufacturing. He and Fritz Schade also administer justice, the businessman at the fiscal court and the engineer at the labor court.

Nearly everything produced by the firm of Schade is for the automobile industry; in the Federal Republic, in neighbouring western countries, in Scandinavia.





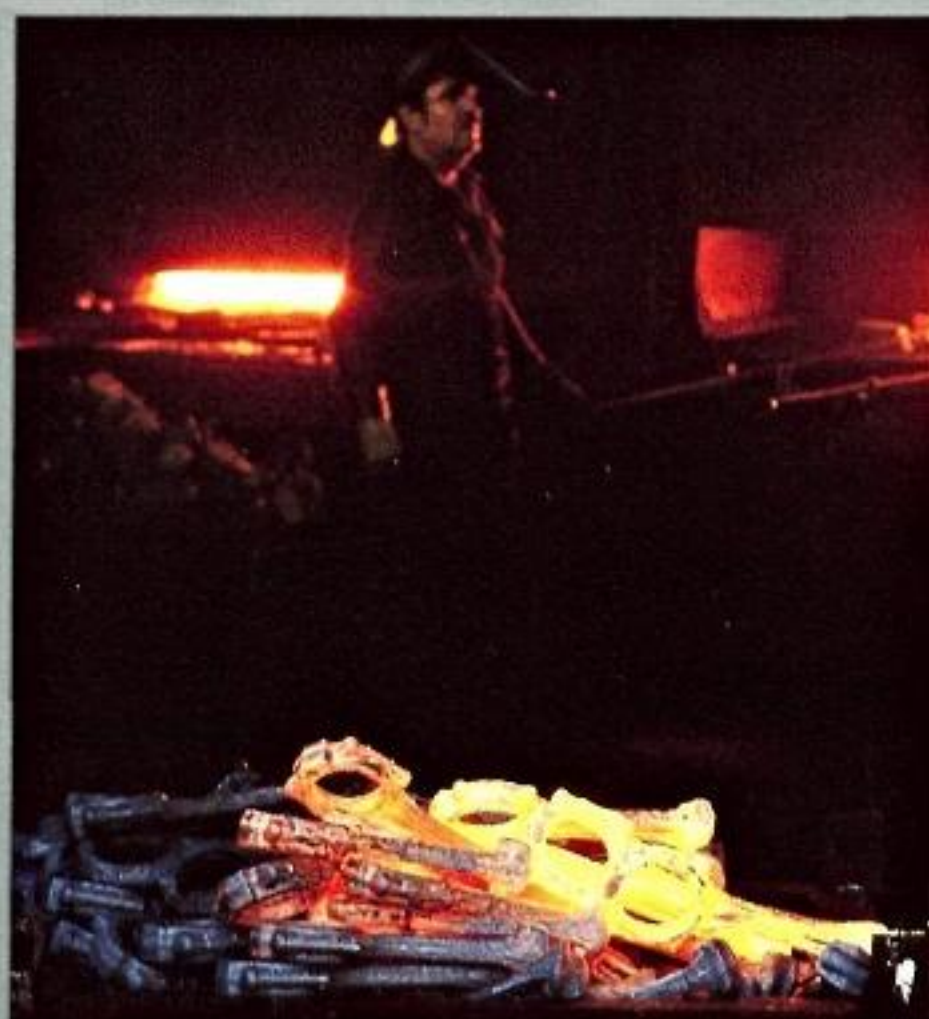
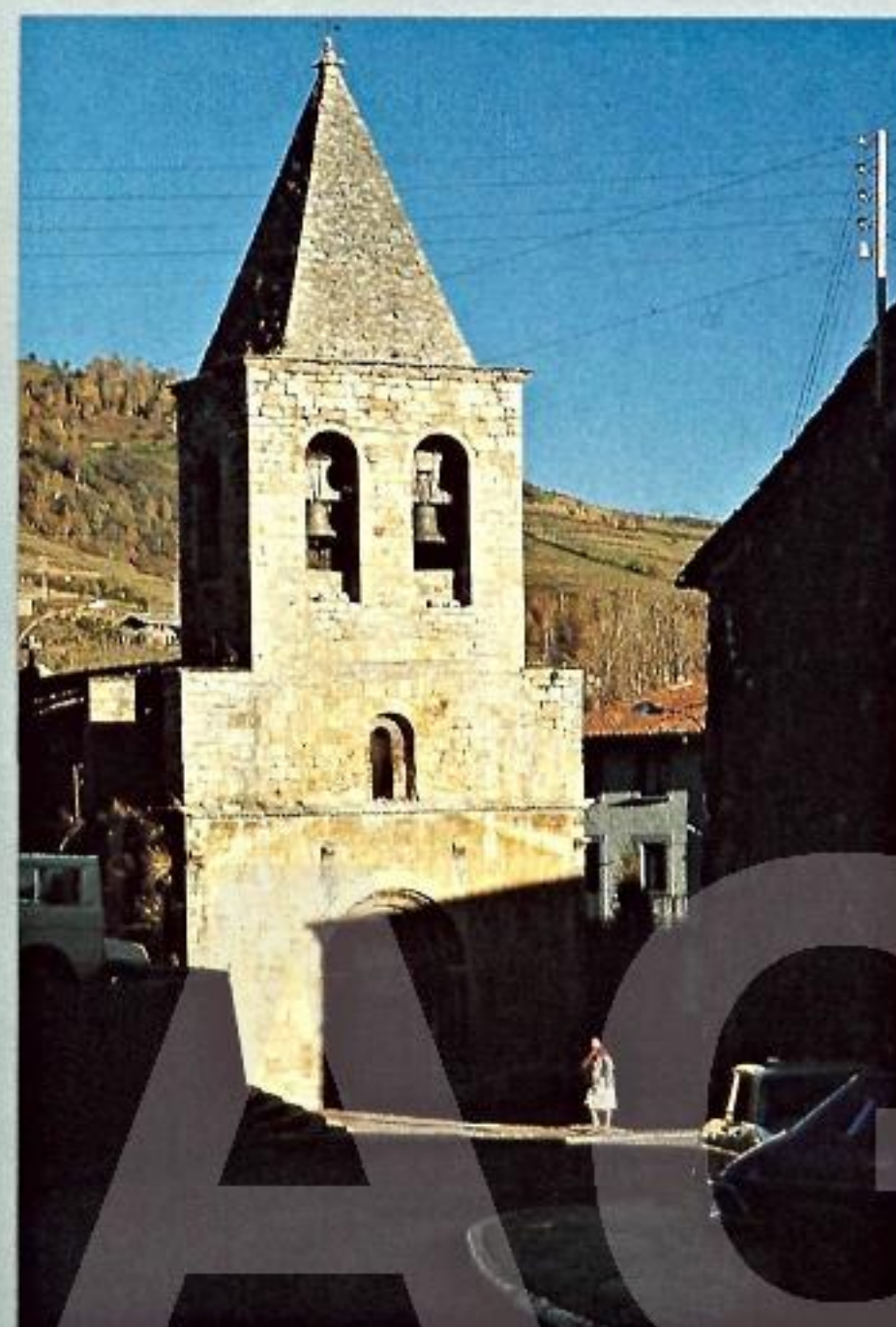
### Connecting rods from Catalonia

Vehicle parts wear many flags. Under the colours of Spain, for instance, rubber parts, horns, jacks and more connecting rods are made. Transportation all the way to Bavaria is a paying proposition: labor costs are lower on the Iberian peninsula. And punctual work is also a convincing argument on the Isar.

For 300 years, Campdevanol has had a forge. Only one hundred years old is La Farga Casanova, which in former times was oriented more towards agriculture. After 1945, the plant linked up with the automobile industry. In the meantime, ninety percent of its production is for motor vehicles. Spain, a future

partner in the EEC, opened up its frontiers in 1979 to automobile imports from Germany as well. Trade is not a one-way street. BMW AG is a supplier to well over one hundred countries. It is now making its purchases in more than two dozen countries. There will soon be a further shift in this ratio.

Multiplicity of supplying countries, spread of experience. BMW steers this complicated system. The specialists in Munich set the standards, ensure the quality. For every consignment delivered undergoes a strict check at the plant. One part must be just as good as another. The BMW quality seal "Genuine BMW part" vouches for this.





# Personnel and Social Report

In the Federal Republic of Germany, BMW created in 1979 a round figure of 1,800, worldwide a total of over 2,000 new jobs. At the end of 1979, more than 40,000 employees were working for BMW in ten countries.

In the preceding years, the build-up of the labor force had not always been a steady process, owing to the leaps and bounds in growth, to restructuring of the manufacturing plants, starting-up of the production of new models and the setting-up or takeover of new subsidiaries. In 1979, there was an equal increase in the total labor force and in production of about 5%. After a phase of very high growth rates, there were thus signs of consolidation in the personnel sphere as well. Nevertheless, several extra shifts and numerous overtime hours had to be worked to achieve production targets. The Managing Board of BMW would like to thank all of the employees for their willingness to do extra work and for the service they rendered.

The growth of the labor force was likewise evenly spread among the manufacturing plants of BMW AG. In Munich, it rose to over 21,000, at the plant at Dingolfing to nearly 13,000 and exceeded 1,000 for the first time at the Landshut plant. Thus, BMW further consolidated its position as the biggest employer in the region of Lower Bavaria.

The structure of the labor force followed the same trend as in preceding years. The proportion of salaried employees rose to over 25%, as the build-up in the Research and Development division continued on a large scale in the year under review. There was another drop in the proportion of foreign employees, as legal regulations prevent new recruitment abroad, but the number of about 8,500 foreign employees remained at the same level as in the previous year. The proportion of them is highest at the Munich plant, where they constitute almost 38% of the total labor force and over 50% of the wage earners. At the Dingolfing plant only 3% and at the Landshut plant 8% of all employees are from abroad. One of the reasons is the demographic structure of the places where BMW is located in Bavaria.

Interest in learning a trade at BMW continued unabated in 1979. Apprenticeships were in far bigger demand than they were available, either in the tech-

nical field or in the offices. The number of apprentices rose to 1,549 towards the end of the year; they continued to constitute a bigger proportion of the labor force than on the average for the industry. It was possible to offer jobs to all skilled personnel who had done their apprenticeships at BMW.

Career training for particularly qualified employees is provided under the BMW trainee programs which were introduced some years ago. Graduates from universities and colleges are trained within the company for future careers in management. Their number has increased continually in the last few years. All trainees who finished their eighteen-month training period in 1979 have been retained in the employment of the company.

Further training has also been stepped up. For the first time in a single year, the number of BMW AG employees who attended internal and external further training courses exceeded 10,000. The number of items organized and total expenditure on these investments for personnel were far more than half as much again as in the previous year. The enlargement of the new training center at Ammerwald takes account of this increase of roughly two thirds against 1978 in the number of persons attending internal events. The topping-out ceremony took place in December, 1979; when the center is completed in the fall of 1980, the bottlenecks will be a thing of the past.

As the scope of tasks in the company has grown in recent years, there has been an increase in the number of management personnel. This has necessitated a reorganization of the managerial staff structure. Nevertheless, the relatively small number of management levels could be retained, in order to guarantee quick decisions. Flexibility of the individual is called for, but also promoted: where particular qualifications are evident, personnel development measures assist promotion from within the ranks of the company.



The company's suggestions scheme attracted still more participation in 1979. Roughly 50% more suggestions were submitted than in the previous year; the amount paid out in cash prizes was also considerably higher. The sum of DM 106,800 – the highest single award in 1979 – was paid out for an idea to improve processing in continuous stock-taking in the parts organization.

At all plants, a further reduction of the accident rate was achieved in the period under review. This success is the result of systematic application of the lessons learned from analyzing accidents.

Matters relating to the medical services and to further improvement of the working conditions were again dealt with in the year under review. In new planning work, the latest experience and knowledge available on humanized work organization were taken into consideration. With the assistance of the Federal Research Ministry, studies will be made during the next three years of the possibilities of finding employment for physically handicapped employees in industrial plants.

The total personnel expenses of BMW AG – wages and salaries, social security contributions, old age pensions and benefits – rose DM 187.1 million against the previous year to DM 1626.3 million. They have thus risen 123% since 1974. While wages and salaries have increased 116%, the increase in social expenses has been disproportionately large at 149%. In the same period, the increase in the number of employees was only 43%.

