



**Annual Report
of the
Bayerische
Motoren Werke
München
on the
1980 Business Year**

BMW AG



BMW

Year to Year Comparison

		1980	1979	Change %
BMW AG				
Sales ¹⁾	DM million	6,898.5	6,560.3	+ 5.2
Automobile production	units	341,031	336,981	+ 1.2
Automobile sales				
Domestic	units	140,772	162,271	- 13.2
Foreign	units	198,460	172,861	+ 14.8
Total	units	339,232	335,132	+ 1.2
Personnel at end of year		37,246	36,777	+ 1.3
Personnel expenses	DM million	1,781.1	1,626.3	+ 9.5
Balance sheet total	DM million	3,595.7	3,177.9	+ 13.1
Common stock	DM million	500.0	500.0	
Shareholders' equity	DM million	1,146.3	1,086.3	+ 5.5
Fixed assets and financial assets	DM million	1,976.6	1,590.5	+ 24.3
Investments in tangible fixed assets	DM million	738.9	472.8	+ 56.3
Depreciation on tangible fixed assets	DM million	330.1	294.4	+ 12.1
Year's net income	DM million	160.0	175.0	
Dividend	DM million	100.0 ²⁾	100.0	
per share of DM 50 nominal value	DM	10.00 ²⁾	10.00	
	%	20 ²⁾	20	
BMW Motorrad GmbH				
Motorbike output	units	29,260	24,415	+ 19.8
Motorbike sales				
Domestic	units	9,933	8,758	+ 13.4
Foreign	units	19,330	18,581	+ 4.0
Total	units	29,263	27,339	+ 7.0
BMW Group (worldwide) ³⁾				
Sales ¹⁾	DM million	8,116.5	7,407.4	+ 9.6
Personnel at end of year		43,241	41,926	+ 3.1
Investments in tangible fixed assets	DM million	1,235.4	807.6	+ 53.0

¹⁾ without value-added tax

²⁾ proposal of the management

³⁾ 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
on the
1980 Business Year**

BMW AG

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Report of the Supervisory Board

The Supervisory Board of Bayerische Motoren Werke AG regularly watched over the conduct of business at the company throughout the business year. At joint meetings with the 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 1980 business year, the books of account and the annual report have been examined by the Deutsche Treuhand-Gesellschaft AG 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 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 AG Wirtschaftsprüfungsgesellschaft, Munich, as well as the report of the auditor of the consolidated financial statement, have been seen by the Supervisory Board.

With the Supervisory Board's approval, Dr. Erich Haiber resigned as a member of the Managing Board of Bayerische Motoren Werke AG as of April 8, 1981. The Supervisory Board expressed its thanks to Dr. Haiber for his work as a member of the Managing Board.

As successor to Dr. Haiber the Supervisory Board appointed Volker Doppelfeld a full member of the Managing Board, responsible for Finance and Controlling, effective April 8, 1981. Previously Volker Doppelfeld was the Chairman of the Managing Board of BMW-STEYR Motoren Gesellschaft mbH.

Munich, April 1981

The Supervisory Board
Hans Graf von der Goltz
Chairman

Report of the Managing Board

General

The economic development of most industrial countries weakened in 1980 against a background of high inflation rates and extraordinary current account deficits. This is chiefly a result of oil prices, which had been doubled by the OPEC countries since 1978/79. The Western economies were forced to adjust themselves to this situation. The automobile business which had surpassed its highest peak in 1979 after an upswing over many years, was additionally curbed by this factor.

The automobile industry in the Federal Republic was influenced by the unfavorable overall economic climate in 1980. As a result of decreased income due to increased energy prices, the private households had to noticeably reduce their consumption. This situation also affected the purchase of new automobiles. The incoming orders from abroad, which had been quite stable in the previous years, decreased as well in the course of 1980. The downswing in total demand for automobiles decreased more sharply compared to the downswing in the automobile sales' cycle. Production cutbacks and increasing short-time work were the consequences for most of the German automobile manufacturers.

Again in 1980 BMW slightly surpassed the satisfying results of the previous years in the fields of production, sales and turnover despite the significantly impaired economic conditions. Capacities were again fully utilized. A focal point of activities was in exports; previously unutilized market reserves which remained undeveloped owing to limited capacities, were exploited. Domestically BMW automobiles gained market shares in all three comparable classes despite a recessive market development. In all, the motorbike business also took a satisfactory course. The investments of BMW AG were more than 50% higher compared to the previous year.

World economic situation much weaker

In the industrial countries of the Western world economic growth had already begun to slow down during 1979, resulting in a marked downswing in 1980. From the spring onwards, rising unemployment and declining demand and production were worldwide. The OECD countries still attained a yearly average growth of about 1%, but this was barely a third of the growth they had achieved in 1979.

The trend described above reflects the difficulties encountered by the industrial countries in adjusting to the soaring oil prices of 1979/80. First there were the effects of the erosion of purchasing power in the oil-exporting countries; at 120 billion dollars the balance on current account surplus of the latter was almost twice as high in 1980 as in 1979.

Then there were intensified efforts by the central banks to prevent worldwide inflation spreading into domestic economies by means of restrictive monetary policies. In some countries interest rates reached the highest level in the post-war period. These internal and external strains had a cumulative effect. In almost every country two key sectors were affected: the building and automobile industries. The sole consistent prop to the world economy was industrial investment activity, especially in the automobile sector.

In addition to the general lack of growth in 1980, all the industrial countries of the Western world had high inflation rates and balance on current account deficits to contend with. The upward trend in prices rose from just under 10% in 1979 to a yearly average of 13% for 1980. The current account deficits of the OECD nations totalled approximately 70 billion dollars, twice as much as the previous year; this was due to the deterioration in the international terms of trade caused by the increase in oil prices. Hardest hit were Japan and the majority of the EC Member States. Great Britain owing to the increased income from North Sea oil exports, and the USA on the other hand emerged with surpluses.

The major economic blocs adapted to the higher energy prices with varying success despite the fact that the trends were more or less the same in all of them. In every country the automobile industry played a key role in the overall economic development.

Recession in the United States

In the first half of 1980 the economy of the United States suffered a severe setback due to the drastic stabilization policy of the Federal Reserve Bank. Saving by private households shot up, whilst private consumption decreased in real terms for the first time since 1974. This in turn had its effect on the demand for automobiles. Vehicle registrations decreased to roughly 9 million units, a drop of 16% compared to 1979. Domestic manufacturers reported decreases in production and sales which were considerably greater.

Although the American economy recovered slightly in the latter half of 1980 the automobile industry only slightly experienced the impact on the automobile market until year's end. The real gross national product did not quite reach the volume of the previous year. The inflation rate of 13.5% on a yearly average was again significantly above the level of the previous year. A speedy stabilization is not expected.

Economic growth in Japan slackens

In 1980, economic development in Japan took a significantly more favorable course. Owing to the increases in oil prices, high income losses were nevertheless sustained which had to be carried almost exclusively by private households. Consequently the Japanese automobile demand decreased; registrations in 1980 were 6% under the level of the previous year.

The main support of the economy was the export sector, benefiting from the real devaluation of the Yen, which, from the end of 1978 until the beginning of 1980, on an international average amounted to roughly 30%. Many competitors in other industrial countries were therefore not in a position to compete pricewise with the Japanese suppliers. All in all the expansion in the export business was unusually strong and on a yearly average it was 18% higher in real terms than in 1979. In all the export share of the gross national product of Japan increased in the first 6 months of 1980 more than 20% and thus doubled compared to the previous year.

Especially the Japanese automobile industry contributed to this. With roughly 6 million cars, including 4 million passenger cars, 31% more cars than in the previous year were exported in 1980. Although the Yen was strongly revalued in the past few months, it still did not strongly affect the automobile buyers' decisions.

Decline in demand in Western Europe

Since spring 1980 economic development weakened significantly in the West European industrial countries. The decline only slowed down in the latter half of the year.

The main reason for this was the decline in private demand. The increased oil prices tied up purchasing power and forced a shift of and an adjustment in consumption. In contrast, the companies' propensity to invest proved to be comparatively resistant despite a continuing policy of high interest rates. This is characteristic of medium-term positive expectations, partly, however, caused by the pressure for rationalization and innovation. With declining production unemployment significantly increased almost everywhere.

In the course of the year consumer prices increased continuously despite early stabilization efforts. On a yearly average they increased 14% in Western Europe compared to 10.5% in 1979. The external deficits further increased in the

course of the year. The total current account deficit in Western Europe amounted to 58 billion dollars in 1980 (EEC deficit: 41 billion dollars). On a yearly average the economic growth rate of 1% was significantly below the level of the previous year in which a growth rate of 3.4% was achieved.

Development in Western European countries took very different courses. Great Britain suffered the highest decrease in production; the real gross national product decreased by 2.5% owing to the drastic restriction measures in line with a newly oriented economic policy. In Italy recessive tendencies also prevailed in the latter half of 1980; supported by a very favorable development in the first six months of 1980, an economic growth of 3% was achieved. Belgium, the Netherlands and especially Denmark showed obvious signs of a weakening of the business trend. The economies of France and some smaller Western European industrial countries remained the most stable although only until about the middle of 1980.

Increased energy prices, high interest rates for loans, and various high increases in consumer taxes on petrol and diesel in many countries noticeably curbed the demand for automobiles in Western Europe in the course of 1980. Owing to the relatively favorable order backlogs at the beginning of the year the registrations in the most important European markets totalled some 9.2 million units, thus only 4% under the level of 1979. At year's end 1980 the registrations were significantly lower than in the previous year. While the European automobile markets were almost exclusively supplied by their own production in recent years, for the first time in 1980 more than one tenth of the automobiles came from overseas.

In line with the overall economic situation the demand for automobiles took a very different course from country to country. The highest decreases in registrations were recorded in Denmark (-42%), the Netherlands (-20%), Great Britain (-12%) and Sweden (-11%).

New registrations in both France and Belgium decreased slightly by 5%. In Switzerland the level of the previous year was maintained. Increases in registrations were achieved in Austria (+6%) and Norway (+8%), the latter having constantly profited from its income from oil. The Italian market recorded an automobile boom which was 20% above the level of 1979, in contrast to the very low volume of registrations in recent years.

Economic downturn in the Federal Republic of Germany

The West German economy could not escape the recessive effects of the new oil price crisis in 1980. Growth restraining factors were temporarily concealed by an unexpectedly strong increase in demand at the beginning of the year. Since spring the downswing forces prevailed. The real gross national product decreased and in the latter half of 1980 was barely above the level of the previous year, although it rose by 3.6% in the first half of the year. In all a growth rate of 1.8% compared to 4.5% in the previous year was achieved in 1980. Unemployment increased noticeably in the course of the year and at year's end the one million mark was again surpassed.

Increased oil prices impaired economic development in the Federal Republic in two ways in 1980: firstly real purchasing power was tied up, which weakened the domestic demand. Secondly the high current account deficit had to be financed. This caused the Central Bank to continue its restrictive course owing to the high interest rate policy in the Western foreign countries.

The oil price related withdrawal of purchasing power had the strongest influence on private consumption. Temporarily it even decreased in spring when the increase in oil prices was reflected in faster rising consumer prices and temporarily decreasing real incomes. The demand for automobiles was especially affected by this. As a result of slight recovery tendencies in the latter part of the year, private consumption in

the total year increased by nearly 2% in real terms. This corresponded to a large extent to the growth in real income employees achieved in 1980 despite the increase in consumer prices by 5.5%.

Especially the development of the export business exerted unfavorable influences on domestic business in 1980. After a steep increase at the beginning of the year, the deliveries to foreign countries decreased so sharply, that they even fell below the previous year's level by the end of the year. This situation particularly reflects the slackened ability of German products to compete on foreign markets. In a climate of recessive economic development in Western partner countries, especially in the United States, this slackened ability made itself felt in a significant decrease in exports. On the other hand imports, particularly industrial goods, continued to increase significantly.

Export weakness and price push of imports further enlarged the external economic imbalance of the Federal Republic in 1980. The surplus in the balance of trade decreased from DM 22.4 billion in the previous year to DM 9.1 billion, the current account deficit increased from DM 10.1 billion to DM 28.2 billion. Although the quantitative mineral oil consumption decreased by roughly 11%, import expenditures for this increased by a further DM 16 billion to roughly DM 65 billion. This amount was double the amount in 1978.

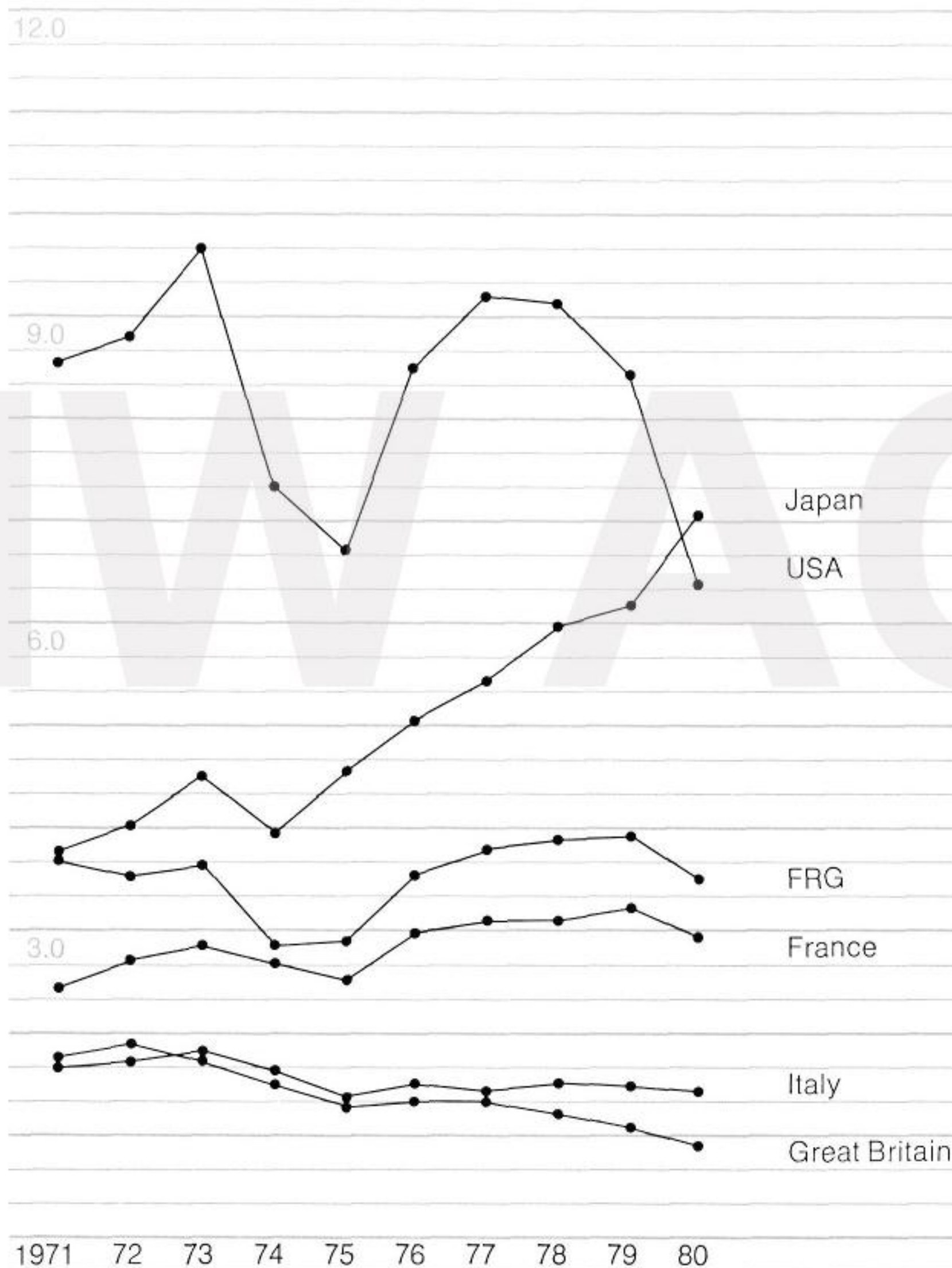
Automobile industry worldwide under adaptation pressure

The structure of the world automobile industry changed significantly in 1980 as a result of the worldwide decreasing demand for automobiles.

The American automobile industry experienced its worst sales crisis in the post-war era. Shut down of plants, dismissals and short-time working affecting nearly half a million people at times lasted for the whole year. The US manufacturers had to drastically cut down automobile production in 1980 by 24% after an 8% decrease in the previous

The Big International Automobile Markets

Automobile production in million units



year. Despite or actually because of the absolute size of the American companies, seen from a European point of view, this sales crisis endangered the existence of some manufacturers.

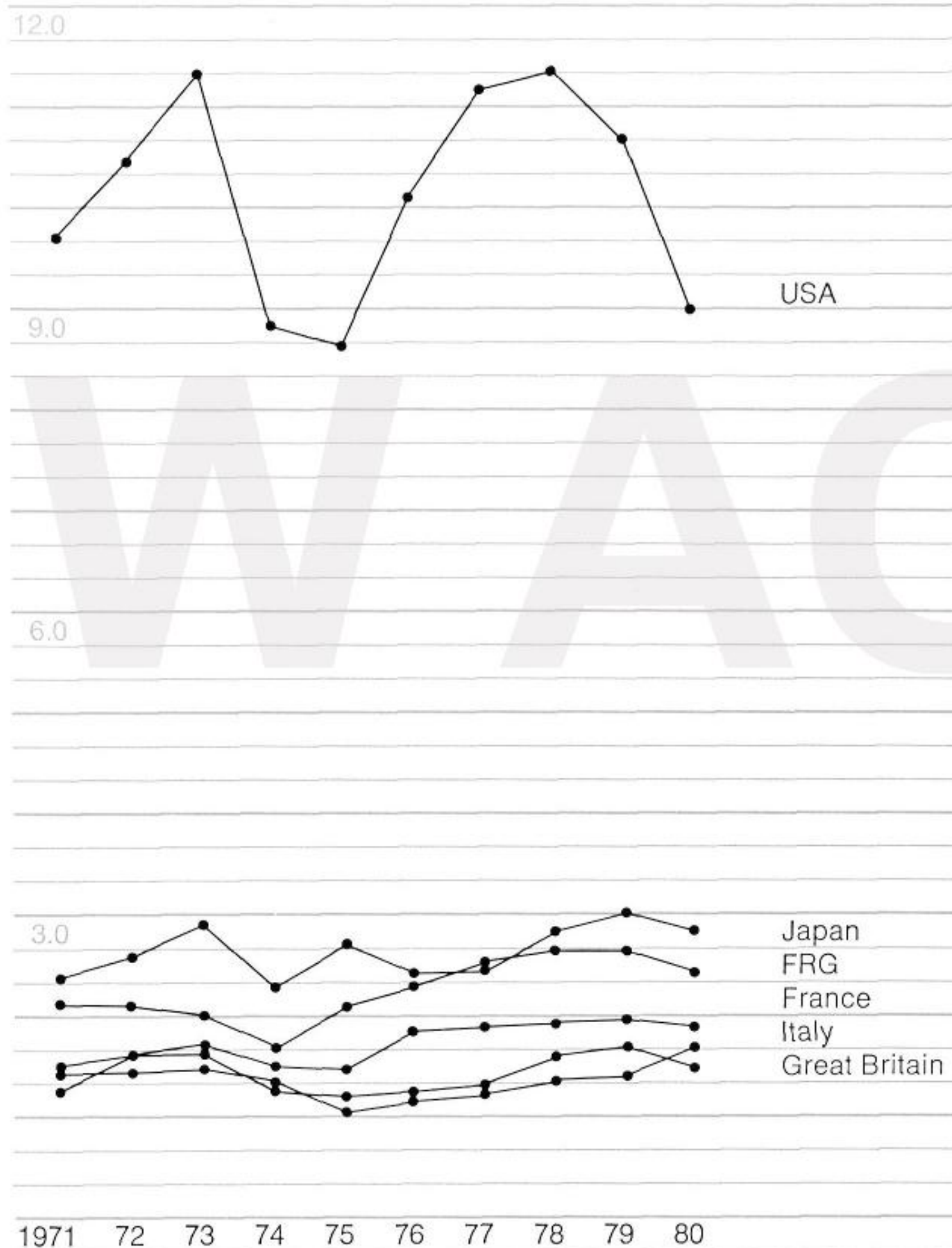
The reasons for this development were intricate: due to the business cycle the American registrations decreased from 10.6 million units to 9 million units. Additionally, fuel prices had been kept artificially low for years for political reasons. Therefore low consumption automobiles had not been developed. Because of the marginal liberalization of fuel prices they strongly increased in the course of 1980. The American buyers preferred the more economical imported cars as the domestic manufacturers had nothing similar to offer. Thus the import share of roughly 22% of the previous year shot up to roughly 27%. At times every third automobile registered in the United States came from abroad. The Japanese makes were particularly successful. By increasing their sales by 9% to 1.9 million units the market share was increased from 16% to roughly 21%. Compared to the previous year the share of German makes remained unchanged at 3.4%.