The increase in personnel expenses in the year under review is attributable to new hirings, to the increase of 4.3% in collective wages and salaries from February 1, 1979, to the increase in legal social security contributions and to the improvement in other company benefits. Owing to the raising of the income limit up to which contributions are chargeable for pension and unemployment insurance as well as health insurance, social security contribu-

#### Social Expenses of BMW AG

DM million	1979	1978
<b>Legal and Collective Social Expenses</b>		
Social security contributions	197.2	178.3
Sick pay	68.3	61.7
Paid public holidays	44.7	36.0
Collective vacation pay (50%)	54.2	46.8
Capital forming payments	13.3	12.5
Collective time-off pay	10.0	9.4
Collective part of 13th month wages and salaries	36.1	31.7
	<b>423.8</b>	<b>376.4</b>
<b>Operating Social Expenses</b>		
Canteens, travel expenses, housing subsidies, health-care, etc.	<b>46.6</b>	<b>41.6</b>
<b>Additional Social Expenses</b>		
Old-age pensions and benefits	55.9	37.3
Christmas bonus and profit-sharing	86.5	75.8
Other benefits such as long-service and loyalty premiums, times-off, additional vacation etc.	27.7	21.2
	<b>170.1</b>	<b>134.3</b>
<b>Total</b>	<b>640.5</b>	<b>552.3</b>

#### Personnel Development

	1979	1978
BMW Group (worldwide)	41,926	39,817
BMW AG	36,777	35,171
thereof:		
Head office and Munich plant	21,415	20,465
Dingolfing plant	12,687	12,191
Landshut plant	1,079	980
BMW regional offices	1,596	1,535



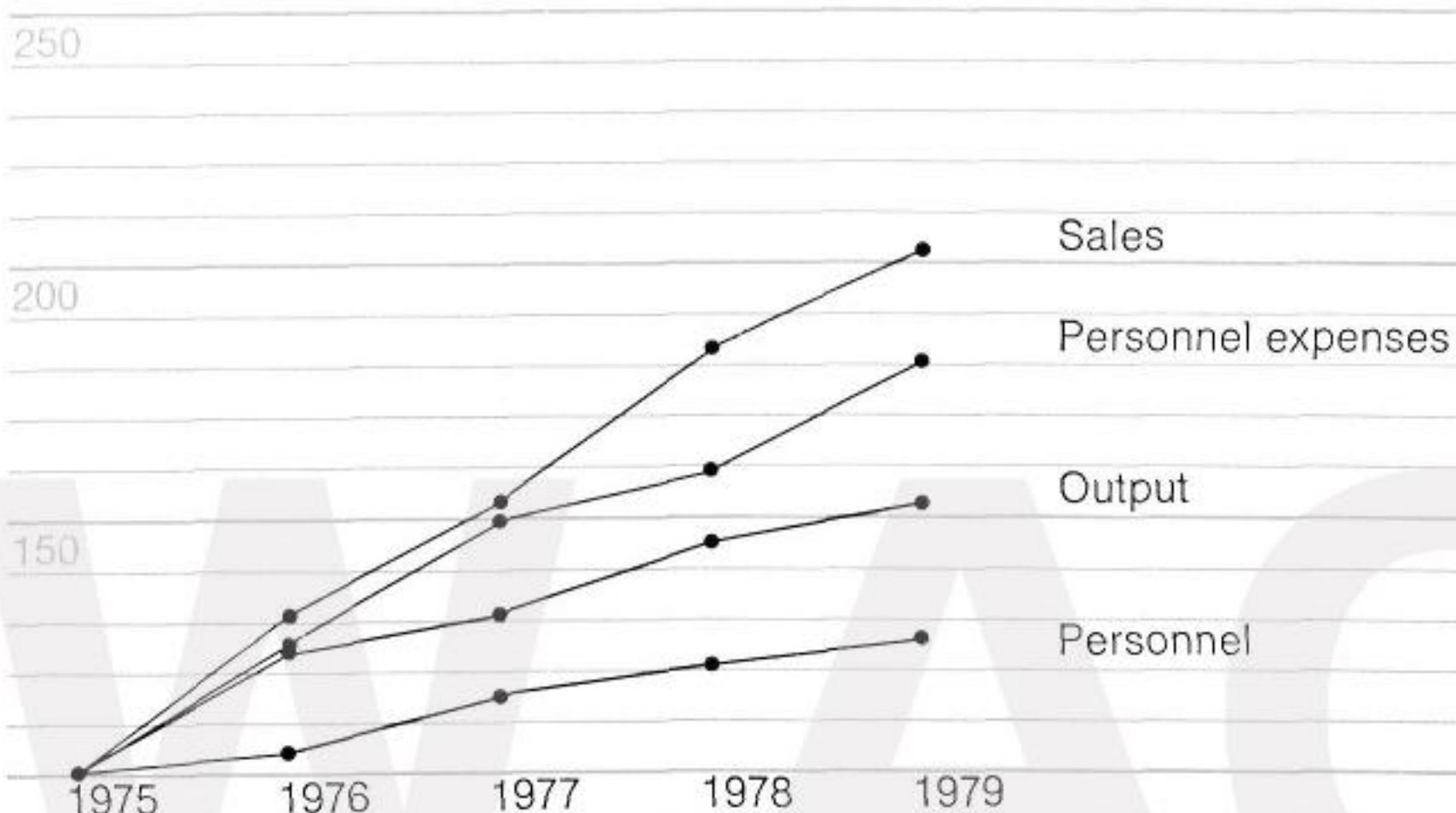
tions amounted to 14.4% of the total wages and salaries paid. The additional expenditure on social security contributions owing to the increase in collective wages and salaries cost the company an extra DM 8.4 million. In addition, there were the effects on costs of the entitlement to a longer annual holiday, which will be increased in stages for all employees to 30 working days by 1982. Where these effects cannot be neutralized by rationalization measures, increases in the labor force will be necessary.

In 1979, a profit share of DM 30.4 million for the 1978 business year was paid out to the BMW employees. The Christmas bonus rose – not least because of the larger labor force – to DM 83.7 million. The company systematically continued its activities in the interest of capital formation by the employees.

In connection with capital formation by the employees, in 1980 BMW plans to issue for the first time registered dividend right certificates (pursuant to § 221 AktG (Corporation Law) with an unlimited life. For this reason, the proposal is made to the shareholders' general meeting to empower the Managing Board to issue up to 700,000 registered dividend right certificates – representing a total of DM 35 million – with a face value of DM 50 per certificate and, in doing so, to exclude the right of the shareholders to subscribe to them. The proposed issue price of DM 50 as a minimum issue price is intended to ensure adequate flexibility when the individual blocks are issued. The dividend to the employees per registered dividend right certificate taken up, irrespective of the issue price, will be the same as the dividend on a share with a face value of DM 50, but without a credit for corporation tax.

Elections to the Supervisory Board pursuant to the 1976 Co-management Law took place for the first time in 1979. The employees of the company elected to the Supervisory Board ten representatives of their interests, including seven from among the employees.

**Personnel Expenses  
Sales, Personnel and  
Production of BMW AG**  
Index 1975 = 100



3,254.5	4,287.0	4,993.0	5,959.2	6,560.3	Sales in DM million
100.0	131.7	153.4	183.1	201.6	
902.7	1,135.6	1,350.8	1,439.2	1,626.3	Personnel expenses in DM million
100.0	125.8	149.6	159.4	180.2	
221,298	275,022	290,236	320,853	336,981	Output
100.0	124.3	131.2	145.0	152.3	
28,989	30,192	33,398	35,171	36,777	Personnel at end of year
100.0	104.1	115.2	121.3	126.9	



## The Company and the Public

Last year, public attention was focussed more than ever on how the automobile will evolve in the future and the role it will play in transportation. BMW therefore availed itself of many opportunities to make its research findings and results known and also its answers to the question, for instance, about what future is in store for the large and fairly high-powered class of automobile.

In 1979, almost one million visitors at the Frankfurt International Automobile Show came to the BMW stand. There, fuel saving was the subject demonstrated with the displayed cylinder cut-off system, developed by BMW too. Furthermore, it was shown that not more than six cylinders are needed to achieve outstanding performance.

Two months earlier, the new generation of the 7-Series had already been introduced to the trade press. Several publications organized a trip to compare the new BMW 732i with a popular small automobile. For the trip from Munich to Venice and back again, on which both automobiles travelled at the same speeds not exceeding 130 km/h, the BMW consumed only 1.5 liters more gasoline per 100 km than the small automobile. The test was also made use of to compare the physiological stress on the drivers. The results prompted the *Süddeutsche Zeitung* to conclude that "it would be wiser to reconsider a critical attitude towards the larger automobiles . . . The preconceived notion of high gas consumption is easy to refute with today's engines featuring fuel injection and digital engine electronic systems".

As economical use of gasoline is not just a matter of automobile engineering or the traffic flow, but also depends largely upon the way in which everybody drives, BMW, like all German manufacturers, carried out various campaigns as its contribution towards more information for the motorists. These efforts may well have helped in the Federal Republic of Germany in 1979 to bring down the fuel consumption per automobile registered by 4.6% compared with the previous year.

The responsibility it shares for the social life of the community prompted BMW to build up a cultural program at Dingolfing in the previous year and led to a new, unprecedented action in the Federal Republic in 1979. Together with the city of Munich, it formed the Spielmotor e.V. society. The purpose of this "cultural prototype", which it is nowadays considered to be, is to initiate or run specific cultural events and to sponsor and financially promote the arts in Munich, above all in the neighbourhood of the BMW plant and for the benefit of the people who live there. In the course of 1979, the Spielmotor e.V. made possible three performances of the Peking opera in the north of Munich, the 3rd International Festival of Independent Theaters, which attracted much attention, and a fourteen-day festival for children, which took place between the end of the annual plant holiday at BMW and the start of the new school year.

This festival for children was a venture into the unknown, pedagogically. New kinds of games and ways for children to play together were tried out successfully.

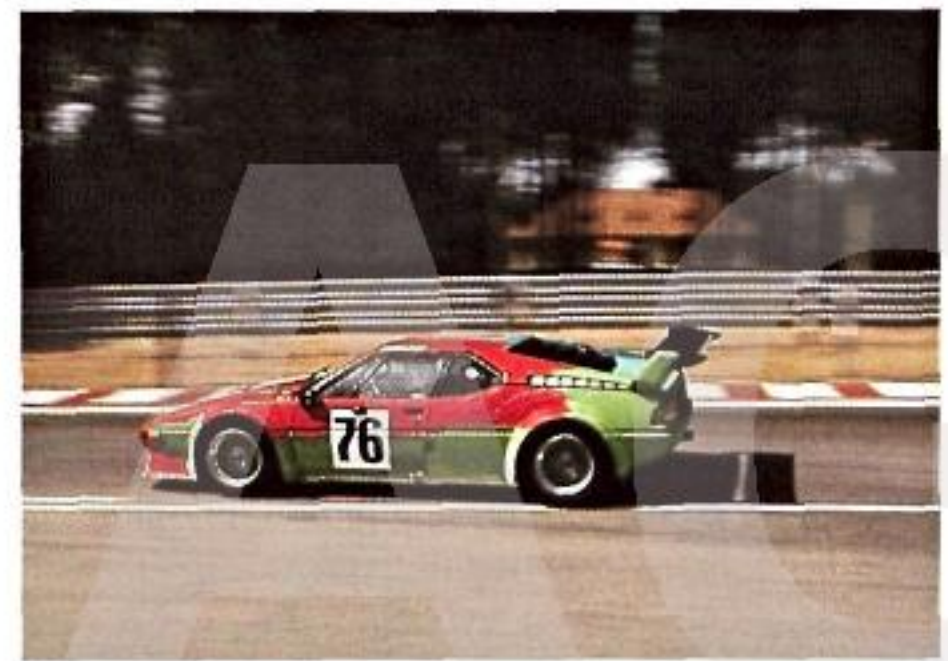
An art event of a special kind was the painting by the American pop artist, Andy Warhol, for the BMW M 1 competition sports car. This car was successfully entered in the Le Mans 24-hour race.

Automobile motor sport in 1979 was marked by the newly created international Procar Series, exclusively contested with the BMW M 1. This series of races always took place on the day before an European Grand Prix and attracted many thousands of enthusiastic spectators to the motor racing circuits. It was the sole motor sport event in which Formula 1 drivers competed with touring car specialists for the championship. Niki Lauda and Hans Stuck were the two winners of the Procar Series in 1979.