Registrations of Japanese automobiles significantly increased in Europe as well. Roughly 900,000 Japanese cars, 30% more than in the previous year, were sold in Western Europe in 1980, while Japan imported only approximately 30,000 European automobiles, 25% less than in 1979. Whereas Japanese manufacturers increased their market share in Europe from 7% to roughly 10%, the share of the European manufacturers in the Japanese market decreased to roughly 1%.

As a result of the Japanese gaining ground, almost all European automobile manufacturers were put under strong adaptation pressure. Throughout the year the situation was characterized by short-time working and dismissals. In all, automobile production in Western Europe had to be reduced by 8% to 10.7 million units.

The Big International Automobile Markets

Automobile registrations
in million units



Worldwide, 29.2 million automobiles were manufactured in 1980, roughly 7% less than in the previous year. With an increase of 14% to 7 million units, the Japanese for the first time surpassed the United States in the production of automobiles. The share of German automobile production in the world production remained at 12% of the worldwide production, 24% of automobiles came from Japan, compared to 20% in the previous year.

Stiffer competition on the German automobile market

The West German automobile market significantly weakened in the course of 1980 with supply and demand changing.

This recessive development first emerged in mid 1978, initially with recessive incoming orders; it continued throughout 1979 and in spring 1980 it gained speed under the influence of the increase in energy prices. Although domestic demand increased again in summer, signs of a lasting recovery were not apparent. In all, 2.43 million passenger cars were registered for the first time in the Federal Republic in 1980, 8% less than in 1979. The total automobile population increased further and, with 23.2 million units at year's end was roughly 3% higher than in the previous year.

Two developments characterized the domestic market in the year under review: firstly, the registration shares of the car classes changed, and secondly the share of foreign automobiles increased sharply.

Experiences gained from the recent automobile cycles, in which single car classes are differently affected by a downswing, were confirmed in 1980. Registrations in the lower automobile class increased by roughly 14%; the upper class remained virtually stable.

However, the buyers of the luxury middle class reacted particularly sensitively to the forced changes in household budgets. Accordingly, losses of more than 22% were recorded.

The share of foreign makes increased from 23% to 26% in 1980. This is exclusively a success of the Japanese manufacturers who increased their share on the German automobile market from 5.6% to 10.4%. Thus for the first time the French makes were ousted from their leading position in the ranking of imported cars; West German makes were also affected.

The demand for cars with diesel engines developed relatively seen, more favorably in 1980 than the total domestic registrations. The market share increased from 7.5% to 8.1%, so that the level of the previous year of 196,000 units was almost achieved.

Besides the domestic sales, the exports of German manufacturers also decreased considerably in 1980. The monthly export figures were on the same level as the previous year until approximately the middle of the year. These figures then dropped significantly with the result that 1.87 million units or 6% fewer automobiles were exported in 1980 compared to the previous year. Thus foreign sales in 1980 sank below the levels of 1977, 1978 and at the beginning of the seventies, when over 1.9 million units were sold.

The declining exports were chiefly a result of the slackened demand in the Western European countries which absorbed roughly three quarters of the German automobile exports in 1980. The German automobile industry was also affected by the penetration of the Japanese competitors into the European markets, however to a lesser degree than most other European manufacturers.

Production of automobiles in the Federal Republic in 1980 had to be decreased by 10.5% after it had reached its highest level ever of more than 3.9 million units in the previous year following an upswing phase of nearly five years. With 3.5 million passenger cars the production volume in 1980 corresponded approximately to the level of 1970 and 1972.

Automobile producing companies and their supply industries affected by

the decrease in production first of all reacted to the underutilization of capacities with short-time working, later with a reduction in the labor force. The number of short-time workers in the road vehicle industry was roughly 43,000 on average in the latter half of 1980. The road vehicle industry reached its highest level since 1975 with 810,000 employees in the middle of 1980, however since then development has decreased. At year's end roughly 790,000 people were employed.

Sales of the road vehicle industry in 1980 with roughly DM 126 billion nominal were barely higher than 1979. In real terms the sales were 3% below the level of the previous year. Despite this decrease the automobile industry remained one of the key industries in the German economy in 1980. In recent years, German manufacturers had implemented extensive long-range investment programs, which were continued to the full extent in the year under review. Gross investments in fixed assets in the road vehicle industry in 1980 of DM 9.2 billion were roughly one third above the level of the previous year; this industry remained an important support for the total economy.

Continued stable BMW business

Despite adverse external influences BMW again in 1980 slightly surpassed the recent successful years as far as production, sales and turnover are concerned.

The expected weakening of the domestic market also showed its effects on BMW, however it was more than compensated by the considerable increase in foreign business. Owing to marketing and model measures undertaken in the past, the 900,000th BMW of the 3-Series, the 600,000th BMW of the 5-Series and the 100,000th BMW of the 7-Series left the assembly line in the year under review. More than one million BMW 6-cylinder engines have been produced in the post-war period.

At year's end 1980 37,246 people were employed by BMW AG, well over



The BMWs of the 7-Series were the most successful cars of their class in many markets also in 1980.

1% more than at the same time in the previous year. Including the domestic and foreign subsidiaries, 43,241 people were employed worldwide by BMW at year's end 1980, which was 3% more than at the end of 1979.

Capacities also fully utilized in 1980

Despite the worldwide recession in the automobile business, capacities remained fully utilized at BMW also in 1980. Automobile production increased by 1% to 341,031 units. As in previous years overtime had to be worked in many divisions.

The total daily production increased by some 50 units to over 1,500 units in 1980. The flexible production structure achieved in recent years with high investments provided the possibility to adjust the output of BMW Series and models to the changing structure of demand.

Roughly 950 units of the BMW 3-Series were produced per working day at year's end. The share of the 5-Series was slightly reduced owing to the generally weaker demand for this class of car. As in every year since the introduction of the 7-Series models in 1977, production capacities were fully utilized for this series throughout 1980.

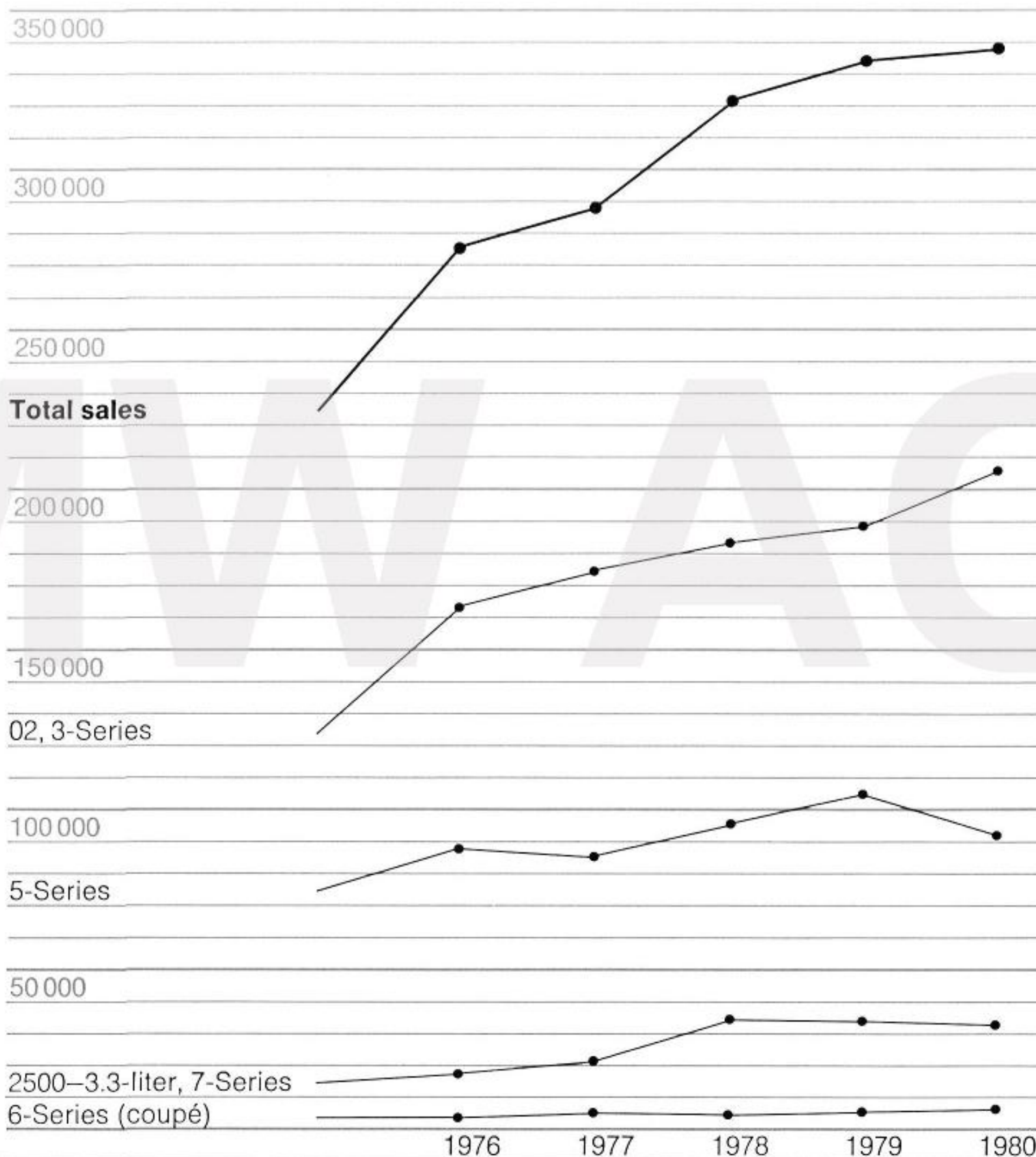
Investment increased again

BMW invested altogether DM 740 million in tangible fixed assets in 1980, following upon DM 473 in the previous year. This sum is higher than ever before in the history of BMW for the second consecutive year. The investment ratio – the ratio of capital expenditure to sales – working out at 10.7% was considerably higher than in the past years.

While total investments in 1979 and 1980 increased by more than half each year compared to the previous year, the focal points remained virtually unchanged in view of the long-term strategy of BMW. The guideline for all investments was the application of the most modern technology. Again a major part was allocated to model measures; investments for these measures more

BMW Automobile Sales

(in units)



Total sales	275,596	288,260	321,196	335,132	339,232
Domestic	135,994	143,774	157,065	162,271	140,772
Foreign	139,602	144,486	164,131	172,861	198,460
02, 3-Series	163,519	175,094	183,793	188,887	207,098
5-Series	89,715	85,318	96,065	105,115	92,190
2500-3.3-liter, 7-Series	17,912	21,748	35,728	34,402	33,148
6-Series (coupé)	4,450	6,100	5,610	6,728	6,796

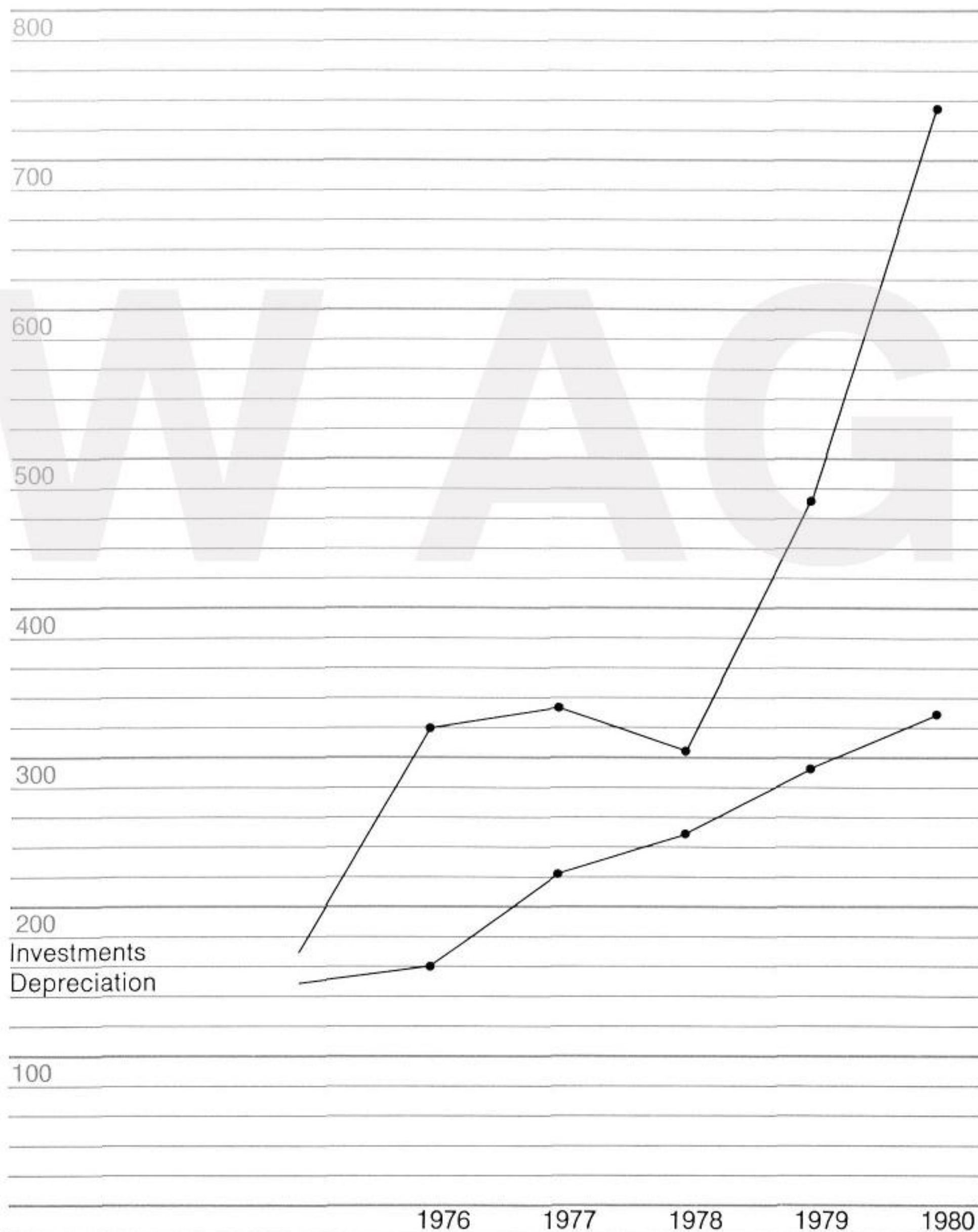
than doubled compared to the previous year. Improvement of production structures, modernization of work places and environmental control measures formed a further focal point. Finally the expansion of capacities required on the long run was prepared involving considerable funds.

At the Munich plant production enlargement capacities have been excluded for years because the plant site has been surrounded by residential areas over the years. Priority was thus given to improve, modernize and rationalize the manufacturing structures. The centralized repair shops – maintenance and contractors yard – were integrated in the course of the year with total expenditures of DM 30 million. Since the beginning of 1980 the paint shop has been renovated, thus further increasing the quality of BMW cars and decreasing the environmental burdens in future years. Despite the cramped conditions, a number of measures introduced in the year under review will further improve the quality of the work places and at the same time make them more efficient with increased utilization of highly flexible robot technology.

The BMW plant in Dingolfing is one of the most modern automobile plants in Europe. Nevertheless investments of DM 425 million in the year under review included measures for further rationalization in all fields. The emphasis however was placed on extensions. A number of new constructions, reconstructions and expansions were put into operation in 1980. One example is the paint shop whose capacity was widely enlarged by the introduction of a new painting process. The new high-rack warehouse for pressed parts was completed; a second building for assembling has almost been finished. In the course of this year the warehouse complex for purchased parts, under construction since the end of 1979 in the north of the plant will combine the functions of the control of arrivals and storage thus optimizing the flow of material. Finally after years of expansion in the production it was necessary to

Investments in and Depreciation on Tangible Fixed Assets of BMW AG

DM million



Investments	320.8	335.1	304.9	472.8	738.9
Depreciation	160.5	222.5	249.6	294.4	330.1
DM million					

centralize the administrative activities. An administration building in Dingolfing for 400 employees was assigned to its destination in November 1980.

Production of plastic parts for BMW automobiles is concentrated at the Landshut plant; components are also being produced there. More than DM 30 million were invested in this plant chiefly for the preparation of new models in the year under review.

The guideline for securing the future of all investments of BMW AG likewise became apparent with the investments for research and development, the amount of which has been significantly increased from year to year in the past. The aerodynamic and thermic research and development center came into operation in spring 1980. With investments of DM 23 million, BMW was equipped with its own wind tunnel from the middle of the year; this tunnel constitutes an important instrument for further reduction of fuel consumption in BMW models.

Measures for environmental protection and energy saving were intensified in 1980. The above mentioned improved painting equipment in Dingolfing and Munich also served this purpose.

Economical use of the available energy resources has enjoyed absolute priority at BMW for a long time. Considerable savings were realized by increased utilization of heat pumps installed in the central administration building in Dingolfing and for the hot water heating process at the Munich plant; waste heat recovery equipment for ventilating and water cooling purposes has also contributed to these energy savings. Despite increased production in 1980, the Munich plant's gas consumption for example was reduced by more than 10%.

Effects of increased energy prices

Not only the company and the total economy but also purchasing and logistics at BMW were faced with serious problems resulting from increasing energy prices. Particularly effected were materials requiring crude oil for their production like synthetic rubber, plastics

and paints which are widely used in automobile production and are based on derivations of the initial materials. The repercussions on costs were above average for the automobile industry and for BMW, as lighter materials like plastics have been used here for a long time and to an increasing extent.

Planned market interventions forced prices of other initial materials to increase. This is especially true for steel comprising a weight proportion of 70% in the automobile. The quota regulation pursuant to § 58 of the existing ECSC Treaty was felt already at the end of the year. The planned substitution of steel with lighter materials will become more and more questionable in future even if technically possible and advantageous, as substitution materials are increasing overproportionally in price as well.

Although the prices for other raw materials eased in the latter part of the year on the world markets owing to adequate supply and sinking demand, the increase of the dollar and pound exchange rates however overcompensated this situation for the Federal Republic. Here as well, the crude oil, billed in dollars, was particularly affected.

BMW suppliers attempted to neutralize these and other cost increases — for instance personnel and social costs — with intensified rationalization efforts. As with DMW, this, however was not always successful. The rate of price increases for all BMW raw materials and supplies was higher in 1980 compared to the previous year.

As a result of early reservations for capacities, the very high volume of investments at BMW was carried out according to schedule.

In contrast to the previous years, there were no major material bottlenecks resulting from tariff or labor disputes on the BMW procurement markets in 1980. The quantitative supply had been secured for the whole year.

Purchasing and logistics at BMW were also faced with new tasks because of the change in demand for BMW series and models. In the light of the total in-

crease in export figures and intensified assembly abroad, the different requirements of the individual markets, which include a great number of individual specifications for different countries were reflected by an increasing diversity in the placing of orders and procurements.

For logistics, this meant the task of further optimization of the coordination process. Stocks of raw materials and supplies were successfully reduced and at the same time the availability of parts was increased. The pressed parts high rack warehouse in Dingolfing which enables significant cost savings, exemplifies the consequent application of modern material flow methods.

Owing to the reliable support of the suppliers the changed requirements of the year 1980 were met. BMW wishes to express its thanks to its partners in the Federal Republic and throughout the world for their cooperation.

This cooperation gains further importance on the foreign markets as well. Like in marketing, BMW uses the advantages of being close to the market for purchasing tasks as well. After the opening of purchasing offices in France and Belgium, BMW now has points of support in eight important countries.