Equally exciting was the Formula 2 European Championship, which was won for the fifth time since 1973 with BMW engines. In 1979, it was the Swiss Marc Surer who carried off the title in a March BMW for himself, his team and the white and blue colors. Almost 500 BMW

Formula 2 engines which have by now been delivered mean that more of these engines have been sold than of any other successful racing engine of the present day. It is still based on the four-cylinder production engine which is used in the BMW 316, 318 and 518 models.

Farewell had to be bidden in 1979 to another successful BMW product. For the BMW coupé in the 2.5 CS to 3.0 CSL



Series, homologation expired in 1979, precluding it from taking part in competition. This high-performance competition touring car provided a fitting farewell. For the fifth time in succession, BMW drivers won the European Championship for touring cars. This time, the drivers were the Italians Carlo Facetti and Martino Finotto.

After some years of absence, BMW Motorrad GmbH returned in 1979 to the motorbike sport scene. With a BMW GS 80 developed expressly for the purpose, BMW took part in international cross-country championships. Despite the intrinsic handicap which heavy motorbikes have in cross-country competition, and despite the only very short time for preparation, the BMW cross-country motorbikes were very successful. Right away, they achieved 2nd place in the European Cross-Country Championship, won the over 750 c.c. class in the World Cross-Country Championship and became German Champion in this class.







# Subsidiaries

Bayerische Motoren Werke  
Aktiengesellschaft, Munich  
Common stock: DM 500.0 million

## Domestic

100%\*  
BMW Marine GmbH,  
Munich  
DM 6.0 million  
Production and marketing  
of marine engines

100%\*  
BMW Motorrad GmbH,  
Munich  
DM 12.0 million  
Production and marketing  
of motorbikes

100%\*  
BMW Motorsport GmbH,  
Munich  
DM 0.02 million  
Participations in motorsport  
Production and marketing  
of products for motorsport

100%\*  
Schorsch Meier GmbH,  
Munich  
DM 0.3 million  
Marketing company

100%\*  
Fahrzeug- und Maschinen-  
fabrik GmbH Landshut,  
Landshut  
DM 0.3 million  
Property company

100%\*  
Bavaria Wirtschafts-  
agentur GmbH,  
Munich  
DM 0.2 million  
Service company

51%\*  
Bavaria-Lloyd  
Reisebüro GmbH,  
Munich  
DM 0.02 million  
Service company

100%\*  
BMW Leasing GmbH,  
Munich  
DM 10.0 million  
Leasing of automobiles  
and motorbikes

100%\*  
BMW Maschinenfabrik  
Spandau GmbH,  
Berlin  
DM 6.0 million  
Industrial company

95%\*  
BMW Grundstücksgesellschaft  
Berlin GmbH, Berlin  
DM 0.02 million  
Property company

50%  
BMW Kredit Bank GmbH,  
Frankfurt/M  
DM 13.5 million  
Finance company

Important interests  
held by BMW AG  
in April 1980

\* Included in the consolidated  
financial statement



## Foreign

100%	BMW (US) Holding Corp., Wilmington, Del., USA US \$ 8.0 million Holding	100%	BMW Holding AG, Zürich, Switzerland SF 10.0 million Holding	100%	BMW Overseas Enterprises N.V., Willemstad, Curaçao, N.A. DM 2.0 million Finance company
100%	BMW Australia Ltd., Springvale, Vic., Australia A \$ 0.5 million Marketing of BMW products	100%	BMW Austria Gesellschaft m.b.H., Salzburg, Austria AS 45.0 million Marketing of BMW products	100%	BMW (South Africa) (Pty) Ltd., Pretoria, South Africa Rand 12.9 million Production and marketing of BMW products
80%	BMW France S. A., Bagneux, France FF 13.0 million Marketing of BMW products	100%	BMW Belgium S.A./N.V., Kontich, Belgium BF 66.0 million Marketing of BMW products	50%	BMW-STEYR Motoren Gesellschaft m.b.H., Steyr, Austria AS 50.0 million Development, production and marketing of diesel engines/gasoline engines
100%	BMW (GB) Ltd., Bracknell, Great Britain £ 4.0 million Marketing of BMW products	100%	BMW (Schweiz) AG, Dielsdorf, Switzerland SF 0.5 million Marketing of BMW products		
100%	BMW Italia S.p.A., Milano, Italy Lit 3,000 million Marketing of BMW products				
100%	BMW Nederland B.V., s'-Gravenhage, Netherlands DFL 0.5 million Marketing of BMW products				
100%	BMW of North America Inc., Montvale, N.J., USA US \$ 4.0 million Marketing of BMW products				
20%	BMW Distributors Eastern Canada Ltd., Scarborough/Ont., Canada C\$ 0.02 million Marketing of BMW products				



# Report on Subsidiaries

## Domestic

### BMW Motorrad GmbH, Munich

In general, there was a varying degree of expansion in 1979 on the motorbike markets of the western world; contracting markets were the exception. The changes in new registrations against 1978 varied from +25% in France to -19% in Holland. In the USA, total registrations following the decline in 1978 were 8% up on the previous year at 860,000 units. In the Federal Republic of Germany, registrations of motorbikes rose 17% to almost 100,000. Nevertheless, the worldwide motorbike boom of recent years has unmistakably slackened off.

For BMW Motorrad GmbH, the 1979 business year was altogether much better than the previous year. The addition of the R 45 and R 65, as well as the faired-in R 100 RT touring motorbike to the model range had been well received back in 1978 following their introduction on the market, but these measures did not make their effects fully felt until 1979.

The number of BMW motorbikes sold in 1979 was about 3% higher than in the previous year. Apart from the planned build-up of a closermeshed dealer network — in the Federal Republic of Germany, for instance, there was an increase of about 10% in the number of dealers — a contributory factor was that a large proportion of the increased costs in 1979 for materials and labor was not passed on. These increased sales enabled dealers to reduce stocks to the level required for adequate supplies.

Worldwide, there were more than 33,000 new registrations of BMW motorbikes, roughly one third more than in 1978 and more than ever before in a single year in the history of the BMW motorbike. The domestic market accounted for a substantial share in these results; for a 5% increase in the number of motorbikes sold, there was a 39% increase in new registrations. The BMW share of the market reached 9.4% against 7.9% in the previous year.

Exports rose 2%, despite a further drop of 17% to the USA owing to the adverse effects of the devaluation of the dollar. On the other hand, other large-volume markets expanded: France took over one third more BMW motorbikes than in the previous year, Italy almost twice as many. Towards the end of 1979, conditions became more difficult again, as the almost 30% devaluation of the yen against the DM substantially improved the position of Japanese competitors.

Restructuring of the Berlin motorbike plant was one important reason why there had to be a curtailment of production in the year under review. In 1979, manufacture of components for BMW automobiles was commenced, resulting in fewer capacity bottlenecks for BMW AG and at the same time enabling manufacturing capacity to be employed at a more uniform level than is possible in the highly seasonal motorbike business.

Notwithstanding the flexible employment of personnel, the widening of activities at the Berlin motorbike plant required an increase of 4% in the labor force of BMW Motorrad GmbH to a total of 1,871 employees by the end of 1979.

The turnover in 1979 was 10% higher than in the previous year at DM 230 million. Although it was not possible to offset the higher costs for materials and labor by price increases, the business results were better than in the previous year. Apart from the reduction of stocks at the plant, substantial increases in productivity, above all, were a contributory factor. It is true that the utilization of special depreciation allowances pursuant to § 14 of the Berlin Promotion Law played an even bigger role in the past year than in 1978. Such allowances were worth about 10% of the value of sales in 1979, owing to the large volume of investments. Earnings were transferred under the profit and loss absorption agreement with BMW AG.

As part of long-term investment planning, a production shop with a floor space of some 20,000 square meters was completed in 1979. A new power station

provides the extra hot water, steam and compressed air needed as a result of enlargement of the plant. These measures were supplemented by other investments to renew the existing machinery. Altogether, some DM 45 million were invested in fixed assets by BMW Motorrad GmbH in 1979; this sum is almost 20% of the turnover.

After the gratifying recovery in business in 1979, BMW Motorrad GmbH has started 1980 facing a much stiffer contest on the motorbike market. Keener competition can be reckoned with from the Japanese in the price battle, owing to developments in the currency situation in the second half of 1979. At the same time, market growth will continue to return to normal, as a result of the general economic situation and as the market gets nearer to saturation point. Considerable efforts will therefore be needed to maintain the market position of BMW Motorrad GmbH in 1980 at the level reached in the year under review, now that the market conditions have also become more difficult.

### BMW Marine GmbH, Munich

The leisure-time market is growing in importance. The international market for boats is an important sector of it. In the year under review, however, certain complications such as legal restrictions and the repercussions of the energy debate have had their effect on the worldwide trend of the market for boats and marine engines. Nevertheless, the marketing results of BMW Marine GmbH were satisfactory, owing to intensive marketing efforts. Sales of BMW marine engines were substantially higher than in 1978, the start-up year.

In 1979, two small diesel engines of 22 and 33 kW (30 and 45 h.p.) were added to the range of products.

Sales and earnings were up to expectations, under the circumstances mentioned. The generally downward market trend can be expected to continue in 1980. Diesel engines are still growing in importance at the expense of gasoline engines.



#### **BMW Motorsport GmbH, Munich**

The Procar-Series was the focal point of BMW racing activities in 1979. As in the previous year, the European Championships in Formula 2 and in the touring car class were won for BMW. In addition, the company promoted motorsport at the base with its cup competitions and training courses for drivers.

Sales of BMW Motorsport GmbH were doubled, compared with the previous year. Mainly responsible for this increase were the good sales of the BMW M 1 and of accessories connected with motorsport. Sales of tuned BMW production models (M 535i) were likewise doubled.

#### **Schorsch Meier GmbH, Munich**

Despite the automobile business becoming generally slacker in 1979, the company was able to maintain sales at the level of 1978. Sales of motorbikes were particularly good, an even higher number being sold than in the previous very good year.

Sales and earnings were again entirely satisfactory in 1979.

#### **Bavaria Wirtschaftsagentur GmbH, Munich**

The economic and structural growth of the BMW group at home and abroad entailed additional tasks in insurance in the year under review. As a result, the company was again able to extend the scope and program of its services in 1979. Increasing use was made of these services, also by outside companies. Employee-related business was good. The result was even better than in the previous excellent year.

The favorable trend in business is expected to continue in 1980.

Bavaria-Lloyd Reisebüro GmbH, which was set up jointly with Euro Lloyd M. V. B. Reisebüro GmbH at the beginning of 1979, has successfully completed its start-up phase. As its main activity, the company handles all travel arrangements for BMW AG and its subsidiaries; it also arranges business and tourist travel for industrial and private

customers and takes on the organization and running of conventions and conferences.

The newly affiliated company will continue to build up its clientele and its range of services in 1980.

#### **BMW Leasing GmbH, Munich**

There was a further increase in leasing business again in 1979 in the Federal Republic of Germany. The total of leased automobiles increased by some 20% over the previous year to a round figure of 150,000 units. This growth trend made competition keener. Purposefully directed marketing measures nevertheless enabled BMW Leasing GmbH to acquire new categories of customers in 1979. Its market share of total automobiles on lease rose from 4 to 6%. This represented an increase of almost 80% in the number of its automobiles on lease and of 55% in turnover compared with the previous year.

The broad scope of the contract program, which covers all BMW automobile and motorbike models, caters for virtually every conceivable customer wish. It is anticipated that in 1980 the growth rates in the leasing business will be higher than those for the automobile business in general.

Owing to the increase in business, capital was increased at the beginning of 1980 from DM 5.0 million to DM 10.0 million.

#### **BMW Kredit Bank GmbH, Frankfurt/M**

As the automobile business has remained consistently good for some years, automobile dealers have been a highly sought-after clientele. In 1979, competition among the credit institutions was stiffer than in the previous year. In the year under review, the company was nevertheless able to improve its position as partner of the BMW dealer organization in all aspects of purchase financing. As a result of stepped-up efforts to obtain business, BMW dealers were increasingly inclined to take up the loans offered by the bank. There was consequently a substantial increase in

turnover and in total lendings. In view of the narrower interest margin, the earnings of the company were entirely satisfactory.