Brisk demand for BMW automobiles worldwide

In 1980, 339,232 BMW automobiles were sold corresponding to a production increase of 1% compared to the previous year. In all, the ability to supply was good; furthermore delivery times existed for some BMW models. Especially the small and large BMW model series contributed to this favorable development. Thus the economic-related shift in demand, which had emerged at the end of the previous year, continued. The 3-Series' share of total sales rose to 61%. The big BMWs of the 6- and 7-Series remained virtually stable with a share of total sales of just on 12%.

In the Federal Republic of Germany 138,928 BMW automobiles were newly registered in the year under review; thus

the high level of the previous year was undercut by 9.7%. Although market shares were gained in all automobile classes in which BMW operates, the total market share of BMWs decreased from 6.0% in the previous year to 5.9% in the year under review. This is a result of the changing domestic market trends towards the smaller automobile class in which BMW is not represented.

For years BMW has been pushing car sales over the borders of the Federal Republic to the upper market sectors of the big automobile markets. Great success was achieved in many countries of the world also in 1980. In all, 15% more automobiles were exported compared to the previous year. After barely 52% in the previous year, the export share achieved well over 58%. As a consequence of adverse development in the automobile industry, the share of the BMW automobiles in the total automobile export of German manufacturers was almost 11% compared to 9% in the previous two years.

BMW exports to far more than 100 countries throughout the world. Almost 90% of the BMW foreign sales are made in only 15 countries. With the exception of some Northern European countries, BMW registrations in 1980 developed more favorably than the individual total markets. In all registrations decreased by 10%, however BMW captured 11%. Therefore the BMW market shares increased in almost all important sales' countries.

The shift in demand, characteristic of the domestic market, also became apparent in 1980 to a minor extent on the foreign markets. Nevertheless BMW was successful in its own market sectors. All BMW series contributed their share to this favorable development. The BMW 5-Series increased its class share overproportionally in the most important export countries. This is also true for the big BMWs of the 6- and 7-Series, which, since their introduction in 1978, have remained the most sold car of their class in European countries.

The favorable development of exports is first and foremost a success of the BMW model policy: the resolute decision for compact and powerful motorized automobiles. Furthermore it reflects the long-term BMW export strategy, namely increased development of the most important markets for BMW by means of its own marketing companies. The sales' organizations of these markets were primarily extended for strategical reasons even in years of limited capacities. This strategy has proven to be increasingly fruitful. In the year under review the high export figures are also characteristic of the risk-spreading policy; by doing this the different but in all unstable demand for automobiles in the different countries was balanced and market potentials were used.

Worldwide trade obstacles

The German automobile export remained difficult due to a number of restrictions in 1980 as well. BMW for example had to virtually stop exporting to Lybia, similar to the situation in Iran in the previous year. In other countries governmental interventions were aimed explicitly at bigger automobiles. In Greece where customs' duties were doubled in the middle of 1979, as high as five times the import value of the automobile, BMW exports in 1980 decreased to one tenth compared to the figures of the previous year. This regulation especially favored small Japanese cars. In France the total registrations of the BMW 7-Series increased by nearly half. This is regarded as a confirmation of the demand for these models, but resulted only from the increase in the lower taxed smallest model of the 7-Series, while the other models decreased by about one third.

A number of threshold countries — for instance Yugoslavia and Turkey — were forced to reduce or stop the import of automobiles owing to the high current account deficits accrued by the explosion of crude oil prices. The imports to Australia also remained strictly limited in the year under review.

Restrictive import measures in other countries were compensated by the possibility of assembling automobiles in the countries concerned. The BMW South Africa plant increased production by more than 40% to nearly 12,000 units but was still unable to meet the demand for BMW automobiles. Five additional small plants in Europe, South Africa and South-East Asia are operated by domestic importers. The BMW partner in Thailand has been importing BMW automobiles for almost 20 years and assembling them for almost 8 years. As in the Federal Republic of Germany the BMW market share here is almost 6% although the domestic market remains small. In Malaysia the BMW importer has been assembling BMW automobiles since the end of 1980.

Also previously closed markets were opened up further in 1980. More than 3,000 automobiles were sold in Spain, corresponding to an increase of three times the volume of the previous year; in Argentina 1,500 automobiles were sold corresponding to an increase of four times the volume of the previous year. Individual companies are unable to influence the political scene and so cannot influence the opening up of markets or the liberalization of import restrictions.

The most difficult trade obstacles again in 1980 were the numerous and differing technical requirements from country to country concerning regulations for automobile registration. There was no evidence of a trend to support standardization in the year under review. The diversity and disparity of the requirements particularly forces a manufacturer of smaller volumes like BMW to invest overproportionally in development projects. In doing this, the costs are increased and the type of cars offered are limited; lastly the consumer is affected by both these factors. Existing market potentials can be developed only gradually.

Importance of the dealer organization and customer service

The completely different, and universally difficult market conditions require an efficient dealer organization and high quality of service at BMW workshops worldwide. Wherever possible the dealers represent BMW exclusively. In cases where the distance is too far for the customer in spacious states, an adequate service network is provided for through cooperation with other manufacturers. The fast growth of BMW automobile sales and the BMW automobile population require an intensified dealer network when certain threshold values have been surpassed. This was the case in France in 1980 when more than 20,000 automobiles were sold; likewise in Italy with about 38,000 imported BMW automobiles.

Worldwide 3,000 BMW service stations look after approximately 2.3 million BMW automobiles. The quality of the service is a vital criterion for the choice of the automobile make. To maintain and improve the level attained, required further efforts in the year under review. As in previous years thousands of participants in training courses and seminars worldwide were brought up to the latest technical level with priority on increased utilization of electronics in BMW automobiles. The most modern teaching and learning methods for instance a worldwide multi-language video information system, make the conveyance of information easier.

The supply of original BMW parts is important for a professional and at the same time individual service. Following the installation of a new computer controlled high rack warehouse two years ago in Dingolfing, a new data processing system came into operation in the year under review. It enables the handling of the BMW parts supply by head office in Munich using the latest computer techniques available.

BMW will be represented worldwide by a uniform corporate image. Additional partners at home and abroad joined this style of presentation to an encouraging

extent in 1980 and renovated their companies accordingly.

BMW model innovations

The BMW model range was further enlarged in the year under review. The BMW 745i — new top model of the 7-Series presented in the previous year — has rounded off the new generation of the big BMW class to the top since the middle of 1980. The latest automobile technical progress was realized here to an extraordinary extent. The BMW 745i is installed with an exhaust turbocharged six cylinder engine, on-board computer, anti-locking system, automatic transmission and hydropneumatic levelling system are standard on this model.

The small BMW models of the 3-Series were presented in summer 1980 with reworked and even more economical engines. At this time the previous BMW 318 was equipped with a fuel injection system (K-Jetronic). The BMW 316 was installed with an optimized 1.8 liter four cylinder engine; the compact six cylinder models BMW 320 and 323i were further improved. The fuel consumption of all 3-Series cars decreased on average by more than 5% owing to the application of constant fuel saving measures.

The small BMW class was completed with the BMW 315 in spring 1981. This new smallest model combines unusual economy with all the typical characteristics of a BMW automobile.

Continued satisfactory position of BMW companies in 1980

Business was also good for the BMW subsidiaries and related companies in the 1980 business year. BMW Motorrad GmbH increased its production by 20% to more than 29,000 units following the reorganization of the Berlin plant in the previous year. Domestic sales of almost 10,000 units were 13% higher than the previous year. Almost 20,000 motorbikes, 4% more than in the previous year were exported. The new BMW R 80 G/S mainly contributed to the positive development of incoming orders.

Construction work at the BMW-STEYR Motoren Gesellschaft mbH plant in Steyr/Upper Austria proceeded on schedule. The Research and Development Center was assigned to its destination on time in October 1980. The extensive investments required an increase in capital from AS 50 million to AS 800 million.

Three out of a total of ten foreign marketing subsidiaries built new import centers in 1980 to match the higher standards of the markets. Since April 1981 BMW has created the conditions for an intensified development of the Japanese market by taking over the previous Japanese importer.

Continued good business results

The value of sales of BMW AG rose 5.2% to DM 6,900 million in 1980. Domestic business accounted for DM 3,100 million and exports for DM 3,800 million. Sales of the BMW Group worldwide increased by 9.6% to DM 8,120 million.

The changed market conditions led to an increased share of the smaller models in total sales and an increased export share. This situation in turn influenced the results.

In 1980 BMW AG achieved a net income of DM 160 million.

Economic situation of the automobile industry in 1981

Economic development in the Federal Republic continued on a curbed course in the first few months of 1981. Although the danger of a recession similar to the 1974/75 situation is weaker in view of the relatively stable investment activity however it cannot be completely excluded, while for one of other reasons the policy of high interest rates was aggravated again.

The risks threatening the German economy from outside and energy-political related factors remained unchanged and difficult. Even if quantitative bottlenecks in the oil supply sector fail to occur in 1981 and the following years, the external economic burden for the Federal Republic will continue to in-

crease in view of rising oil prices. The economical range of action for autonomous trade cycle development will accordingly become much narrower. Only an immediate and purposive initiation in the energy policy can bring remedy. It must include a substitution of oil by other energy sources, where oil is neither utilized as a raw material nor necessary for mobile purposes, for instance in the heating market. Any further delay in basic energy-political decisions intensifies the danger that the current high standard of living in the Federal Republic will be threatened.

The uncertainty about the overall economic conditions renders predictions concerning the further course of the automobile business more difficult. Domestically it can be assumed that the stabilization of demand over the past months will continue. At the moment however it will not develop into a lasting upswing in the automobile business, one of the reasons being the high increase in oil tax. The recognizable weakening of the demand for automobiles on the foreign markets will reach its low point only later in the year. Exports will in all probably fall below the level of the previous year.

In summary it can be said that 1981 also will not be a favorable year for the German automobile industry. The level of production and sales achieved in 1980 will not be reached in 1981. The employment situation remains tight.

BMW in 1981 — consolidation at a high level

Up to the present the year 1981 has been quite satisfactory for BMW in a situation of a restrained domestic and significantly increased foreign demand. Good prospects are anticipated in the further course of the year that the demand for BMW automobiles will consolidate at the high level reached. Special impulses are expected from the BMW 315, which rounded off the model program to the bottom in spring. The models of the 7-Series are still in demand.

Significant sales successes are expected again in 1981 on the foreign markets. The position gained in the past on the big automobile markets of the world will be consolidated; besides this the development of new markets continues to progress. The takeover of the Japanese importer by BMW as the eleventh foreign BMW marketing company also serves this goal. A further increase in production and sales is anticipated on the motorbike sector in 1981. A contributing factor to this increase, the previous undervaluation of the Yen, has partly been reduced in the meantime.

Despite the current changes in trend in the markets, BMW's prospects are expected to be favorable on the long run. After the brisk growth in recent years the company is striving towards consolidation in the year 1981 not only for the whole company but also for its single divisions. This consolidation process requires considerable investments to be made in 1981 and in the following years. These investments serve to continue work in progress on projects for the improvement and renewal of the product and engine program as well as for the improvement of the structure and the extension of the plants. In this way expenditures for research and development and thus for the purpose of securing the future of the company will further gain in importance. These efforts are indispensable in order to secure the business success of the company in the future.

The most important task for the German automobile industry in the forthcoming years will be to react to the challenge of increasing energy prices and the keener external competition by developing automobiles which are economic in consumption and corresponding to the demand of the market. In line with its reputation as a manufacturer of high quality engines and automobiles, BMW considers itself prepared for this challenge. A successful mastering of future tasks is tied to the condition of free markets and adequate economic and energy-political related data. Automobile

buyers will only then fully develop their sovereignty as consumers when the companies are not hindered in their efforts by administrative regulations to offer technically and economically optimal product solutions on the market.

The Managing Board of BMW AG regards its most important task to further extend the market position gained in recent years and to adjust the company in its total structure to the future challenges.

The BMW Production Program

R 45

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



R 65

650 cc
37 kW (50 hp)



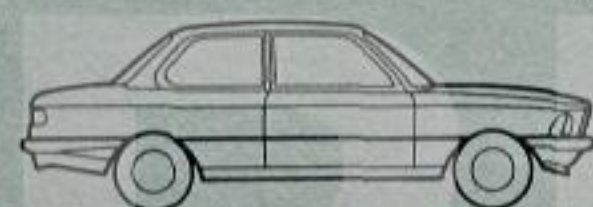
R 80 G/S

797 cc
37 kW (50 hp)



315

1573 cc
55 kW (75 hp)



316

1766 cc
66 kW (90 hp)



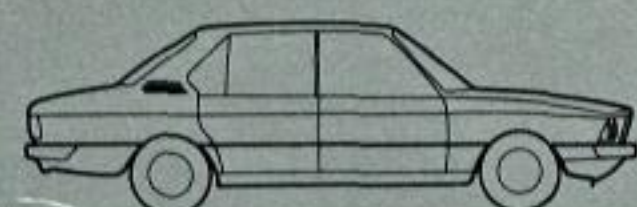
318i

1766 cc
77 kW (105 hp)



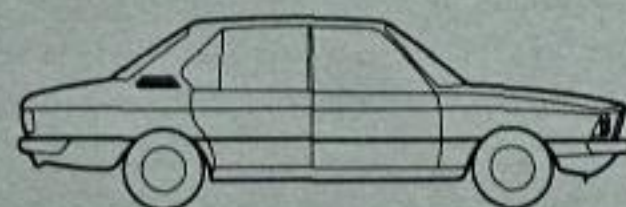
518

1766 cc
66 kW (90 hp)



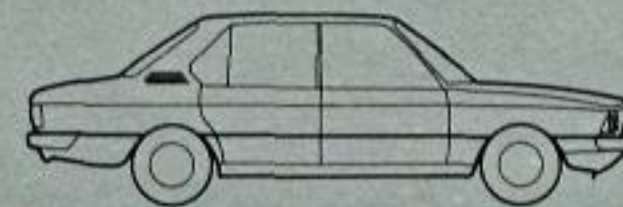
520

1990 cc
90 kW (122 hp)



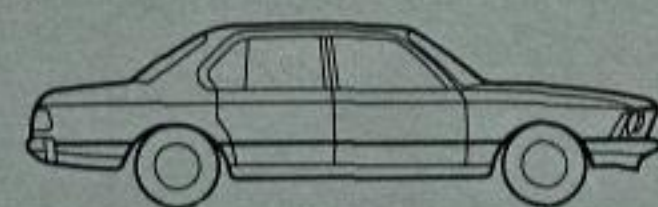
525

2494 cc
110 kW (150 hp)



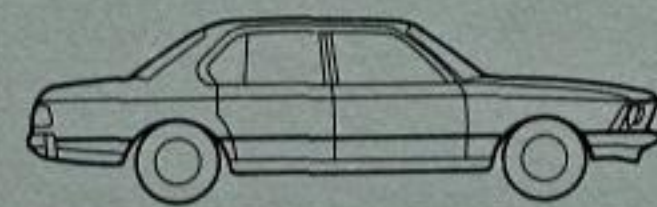
728i

2788 cc
135 kW (184 hp)



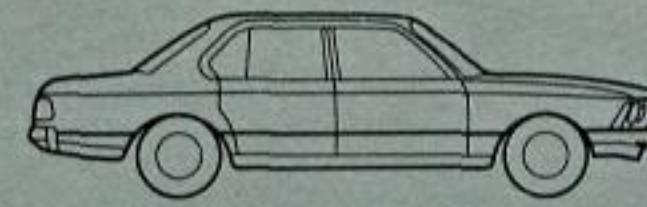
732i

3210 cc
145 kW (197 hp)



735i

3453 cc
160 kW (218 hp)



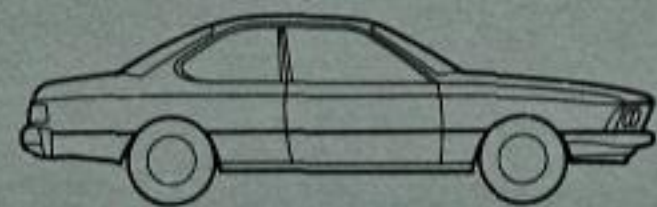
628 CSI

2788 cc
135 kW (184 hp)



633 CSI

3210 cc
145 kW (197 hp)



635 CSI

3453 cc
160 kW (218 hp)



R 100

980 cc
49 kW (67 hp)

**R 100 CS**

980 cc
51 kW (70 hp)

**R 100 RT**

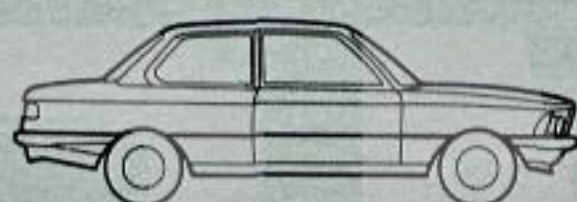
980 cc
51 kW (70 hp)

**R 100 RS**

980 cc
51 kW (70 hp)

**320**

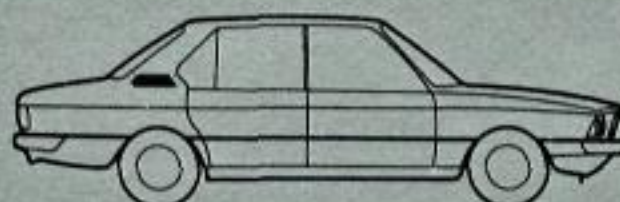
1990 cc
90 kW (122 hp)

**323i**

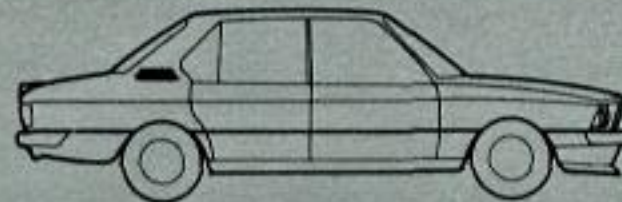
2315 cc
105 kW (143 hp)

**528i**

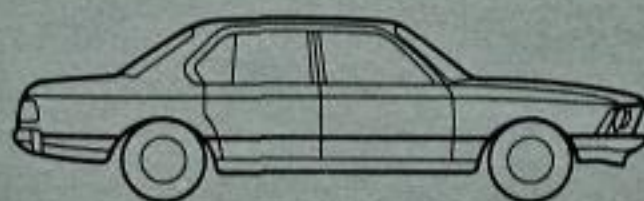
2788 cc
135 kW (184 hp)

**M 535i**

3453 cc
160 kW (218 hp)

**745i**

3210 cc
185 kW (252 hp)

**M 1**

3453 cc
204 kW (277 hp)



Research and Development

The shift in demands made on automobiles over the past years gained speed in 1980. The call for higher performance was no longer the most important feature; owing to the increase in the price of energy, fuel consumption became the focal point.

Systematic and continuous development work enabled BMW to take these demands into account also in 1980, without sacrificing typical BMW features like high performance.

Although fuel consumption and exhaust emission were sharply reduced, the performance of certain models was further improved.

Resolute measures to reduce the weight of the whole automobile decreased the average fuel consumption of the complete model range by a further 2.4% over the previous year, thus achieving a decrease of 9.7% over the model year 1979.

The new aerodynamic-thermal research and development center came into operation in the early summer of the year under review. In doing this, BMW completed a further step in meeting the future demands for improved fuel economy more exactly and efficiently even at the planning stage.

Within the scope of the model upgrading, the BMW 316, 318 and 518 were equipped with improved engines in the year under review. Accordingly, the BMW 316 was installed with a modified 1.8 liter engine. The thermal efficiency was improved by increasing the compression ratio and redesigning the combustion chamber. A new two barrel carburetor and a newly designed intake manifold provide for improved preparation and mixture of fuel, especially in cold weather. This carburetor together with a revised differential gearing improved performance and reduced consumption by the ECE method on an average of 5.5%.

The BMW 318 carburetor engine was replaced by an injection engine. The Bosch K-Jetronic system presently being installed in the BMW 323i, was also adopted for the BMW 318 engine. To-

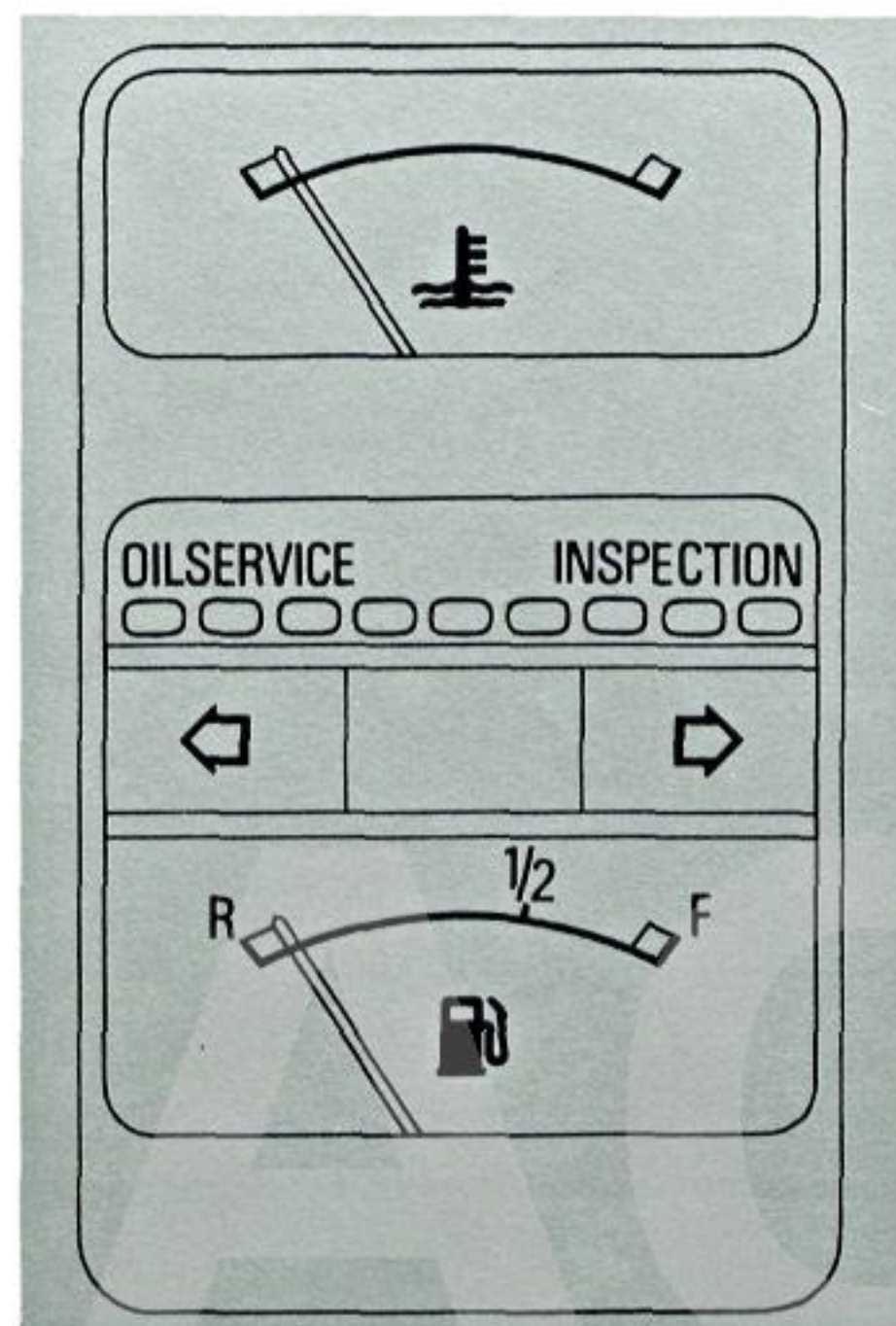
gether with a compression ratio increased up to 10:1, a new combusting chamber geometry and newly designed intake tracts, the advantages of the petrol injection engine made themselves fully felt in a highly powered yet especially economical engine. Compared to its predecessor, the BMW 318i achieves a consumption saving by the ECE method on an average of 9.2%.

Both of these four cylinder engines were also equipped with a contact-free transistor ignition system. The advantages here include larger reserves for cold starts, at high speeds and with a hot engine because of the higher ignition voltage and virtually maintenance-free parts.

The BMW 316 engine is being installed in the BMW 518. By adopting the technical innovations previously mentioned, the fuel consumption of this engine was reduced on average by 8%.

With the start up of the BMW 745i series production in spring 1980, the 7-Series was extended by a further model. Very good performance, coupled with improved smooth running features and harmonious road handling — resulting from both the exhaust turbo charging and a standard automatic transmission — characterize this automobile.

The positive experiences made with the digital engine electronics in the BMW models 732i and 633 CSi, led to this system (Motronic) being installed in an extended form in the BMW 735i and 635 CSi. The microcomputer in the control unit enables the fuel air ratio to be stored in its memory as well as the ignition advance. With this modification, not only is the ignition angle adjusted for every engine operating point, but also the fuel air ratio is adjusted to the most economical fuel consumption values. Besides the reduction in fuel consumption with this microcomputer, the engine operation and exhaust performance were optimized. BMW is the only automobile manufacturer offering its customers the most advanced existing system for ignition and injection processes.



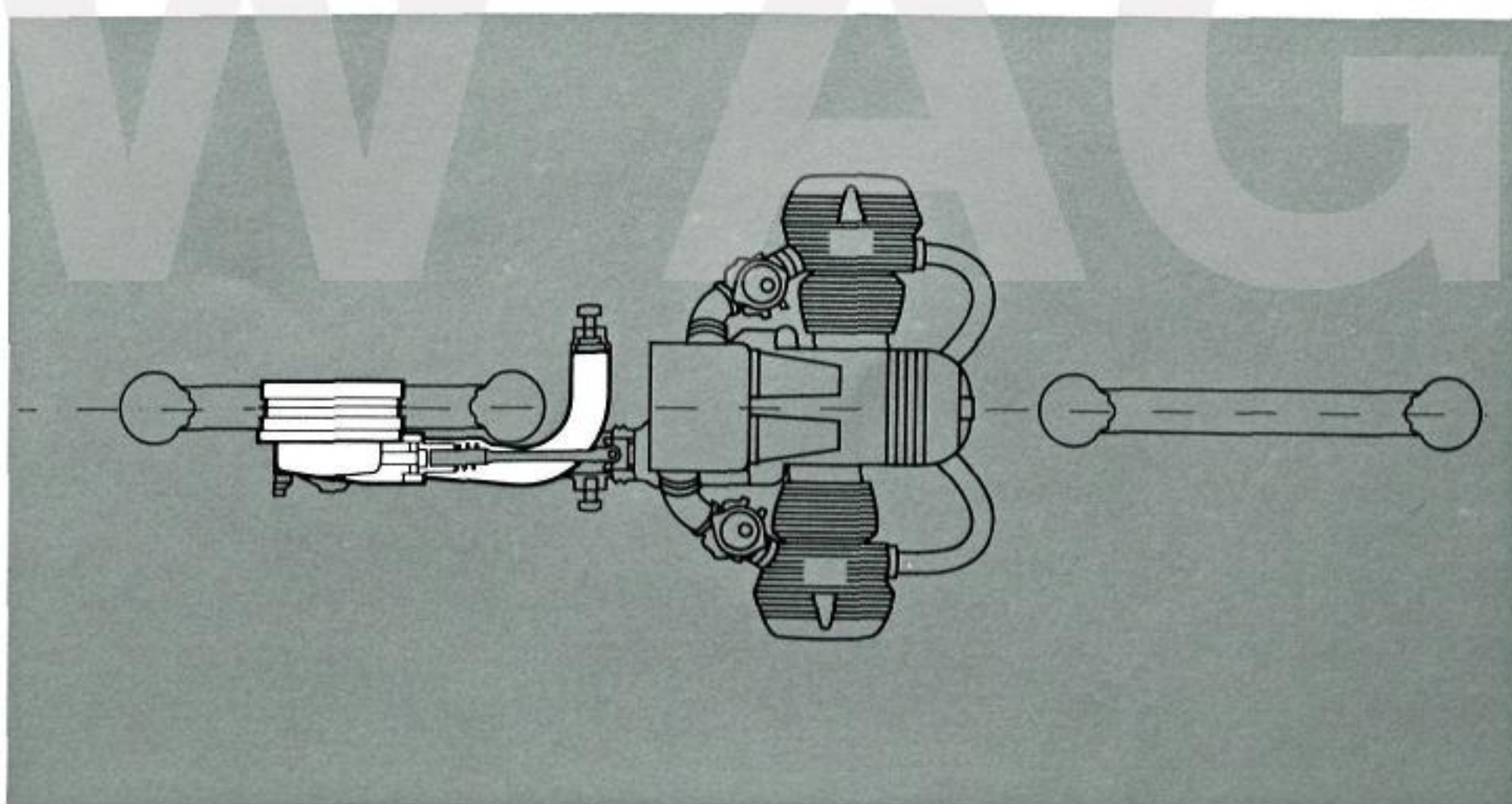
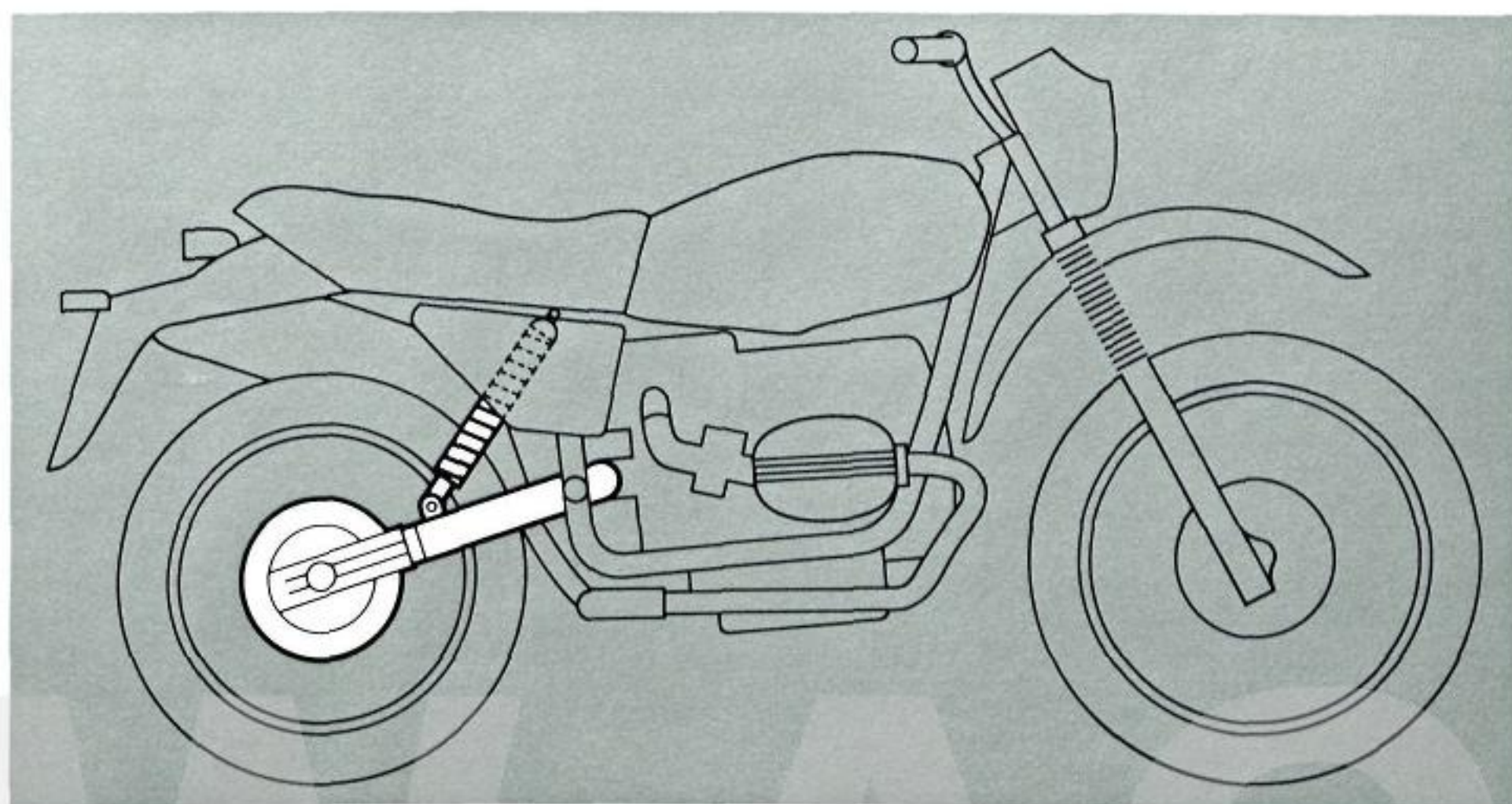
The service interval indicator is a field in the prime sight area of the dashboard with the words "OILSERVICE" and "INSPECTION" standing above a light diode chain with five green, one yellow and three red fields. If the car is due for a service, the yellow field lights up and when it is overdue the red warning fields light up successively.

Many individual improvements, further developments and updating measures including the synchronization of the reverse gear in the 5-gear transmissions installed in all models from the BMW 525 upwards, the increase in the fuel tank capacity to 100 liters on all models of the 7-Series and the newly developed central locking system with an integrated anti-theft device, considerably increased the value of all models.

BMW is taking part in a project subsidized by the Federal Ministry for Research and Technology to investigate the possible uses of mixed fuels. The development work for this project with the goal of converting engines and auxiliary aggregates to operate with 15% methanol content in the fuel (M 15) has almost been completed. By installing the so-called Motronic system, BMW is the only manufacturer offering alternative fuel operation from 100% petrol to M 15. The driver can switch on the appropriate operational mode for the fuel injection depending on which fuel is being used. In an endurance test already underway in which BMW is taking part with six 732i automobiles, the suitability of M 15 fuel for daily use is being tested until the end of 1982.

In the year under review the BMW cylinder cut-off system was further developed. Two concepts relating to this system are being pursued at present: the cylinder cut-off in engine idle and with partial load. In both cases the fuel supply to three cylinders of a six-cylinder engine is temporarily shut off. By blocking the fuel supply in engine idle, fuel savings can only make themselves fully felt if the car is often driven in city traffic with a high percentage of engine idle. In contrast, with part load cylinder cut-off, three cylinders of the engine are switched off when full engine power is not required. In this way, the fuel saving potential of this, although technically more expensive design, is obviously higher.

The new service interval indicator developed by BMW is the first system to indicate when the next service is due



not only dependent on the number of kilometers driven, but also based on the driving conditions under which the automobile was used.

A new electronic fuel consumption indicator, in contrast to the well-known estimative indicators, displays exact information concerning fuel consumption at any one specific time.

The development projects for automatic transmissions focussing on further reduction of fuel consumption, were continued. In particular the electronic transmission control was improved, the four-speed transmission with a long geared forth position and a converter clutch to decrease slip losses.

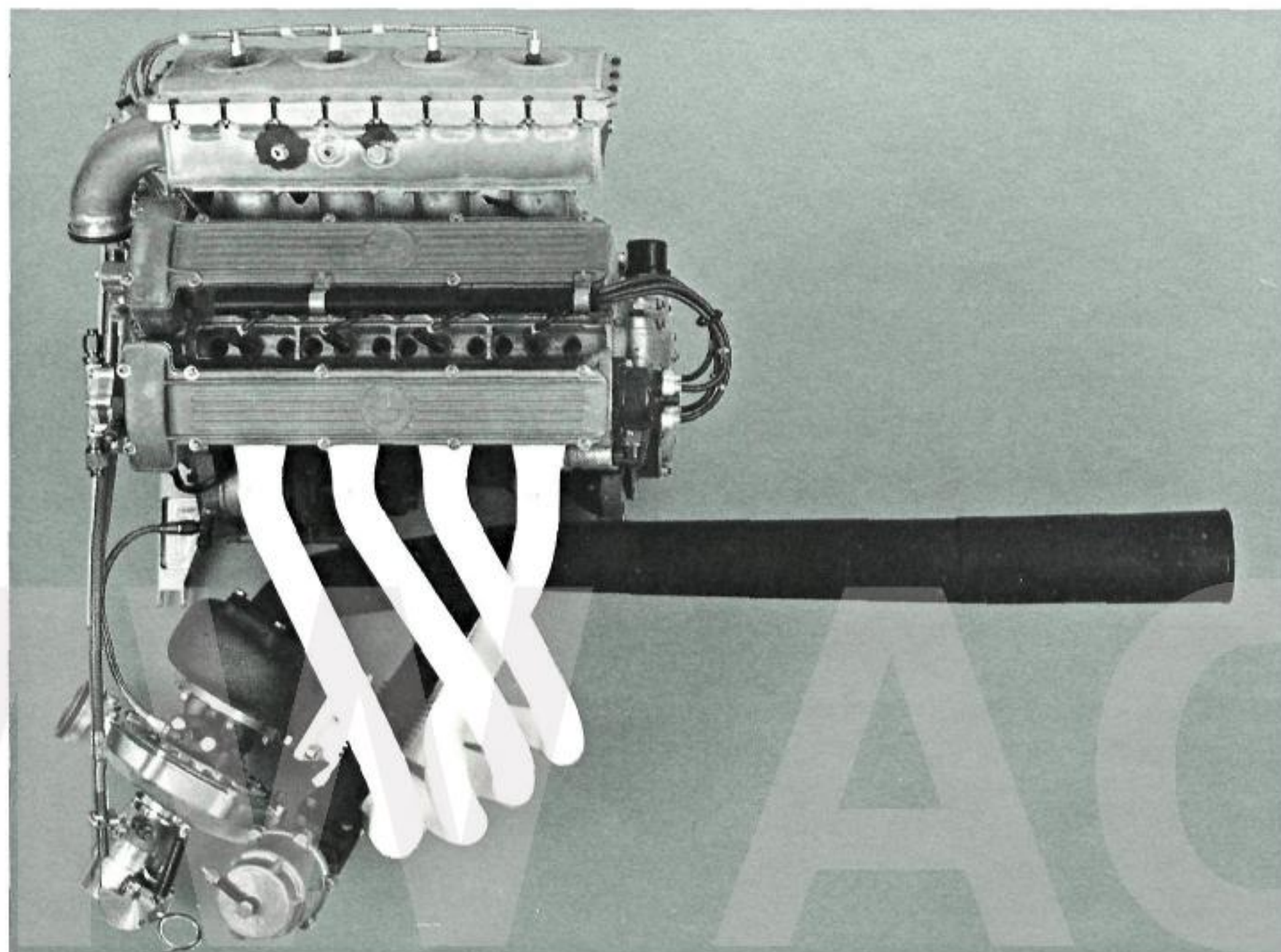
The new BMW R 80 G/S — shown from the side and plan view — is characterized by numerous constructional innovations. The most distinctive feature is the mono-lever rear axle fork with only one damping spring strut (Monoshock).

At BMW Motorrad GmbH, the development work on a new model, the R 80 G/S was completed in 1980. This motorbike can be used off hard surface roads and on main roads and highways. On account of the resolute light weight construction, the lightest and fastest motorbike of its class was presented, with 167 kilos dry weight and 170 km/h top speed in the road/off road class of bikes.

The most distinctive characteristic of this motorbike is the monolever rear axle swinging fork with a single shock-absorber already tested in sporting events. In contrast to conventional rear-wheel suspensions, a weight saving of 2 kilos was achieved and at the same time an increase in torsional rigidity of 50% was attained. Additional advantages of this model are the elimination of undesirable right-left forces on compression and the easy removal of the rear wheel.

The BMW R 80 G/S is the first motorbike of this class to be equipped with a front disc brake. Newly developed brake linings considerably improved the wet braking behaviour of this bike. Modifications on the engine not only achieved a reduction in weight but also created improved thermal conditions. A softer clutch designed for smoother handling and a newly developed "two in one" exhaust system with a rear muffler mounted high on the bike, take into account the special requirements of the new machine. BMW Motorrad GmbH jointly with the tire designers, developed a new tire not only to withstand speeds up to 180 km/h on the road but also to meet the requirements of off road racing.

A focal point of Motorsport GmbH in the year under review was the initial stage of development work on a Formula 1 engine. An exhaust turbo-charger version is being developed based on the well-known BMW Formula 2 engine, whose engine block is identical to the Series four cylinder engine. The regulations limit engine displacement to a maximum of 1.5 liters.



The four cylinder engine, with its low weight and small size is suitable for assembly in Formula 1 racing cars. With the assistance of the highly advanced technical standards of the exhaust turbo charging, it will be possible to achieve equivalent or higher performance values than with a 3 liter induction engine and with a greater number of cylinders. The first driving tests with a Brabham automobile achieved the expected results.