In order to match risk capital of the bank to the increased volume of business, capital was increased from DM 9.0 million to DM 13.5 million. Adequate provision was made for strengthening the reserves.

At the end of 1979, loans were being taken up to a growing extent. It is therefore anticipated that the volume of business will continue to increase in 1980.

#### **Profit and loss absorption agreements**

exist with BMW Motorrad GmbH, BMW Marine GmbH, BMW Motorsport GmbH, Schorsch Meier GmbH, Bavaria Wirtschaftsagentur GmbH and BMW Leasing GmbH.

#### **Foreign**

#### **BMW of North America Inc., Montvale, N.J., U.S.A.**

In 1979, the course of business in the USA was marked by a phase of transition from boom to downswing, so that the growth rate of the gross national product, in terms of real value, dropped from 4.4% in 1978 to 2.3%. In the course of the year, the inflation rate climbed to over 13%. While demand for everyday consumer requisites sustained business to a large extent, the automobile market weakened. The trend was entirely to the detriment of American manufacturers, who had no timely answer to this move towards smaller, more economical models.

BMW sold roughly 10% more automobiles in the USA in 1979 than in the previous year, achieving with over 34,500 units a new record number of sales, despite the fact that selling prices again had to be increased several times owing to the weakness of the dollar. The higher number of vehicles sold and a bigger percentage of the more expensive models again brought a substantial



increase in turnover in 1979. Earnings were adversely affected, however, by the considerable deterioration in the exchange rate.

Two extra regional sales organizations were established in Dallas/Texas and Chicago/Illinois, in order to consolidate the market position in the long run. The dealer network was built up to a total of 360 dealerships, while a move to a Carson/California store with 10,000 square meters of floor space improved the parts service organization.

The average fuel consumption for the complete model range was effectively brought down when the new models were introduced in September, 1979. The consumption of the BMW fleet now works out at about 9 l/100 km. This is the figure required by law for 1983 and has thus been met by BMW well ahead of time.

#### **BMW Italia S.p.A., Milan, Italy**

The upturn in economic activity in 1978 lasted on until the end of 1979. An increase in the demand for automobiles was one of its beneficial effects. New registrations were roughly 3% higher than in 1978 at 1,420,000 units. Foreign manufacturers improved their share of the market, as the gathering rate of inflation, which eventually reached more than 20%, was not matched by corresponding adjustments to the rate of exchange; automobiles which were imported thus competed on relatively attractive terms. Production stoppages caused by domestic strikes also helped foreign makes to gain ground.

New registrations of BMW automobiles were 7% higher at 22,000 units, representing a market share of 1.6%. Italy is consequently the most important foreign market for BMW after the USA. All model series have contributed their share to this result; the number of BMW 7-Series automobiles sold was even 24% higher than in the previous year. The limited availability of BMW automobiles led to a large backlog of orders at the end of 1979.

Marketing of BMW marine engines

was commenced at the beginning of 1979. Very good business was done with BMW motorbikes in a market which is traditionally dominated by domestic manufacturers; the round figure of 2,300 units sold represented a substantial increase on 1978. Leasing business was also gratifying; the total of leasing contracts was more than doubled.

The larger number of sales of all BMW products improved turnover and earnings.

#### **BMW France S.A., Bagneux, France**

The French economy, unlike those in other European countries, did not experience an upturn in activity until the fall of 1979. Nevertheless, the increase in the gross national product for the year as a whole was 3.5% in terms of real value. A major factor was private consumption, which was particularly stimulated by considerable fear of further inflation. Another record for new registrations of automobiles was established in France, there being an increase of 2% on the record level of the previous year. There were even 4% more new registrations of automobiles from West German manufacturers. This trend was reinforced by the growing stability of the franc — with an inflation rate of more than 11% at the same time.

Following the high sales figures for BMW automobiles in the previous year, the round figure of 16,500 sold in 1979 was higher still than in 1978. Very good business was also done with motorbikes; the number sold rose by one quarter to more than 4,000 units. BMW marine engines were added to the range of products marketed.

Turnover and earnings of BMW France S.A. were good, reflecting the favorable sales situation.

#### **BMW (GB) Ltd., Bracknell, Great Britain**

The company, which made its debut on the British market in 1979 with the range of BMW marine engines, took over from 1. 1. 1980 the function of importer for all BMW products. In Bracknell (Berkshire),

a large center which has been set up to handle imports was inaugurated in March, 1980. Vehicle deliveries have been centralized at Harwich. The requisite investments have thus been made to enable the new company to carry on its business activities.

On the British market, there were new registrations of some 14,000 BMW automobiles and 3,000 BMW motorbikes in 1979. BMW (GB) Ltd. anticipates a similar number of sales in 1980.

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

In Holland, which had a comparatively low rate of inflation of 4.2%, economic growth in 1979 was 3% in terms of real value. Against the background of this growth, the automobile market with some 569,000 new registrations became stabilized at the record level of the previous year.

With their share of 38.5% of the market, the makes from the Federal Republic of Germany maintained their lead, followed by French and Japanese makes. This is quite a notable achievement, in view of the "luxury tax" currently 19% on automobiles up to DFL 22,000 and 21.5% on automobiles over DFL 22,000 imposed in Holland.

Almost 12,000 new registrations in 1979 gave BMW a market share of 2.1%.

Since January 1, 1979, the importation and marketing of BMW automobiles in this important European market have been under the control of the parent company, following the acquisition of a 100% interest in BMW Nederland B.V. BMW has the existing sales network on which it can base its operations.

The earnings of the company came up to expectations.

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

A growth of about 3.5% in the gross national product in terms of real value in Belgium was about the average rate in Western Europe. The 4.5% inflation rate, on the other hand, was well below the average for neighbouring countries.



A round figure of 421,000 new registrations on the Belgian automobile market was slightly higher than in the previous year. Manufacturers in the Federal Republic maintained their last year's share of the market of just under 36%.

The BMW share of the market in 1979 remained unchanged at about 3%. In Belgium, this share could only have been increased, if there had been more BMW automobiles on the 3-Series available. The motorbike business was very gratifying, new registrations being 86% higher than in the previous year.

Although the weakness of the Belgian franc against the DM made the imports of the company more expensive, turnover was increased by about 10% and earnings were better.

#### **BMW (Schweiz) AG, Dielsdorf, Switzerland**

There was relative restraint in overall business activity in Switzerland in 1979 as a result of the roughly 18% de facto upward revaluation of the Swiss franc.

Whereas there were still big growth rates in automobile business until the middle of the year, it declined in the second half of the year owing to the repercussions on the market of the more vigorous debate about measures to save energy and about protection of the environment. The 280,000 new registrations in 1979 were nevertheless about 3% higher than in the previous year. This established a new record. While manufacturers in Germany, France and Italy maintained their share of the market, American, Japanese and Swedish makes again improved their share of the market.

The limited availability of BMW automobiles, particularly those models in the lower part of the range, meant that the some 11,200 BMW new registrations were slightly fewer than in the previous year and that the market share dropped from 4.2% to 4.0%. However, the models of the 5-Series and the BMW coupés showed gratifying increases in new registrations of 13% and 26% respectively.

In a motorbike market which contracted 9%, BMW new registrations climbed substantially. A market share of 2.2% was more than twice as high as in the previous year.

The shift towards the higher-priced models resulted in a further increase in the turnover of the company, so that earnings were very satisfactory.

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

In 1979, with an economic growth of over 5% – and simultaneously a very low rate of inflation – Austria experienced a vigorous upswing in business. In the automobile business, there was also a recovery, which quickly banished the shock of the second Tax Amendment Law, under which effective January 1, 1978, there is a value-added tax burden of 30% on automobiles and the extent to which expenses can be deducted for tax purposes has been drastically reduced.

Total new registrations of some 214,000 automobiles in 1979 were 35% higher than in the previous year.

The energy debate, conducted very actively in Austria, resulted in a shift in registrations especially from the medium-sized to the small class of automobiles. Owing to the limited availability of the BMW 3-Series models, this meant that actual new registrations were fewer than potential registrations and that the BMW market share dropped by 0.6% in 1979 to 3.3%. Figures for BMW new registrations were nevertheless 15% higher than in the previous year. Turnover and the result for the year are correspondingly favorable.

Good business was done with motorbikes. BMW improved its share in an overall market which was expanding.

Construction of the new import center of the company at Salzburg-Maxglan was almost completed in 1979, so that with effect from January 1, 1980, the company has been able to supply Austria with parts under its own management. The staff moved over to Salzburg-Maxglan at the end of February, 1980.

#### **BMW Australia Ltd., Springvale, Vic., Australia**

After a recession lasting several years, the Australian economy expanded in the first half of 1979; growth slowed down again, however, in the last months of the year. The gross national product in terms of real value averaged over the year was 4.5% up in 1979 over the previous year; the average rate of inflation was 9%.

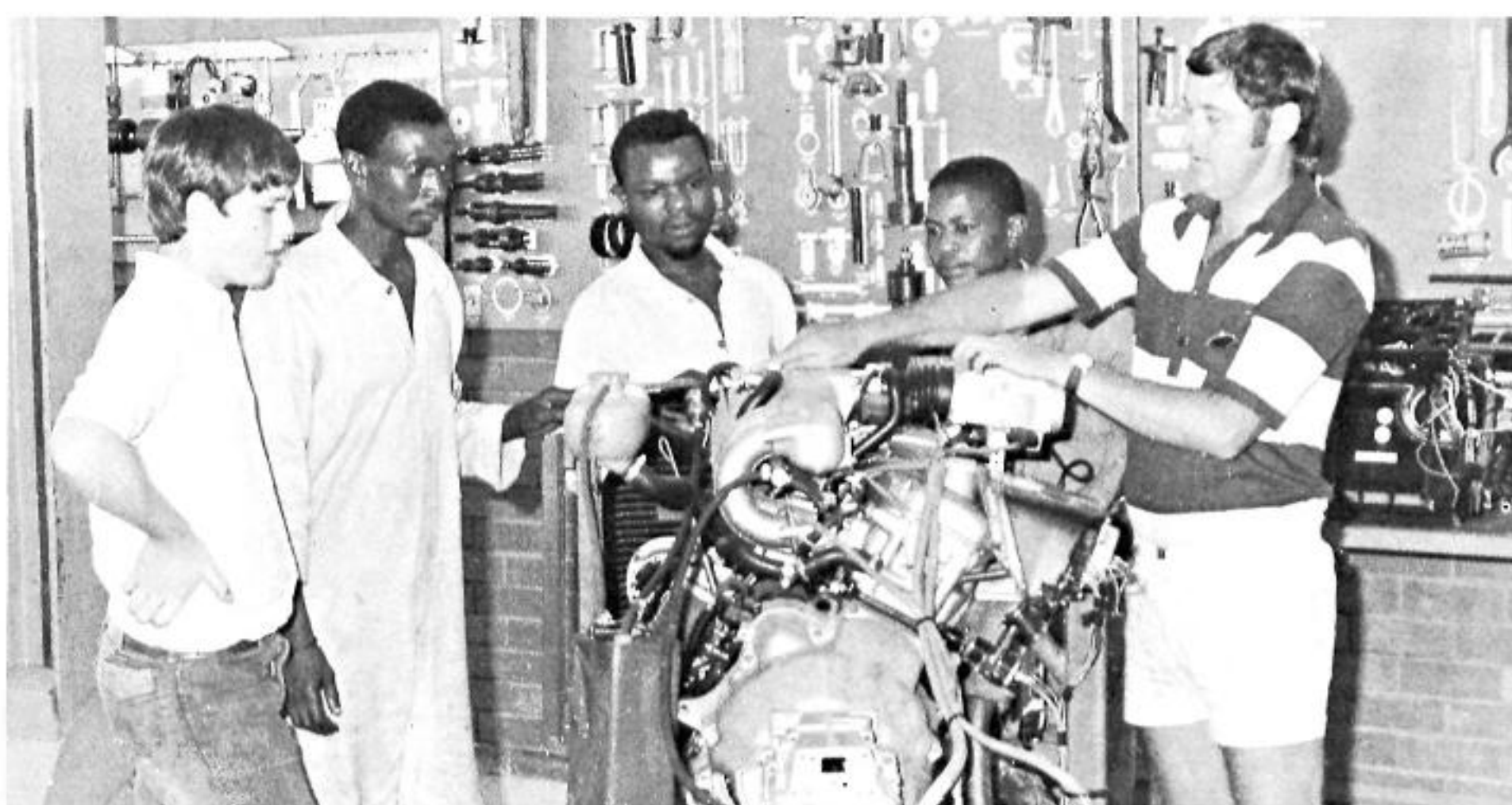
As a result of the energy debate, the government introduced in August, 1979, a depreciation limit which made it harder to sell large automobiles. There is, in any case, customs duty of about 58% to pay on imported vehicles, which are subject to a quota.

BMW Australia Ltd., which had taken over the importation and marketing of BMW products under its own management on January 1, 1979, had consequently to concentrate its efforts primarily on selling the BMW 3-Series. The successful introduction of the BMW 323i and 323iA models in the year under review was followed, at the beginning of 1980, by the introduction of the 318i and 318iA. The extension of the model range has helped to make BMW better known in Australia. In 1979, some 1,500 BMW automobiles and 300 motorbikes were sold.

#### **BMW Overseas Enterprises N.V., Willemstad, Curaçao, N.A.**

As part of its international financial activities, the company was able to place a further loan of SF 100 million favorable terms.





Black employees of BMW South Africa: BMW training is making them proficient at the drawing board, in bookkeeping, as video data terminal operators, as skilled mechanics. The company's multi-racial training center also has a workshop for apprentices. Increasing numbers of black employees are working in more skilled occupations.



**BMW-STEYR Motoren Gesellschaft  
m.b.H., Steyr, Austria**

BMW-STEYR Motoren Gesellschaft m.b.H. was set up with the articles of association of December 21, 1978, as a joint venture of BMW AG and the Austrian Steyr-Daimler-Puch AG and was registered in the Commercial Register on March 8, 1979. The company has a capital of AS 50 million, which will be increased to AS 250 million in 1980. The agreement made between the two parent companies, each of which holds a 50% interest, to cooperate in the development, manufacture and marketing of diesel engines, has thus taken on concrete shape.

Since mid-1979, an engine plant to plans by BMW AG has been under construction at Steyr in Upper Austria. This location was chosen because of its advantageous infrastructure, its potential of skilled labor and the special know-how in building diesel engines which the Steyr plant of Steyr-Daimler-Puch AG has. The proximity to the BMW plants in Bavaria also played a role.

Production will be started after the completion of this large-scale capital project in 1982 and will be increased in stages to an annual output of some 175,000 engines. To begin with, the diesel engine developed by BMW will come off the assembly line. Additionally, the company will take up the manufacture of gasoline engines in its program. The development work started by Steyr-Daimler-Puch on a diesel engine embodying new ideas of significance for the future will be carried on in the new development center until it is ready for production.

The new plant will provide employment for some 1,500 persons when the final stage of expansion is completed. Annual turnover will be more than DM 500 million. The vast majority of the engines will be exported from Austria.

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

In South Africa, the revival in business which had started in the previous year became more widespread in the course of 1979. Even the cessation of oil supplies from Iran did not have adverse effects. No significant bottlenecks arose in supplies. The steep rise in the price of gold made it no problem to finance oil supplies from the spot markets. Economic policy also played its part, by way of credits granted and tax relief, in providing the necessary stimulants to enliven private consumption. The automobile market was affected, however, by the measures the government adopted in June, 1979, in order to save fuel. These led to a change in customer habits. Small automobiles with modest fuel consumption made the biggest gains on the previous year, whereas automobiles at the upper end of the range suffered a decline of around 18%. Altogether, there was a growth of 4.2% in the market.

Despite the contraction of market segments in which BMW is involved, new domestic registrations of BMW (South Africa) automobiles were 18% up on the previous year. This meant an all-time record share of 3.9% of the total market and an increase from 16% to 23% in the BMW share of the segment for large automobiles.

BMW continued to export to other countries in 1979. It was the only automobile plant in South Africa to do this. A total of 1,200 automobiles were exported. The total number of units sold by BMW (South Africa) rose from a round figure of 8,500 in 1978 to 9,100 in 1979. BMW did good business on the motorbike market as well. In the year under review, it sold some 400 motorbikes in South Africa, more than twice as many as in the previous year.

At the end of 1979, BMW (South Africa) had some 1,250 employees. Integration of the roughly 1,000 black employees was systematically continued. In the company's own multi-racial training center, the programs of training and further training were enlarged. Through

such measures it will be possible, in the course of 1980, to appoint the first black foremen to assignments in the plant. The hitherto separately operating liaison-committees for black and white employees were replaced on January 1, 1980, by a joint employees' council, elected by all employees in a secret ballot, on which equal numbers of whites and blacks sit. The chair at this employees' council is taken in rotation by the spokesman of the white group and of the black group, each one acting as chairman for three months at a time. For the black members of the automobile workers union, their membership contributions are being paid over from wages to the union since March, 1980.

The minimum wage of the black employees at the end of 1979 was 62.5% above that calculated by the market research office of the University of South Africa to be the minimum living standard for a four-member household of the black population in the Pretoria region. Added to this are company social benefits and welfare, such as accident and life insurance, free medical attention by the plant medical service, canteen subsidies, guaranteed annual bonus and pension expectancy.

The aforementioned training center of BMW (South Africa) provided further training for more than 1,250 persons in 1979, including white and black employees from BMW dealerships. The build-up of the dealer organization was continued according to plan. A mobile training center was set up as a technical support for BMW dealers in remote areas.

The increase in the number of sales led to an increase in turnover of more than 17%. The company anticipates a further increase in sales in 1980, within the limits of available capacities, and still higher exports than in the preceding years.



# Finance

During the year under review, BMW AG invested DM 473 million in tangible and intangible fixed assets and DM 5 million in participations. To finance this, DM 305 million were available from depreciation and retirement of tangible fixed assets, DM 75 million from the transfer to reserves from net income, DM 50 million from the increased pension fund provisions and liabilities to the benevolent fund and DM 33 million from disposals and depreciation – set off against additions – of other financial assets earmarked for this purpose in the preceding years.

In this way, 97% of investments (101% in the previous year) were covered by internally generated financing.

Long-term liabilities were reduced by a further DM 10 million, representing stipulated repayments of matured loans.

The above-mentioned flows led to only a slight reduction in the liquidity of BMW AG.

The shift between trade receivables and receivables from subsidiaries is attributable to the take-over of the BMW marketing organization in Great Britain, Holland and Australia.

## Sources and Application of Funds 1979

DM million

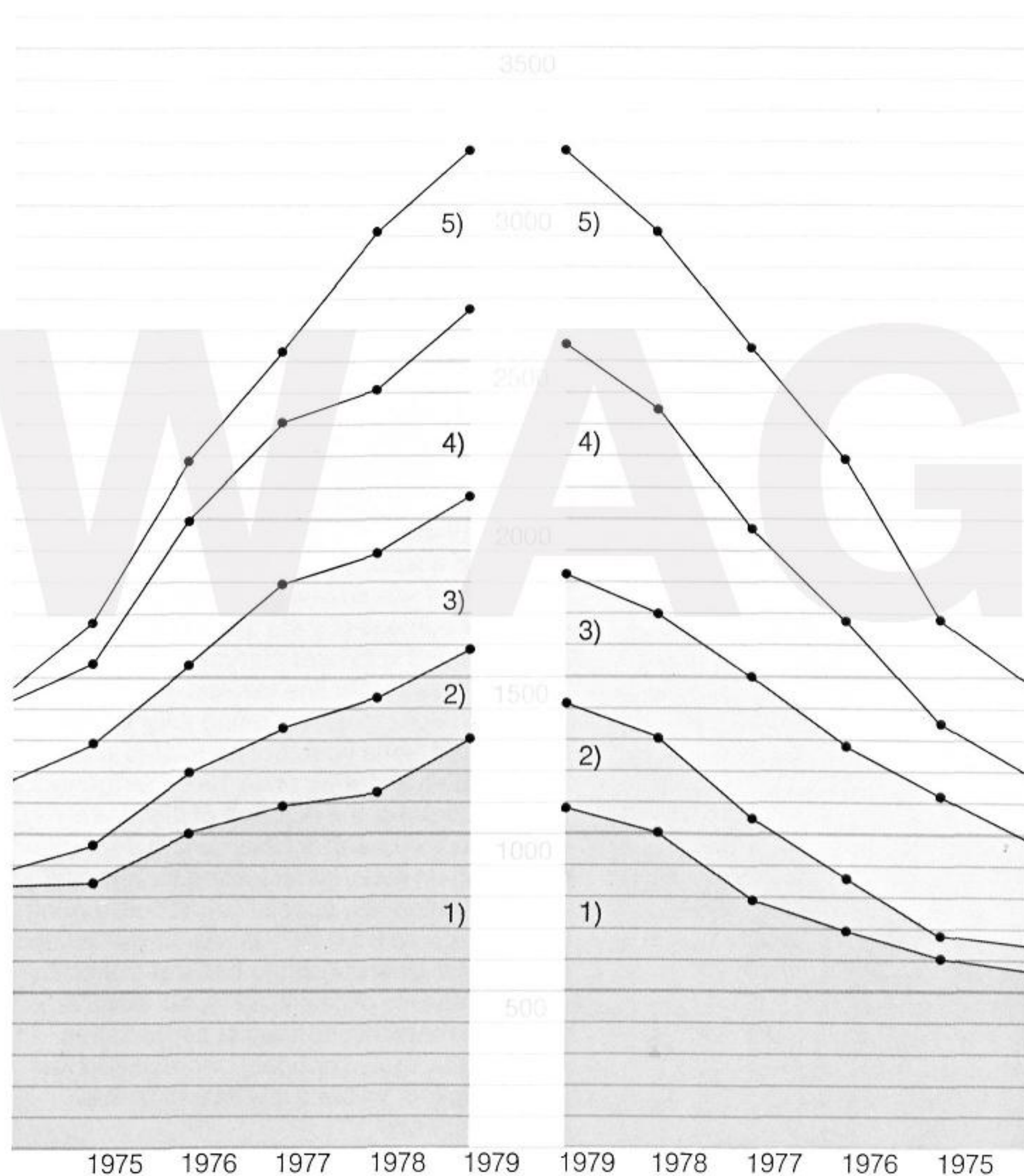
Application of funds		Sources of funds	
Investments in tangible fixed assets	472.8	Depreciation and retirement of tangible fixed assets	304.9
Investments in participations	4.5	Increase in pension fund provisions and liabilities to benevolent fund	50.4
Decrease in long-term liabilities	10.0	Decrease in other financial assets	32.8
		Transfer to other reserves from net income	75.0
<b>Long-term</b>	<b>487.3</b>	<b>Long-term</b>	<b>463.1</b>
Increase in inventories	49.5	Increase in other provisions	76.8
Increase in receivables from subsidiaries (less liabilities)	54.7	Increase in trade payables	46.1
Increase in miscellaneous assets (incl. advance payments made)	23.3	Decrease in liquid funds	17.6
Decrease in miscellaneous liabilities (incl. advance payments received)	39.3	Decrease in trade receivables <sup>1)</sup>	31.1
Distribution for the previous year	80.6	Balance sheet profit	100.0
<b>Short-term</b>	<b>247.4</b>	<b>Short-term</b>	<b>271.6</b>
	<b>734.7</b>		<b>734.7</b>

<sup>1)</sup> less general allowance for doubtful accounts



The cover ratios in the assets and capital structure have changed only slightly in comparison with the previous year, despite the higher investments in tangible fixed assets. Fixed assets remained at about 50% and shareholders' equity, as in the previous year, at about 34% of the balance sheet total. Fixed assets are covered 115% (118% in the previous year) by long-term funds. As in the previous year, tangible fixed assets and the balance sheet value of participations are fully covered by shareholders' equity and pension fund provisions and liabilities to the benevolent fund.

# **Development of the BMW AG Balance Sheet** DM million



- 1) Tangible and intangible fixed assets
- 2) Financial assets
- 3) Inventories
- 4) Receivables
- 5) Liquid funds

- 1) Shareholders' equity
- 2) Social capital
- 3) Long-term liabilities
- 4) Provisions
- 5) Short-term liabilities



# Notes on the Financial Statement of BMW AG

## Balance sheet

### Assets

#### Fixed assets

A detailed account of additions to tangible fixed assets and their use has been given in the earlier sections of this report. An itemized 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 shown at cash purchase price or manufacturing cost less normal depreciation based on write-off in a maximum of 30–50 years for office and factory buildings, including distribution facilities which are part of the buildings, of 50 years for residential buildings and of 5–20 years for facilities connected with real estate.