BMW Marine GmbH completed development work on an additional diesel engine in the year under review. With a maximum performance of 100 kW, this six cylinder engine rounds off the diesel engine range towards the top.

The supercharged BMW Formula 1 engine based on the 4 cylinder series' engine is characterized by comparatively low weight, reduced installation measurements and good performance values.

Our Neighbors

BMW was born in a town that could not behave like one although it already was one for some time: Milbertshofen, which became the smallest town in the Kingdom of Bavaria in 1910, nevertheless retained its village-like character and became part of Munich just three years later in 1913.

This was also the year in which Karl Rapp and Gustav Otto opened two aircraft factories quite close to each other in Milbertshofen. One of them built the aircraft themselves, the other one specialized on aircraft engines. When their two companies were merged to form BMW, the new company had some 4,000 neighbors in Milbertshofen —

whereas today we have more than 100,000. Incidentally, Milbertshofen has never had its own town hall — instead, the registry for the 4,000 inhabitants was kept in the local school building. In the back room of a local pub, Milbertshofen's council still discusses local policies and development plans today.



Not much remains in Milbertshofen of the farm life of days gone by: The fields have been replaced by residential and industrial buildings. And the Company's neighbors now live not only in the old village, but also in the Oberwiesenfeld district — where in former times sheep grazed in the meadows and planes took off from the old Munich airport. As a pioneer in aviation, BMW obviously started out at the right place.

At the time the factory halls were still quite a distance from the first few houses in the neighborhood — which were separated from the Company by meadows and gardens: In all, Milbertshofen had no less than 19 farmyards that grew

vegetables for the city of Munich. Only one of these farms still exists today in the middle of the North Munich municipal area: Between the ring line and the ring road, the last local garden still grows radishes as a Bavarian specialty people enjoy together with their beer.

The Olympic Grounds have added a touch of greatness to the history of Milbertshofen. And together with the sports facilities, there are now 3,000 new flats and apartments next to the old industrial buildings. The city has thus grown constantly. Industry and residential buildings are separated only by one street — which at the same time links the world of Margarete Hofmann in her shop in the middle

of old Milbertshofen with the modern world of BMW. This creates certain tasks, but also problems, for the local council, the Company, and for the people on both sides of the street.



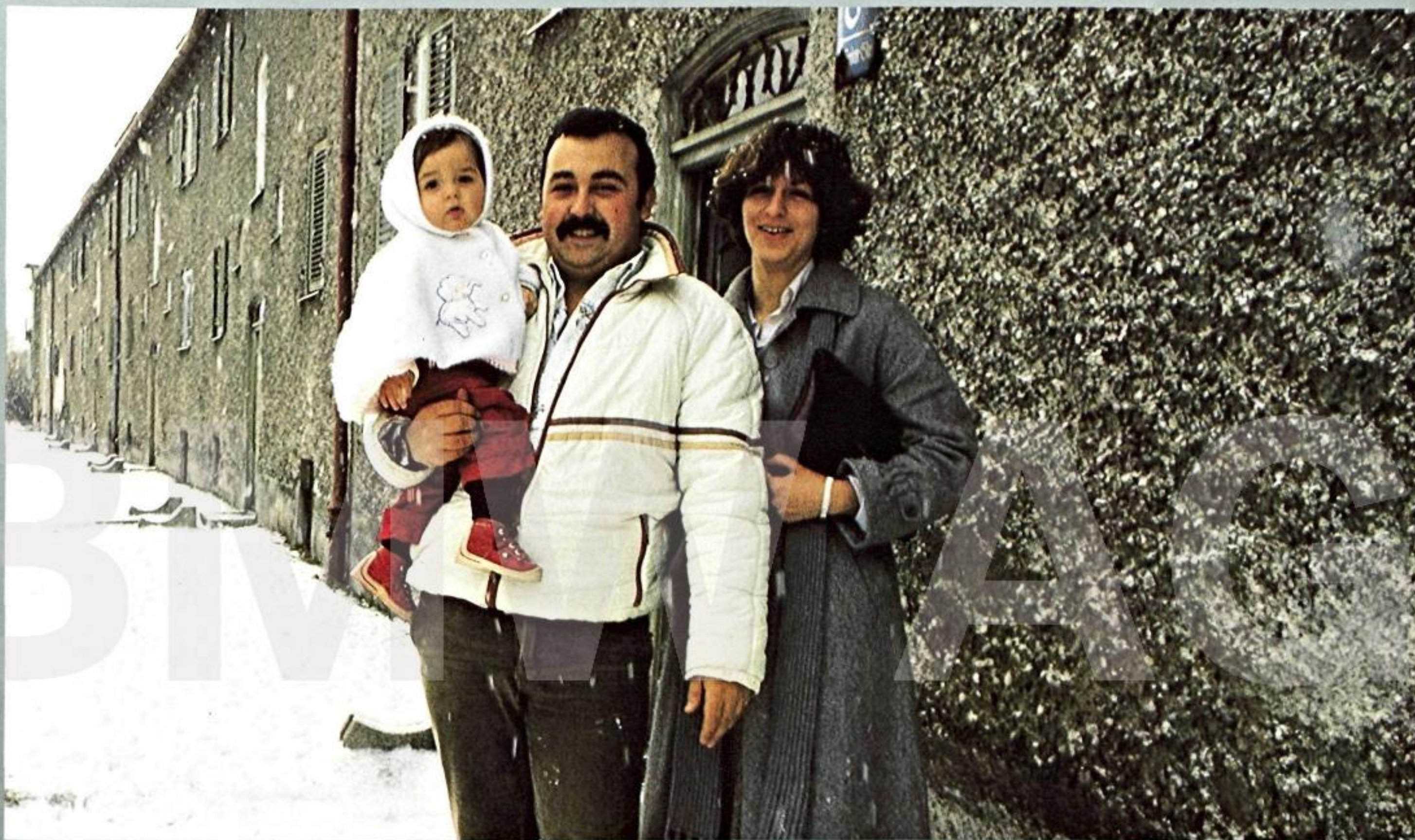
When Francisco Garcia came to Germany, he was just four years old. His father had decided to swap jobs for half a year with a colleague from Milbertshofen — and eventually the German worker remained in Spain, while the Garcias stayed here, where they have now been for 20 years.

Today both the father and his son work for BMW — like 5,500 other people living in Milbertshofen, district No 27 in the Greater Munich Area. These local employees form the "hard core", as it were, of the total workforce of 22,000 people in Milbertshofen. With this large number of employees, the Company must obviously consider more than its

own interests that stop at the main gate. BMW cannot be indifferent to its direct environment — rather, we must focus our attention on "our" part of Munich to make sure that it remains a pleasant place to live in and does not one day become a nondescript, grey and dreary slum.

Francisco Garcia is a master electrician. And today the BMW foundry is his world from Monday till Friday. His wife, Uta, and his daughter, Sabrina, wait for him at home in a row of estate houses built shortly before World War II. Now these old houses, which the Garcias had to make do with so far, are being pulled down one by one and replaced by new buildings. The Garcias want to remain

in their old home as long as possible, but then plan to move into their own house in the suburbs of Munich. In the meantime, Sabrina will probably enjoy many a day in "Wallenstein Castle", the name that local children have given to their new all-day nursery at Wallenstein Square — a nursery which, incidentally, was built with a donation from BMW.



The immediate neighborhood surrounding Bayerische Motoren Werke does not appear to be typically Bavarian. At least not at first sight. But look at the people:

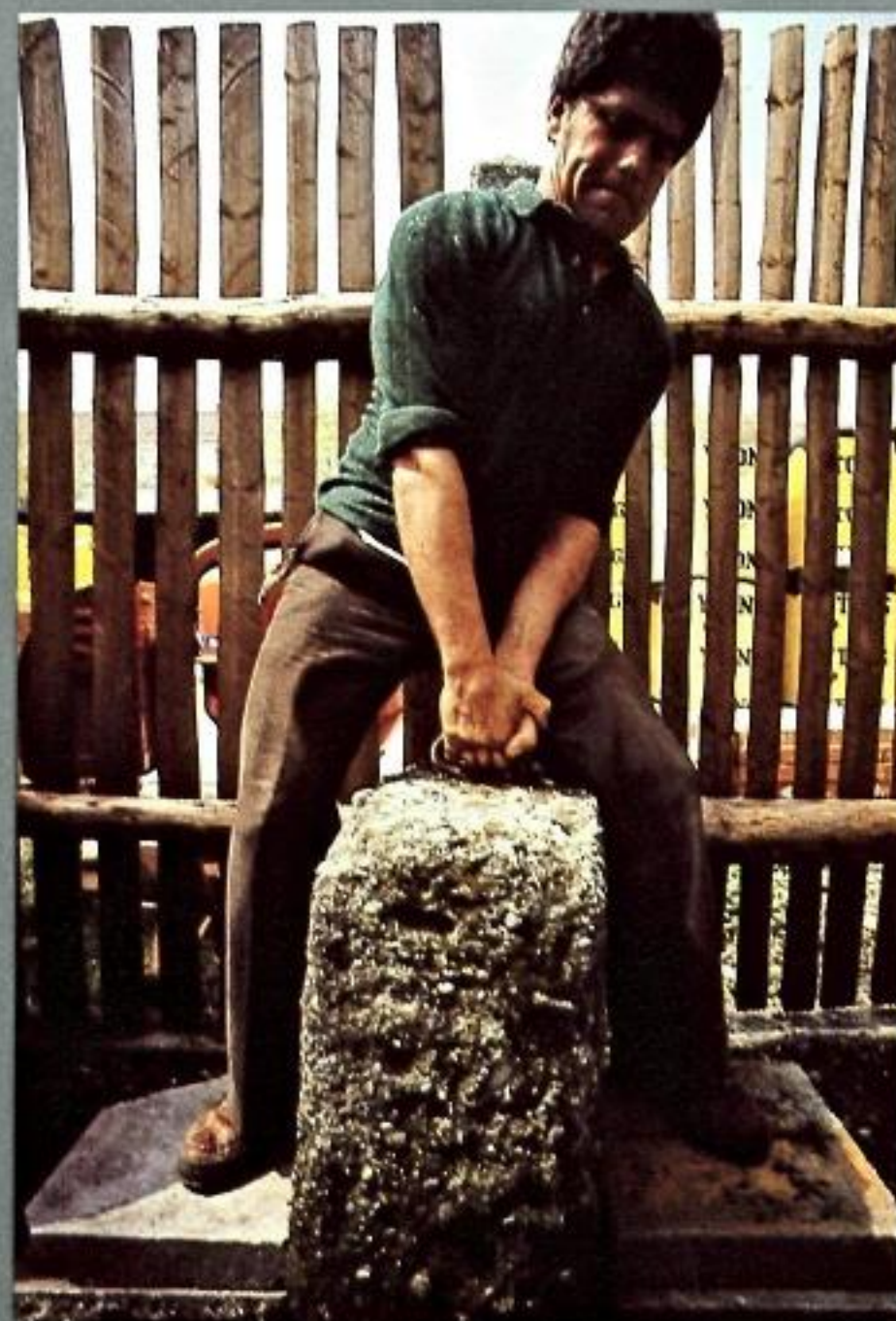
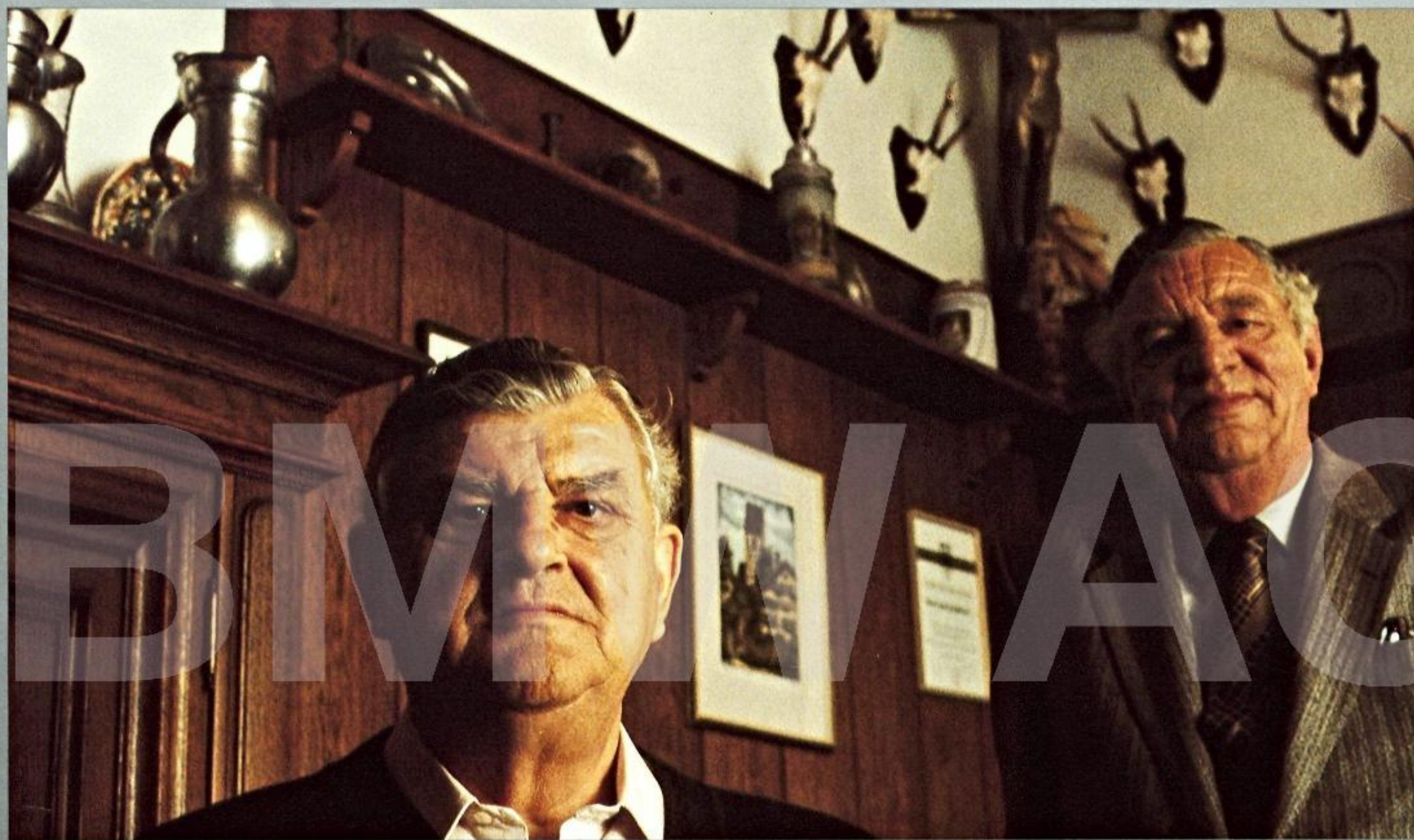
Georg Apfelbeck, the President of the local Gymnastics and Sports Club, and his brother, Ludwig, are both architects in Milbertshofen. They have built not only their club's gym hall, but have also made many other important contributions to the development of Milbertshofen from the farm house next to St George, the local church — which is to be seen in the picture on the wall — to the present-day municipal area: These two neighbours have made numerous contributions to the Milbertshofen of today — planning,

negotiating, pushing decisions, and working on building sites themselves.

Tradition lives on in numerous clubs and societies — and also with one of the local originals, Tafelmayer Fred. The stone which he takes care of like the apple of his eye weighs 508 lbs. And this stone made a man from Milbertshofen very well known in the region around the turn of the century: His name was Xaver Blätte — and just using his little finger he was able to lift a 70 liter beer barrel weighing 80 lbs above his head. At least that is what the newspaper claimed at the time. And at the tender young age of 20, he was able to carry more than just a mere stone weighing 508 lbs — in fact,

this herculean young man, the son of an innkeeper, even succeeded in carrying 650 lbs for quite a distance.

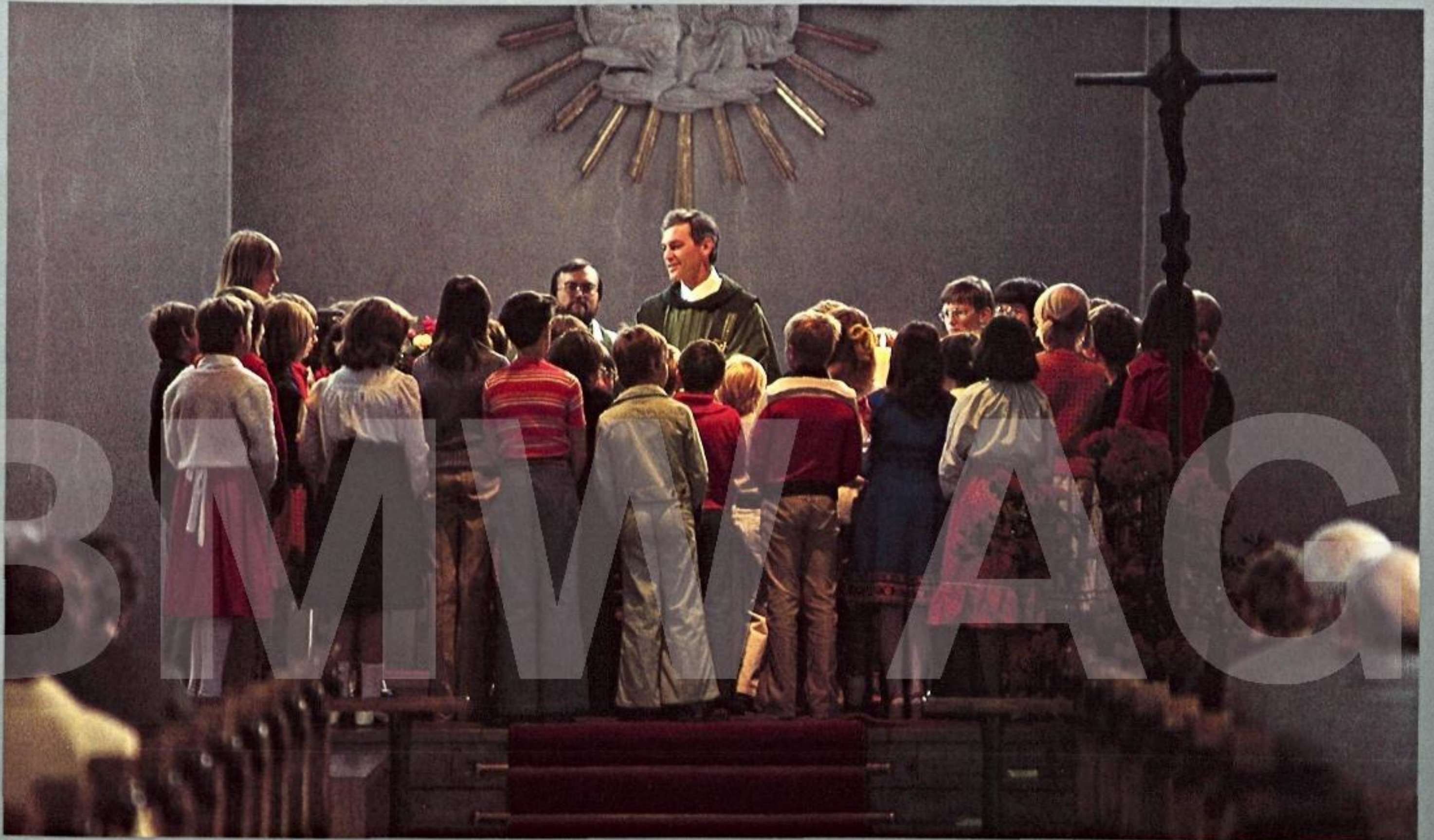
Today, Tafelmayer Fred, the son of a farmer, who built flats and offices on his father's fields and now lives in his own penthouse five floors above a computer company, has decided to make do with "just" 508 lbs. Incidentally, he still has a horse in his farmyard — a last remnant of days gone by right in the middle of town.



The roots of Milbertshofen lie in the medieval ages or, to be more precise, at Schäftlarn Monastery: The Schäftlarn monks had a little farm in Milbertshofen which they had to take care of, and they also built a church named St George — of which, most regrettably, only the tower survived World War II. Not far from the old church of St George, Walter Hutterer, a clergyman formerly responsible for young people in Munich, now takes care of the young generation in Milbertshofen in the new church of St George.