Machinery and equipment, furniture and fixtures with a useful life of more than 4 years have been depreciated for tax purposes by the declining balance method with later planned conversion to the straight line method, minor-value additions to assets being fully written off in the same year. For special-to-product tooling acquired up to 1976, performance in terms of the duration of the model run was the basis for determining depreciation on the original tooling for a model or assembly; special-to-product tooling acquired from 1977 onwards was written down pro rata on the basis of a shorter useful life. Again in 1979, full advantage was taken of all special depreciation facilities. Exceptional depreciation was applied, where a low valuation was required.

Land owned by the company in the Federal Republic, including that owned by related companies, totalled 3.24 million sq. meters (3.22 million sq. meters in the previous year) on the balance sheet date. Most of it is in Munich, Dingolfing, Landshut and Berlin.

Since 1972, BMW AG has rented its head office building, built on company land in Munich, under a lease running for 30 years. In 1979, 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.

<b>Depreciation relating to additions and transfers in 1979</b>	<b>Additions and transfers in DM million</b>	<b>Depreciation in DM million</b>
Real estate without buildings and with office, factory and other buildings		
(including residential buildings)	49.8	7.6
Buildings on land not owned	4.0	0.2
Machinery and equipment	253.9	49.9
Furniture and fixtures	51.9	29.1
	<b>359.6</b>	<b>86.8</b>



### **Financial assets**

Changes in our participations in other companies were dealt with in the section of the report dealing with subsidiaries. Additional investments of DM 5 million relate mainly to shares in the capital increases of BMW Kredit Bank GmbH, Frankfurt/M, and BMW France S.A., Bagneux, as well as to the share of the capital contributed in setting up BMW-STEYR Motoren Gesellschaft m.b.H., Steyr. The 50% interest in Obermeyer Project-Management GmbH, Munich, is no longer among the BMW holdings, having been sold to the other shareholder in the year under review. Investments in participations are shown in the balance sheet at the initial cost or lower values on the balance sheet date.

Changes in loans with a minimum term of 4 years and in securities relate mainly to the purchase and scheduled repayment of long-term items employed by definition to finance additions to fixed assets. The remaining loans and securities amounting to DM 174 million continue to serve as a long term liquidity provision for future BMW AG investment programs. Loans are shown at their present cash value.

### **Inventories**

Raw materials and supplies, work in progress, finished products and trading stocks were kept, as before, at a low level. The increase of 11.1% in inventories matches the higher volume of business than in the previous year.

As in the preceding years, raw materials and supplies and bought parts were shown at cost price, regarding the lower of cost or market value. Advantage was taken of the allowance for imported goods pursuant to § 80 of the income tax regulations. Work in progress and finished products are shown at their production costs, i. e., expenditure on materials and labor plus a proportionate share of the overheads for manufacturing and materials.

Adequate write-downs were made for risks arising from prolonged storage or diminished technical serviceability.

### **Other current assets**

Trade receivables are down primarily because of the taking over by BMW subsidiaries of marketing in Great Britain, Holland and Australia. There has been a corresponding increase in receivables from subsidiaries. With the increase resulting also from greater business activity, the latter are altogether up by 33.6%.

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

The slight reduction in liquidity is explained in the section on finance.

Miscellaneous assets, which rose by DM 23 million, include claims for investment allowances, loans granted and debt instruments, as well as claims involving interest payments, the sending back of goods, freight and empties.



## **Shareholders' equity and liabilities**

### **Common stock**

The common stock remains unchanged at DM 500 million.

### **Reserves**

DM 75 million from net income for the year under review was allocated to Other reserves. Reserves now amount to DM 586 million.

### **General allowance for doubtful accounts**

As in the previous year, a provision of 2.5% for domestic and 5% for foreign receivables was made to cover general risks associated with trade receivables, notes held, advance payments and miscellaneous assets.

### **Pension fund provisions and liabilities to BMW benevolent fund**

The company old-age pension system was further improved, some groups of employees becoming entitled to a higher pension. In view of the larger number of persons entitled to pensions and the aforementioned higher payments under the BMW pension system, DM 41 million was allocated to the pension fund provisions.

The actuarial calculations are based on an interest rate of 5.5%.

DM 249 million of the pension fund provisions is allocated to expectancies and DM 48 million to current pensions. Pensions drawn from the BMW benevolent fund have been brought in line with the arrangements under the pension system introduced in latter years for serving employees. The covering capital fund was raised by DM 10 million in connection with this clear improvement in pensions drawn.

### **Other provisions**

Other provisions were higher mainly because of bigger commitments concerning personnel, warranty and manufacturer liability, dealers' and suppliers' accounts. They also cover sums for taxes not yet assessed, impending losses on

transactions in course of settlement, as well as liability and litigation risks at home and abroad. All discernible risks were adequately covered.

### **Liabilities with a term exceeding four years**

Long-term liabilities from loans and to banks and other creditors were reduced by a total of DM 10 million in the year under review by scheduled repayments and renewals for lesser amounts. Land charges valued at DM 57 million on the balance sheet date provide security for these loans. Foreign exchange liabilities were shown at the higher rates of exchange on this date, the option to retain them being exercised. Amongst long-term liabilities are the registered participating debenture bonds issued regularly to employees between 1974 and 1978. In the year under review, surrenders by employees reduced their holdings by DM 0.8 million to DM 24 million.

### **Other liabilities**

Trade payables increased by DM 46 million, owing to the larger volume of purchases and investment.

Miscellaneous liabilities include items relating to wages and salaries, balances in favor of customers, accrued interest payable and other obligations.

Guarantee and warranty obligations mainly involve such obligations in the case of subsidiaries. As a result of the placing of the second Swiss franc bond by BMW Overseas Enterprises N.V., Curaçao, the joint and several guarantee increased by SF 100 million.

AG



## Statement of income

The favorable sales situation for BMW automobiles again allowed full utilization of the existing and new production capacity in the year under review. The total value of production of the company rose by 11.1% from DM 5,955 million in the previous year to DM 6,613 million.

Expenses for raw materials, supplies and merchandise purchased – after deduction of discounts – increased by 11.3% to DM 3,328 million in the year under review. Gross income at 49.7% of the total value of production was at the same level as in the previous year, attributable to there being little change from the previous year – due to production – in the structure of sales within the series of models; demand for the models which yield a high return remained at just as high a level.

Income from other financial assets and other interest and similar income rose 31.3% owing to the good degree of liquidity, while interest and similar expenses for credits and loans were down 26.9%. Interest received exceeded expenses on interest by DM 36 million.

Gains on liquidation of provisions resulted from fewer risks concerning suppliers' and customers' accounts and other obligations.

Miscellaneous income comprises mainly income from rents and leases, royalties, service units, refunds on insurance premiums and profits from rates of exchange.

Wages and salaries and social security contributions are up 12.0%, as a result of collectively agreed and discretionary increases in wages and salaries, an increase in the number of employees and higher legal and collective social expenses. Expenses for old-age pensions and benefits are up mainly because of improvements in the pension entitlements under the company pension system for its employees.

## Expense Structure Relative to Total Value of Production

	1975	1976	1977	1978	1979
<b>Total Value of Production</b>					
DM million	3,234.6	4,300.6	5,063.0	5,954.7	6,612.8
%					
Material expenses	52.8	51.5	51.8	50.2	50.3
Personnel expenses	27.9	26.4	26.7	24.2	24.6
Depreciation	4.4	3.7	4.4	4.2	4.5
Other expense and income items offset	10.0	10.8	9.8	12.6	11.9
Taxes	2.6	4.7	4.8	6.3	6.1
Net income	2.3	2.9	2.5	2.5	2.6

The Personnel and Social Report gave a detailed account of the make-up of and changes in personnel expenses. Depreciation on tangible fixed assets was DM 45 million (17.9%) higher than in the previous year. This increase is mainly the result of the high volume of investment in the year under review and of the full effects of investments in the previous year making themselves felt for the first time in depreciation.

The increase of DM 26 million in taxes on income, profits and property is the result of better earnings.

Miscellaneous expenses include, as has hitherto been the practice, expenses for administration and marketing, under warranties, for outgoing freight, insurance premiums, incidental personnel costs and services of third parties, such as did not have to be shown under other items of the statement of income.

Provided that the shareholders' general meeting resolves on the proposed dividend, the remuneration of the serving members of the Managing Board for the 1979 business year will amount to DM 5,986,103, that of the former members of the Managing Board and of their surviving dependants to DM 723,632. The total remuneration of the Supervisory Board for 1979 amounted to DM 587,462.

## Balance sheet profit

The financial statement for the year ending December 31, 1979, as drawn up by the Managing Board, approved and therewith adopted by the Supervisory Board, closes with a balance sheet profit of DM 100 million. In agreement with the Supervisory Board, it is proposed that this balance sheet profit be used to pay a dividend of DM 10 per DM 50 share on the common stock of DM 500 million (representing a dividend of 20%).

Munich, April 1980

Bayerische Motoren Werke  
Aktiengesellschaft

The Managing Board



# Balance Sheet of BMW AG at December 31, 1979

with comparative figures for the previous year

## Assets

	Jan. 1, 1979 DM	Additions DM	Transfers DM	Retire- ments DM	Depre- ciation DM	Dec. 31, 1979 DM	Dec. 31, 1978 DM
<b>I. Fixed and Financial Assets</b>							
<b>Tangible and Intangible</b>							
<b>Fixed Assets</b>							
Real estate and equivalent rights with office, factory and other buildings	343,335,056	22,787,383	+ 27,454,937	1,350,095	27,834,905	364,392,376	343,335,056
Real estate with residential buildings	8,161,806	856,415	+ 201,646	—	370,634	8,849,233	8,161,806
Real estate without buildings	18,371,860	710,292	— 2,215,014	241,031	387,960	16,238,147	18,371,860
Buildings on land not owned	27,117,254	3,009,675	+ 1,020,496	69,909	3,083,053	27,994,463	27,117,254
Machinery and equipment	558,675,141	198,468,139	+ 55,415,676	4,767,385	221,931,142	585,860,429	558,675,141
Furniture and fixtures	38,056,414	45,059,365	+ 6,819,037	1,282,969	40,761,276	47,890,571	38,056,414
Construction in progress and advances for fixed assets	150,630,043	201,943,312	— 88,696,778	2,759,775	—	261,116,802	150,630,043
Patents	1	—	—	—	—	1	1
	1,144,347,575	472,834,581	—	10,471,164	294,368,970	1,312,342,022	1,144,347,575
<b>Financial Assets</b>							
Investments in participations	99,668,896	4,547,905	—	—	—	104,216,801	99,668,896
Securities	72,913,196	10,000,000	—	32,085,696	1,295,900	49,531,600	72,913,196
Loans with a minimum term of four years	133,966,755	18,906,619	—	25,431,263	3,014,836	124,427,275	133,966,755
— thereof secured by mortgages: DM 5,973,815 —	306,548,847	33,454,524	—	57,516,959	4,310,736	278,175,676	306,548,847
						1,590,517,698	1,450,896,422

## II. Current Assets

### Inventories

Raw materials and supplies	153,657,189	151,997,022
Work in progress	96,548,417	84,677,450
Finished products, trading stocks	244,645,813	208,767,148
	<b>494,851,419</b>	<b>445,441,620</b>

### Other Current Assets

Advance payments	881,498	1,174,150
Trade receivables — thereof with a maturity of more than one year: — DM —	117,458,856	148,398,688
Notes receivable — thereof rediscountable at the Federal Reserve Bank: DM 1,660,972 —	2,400,491	4,797,855
Cash on hand, deposits at the Federal Reserve Bank and at postal cheque accounts	1,209,636	1,064,652
Cash with banks	167,485,816	160,081,340
Marketable securities	324,406,969	347,203,781
Receivables from subsidiaries	301,111,440	225,441,236
Receivables resulting from loans granted under sec. 89 AktG (Corporation Law)	850,574	1,005,360
Miscellaneous assets	174,233,412	151,626,849
	<b>1,090,038,692</b>	<b>1,040,793,911</b>
	<b>1,584,890,111</b>	<b>1,486,235,531</b>

## III. Prepaid Expenses

2,481,567 1,250,966

3,177,889,376 2,938,382,919



## Shareholders' Equity and Liabilities

		Dec. 31, 1979	Dec. 31, 1978
	DM	DM	DM
<b>I. Common Stock</b>		<b>500,000,000</b>	<b>500,000,000</b>
<b>II. Reserves</b>			
Legal reserves		127,083,250	127,083,250
Other reserves			
Retained earnings	384,188,750		
Transfer from 1979 net income	75,000,000	459,188,750	384,188,750
		<b>586,272,000</b>	<b>511,272,000</b>
<b>III. General Allowance for Doubtful Accounts</b>		<b>5,587,291</b>	<b>5,434,825</b>
<b>IV. Pension Fund Provisions and Liabilities</b>			
Pension fund provisions		297,075,250	256,222,691
Liabilities to BMW benevolent fund		48,960,000	39,372,000
		<b>346,035,250</b>	<b>295,594,691</b>
<b>V. Other Provisions</b>			
Provisions for deferred maintenance		15,000,000	15,000,000
Miscellaneous provisions		728,548,475	651,703,615
		<b>743,548,475</b>	<b>666,703,615</b>
<b>VI. Liabilities with a Term Exceeding Four Years</b>			
Loans — thereof secured by mortgages:	DM 44,000,000 —	90,272,000	104,272,000
Due to banks		271,134,800	264,845,485
— thereof secured by mortgages:	DM 12,562,500 —		
Miscellaneous liabilities		27,168,764	29,466,994
Of item VI, due in less than four years:	DM 179,173,670		
		<b>388,575,564</b>	<b>398,584,479</b>
<b>VII. Other Liabilities</b>			
Trade payables		372,648,826	326,533,744
Advance payments received		3,346,023	5,095,092
Liabilities to subsidiaries		52,433,575	31,350,468
Miscellaneous liabilities		79,235,403	117,159,750
		<b>507,663,827</b>	<b>480,139,054</b>
<b>VIII. Deferred Income</b>		<b>206,969</b>	<b>14,255</b>
<b>IX. Balance Sheet Profit</b>		<b>100,000,000</b>	<b>80,640,000</b>
		1979	1978
	DM	DM	DM
Contingent liabilities on rediscounted notes receivable		152,021,527	56,585,124
Guarantees — thereof for subsidiaries:	DM 10,155,606 —	10,155,606	50,738,854
Joint and several guarantee for SF bond of BMW Overseas Enterprises N. V., Curaçao		217,000,000	112,720,000
Contingent liabilities under warranty contracts		275,125	1,507,500
Mortgages for liabilities of others		150,000	150,000
		<b>3,177,889,376</b>	<b>2,938,382,919</b>



# Statement of Income of BMW AG for the year ended December 31, 1979

with comparative figures for the previous year

Net sales
Increase (decrease) of finished products and work in progress
Other company-produced additions to tangible fixed assets
Total value of production
Expenses 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 decrease of allowance for doubtful accounts
Gains on liquidation of provisions
Miscellaneous income — thereof extraordinary income: DM 1,463,633 —
Wages and salaries
Social security contributions
Expenses for old-age pensions and benefits
Depreciation on tangible fixed assets
Write down for financial assets
Losses from depreciation on current assets other than inventories and transfer to allowance for doubtful accounts
Losses on retirement of fixed assets
Interest and similar expenses
Taxes
on income, profits and property
others
Expenses for profit and loss absorption agreements
Miscellaneous expenses
Net income
Transfer from net income to reserves
Balance sheet profit

Note in accordance with sec. 159, AktG (Corporation Law):  
In the business year we paid DM 5,388,735 for old-age pensions;  
in addition, a total of DM 11,103,093 was allocated to the BMW benevolent fund.  
In the next five years, old-age pension payments will probably amount to 127% of the cited amount in 1980, 144% in 1981, 162% in 1982, 181% in 1983 and 204% in 1984.  
In future the BMW benevolent fund will receive no further allocations for new benefits promised.

**Bayerische Motoren Werke**  
Aktiengesellschaft

The Managing Board



	1979		1978
DM	DM	DM	DM
	6,560,260,185		5,959,244,448
+	37,321,757	-	17,137,313
	6,597,581,942		5,942,107,135
	15,175,706		12,630,266
	<b>6,612,757,648</b>		<b>5,954,737,401</b>
	3,327,759,004		2,989,512,540
	<b>3,284,998,644</b>		<b>2,965,224,861</b>
	10,905,896		9,847,985
	3,644,750		1,292,805
	14,241,530		15,685,305
	66,105,706		45,521,921
	3,206,306		2,609,874
	-		2,706,347
	9,007,085		13,036,512
	24,399,165		34,532,872
	131,510,438		125,233,621
	<b>3,416,509,082</b>		<b>3,090,458,482</b>
	1,373,216,853		1,223,560,337
	197,228,969		178,328,082
	55,900,152		37,349,351
	294,368,970		249,607,723
	4,310,736		1,080,937
	26,509,931		50,324,457
	4,494,049		2,765,880
	44,685,956		61,173,552
400,730,907		374,572,388	
3,265,651	403,996,558	2,499,816	377,072,204
	14,247,106		19,536,185
	822,549,802		739,019,774
	<b>3,241,509,082</b>		<b>2,939,818,482</b>
	<b>175,000,000</b>		<b>150,640,000</b>
	75,000,000		70,000,000
	<b>100,000,000</b>		<b>80,640,000</b>

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 3, 1980

**Deutsche Treuhand-Gesellschaft**  
Wirtschaftsprüfungsgesellschaft

Dr. Clemm  
Auditor

von Lippmann  
Auditor



# Consolidated Annual Report (Domestic)

As in the previous year, the BMW consolidated financial statement had to be drawn up in 1979 pursuant to § 329 and the consolidated annual report pursuant to § 334 AktG (Corporation Law).

To the consolidated companies of the previous year, Bavaria-Lloyd Reisebüro GmbH, Munich, has been added.

The following domestic companies are now included:

Scope of Consolidation	Common stock on 31. 12. 79 DM million	Interest
Bayerische Motoren Werke AG, Munich (BMW AG)	500.00	
BMW Motorrad GmbH, Munich	12.00	100% BMW AG
BMW Motorsport GmbH, Munich	0.02	100% BMW AG
BMW Marine GmbH, Munich	6.00	100% BMW AG
Schorsch Meier GmbH, Munich	0.30	100% BMW AG
BMW Leasing GmbH, Munich	5.00	100% BMW AG
Bavaria Wirtschaftsagentur GmbH, Munich	0.20	100% BMW AG
Bavaria-Lloyd Reisebüro GmbH, Munich	0.02	51% Bavaria Wirtschafts- agentur GmbH
BMW Maschinenfabrik Spandau GmbH, Berlin	6.00	100% BMW AG
Fahrzeug- und Maschinenfabrik GmbH Landshut, Landshut	0.30	100% Schorsch Meier GmbH
BMW Grundstücksgesellschaft Berlin GmbH, Berlin	0.02	95% BMW AG

The following companies:

BMW Apparatebau GmbH, Munich	0.02	100% BMW AG
Bavaria Verwaltungsgesellschaft mbH, Munich	0.02	100% BMW AG

are not included in the consolidated companies.

In the year under review, the business situation of the domestic BMW Concern was again substantially governed by the course of business of BMW AG and of BMW Motorrad GmbH. A report on the course of business of the other important companies was given in the section dealing with subsidiaries.



# Notes on the BMW Consolidated Financial Statement

## Consolidated balance sheet

In the consolidated balance sheet, the balance sheets of BMW AG and of the German member companies in the Concern have been combined as if these companies also formed one legal entity. Accordingly, the assets and liabilities of the subsidiaries included in the consolidated balance sheet have replaced investments in them by their parent companies, and receivables and liabilities of the member companies vis-à-vis one another have been omitted.

When the balance-sheet values of participations in them were set off against the common stock and reserves of the subsidiaries, there was a difference amounting to DM 15.9 million, which remains unchanged from the previous year. This sum is the difference between the voluntary reserves set up by the subsidiaries and the premium paid when shares in member companies in the Concern were acquired. The difference has the character of a reserve and is shown as a consolidation reserve.

Assets and liabilities were shown as in the separate annual financial statements. Intercompany profits included in the inventories have been eliminated.

The tangible fixed assets are primarily those of BMW AG, BMW Motorrad GmbH, BMW Maschinenfabrik Spandau GmbH and BMW Leasing GmbH.

The difference between the inventories of BMW AG and of the BMW Concern involves mainly the inventories of BMW Motorrad GmbH, BMW Motorsport GmbH and Schorsch Meier GmbH. The deferred income under Concern liabilities derives mainly from showing financing customary for leasing business at BMW Leasing GmbH.

The other items in the consolidated balance sheet are mainly accounted for by BMW AG. Attention is drawn to the relevant notes in the annual report of the parent company.

## Consolidated statement of income

In the consolidated statement of income, the statements of income of the companies included in the consolidated financial statement were combined in such a manner that income and expenses were first added up and included items relating to intercompany sales were then eliminated. The actual contents of the consolidated statement of income thus represent such a statement of income as would have had to be drawn up if the companies included in the consolidated statement also formed one legal entity. Its breakdown is in accordance with § 333 AktG (Corporations Law). The net income of the Concern at DM 177.1 million exceeds the net income of BMW AG at DM 175.0 million by DM 2.1 million. Profits of member companies not distributed to the parent company set off against allocations to eliminate intercompany profits are involved.



# Consolidated Balance Sheet at December 31, 1979

with comparative figures for the previous year

## Assets

	Dec. 31, 1979 DM	Dec. 31, 1978 DM
<b>I. Fixed and Financial Assets</b>		
<b>Tangible and Intangible</b>		
<b>Fixed Assets</b>		
Real estate and equivalent rights with office, factory and other buildings	379,952,789	358,951,640
Real estate with residential buildings	8,849,233	8,161,806
Real estate without buildings	16,238,147	18,371,860
Buildings on land not owned	29,072,003	27,959,044
Machinery and equipment	598,874,616	569,330,633
Furniture and fixtures	216,188,555	125,965,456
Construction in progress and advances for fixed assets	274,510,003	155,114,215
Patents	1	1
	<b>1,523,685,347</b>	<b>1,263,854,655</b>
<b>Financial Assets</b>		
Investments in participations	54,411,694	47,462,213
Securities	49,531,600	72,913,196
Loans with a minimum term of four years	124,677,756	134,259,119
— thereof secured by mortgages: DM 5,973,815 —		
	<b>228,621,050</b>	<b>254,634,528</b>
	<b>1,752,306,397</b>	<b>1,518,489,183</b>
<b>II. Current Assets</b>		
<b>Inventories</b>		
Raw materials and supplies	173,894,499	169,174,566
Work in progress	109,558,085	95,432,939
Finished products, trading stocks	272,631,609	239,335,345
	<b>556,084,193</b>	<b>503,942,850</b>
<b>Other Current Assets</b>		
Advance payments	883,451	1,240,455
Trade receivables — thereof with a maturity of more than one year: — DM —	158,179,486	180,710,838
Notes receivable — thereof rediscountable at the Federal Reserve Bank: DM 1,660,972 —	2,688,875	9,683,021
Cash on hand, deposits at the Federal Reserve Bank and at postal cheque accounts	1,486,577	1,426,944
Cash with banks	197,162,895	179,216,500
Marketable securities	324,406,969	372,703,781
Receivables from subsidiaries	205,379,869	163,959,142
Receivables resulting from loans granted under sec. 89 AktG (Corporation Law)	850,574	1,005,360
Miscellaneous assets	196,244,471	166,680,298
	<b>1,087,283,167</b>	<b>1,076,626,339</b>
	<b>1,643,367,360</b>	<b>1,580,569,189</b>
<b>III. Prepaid Expenses</b>	<b>2,910,616</b>	<b>1,579,805</b>
	<b>3,398,584,373</b>	<b>3,100,638,177</b>