It goes without saying that young people in Milbertshofen also play an active role in various sports clubs. The Milbertshofen Gymnastics and Sports

Club, for example, has 1,200 members and a handball team which even plays — albeit not very successfully, alas — in the highest German league. But successful or not, these young people do not take sports too seriously. Sports as fun and games — here this is really the case.



Our neighbors in Milbertshofen: active in their private world. Bredl Schorsch, for example, used to be the chairman of the local council. But long before he passed away, he gave up local politics and dedicated the rest of his time to his house and garden, to the flowers outside, and to many a small chat across the fence with his neighbors.

Tidy, well-kept flats with flower pots on the balconies were not enough for the new inhabitants of Milbertshofen living in the Olympic Village. So what started years ago as an initiative of Bavarian rural communities quickly became an important buzzword also in this city of concrete: "We want to make our village

more attractive." As a result, the Olympic Village is now not only livelier, but also a bit greener than before. And this has been organized by a lady from Dresden. However, while the worlds of Dr. Ilse Lange and Bredl Schorsch are located right next to each other, they are separated by far more than just a street and the BMW factory: Because the "Village" proudly turns its back to the factory, while two nephews and one great-nephew of Bredl Schorsch still work — just as proudly — at the factory today.



The leading riflewoman — or should we say markswoman — in Milbertshofen carries a heavy burden. Because the honor of being the best shot now means twice as much weight as in the past: Today, two chains of this size are awarded by formerly independent rifle clubs in the basement of TSV Milbertshofen. So while Hilde Huber wears these chains with dignity, she does not wear them often.

Andi Fastner prefers another kind of metal — and his job will certainly always keep him warm: He is training to become a foundry mechanic with BMW. His leisure-time nevertheless keeps him on the move — because his moped is his best friend. Incidentally, Andi's mother

also works for BMW where she cooks meals for the engineers in the development department. And both of them live within easy walking distance of their jobs.

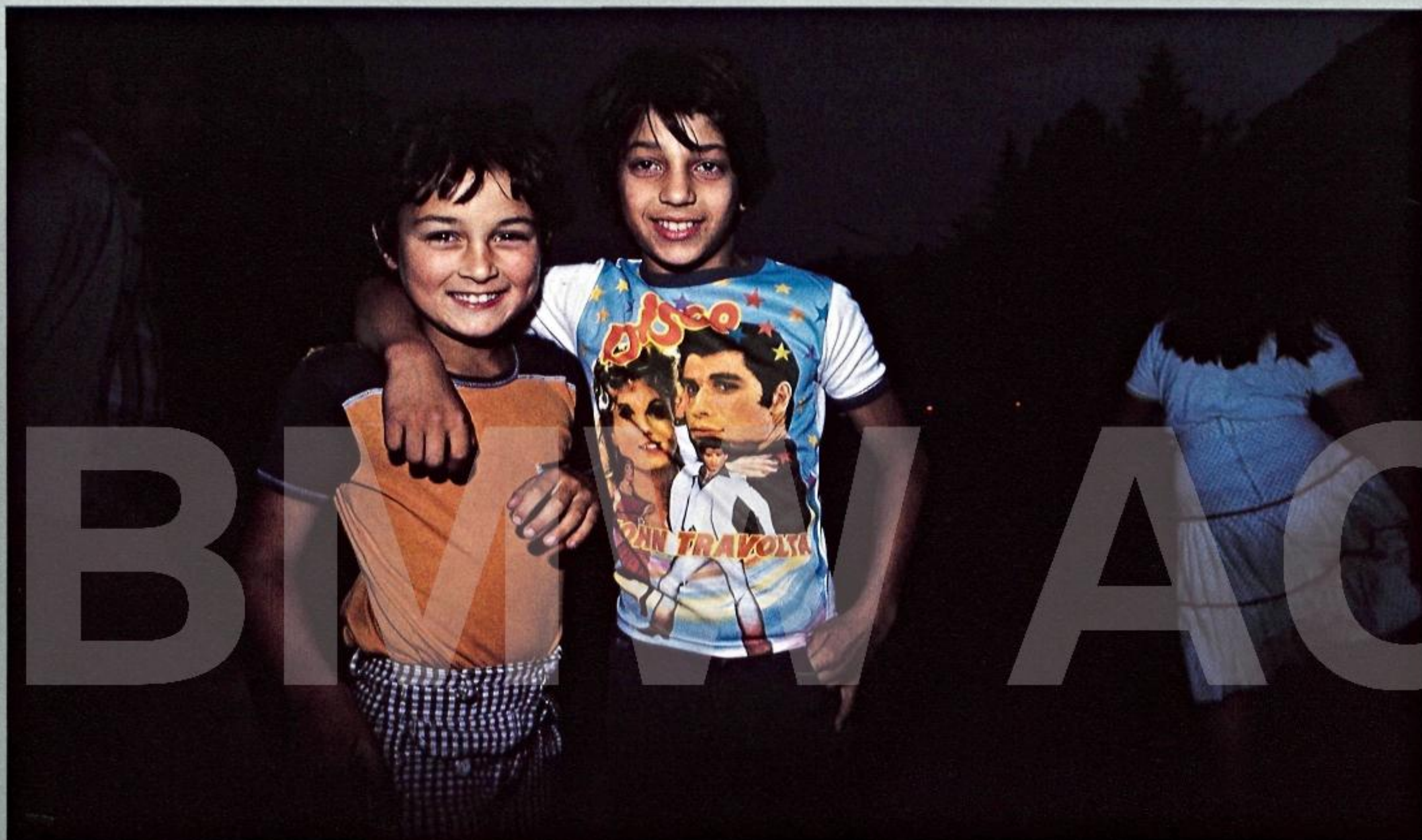


His name is Robert, but does anybody really know that? Everybody calls him Angelo, Angelo Weinrich. When he shows Samson, his nephew from Worms – and obviously a real Travolta fan –, Milbertshofen, then he prefers to show him the best places for playing football.

Today there are not very many places left over for this sport. Because Milbertshofen is now a densely built-up area – and both large and small companies have followed the population as well as new residential areas to this part of Munich: 10 years ago, some 2,000 companies in Milbertshofen employed 42,000 people. Since then BMW alone has created some 5,000 additional jobs.

Metal companies have a long tradition in Milbertshofen and are also the largest employers: More than 20,000 people work at the BMW factory in Milbertshofen and 3,000 work for the Knorr-Bremse Group – incidentally in factory halls in which Bayerische Motoren Werke experienced their first years of success from 1917 to 1923. Since then, control units for brake systems have been manufactured in these halls and just shortly after this production line had been started, diesel engines were also added. In the early '20s, however, BMW decided to move from the northern edge of Oberwiesenfeld to the eastern side. Still, these are reflections that do not

worry Angelo and his friends – at least not yet. Companies operating in the north of Munich nevertheless give their full attention to current problems and developments. Dr. Jens von Bandemer, a Member of the Board of Süddeutsche Bremsen AG and the Managing Director of Knorr-Bremse GmbH, sometimes invites industrialists, businessmen and other guests to the premises of his company at Oberwiesenfeld. On those occasions he organizes presentations given by acknowledged experts in current economics.



Milbertshofen is a bustling place – but there is no undue haste. Every day, 74,000 cars and lorries go through Milbertshofen's Ring Road. And not far from the BMW Building we find a totally different world: Here, a dozen Carmelite nuns take care of a convent and Milbertshofen's children. The founder, Maria-Teresa Tauscher, decided to work in Munich back in 1921. At that time the Austrian tobacco administration was already generations old, but their factory in Milbertshofen was still very new: Like BMW, the local tobacco company was founded here in the year 1916. And still today, Austria Virginier cigars are made – and smoked – in Milbertshofen.



Milbertshofen does not have its own municipal meeting hall — it has no cinema, no book shop and — at least so far — no secondary school: The first secondary school here in the north of Munich is currently being built. Milbertshofen has no piazza and no market as a special attraction. As a result, public life lags behind private initiatives.

The local shooting club and folk group, players of the "Zither", an old Bavarian string instrument, and accordion players now feel some new initiatives: Public authorities and private enterprise — the city of Munich and BMW — have joined forces to promote cultural affairs within the "Spielmotor"

society, the organizer of the Munich Theatre Festival. As a result, the stage that means the world now reaches all the way to Milbertshofen.



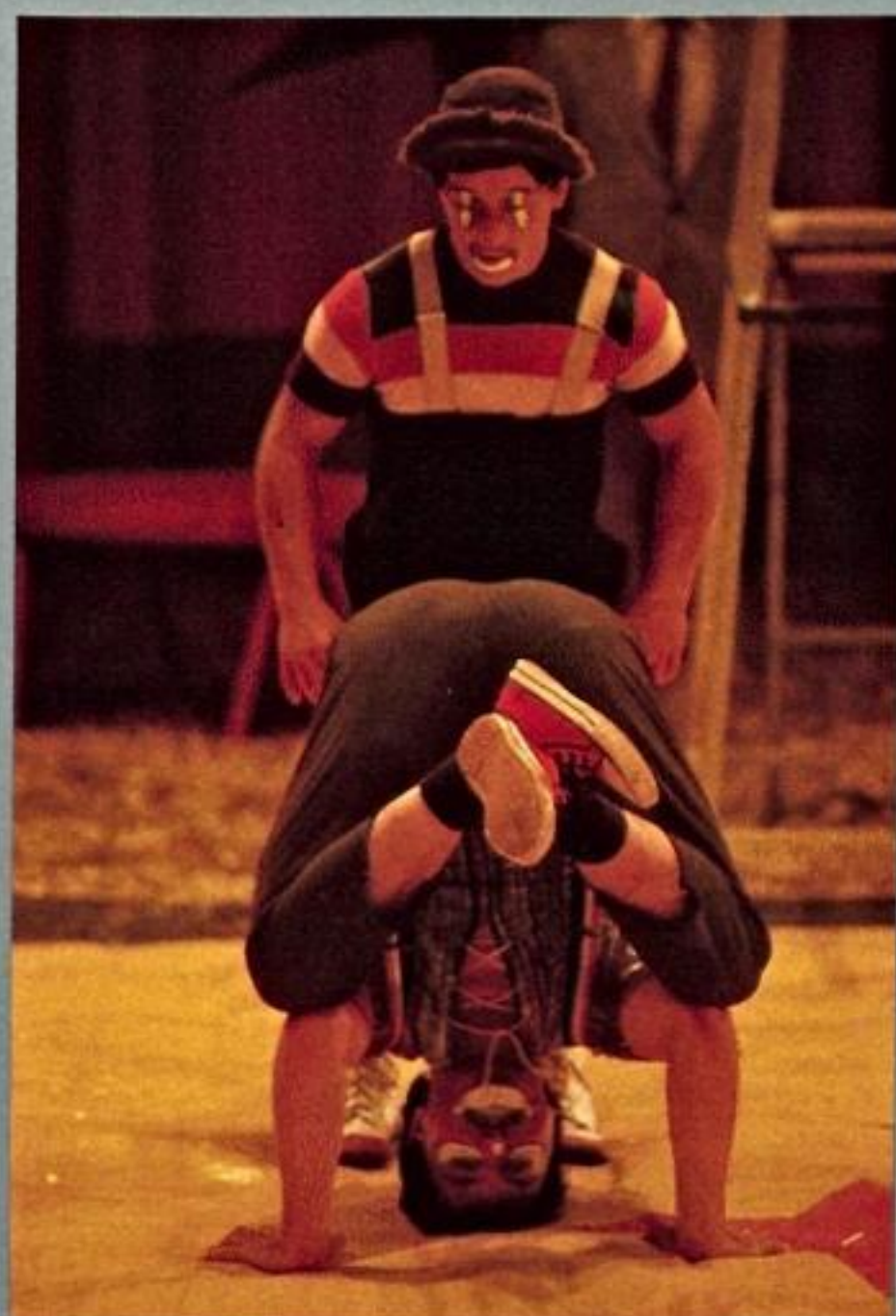
Sometimes Daddy Frank with his 60 relatives gives guest performances here. Atlas, his local circus, still provides real old-style fun and games. Joschi, the clown, occasionally has colourful company — because the Munich Theatre Festival needed Joschi's tents to provide accommodation for the artists and performers in the Olympic Grounds bordering on Milbertshofen.

The Olympic Village and the typical Milbertshofen of the Hopfengarten, one of the local pubs, form a somewhat peculiar symbiosis. This old part of town still smacks of history — even though the Hopfengarten pub now has to give way to a new building. But what is officially

called the Village is in reality a town: A town which has made history among athletes; a town which represents the latest developments in architectural styles; a town to which people flock to buy a flat or an apartment — provided that they are not already sold out. Have we already forgotten what took place here and how it was all created?

Here, the four elements that make the north of Munich have their roots. Long ago, the arid ground was irrigated by water flowing through the channels built by a Bavarian elector in the same way as in Holland. Later, soldiers brought fire to Milbertshofen — by using Oberwiesenfeld for military drills and by taking off here

for the first time in their fragile planes (which were soon followed by the aircraft industry). Earth, water, fire, air — these words also stand for Milbertshofen.



BMW and Milbertshofen have grown up together. The BMW Building and the tent roof in the Olympic Grounds were both constructed as modern landmarks in the early '70s. When Paul Fuchs joined BMW a bit more than 10 years ago, both of these modern architectural structures only existed on paper.

Living in the shadows of these large and almost monumental buildings, Milbertshofen continues through time without necessarily making the headlines. A large city made up of suburban areas, open to change and indeed subject to change over the years. And nothing is left over of the 800 years of Milbertshofen's history except a church tower —

which, nevertheless, still houses many old treasures.

This part of Munich lies between the Olympic Grounds and Alabama. Because the occupation forces left this American name to a piece of land that promises a significant future. Here, BMW and the city of Munich opened the Alabama Hall in spring 1981 — a cultural center for young people. Next door, BMW will also be conducting its research and development activities in future: new neighbors in Milbertshofen.



Personnel and Social Report

At the end of 1980, BMW employed over 37,000 people and the BMW Group over 43,000 people. In spite of the general decrease in employment in the automobile industry, BMW worldwide created more than a thousand work places in the year under review.

In 1980, there was an equal increase in the total labor force and in production at BMW AG of about 1%. Thus after a phase of high growth rates in the past, the consolidation measures begun in the previous year, also in the personnel sphere, were continued. In connection with the BMW Group, the increase in the labor force was about 3%, due to the increase in personnel at the subsidiaries because of unusually good market successes.

Over half of the total BMW labor force, almost 22,000 employees, are employed in head office and in the Munich-Milbertshofen plant. In 1980, almost 600 additional people were employed here. This personnel increase is mainly due to the intensified expansion of the Research and Development division; the increase in this division was four times higher than the personnel increase of the total labor force. In connection with this, the proportion of salaried employees further increased.

The number of wage earners was just below that of the previous year. This level indicates the beginning of the success of years of effort to attain increased production figures with fewer, but more highly qualified employees.

These higher qualifications for employees were furthered in different ways by BMW in the year under review. Since the preceding year, tradesmen with suitable ability are being prepared for their master exams on full salary.

The slightly lower percentage of foreign workers in the total labor force and shifts in the proportions of individual nations are a result of the existing legal regulations, having been in force for years, and thus preventing new recruitment from abroad. In the year under review preparations were made for a special training program beginning in 1981 to train young foreign people about the necessary requirements for enrolling for a recognized apprenticeship.

The recruitment of qualified technical employees has become increasingly difficult in light of the generally tight job-market situation in the past years.

This is due to the insufficient numbers of university and polytechnic graduates particularly in the technical fields. Added to this are the specific factors regarding the Munich area, for example accommodation procurement problems. As a result of this situation, at year's end 1980, several highly technical positions at BMW remained unfilled.

The importance of training to a high level combined with BMW related specific knowledge was reflected in the continuation of the trainee program. In the year under review a number of university and polytechnic graduates started work at BMW. In the following 18 months they will be trained to take over management positions in the future.

The number of apprentices employed at BMW is traditionally higher than the average in this industry. The proportion of apprentices in the labor force increased again in the year under review. All of the 350 young apprentices who took their final exam in 1980, were able to be offered jobs. In the year under review, some 3,000 young people applied for a position as an apprentice at BMW; more than 400 began their apprenticeship with the company. At the end of 1980, BMW AG employed 1,644 apprentices in a total of 26 trades.

In 1980 great importance was attached to further training. The company invested, as in the previous year, over DM 6 million for all kinds of courses for far more than 10,000 employees. Owing to the increased number of courses and participants over the years, the second further training center of BMW AG was assigned to its destination in October 1980. This new building in Ammerwald near Reutte/Tyrol provides capacity for about 70 courses to be held annually for up to 2,500 employees.

The company's suggestions scheme is a proven instrument to stimulate the abilities of the employees for both innovation and creative thinking. The number of suggestions submitted increased, as in the previous year, again by about 50%. A large proportion of these suggestions were submitted for a cam-

paign relating to the energy saving theme; the evaluation of these suggestions has still to be carried out.

As in preceding years, safety provisions, health care and work organization were further promoted. The accident rate was considerably decreased again in the year under review; the sickness rate remained below that of the previous year.

Since mid 1979, BMW has been studying the subject of how physically handicapped employees can be integrated into the company so that their specific abilities correspond to the requirements of the job. Several hundred analyses have been made on the subject, covering roughly 7,000 work places in the production process. This project is being supported by the Federal Ministry for Research and Technology.

The total personnel expenses of BMW AG – wages and salaries, social security contributions, old age pensions and benefits – rose by DM 154.8 million against the previous year to DM 1,781.1 million. These expenses have thus almost doubled since 1975. While wages and salaries have increased by 95%, the increase in social expenses has been disproportionally large at 114%. In the same period, the number of employees increased by 28%.

The increase in personnel expenses in the year under review is chiefly attributable to the increase of 6.8% in collective wages and salaries from March 1, 1980, to the new employees, to the increase in the legal social security contributions and to the improvement in collective and other company benefits.

The additional expenditure for social security contributions owing to the increase in collective wages and salaries, cost the company an extra DM 13.4 million. In addition, there were the effects of the costs of the longer annual holiday, increased on average by 1.5 days, the increase in the company's financial contributions to capital formation by the employee from DM 39 monthly to DM 52 as well as the BMW bonus payment at holiday time. In the

Social Expenses of BMW AG

DM million	1980	1979
Legal and Collective Social Expenses		
Social security contributions	215.2	197.2
Sick pay	72.1	68.3
Paid public holidays	54.7	44.7
Collective vacation pay (50%)	63.1	54.2
Capital forming payments	18.5	13.3
Collective time-off pay	12.2	10.0
Collective part of 13th month wages and salaries	37.2	36.1
	473.0	423.8
Operating Social Expenses		
Canteens, travel expenses, housing subsidies, health-care etc.	50.9	46.6
Additional Social Expenses		
Old-age pensions and benefits	53.8	55.9
Christmas bonus and profit sharing	100.3	86.5
Other benefits such as long-service and loyalty premiums, times-off, additional vacation etc.	32.1	27.7
	186.2	170.1
Total	710.1	640.5

Personnel Development

	1980	1979
BMW Group (worldwide)	43,241	41,926
BMW AG	37,246	36,777
thereof:		
Head office and Munich plant	21,986	21,415
Dingolfing plant	12,583	12,687
Landshut plant	1,050	1,079
BMW regional offices	1,627	1,596

following years further costs will arise due to an additional public holiday in Bavaria, as well as from increased contributions for social security.

In 1980, a profit share for the 1979 business year of DM 39.9 million was paid out to the BMW employees. The Christmas bonus rose – because of the increase in collective wages and salaries and the increase in personnel – to DM 94.5 million.

In connection with capital formation by the employees, the 1980 shareholders' general meeting approved the issue of registered dividend right certificates (pursuant to § 221 AktG) (Corporation Law) with an unlimited life. The Managing Board was empowered to issue up to 700,000 registered dividend right certificates with a face value of DM 50 per certificate, representing a total of DM 35 million.

With this new concept the individual capital formation in the hands of the employees was smoothly integrated which has been practised by BMW since 1974; by doing this it is being continued in an improved form.

The registered dividend right certificates were offered to the employees for the first time in 1980; according to their years of employment and previous subscription to capital formation (registered participating debenture bonds), a maximum of 30 certificates per employee could be purchased. The participation in this scheme includes about 25% of the employees entitled to subscribe, according to the level of participation of the past capital formation by the employees' programs. A total of 152,500 certificates were subscribed to, with a total face value of DM 7.6 million. With the profit share in the amount of the dividend paid per share, but without a credit for corporation tax, the employees can directly share in the company's success. In the issuing year 1980, fifty percent of the registered dividend right certificates are entitled to dividend-profit.

The Managing Board of BMW AG thanks all employees for their willingness and performance.

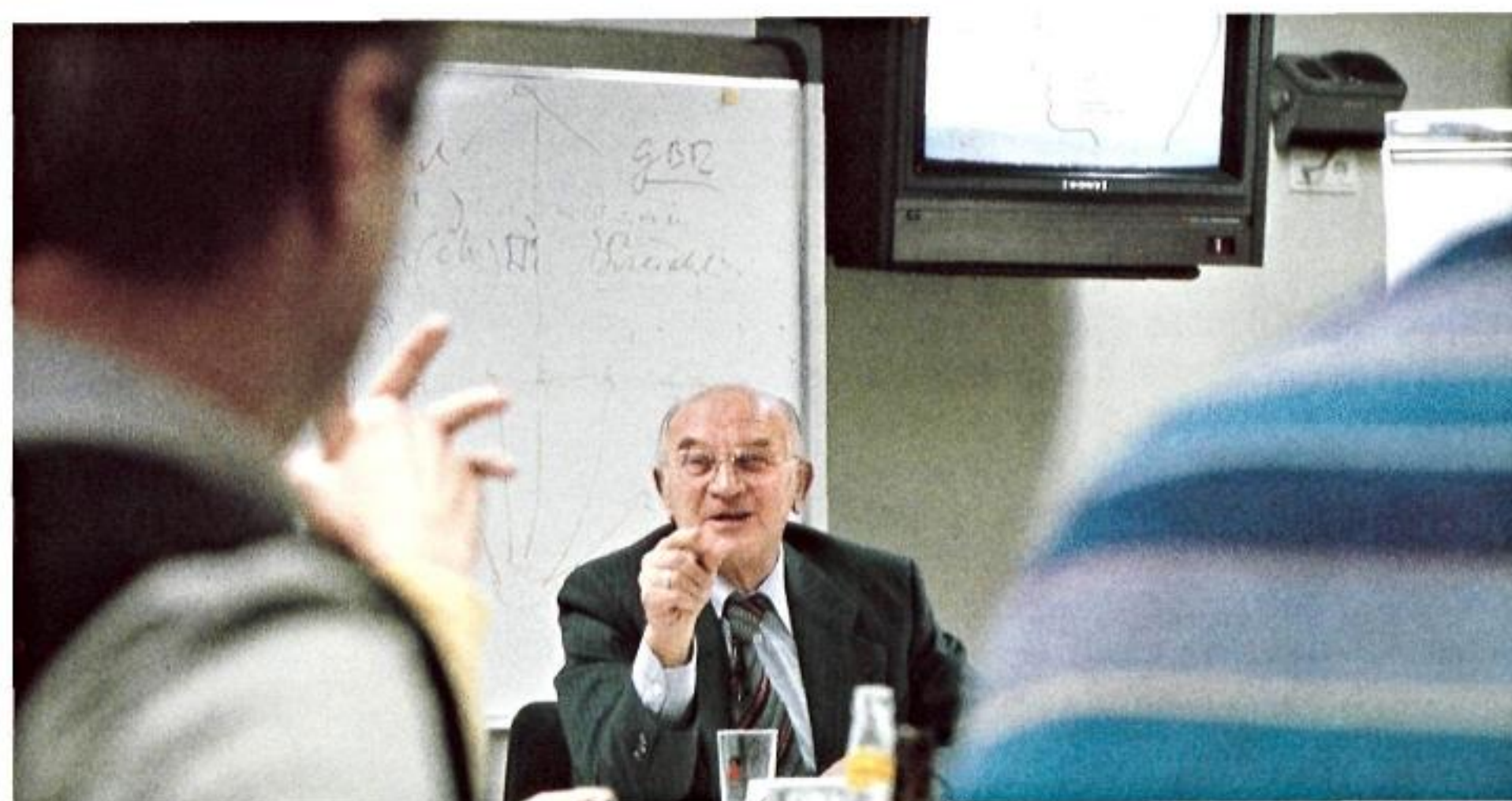
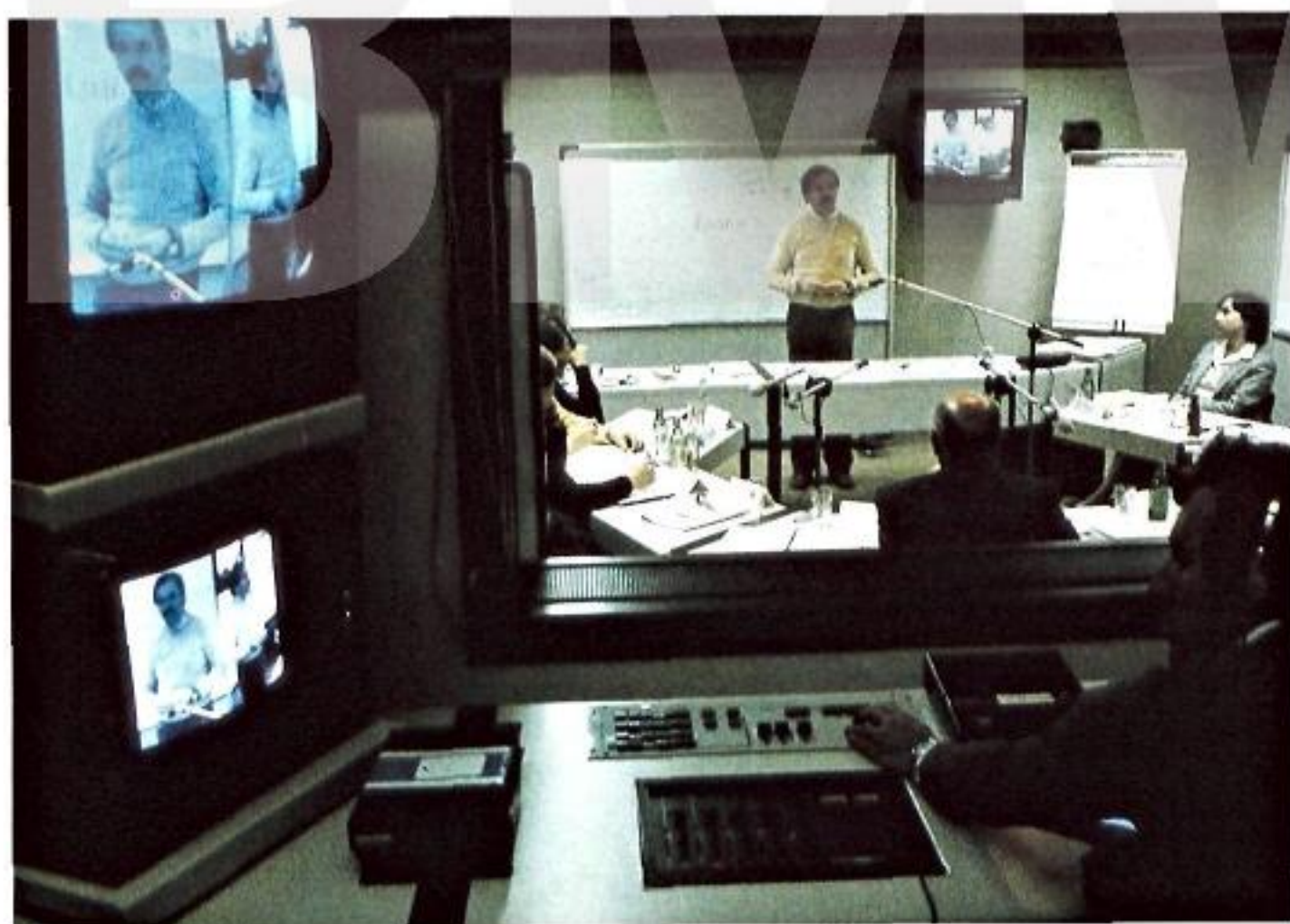
**Personnel Expenses
Sales, Personnel and
Production of BMW AG**
Index 1976 = 100



4,287.0	4,993.0	5,959.2	6,560.3	6,898.5	Sales in DM million
100.0	116.5	139.0	153.0	160.9	
1,135.6	1,350.8	1,439.2	1,626.3	1,781.1	Personnel expenses in DM million
100.0	119.0	126.7	143.2	156.8	
275,022	290,236	320,853	336,981	341,031	Production
100.0	105.5	116.7	122.5	124.0	
30,192	33,398	35,171	36,777	37,246	Personnel at end of year
100.0	110.6	116.5	121.8	123.4	



The new BMW Training Center in Ammerwald near Reutte/Tyrol was opened at the beginning of October 1980 beside the BMW holiday hotel. The most modern technical equipment makes it possible to hold about 70 courses annually – also parallel to each other and longer courses – for up to 2,500 employees.



The Company and the Public

The discussions from the previous years continued concerning the possibilities of increased energy savings in passenger transport; however this topic was overridden by two other themes during 1980: namely environmental protection and Japanese competition. All three issues forced the West German automobile industry to take definite stands.

In the energy sector, the illusion had to be counteracted that ideal solutions with alternative fuels, other propulsion systems or extremely light weight automobile prototypes could remedy the situation. The public began to understand that only the continuous further development of present techniques can lead to more apparent success.

In the year under review environmental protection increasingly became the subject of party and government programs. Therefore it was and is important today to draw the attention, particularly of parliaments and authorities to the unreconcilability of many protective requirements and the high priority energy saving measures. It is to be hoped that the deadlocks which the USA had manoeuvred itself into with one-sided regulations can be successfully avoided in Europe.

With the Japanese penetration into the European automobile markets, public discussion was centered on this topic within the other automobile related themes. New reflections to limit free trade worldwide through protectionist measures were also opposed by BMW.

A combined hearing of the Federal Committees for Foreign Affairs and Economics investigating the work and social conditions of black employees in South African subsidiaries, gave BMW like other German companies the opportunity to demonstrate what has already been achieved and what is achievable at present. In autumn 1980 a group of German journalists after a trip through South Africa confirmed that Apartheid although in force in the country no longer exists at the BMW Pretoria plant.

In the spring of 1980 the BMW museum was renovated to demonstrate the

relations of the company to the social, political and cultural currents of the time, as expressed by today's challenges illustrating the past currents as well. The previous exhibition and description of old BMW vehicles was complemented by statutory and audio-visual information relating to individual time eras. With the completion of these renovations, the museum became much more interesting and subsequently attracted some 2,000 visitors on a daily average; this figure is about three times higher than in the period prior to the alterations. The average visiting time increased from 20 to 60 minutes.

Within the scope of the BMW cultural program Dingolfing introduced in 1978, 33 theatrical performances, concerts, exhibitions and an international folk music festival were held in the Lower Bavarian cities of Dingolfing, Landshut and Straubing. Some 12,000 visitors took part in the different meetings.

With an international Procar race in Berlin on the Avus, BMW provided one of the excellent attractions on the occasion of the second automobile exhibition "Automobiles, Avus, Attractions" (AAA). The race itself drew many more spectators than the exhibition.

Procar races in 1980 were the most spectacular events in BMW motor sports. In these races the Formula 1 pilots competed against private drivers and professional touring car-specialists in identical BMW M 1 automobiles. The racing series usually took place the day before one of the European Grand Prix races. Nelson Piquet — officially contracted for 1981 as a BMW team driver — triumphed over the reigning Formula 1 World Champion Alan Jones.

BMW remained the largest engine supplier for the Formula 2 European Championship cars. Also, in many national touring car championships, BMW automobiles were successfully put into action.

BMW Motorrad GmbH continued the sporty successes of the previous season. Werner Schütz won the West German National Cross-Country Championship

over 750 cc, with a BMW GS 80, the predecessor of the present successful BMW R 80 G/S. Also on a BMW GS 80, Rolf Withhöft won the International Cross-Country Championship. However, the most impressive victories were won at the 20 day rally from Paris to Dakar at the beginning of 1981. The BMW company team with the French drivers Auriol, Fenouil and Neimer finished on places 1, 4 and 7 with the BMW R 80 G/S. As a result, not only the overall victory but also the team prize was won.

Subsidiaries

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

Domestic		Foreign
100%* BMW Marine GmbH, Munich DM 6.0 million Production and marketing of marine engines	100%* BMW Grundstücksgesellschaft Berlin GmbH, Berlin DM 0.02 million Property company	100% BMW Holding AG, Zürich, Switzerland SF 10.0 million Holding
100% BMW Motorrad GmbH, Landshut DM 0.02 million Industrial company	100%* BMW Kredit Bank GmbH, Frankfurt/M. DM 14.5 million Finance company	100% BMW Austria Gesellschaft m.b.H., Salzburg, Austria AS 45.0 million Marketing of BMW products
99% BMW Motorrad GmbH + Co., Munich Marketing of motorbikes	100%* BMW Leasing GmbH, Munich DM 10.0 million Leasing of automobiles and motorbikes	100% BMW Belgium S.A./N.V., Kontich, Belgium BF 66.0 million Marketing of BMW products
100%* BMW Motorsport GmbH, Munich DM 0.02 million Participations in motorsport Production and marketing of products for motorsport	100%* BMW Maschinenfabrik Spandau GmbH, Berlin DM 6.0 million Industrial company	100% BMW (Schweiz) AG, Dielsdorf, Switzerland SF 0.5 million Marketing of BMW products
100%* Schorsch Meier GmbH, Munich DM 0.3 million Marketing company	100%* Bavaria Wirtschafts- agentur GmbH, Munich DM 0.2 million Arrangement of insurances and other services	
Fahrzeug- und Maschinen- fabrik GmbH Landshut, Landshut DM 0.3 million Property company	Bavaria-Lloyd Reisebüro GmbH, Munich DM 0.02 million Company travel service and tourism	

Important interests
held by BMW AG
in April 1981

* Included in the consolidated
financial statement

100%

BMW (US) Holding Corp.,
Wilmington, Del., USA
US \$ 8.0 million
Holding

100%

BMW Australia Ltd.,
Melbourne, Vic., Australia
A \$ 0.5 million
Marketing of BMW products

20%

80%

BMW France S. A.,
Bois d'Arcy, France
FF 16.5 million
Marketing of BMW products

100%

BMW (GB) Ltd.,
Bracknell, Great Britain
£ 4.0 million
Marketing of BMW products

100%

BMW Italia S.p.A.,
Milano, Italy
Lit 3,000 million
Marketing of BMW products

100%

BMW Italia Leasing S.p.A.,
Palazzolo di Sona, Italy
Lit 3,000 million
Leasing of automobiles
and motorbikes, boats
and marine engines

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

100%

Balcom Trading Company Inc.
(BMW Japan),
Tokyo, Japan
US \$ 0.03 million
Marketing of BMW products

20%

BMW Distributors Eastern
Canada Ltd.,
Scarborough, Ont., Canada
C \$ 0.02 million
Marketing of BMW products

100%

BMW Overseas Enterprises N.V.,
Willemstad, Curaçao, N.A.
DM 2.0 million
Finance company

100%

BMW (South Africa)
(Pty) Ltd.,
Pretoria, South Africa
Rand 12.9 million
Production and marketing
of BMW products

50%

BMW-STEYR Motoren
Gesellschaft m.b.H.,
Steyr, Austria
AS 800.0 million
Development, production
and marketing of diesel
engines/gasoline engines

Report on Subsidiaries

BMW Motorrad GmbH, Munich

Differently to most automobile markets, the motorbike markets of the Western world expanded significantly in 1980; in some countries there was an actual motorbike boom. Registrations for instance in Germany increased by 24%, in France by 21%, in Italy by 10% and in Great Britain by 9%.

In the USA, which is the biggest and most developed motorbike market of the Western world, registrations decreased by 3% in a climate of economic uncertainty, high interest rates and dramatically decreasing automobile registrations. In a few smaller markets like Spain (-30%) and the Netherlands (-3%) the motorbike market also decreased. The reasons for this were mainly country specific restrictions.

On the total motorbike market the 350 to 500 cc class enjoyed an above average demand. In 1980 demand was concentrated on this market sector as a number of new models were offered and keen competition under expelling conditions of Japanese manufacturers amongst each other resulted in unchanged low prices despite the overall business conditions.

Registration growth in the over 500 cc class generally was slightly lower than the growth of the expanding total market. In all, a trend to smaller motorbikes was not apparent. Only motorbikes with more than 1000 cc recorded a decreasing development.

BMW Motorrad GmbH was not in a position to take part to a full extent in this growth of markets. Firstly the manufacturing costs in Germany created a high price level for BMW motorbikes and secondly the order backlogs due to insufficient capacities were responsible for this. In contrast to the previous year, the dealers did not have adequate stocks in 1980.

The US market was characterized by one special development. With the termination of the contract with the independent US importer on October 1, 1980, exports were temporarily reduced. Registrations were 50% lower than in

1979. In line with the takeover of the importing business by BMW of North America, various measures for market stimulation were initiated. They were unable to show effects so late in 1980.

Total production of motorbikes rose by 20% to 29,260 motorbikes in 1980; they were all sold. Compared to 1979 — when stocks were still on hand — this corresponded to a sales' increase of 7%.

The number of motorbikes sold in Germany increased higher than average by 13% to almost 10,000 units, including registrations of 9,500 units; the market share decreased to 7.7% because the total market expanded even more strongly.

Besides the expansion of motorbike production the restructuring process for the start-up of production for automobile parts at the Berlin plant was completed in 1980. Sales of BMW Motorrad GmbH increased significantly by more than half to DM 350 million with increased motorbike production and the manufacture of components.

For the realization of the increase in production at the Berlin plant the number of employees had to be increased by 144 persons (+9%), despite all rationalization measures. At the end of 1980 BMW Motorrad GmbH employed 1,960 persons, not including the apprentices.

Two price increases were effected in the year under review to cover increased material and labor costs.

Despite start-up costs for the manufacture of automobile components and the motorbikes for the model year 1981, the earnings situation of BMW Motorrad GmbH further improved compared to the previous year. As in previous years, earnings were influenced by utilizing special depreciation allowances pursuant to § 14 of the Berlin Promotion Law (Berlinfoörderungsgesetz). The current investment program at the Berlin plant resulted in balance sheet additions of DM 41 million and allowed for special depreciations to a considerable extent.

The very positive reception of the new models in autumn 1980 by the press and

dealers — especially the reports on the R 80 G/S, a new motorbike in this class and its combined suitability for off road and road surfaces gives reason for careful optimism as far as further development in 1981 is concerned. The successes achieved by the sport version of the R 80 G/S were certainly an influencing factor for the positive reception of this model: victories in the German and the European Cross-Country Championship and the silver vase at the International Six Days in France.

The numerous improvements and innovations on the 1981 model motorbikes, namely electronic ignition, a new type of clutch, rotary air filter and the unique R 80 G/S new rear swinging fork and wheel suspension stimulated the dealers to significantly higher orders.

Nevertheless for 1981 the expected sales expansion can only be realized when the price difference to the Japanese competition is decreased. An improvement in the competitive position of BMW motorbikes can be expected if the Japanese manufacturers do in fact adjust their export prices to the changed overall economic situation occurring after the Yen revaluation by 25% in the last months of 1980.

At the beginning of 1981 BMW Motorrad GmbH was reincorporated into BMW AG. At the same time the marketing activities of the company were allocated to BMW Motorrad GmbH + Co. This reorganization was mainly due to a change in the company structure of the BMW domestic Concern in order to conduct all essential production divisions as independent profit centers.

The activities of BMW Motorrad GmbH are being run as an independent division within the BMW Concern.

BMW Marine GmbH, Munich

As expected, the international market for marine engines developed recessively in the year under review. This is chiefly a result of economic difficulties and the effects of the development of energy prices in the main markets.

Nevertheless BMW Marine GmbH



For 20 days over a route stretching 9,000 kilometers Hubert Auriol had only one goal ahead: to arrive first. He made it. On a BMW R 80 G/S he won the legendary rally from Paris to Dakar leading by 3 hours 2 minutes and 20 seconds. Out of 100 motorbikes at the start, only every fourth finished including two other BMW R 80 G/Ss in fourth and seventh place. It is a remarkable achievement considering the fact that this motorbike only came onto the market in autumn 1980.

succeeded in further expanding its market share for small diesel engines compared to the previous year. Sales and earnings developed according to plan under the circumstances mentioned.