# Shareholders' Equity and Liabilities

	Dec. 31, 1979	Dec. 31, 1978
	DM	DM
<b>I. Common Stock</b>	<b>500,000,000</b>	<b>500,000,000</b>
<b>II. Reserves</b>		
Legal reserves	127,083,250	127,083,250
Other reserves		
Retained earnings	384,188,750	
Transfer from 1979 net income	75,000,000	384,188,750
	<b>586,272,000</b>	<b>511,272,000</b>
<b>III. Consolidation Reserve</b>	<b>15,926,285</b>	<b>15,926,285</b>
<b>IV. Minority Interests</b>	<b>46,082</b>	<b>6,446</b>
— thereof net income share: DM 35,282 —		
<b>V. General Allowance for Doubtful Accounts</b>	<b>6,907,472</b>	<b>6,918,238</b>
<b>VI. Pension Fund Provisions and Liabilities</b>		
Pension fund provisions	309,382,925	266,760,875
Liabilities to BMW benevolent fund	48,960,000	39,372,000
	<b>358,342,925</b>	<b>306,132,875</b>
<b>VII. Other Provisions</b>		
Provisions for deferred maintenance	15,812,000	16,012,000
Miscellaneous provisions	787,042,142	687,217,505
	<b>802,854,142</b>	<b>703,229,505</b>
<b>VIII. Liabilities with a Term Exceeding Four Years</b>		
Loans — thereof secured by mortgages: DM 44,000,000 —	90,272,000	104,272,000
Due to banks	318,292,603	283,626,956
— thereof secured by mortgages: DM 57,920,303 —		
Miscellaneous liabilities	27,168,764	29,466,994
Of item VIII, due in less than four years: DM 210,331,473		
	<b>435,733,367</b>	<b>417,365,950</b>
<b>IX. Other Liabilities</b>		
Trade payables	406,458,135	351,173,326
Advance payments received	4,188,433	5,591,056
Liabilities to subsidiaries	22,258,331	22,260,730
Miscellaneous liabilities	89,432,830	127,647,369
	<b>522,337,729</b>	<b>506,672,481</b>
<b>X. Deferred Income</b>	<b>62,358,878</b>	<b>46,761,419</b>
<b>XI. Consolidated Balance Sheet Profit</b>	<b>107,805,493</b>	<b>86,352,978</b>
	1979	1978
	DM	DM
Contingent liabilities on rediscounted notes receivable	152,021,527	59,014,998
Guarantees — thereof for subsidiaries: DM 10,155,606 —	10,155,606	50,738,854
Joint and several guarantee for sfr-bond of BMW Overseas Enterprises N. V., Curaçao	217,000,000	112,720,000
Contingent liabilities under warranty contracts	5,025,378	6,531,433
Mortgages for liabilities of others	150,000	150,000
	<b>3,398,584,373</b>	<b>3,100,638,177</b>



# Consolidated Statement of Income for the year ended December 31, 1979

with comparative figures for the previous year

External sales
Expenses, not disclosed separately, after adjustment with change in inventories and capitalized expenses
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
Write down for financial assets
Interest and similar expenses
Taxes
on income, profits and property
others
Net income
Profit transfer brought forward from net income from previous year
Transfer to reserves
Minority interests in consolidated participations' net income
Consolidated balance sheet profit

**Bayerische Motoren Werke**  
Aktiengesellschaft

The Managing Board



	1979		1978
DM	DM	DM	DM
	6,833,170,902		6,184,467,427
	5,954,308,889		5,408,390,823
	<b>878,862,013</b>		<b>776,076,604</b>
	3,650,470		1,297,117
	14,241,530		15,685,305
	63,202,454		43,098,722
	14,212,756		14,447,288
	36,235,842		53,519,731
	131,543,052		128,048,163
	<b>1,010,405,065</b>		<b>904,124,767</b>
	373,987,624		306,531,836
	4,315,336		1,080,937
	47,753,220		62,421,235
403,346,746		378,022,224	
3,885,845	407,232,591	3,653,538	381,675,762
	<b>833,288,771</b>		<b>751,709,770</b>
	<b>177,116,294</b>		<b>152,414,997</b>
	5,724,481		3,943,427
	75,000,000		70,000,000
	35,282		5,446
	<b>107,805,493</b>		<b>86,352,978</b>

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 3, 1980

**Deutsche Treuhand-Gesellschaft**  
Wirtschaftsprüfungsgesellschaft

Dr. Saur  
Auditor

von Lippmann  
Auditor



# BMW AG

## Ten Year Survey

		1970	1971	1972
Sales <sup>1)</sup>	DM million	1,724.4	1,907.1	2,319.3
Increase (decrease)	%	+19.5	+10.6	+21.6
Export share	%	36.1	40.8	42.9
Output automobiles	units	161,165	164,701	182,858
Output motorbikes <sup>2)</sup>	units	12,287	18,772	21,122
Automobile sales	units	158,850	166,354	185,188
Motorbike sales <sup>2)</sup>	units	12,346	18,898	21,045
Investments in tangible fixed assets	DM million	211.2	153.6	250.3
Additions to investments in participations	DM million	0.1	1.5	5.3
Depreciation on tangible fixed assets	DM million	99.8	112.7	123.4
Personnel at end of year		22,913	23,307	24,750
Wage earners		16,874	17,051	17,945
Salaried employees		5,222	5,336	5,769
Fixed assets	DM million	558.2	598.2	720.5
Current assets	DM million	440.4	455.8	562.6
Common stock	DM million	200.0	250.0	250.0
Reserves (until 1976 including special items containing reserves)	DM million	150.4	204.3	255.9 <sup>4)</sup>
Shareholders' equity	DM million	350.4	454.3	505.9 <sup>4)</sup>
as % of fixed assets	%	62.8	75.9	70.2 <sup>4)</sup>
Long-term liabilities <sup>5)</sup>	DM million	253.9	313.0	311.2
Shareholders' equity and long-term liabilities	DM million	604.3	767.3	817.1 <sup>4)</sup>
as % of fixed assets	%	108.3	128.3	113.4 <sup>4)</sup>
Balance sheet total	DM million	998.6	1,054.0	1,283.7
Material expenses	DM million	944.2	1,028.3	1,176.4
as % of total value of production	%	53.5	54.0	50.6
Personnel expenses <sup>6)</sup>	DM million	403.0	451.8	539.6
as % of total value of production	%	22.8	23.7	23.2
Taxes on income, profits and property	DM million	45.2	39.7	147.7
Net income	DM million	34.2	32.2	92.9
Dividends	DM million	24.0	27.0	40.0
Dividend in %	%	12	12	16

<sup>1)</sup> without value added tax

<sup>2)</sup> since 1976, BMW Motorrad GmbH

<sup>3)</sup> offset against retirements

<sup>4)</sup> including profit on merger  
with Schorsch Meier Vermögens-  
verwaltung GmbH, Dingolfing

<sup>5)</sup> pension fund provisions, liabilities  
to BMW benevolent fund, liabilities  
with a term exceeding four years

<sup>6)</sup> wages and salaries, social  
security contributions, expenses  
for old-age pensions and benefits

<sup>7)</sup> proposal of the Management



1973	1974	1975	1976	1977	1978	1979
2,608.0	2,492.3	3,254.5	4,287.0	4,993.0	5,959.2	6,560.3
+12.5	- 4.4	+30.6	+31.7	+16.5	+19.4	+10.1
46.2	46.6	40.7	47.3	47.0	47.6	48.0
197,446	188,965	221,298	275,022	290,236	320,853	336,981
20,856	23,160	25,566	28,209	31,515	29,580	24,415
193,978	184,330	226,688	275,596	288,260	321,196	335,132
19,918	25,189	25,553	28,171	31,231	26,592	27,339
250.0	159.4	167.3	320.8	335.1	304.9	472.8
9.6	6.4	47.0	32.4	3.4 <sup>3)</sup>	4.5 <sup>3)</sup>	4.5
128.2	139.4	142.8	160.5	222.5	249.6	294.4
27,737	25,805	28,989	30,192	33,398	35,171	36,777
20,079	18,338	21,043	21,554	23,804	24,815	25,461
6,522	6,385	6,590	6,979	7,786	8,408	9,294
884.6	903.3	986.0	1,216.7	1,353.4	1,450.9	1,590.5
681.0	589.7	710.3	981.4	1,203.7	1,487.5	1,587.4
275.0	300.0	300.0	330.0	396.0	500.0	500.0
273.2	284.7	303.6	365.6	391.5	511.3	586.3
548.2	584.7	603.6	695.6	787.5	1,011.3	1,086.3
62.0	64.7	61.2	57.2	58.2	69.7	68.3
399.6	402.5	520.5	582.2	711.7	694.2	734.6
947.8	987.2	1,124.1	1,277.8	1,499.2	1,705.5	1,820.9
107.1	109.3	114.0	105.0	110.8	117.5	114.5
1,566.1	1,493.7	1,697.2	2,198.1	2,557.1	2,938.4	3,177.9
1,363.4	1,356.2	1,709.3	2,213.1	2,620.9	2,989.5	3,327.8
50.8	53.9	52.8	51.5	51.8	50.2	50.3
678.0	728.0	902.7	1,135.6	1,350.8	1,439.2	1,626.3
25.2	29.0	27.9	26.4	26.7	24.2	24.6
153.5	22.7	84.4	200.5	242.2	374.6	400.7
93.2	42.0	74.0	126.0	125.3	150.6	175.0
49.5	42.0	54.0	63.0	65.3	80.6	100.0 <sup>7)</sup>
18	14	18	20	18	18	20 <sup>7)</sup>



## Supervisory Board

Dr. h. c. Herbert Quandt  
Bad Homburg v. d. H.  
Chairman

Kurt Golda \*  
Gronsdorf  
Deputy Chairman  
Chairman of the Labor Council  
of BMW AG

Hans Graf von der Goltz  
Bad Homburg v. d. H.  
Deputy Chairman  
Businessman

Norbert Fischer \*  
Frankfurt/Main  
since Dec 3, 1979  
Deputy Chairman  
Member of the Managing Board  
of IG Metall

Joachim-Hans von Hinckeldey  
Grünwald b. München  
Deputy Chairman  
Banker

Helmuth Baumgärtner \*  
Dingolfing  
since Dec 3, 1979  
Member of the Labor Council  
of BMW AG, Dingolfing plant

Klaus Bernhardt \*  
Frankfurt/Main  
since Dec 3, 1979  
Trade union secretary

Eberhard von Heusinger  
Bad Homburg v. d. H.  
Chairman of the Managing  
Board of Varta AG

Erhardt Klausnitzer \*  
München  
Deputy Chairman of the Labor  
Council of BMW AG, Munich plant

Udo Knop \*  
Frankfurt/Main  
since Dec 3, 1979  
Member of Managing Board of the  
Bank für Gemeinwirtschaft AG

Franz Köhne \*  
München  
since Dec 3, 1979  
Head of Technical Central  
Planning Department of BMW AG

Dr. Hans Meinhardt  
Wiesbaden  
since Dec 3, 1979  
Chairman of the Managing Board  
of Linde AG

Prof. Dr. Rudolf Nirk  
Karlsruhe  
since Dec 3, 1979  
Lawyer at the Federal High Court

Dr. Guido G. Sandler  
Bielefeld  
Chairman of the Managing Board  
of the Dr. August Oetker company

Rudolf Schlenker  
Hamburg  
since Dec 3, 1979  
President of the Chamber of  
Commerce in Hamburg

Willi Seidel \*  
Landshut  
since Dec 3, 1979  
Chairman of the Labor Council  
of BMW AG, Landshut plant

Johann Vilsmeier \*  
Frauenbiburg b. Dingolfing  
Chairman of the Labor Council  
of BMW AG, Dingolfing plant

Dr. Kurt Werner  
Darmstadt  
since Dec 3, 1979  
Chairman of the Managing Board  
of Maschinenfabrik Goebel GmbH

Dr. Kurt Wessing  
Düsseldorf  
Lawyer

Hans Winschin \*  
München  
since Dec 3, 1979  
Member of the Labor Council  
of BMW AG, Munich plant

\* elected by the employees

## Managing Board

Eberhard v. Kuenheim  
Chairman

Dr. Erich Haiber  
Finance

Hans Koch  
Production

Dr. Karlheinz Radermacher  
Research and Development

Dr. Eberhardt C. Sarfert  
Personnel and Social Administration

Dr. Helmut Schäfer  
Purchasing and Logistics

Hans-Erdmann Schönbeck  
Marketing

Dr. Günter Kramer  
General Counsel



# BMW AG

Publisher:  
Bayerische Motoren Werke  
Aktiengesellschaft  
Petuelring 130  
8000 München 40

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