Since autumn 1980 production capacities have also been utilized for the manufacture of spare parts and prototype parts for BMW AG; these capacities will be enlarged for this purpose in future. Consequently capacity bottlenecks at BMW AG will be reduced and at the same time seasonal fluctuations in the demand for marine engines will be adjusted.

Increased developments indicate that the boat market will not recover in 1981. Nevertheless BMW Marine GmbH is pursuing its goal of increasing its market shares by a further expansion of the marketing organization. Program enlargements in the diesel engine sector will also contribute to this.

BMW Motorsport GmbH, Munich

The Procar-Series took place again in 1980. The individual qualifying races and the BMW M 1 created great public interest.

In the Formula 2 races BMW engines have successfully been competing for years. Third place was won in the European Championship. A BMW 320 won the touring car European Championship. As in previous years the company promoted motorsport by holding cup competitions and training courses for drivers.

Sales of BMW M 1 automobiles and the tuned BMW production model 535i took a favorable course.

Since the middle of 1980 activities not directly related to sports have been managed by BMW AG after a reorganization of the company. In this way the company can fully concentrate on its sporting commitments in 1981. In addition to the Formula 2 car and the participation of the homologous BMW M 1 in sporting events, work is now in progress involving the adaptation of BMW cars to the new sporting regulations effective in 1982.

Number one priority project is the

development of a Formula 1 turbo engine to be used in races in Brabham cars as early as 1981.

Schorsch Meier GmbH, Munich

Despite a further downward trend in the automobile business in the course of 1980, the company achieved the sales level of the previous year. Turnover and earnings were again entirely satisfactory in 1980.

BMW Kredit Bank GmbH, Frankfurt/M.

Since October 1, 1980 the company is a wholly owned subsidiary of BMW AG. Due to the change of the business year to the calendar year, the report on the company for 1980 refers to an abbreviated financial year of nine months.

In this period the company further expanded its position as a partner of the BMW dealer organization in all fields of purchase financing. Despite the general high level of interest rates the bank succeeded in offering its services at competitive conditions and in strengthening its ability to compete.

All financing programs were increasingly taken up by the dealers. New lendings and receivables from customers further increased. Favorable earnings were achieved due to a well balanced business policy.

A continuation of this positive development expected in 1981. Capital was raised by DM 1.0 million to DM 14.5 million at the beginning of 1981 to guarantee the capacity for performance in line with rising business volumes in the future.

BMW Leasing GmbH, Munich

In contrast to the general automobile business in 1980, the leasing business in the Federal Republic took a more favorable course. The total number of leased automobiles increased by 30% to almost 200,000 units.

Despite keener competition, BMW Leasing GmbH took overproportional advantage of this development and more than doubled its total customer contracts. This situation required an increase

in capital of DM 5.0 million to DM 10.0 million at the beginning of 1980.

After the company's market share in the total of leased automobiles increased in the previous year from 4% to 6%, it reached 9% in 1980. Thus the share of leased automobiles in domestic BMW registrations was almost 10% after 4% in the previous year.

Different reasons attributed to this favorable development. More and more companies used the advantages of leasing in a situation of tight liquidity. The broad scope of services provided by the company has become increasingly interesting for private customers as well. The BMW dealer organization was mainly responsible for this success.

It is anticipated that the 1980 growth rates in the leasing business will again be higher than those in the general automobile business.

Bavaria Wirtschaftsagentur GmbH, Munich

In the year under review the company further expanded its services especially in the fields of insurance broking and insurance consulting.

As in previous years, the constant handling of all the insurances for the companies of the BMW Group was the center of activity. Besides this, the employee related business and the placement of insurances for external companies continued to develop favorably. Significant increases in turnover were achieved in all fields of activity. The previous year's good earnings were again surpassed.

In 1981, further expansion is expected in all fields of activity.

Bavaria Lloyd Reisebüro GmbH, founded in the previous year with Euro Lloyd M.V.B. Reisebüro GmbH showed a favorable development in its second year.

The company's main activity centers on the handling of the travel arrangements of BMW AG and its subsidiaries. Furthermore the company handles the travel arrangements of an increasing number of companies and arranges

tourist travel for private customers.

A further increase in turnover is expected in 1981. Specific marketing measures will contribute to the care of the present customers and to acquiring new companies and private persons.

Profit and Loss Absorption Agreements

existed in the year under review with BMW Motorrad GmbH, BMW Marine GmbH, BMW Motorsport GmbH, Schorsch Meier GmbH, BMW Leasing GmbH and Bavaria Wirtschaftsagentur GmbH.

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

The economic development in the USA until the middle of 1980 was characterized by a short but severe decline. Due to a cyclical recovery in the latter part of the year, the gross national product almost reached the level of the previous year. In contrast, the rate of inflation increased in the course of the year to a new record level of 13.5%.

The value of the dollar strongly increased towards the end of the year due to the high interest rates and the dollar demand caused by oil prices.

As a result of the extremely high level of interest rates and the high costs for fuel, the demand for automobiles decreased significantly. Registrations were down 16% compared to the previous year. Especially the luxury class cars were affected. As in the previous year, especially American manufacturers suffered setbacks to a total of 21%. The market decline was essentially attributable to their products offered which did not conform to the market. Because fuel prices had been kept low for years huge, uneconomical cars have continued to be offered. Buyers increasingly purchased foreign cars of which 3% more were sold than in the previous year. The Japanese makes increased their share from 16% to 21%. The German manufacturers maintained their share of 3.4%.

Despite an overall declining market, BMW in 1980 achieved best ever sales in the sixth consecutive year. With more than 37,000 units sold, the previous year was surpassed by 7.2%; with this growth rate BMW was the fastest growing German manufacturer. Revenue and earnings of the company developed positively corresponding to the increased sales.

Effective October 1, 1980 BMW of North America took over the marketing of BMW motorbikes in the USA.

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

The cyclical downswing in the year under review in Italy took place later than in

the rest of Europe. Thus the real gross national product increased by 3% and therefore higher than in the neighboring countries. In contrast the country recorded the highest European rate of inflation of 21%. Also in 1980 the inflation was not adjusted by corresponding corrections to the exchange rate. As a result of this the competitive conditions for imported cars again improved significantly.

Despite a slight flattening in the last six months of the year the total domestic demand for automobiles was 20% higher than in 1979. Some 1.7 million automobiles were registered.

The number of registrations have not yet been finalized. With some 36,000 BMW automobiles and an increase of roughly 50% compared to the previous year Italy has almost caught up with BMW's present most important foreign market, the USA. Thus the market share would have increased from 1.6% to over 2%. According to estimations the share of BMW cars in the 2 liter class reached 40%.

The leasing business developed just as favorably. Compared to the previous year the number of contracts has almost doubled. In order to adjust to the increased volume, BMW founded its own leasing company in the year under review with a common stock of Lit 3 billion: BMW Italia Leasing S.p.A.

The increased sales of all BMW products had a very satisfactory impact on turnover and earnings. Measures involving reorganization and expansion of the dealer network were initiated at the end of the year. In connection with this the import center is being extended at the moment.

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

After an upturn in the first quarter of 1980 the business activity took a downswing in France as well in the course of the year corresponding to the worldwide economic development. Compared to the previous year the gross national product in real terms increased by only 1.5%. The main reason for this was the



In Austria, England and France BMW subsidiaries moved into new office buildings. These import centers were designed in line with the typical BMW corporate image.



significant decrease in exports due to the high inflation rate of 13.5% compared to its main trading partner, the Federal Republic; adjusted by the exchange rate of the Franc.

The French automobile industry was affected later in the year by the economic downswing than other Western manufacturing countries. Nevertheless registrations totalled 1.9 million units and were 5% under the level of the previous year. The sale of imported makes declined less than the total registrations, leading to a minor increase in their market share to 23%. The German manufacturers increased their market share slightly to 12%.

With 17,200 registrations BMW gained an increase of 15% compared to 1979 and with a market share of almost 1% achieved the best ever result in the history of BMW France. While all comparable classes in the total market and especially the big one decreased, BMW achieved increases everywhere compared to the previous year. 36% more big BMWs of the 6 and 7-Series were sold than in 1979.

Turnover and earnings of the company also developed favorably in the year under review.

In July 1980 the new company building of BMW France was opened in Bois d'Arcy near Versailles. After total investments of DM 14 million the new offices provide more than 130 work places for administration, training and customer service. The construction of a parts' warehouse in the Strasbourg harbor was commenced. In view of the rapid expansion of the business activity in recent years measures for reorganization and expansion of the dealer network were initiated at the end of the year.

Due to the increased business volume the common stock was raised to a total of FF 16.5 million until the end of April of 1981.

BMW (GB) Ltd., Bracknell, Great Britain

As of January 1, 1980, the company

took over the importing activities for all BMW products. At the same time the company moved into the new import center in Bracknell. This complex of buildings provides 200 work places for administration, training, customer and spare parts' service. Total investments amounted to DM 30 million.

The economic situation in 1980 in Great Britain was characterized by the government's rigorous policy of stabilization. A decrease in the real gross national product of 2.5% and an unemployment rate of almost 10% at the end of the year had to be accepted in order to curb the high inflation rate.

Compared to 1979 the automobile market shrank by 12% to 1.5 million units. The European manufacturers altogether and including the German imports were unable to maintain their market share of the previous year.

Although BMW (GB) Ltd. began its activities under unfavorable economic conditions, the market share increased slightly to 0.9%. All BMW model series have contributed to this. Sales of the big BMW automobiles were again encouraging. With roughly 3,000 big BMWs from a total of 13,500 registered BMW cars, the big BMWs in Great Britain achieved worldwide the highest share of total BMW sales.

Under these circumstances turnover and earnings developed very favorably.

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

It was not until the middle of 1980 that a downswing was anticipated in the Netherlands following a restrained economic upturn. The real gross national product with a growth rate of 1% and the inflation rate of 6.5% remained below the West European average. After 5% in the first quarter of 1980 the unemployment rate increased to 7.5% at year's end.

The automobile market however experienced a sharp decline. With 450,000 units the registrations were 20% below the level of the previous year. The European, amongst them the

German manufacturers as well, could not quite maintain their market share. This unfavorable market development was partly due to an extremely high tax burden placed on automobiles. The luxury tax for cars with a sale's price of more than DFL 22,000 was increased to 21.5% at the beginning of 1980. Thus the burden including the value added tax reached 39.5%.

Virtually the complete BMW model series was affected by this. With roughly 10,700 registered BMW automobiles the company nevertheless succeeded in expanding its market share from 2.1% to 2.4%.

Turnover and earnings corresponded to the sales' development.

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

Economic development also diminished in Belgium in 1980. The real gross national product increased slightly; the growth rate of 1% however was below the European average. The price increase remained under average at 6.5%. The unemployment rate increased from 7.5% to 10% in the course of the year.

With 400,000 units the registrations were about 5% below the level of the previous year. Japanese automobiles achieved a market share of 25% after 18%. This growth was achieved at the cost of the European manufacturers. The resulting decrease in sales of German makes was kept within limits.

The BMW registrations increased by 3% to 11,800 units. All BMW model series shared in this successful development. The big BMWs of the 6 and 7-Series developed most favorably. They reached a class-share of 23% after 18% in the previous year.

Under the circumstances mentioned, turnover and earnings developed well.

BMW (Schweiz) AG, Dielsdorf, Switzerland

In contrast to its West European neighboring countries the economic upswing accelerated in Switzerland in the course of 1980. The real gross national product

increased by 2%. The rate of inflation at 3% remained one of the lowest in Europe.

After a boom in registrations in the first quarter of 1980 the automobile cycle flattened in the course of the year. With 281,000 units the level of the previous year was slightly surpassed. The Japanese makes increased their share from 16% to 23%. This was mainly at the cost of European manufacturers. German makes as well suffered losses.

As in most automobile markets, also in Switzerland there were signs of a significant trend to smaller cars because of increased fuel prices. BMW however escaped this development in all comparable classes. The share in the total market was 11,400 registrations corresponding to a share of 4.1% and thus slightly above the previous year.

Turnover continued to increase; earnings were again satisfactory.

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

From the middle of 1980 on the boom in Austria was interrupted by a moderate downswing. The real gross national product exceeded the previous year's level by 3%. The price increase accelerated sharply to a rate of 6.5%.

Austria was one of the few Western automobile markets which escaped the generally declining development. With almost 228,000 units registered, the level was 6% higher than in the previous year. The market share of European manufacturers decreased in favor of Japanese makes from 87% to 79%. German manufacturers were only mildly affected by this.

With 7,600 registrations BMW altogether maintained last year's share of 3.3%. The most significant increases were achieved in the big comparable class; 25% more BMW 6- and 7-Series' models were sold than in 1979.

As a result of this, turnover and earnings of the company developed very satisfactorily.

Since the beginning of 1980 all Austrian dealers have been centrally

supplied with BMW parts from the newly erected parts' warehouse in Salzburg. After a construction period of one year and total investments of DM 23 million, the new import center for BMW Austria in Salzburg-Maxglan was assigned to its destination in May 1980.

BMW Australia Ltd., Melbourne, Vic., Australia

In 1980 the gross national product in Australia increased by 3% at an inflation rate of 10% mainly due to high investments for the development of new raw material sources. The demand for automobiles has been reserved. New registrations of 450,000 units were just 2% under the level of the previous year. Demand has further shifted from the traditionally popular big American eight and six cylinder models to smaller automobiles. Thus the share of Japanese manufacturers increased in one year from 48% to almost 55%.

The policy of limited automobile imports was continued in the year under review as well. Because of these measures and the import duties of roughly 58% introduced years ago, nearly all European import makes suffered and some makes recorded drastic sales' losses.

BMW was an exception. BMW Australia Ltd. gained an increase in registrations of 46% to 1,900 units compared to the previous year. The market share in the BMW comparable classes rose from 7% to nearly 11%. The reason for this extremely successful development was the brisk demand for the BMW 318i, introduced at the beginning of 1980. This car was judged "Car of the Year" in the luxury class by the leading Australian automobile magazine at the beginning of 1981. All other BMW models were also increasingly in demand. It is worth mentioning the positive development of the big BMW models of the 7-Series here as well.

Because of high investments for the expansion of the market position, earnings could not keep up with the sales' development.

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

The share of passenger cars with diesel engines has constantly been increasing in the past years on the big automobile markets. Especially France and the USA recorded high growth rates in the year under review. It is anticipated that this trend will continue to prevail because of the low fuel consumption of diesel engines.

For the company the year under review was characterized by further construction. Since the middle of 1979 the engine plant in Steyr/Upper Austria has been under construction. The first important stage of construction was completed in September 1980; the development center was officially assigned to its destination on October 17. Because of the future importance of the BMW-STEYR Motoren Gesellschaft for the Austrian economy this event received wide recognition by the public. After a construction period of just under one year and investments of AS 300 million, very modern equipment is available for about 150 employees to speed up the development work in the field of diesel engines.

Two tasks comprise the focal point of activity. The four and six cylinder diesel engines with direct injection and exhaust turbo charger started by Steyr-Daimler-Puch will be further developed. At the same time the BMW six cylinder diesel engine, which has reached production stage, is being prepared for series production.

Both engines are light weight, high powered, quiet and low consumption diesel engines, which meet to a high degree the increasing demands concerning economic energy consumption and low environmental effects.

The construction of the production and assembly shops and the auxiliary buildings has progressed so that the final shape of the complex of buildings is recognizable. The company decided to extend production capacities significantly in contrast to the original plan in order to set up a flexible production for

petrol and diesel engines and to be in a position to supply third parties to a higher extent. Despite these changes in the plans work progresses so steadily that the commencement of series production can be put forward by a few months.

AS 860 million were invested in 1980. Capital was increased from AS 50 million to AS 250 million; in spring 1981 it was raised to AS 800 million.

The company employed 190 persons at year's end 1980, almost 100 of these in the new development center. In 1981 the number of employees will significantly increase as not only the production will be intensively prepared but also the development will be further expanded. Compared to 1980 the volume of investments will considerably increase. The investment emphasis is on machinery and equipment, especially transfer lines with a high degree of automatization.

In the year under review the company noted a lively international interest in its future products. Negotiations with a big American automobile manufacturer for the supply of diesel engines for American and Canadian automobiles are ready to be completed. In line with the goal of the cooperation, the new company has taken a first important step in establishing itself as a manufacturer and supplier of high quality diesel engines in the market.

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

In South Africa the economic upswing, recognizable even in the previous years, stabilized in 1980 at a high level and included all fields of business, particularly the automobile sector as well. The gross national product grew by 8% with a, however, high inflation rate of just under 14%. The total registrations increased by 30% to 277,000 units. Of these, the lower automobile class increased overproportionally by 38%; the sectors of the upper and luxury classes in which BMW is represented, achieved a growth rate of 20%.

Despite being limited to the upper market segment of the 5 and 7-Series, BMW increased registrations by 37% to 11,218 units. BMW's leading position in the market segment of the 5-Series was thus further expanded. The BMW 7 automobiles for the first time recorded the highest registrations in their class. For the first time as well the BMW total market share reached 4%.

The high demand for BMW cars required the full utilization of capacities with overtime work and special shifts. Although exports were limited to 1,200 cars as in the previous year, the demand could only be partly satisfied. Order backlogs and delivery times increased. In view of this situation measures were adopted in the course of the year under review to double the production capacity in several steps. Accordingly capital was increased from Rand 8.9 million to Rand 12.9 million at the beginning of 1980.

At year's end the work force comprised 1,605 employees. More than 400 new work places were created in the course of the year, most of them for black employees.

Measures for equalization of all employees initiated in the previous years were successfully continued in 1980. Due to training programs over several years more than half of all foreman positions and more than 80% of the jobs in the quality control are now filled by black employees.

In order to encounter the critical lack of technically qualified personnel, more emphasis was placed on the technical training of apprentices. Also eight black employees were included in this program for the first time in 1980.

During the course of the year two wage negotiations took place between the labor council and the management. These wage negotiations led to sharp wage increases especially in the lower wage groups. Effective January 1, 1981, the minimum wage amounted to 1.60 Rand and is thus far above the EEC code of conduct level.

The company's turnover increased sharply in 1980; earnings continued to improve. A positive development under the existing production capacities is also expected in 1981.

Finance

During the year under review, BMW AG invested DM 739 million in tangible and intangible fixed assets and DM 39 million in participations. To finance this, DM 345 million were available from depreciation and retirement of tangible fixed assets, DM 60 million from the transfer to reserves from net income, DM 48 million from the increased pension fund provisions and liabilities to the benevolent fund and DM 47 million from the decrease in other financial assets earmarked for this purpose in the preceding years.

In this way, 64% of investments (97% in the previous year) were covered by internally generated financing.

To finance fixed assets at matching maturities, long-term loans were raised by DM 186 million. Besides this, registered dividend right certificates were issued in the amount of DM 11 million.

Mainly because of high investments, the liquidity of BMW AG in the amount of DM 99 million was utilized as well.

The increase in receivables from subsidiaries is attributable to the expanded business activities of the domestic and foreign subsidiaries of BMW.

Sources and Application of Funds 1980

DM million

Application of funds		Sources of funds	
Investments		Depreciation and retirement	
in tangible fixed assets	738.9	of tangible fixed assets	344.7
Investments		Increase in pension fund	
in participations	39.1	provisions and liabilities	
		to benevolent fund	48.3
		Decrease in other	
		financial assets	47.2
		Transfer to other reserves	
		from net income	60.0
		Increase	
		in long-term liabilities	185.6
		Issue of registered	
		dividend right certificates	11.3
Long-term	778.0	Long-term	697.1
Increase in inventories	41.4	Increase	
Increase		in other provisions	43.4
in trade		Increase	
receivables ¹⁾	10.5	in trade payables	41.4
Increase in receivables		Increase	
from subsidiaries		in miscellaneous liabilities	
(less liabilities)	57.5	(incl. advance payments received)	33.4
Increase		Decrease	
in miscellaneous assets		in liquid funds	99.1
(incl. advance payments made)	27.0	Balance sheet profit	100.0
Distribution for the previous year	100.0		
Short-term	236.4	Short-term	317.3
	1,014.4		1,014.4

¹⁾ less general allowance for doubtful accounts

The increase in the balance sheet total from DM 3.2 billion to DM 3.6 billion is mainly attributable to the increase in long-term items owing to the high investments.

Therefore structure and cover ratios in assets and capital have changed. Fixed assets amount to 55% of the balance sheet total compared to 50% in the previous year and shareholders' equity decreased from 34% to 32%.

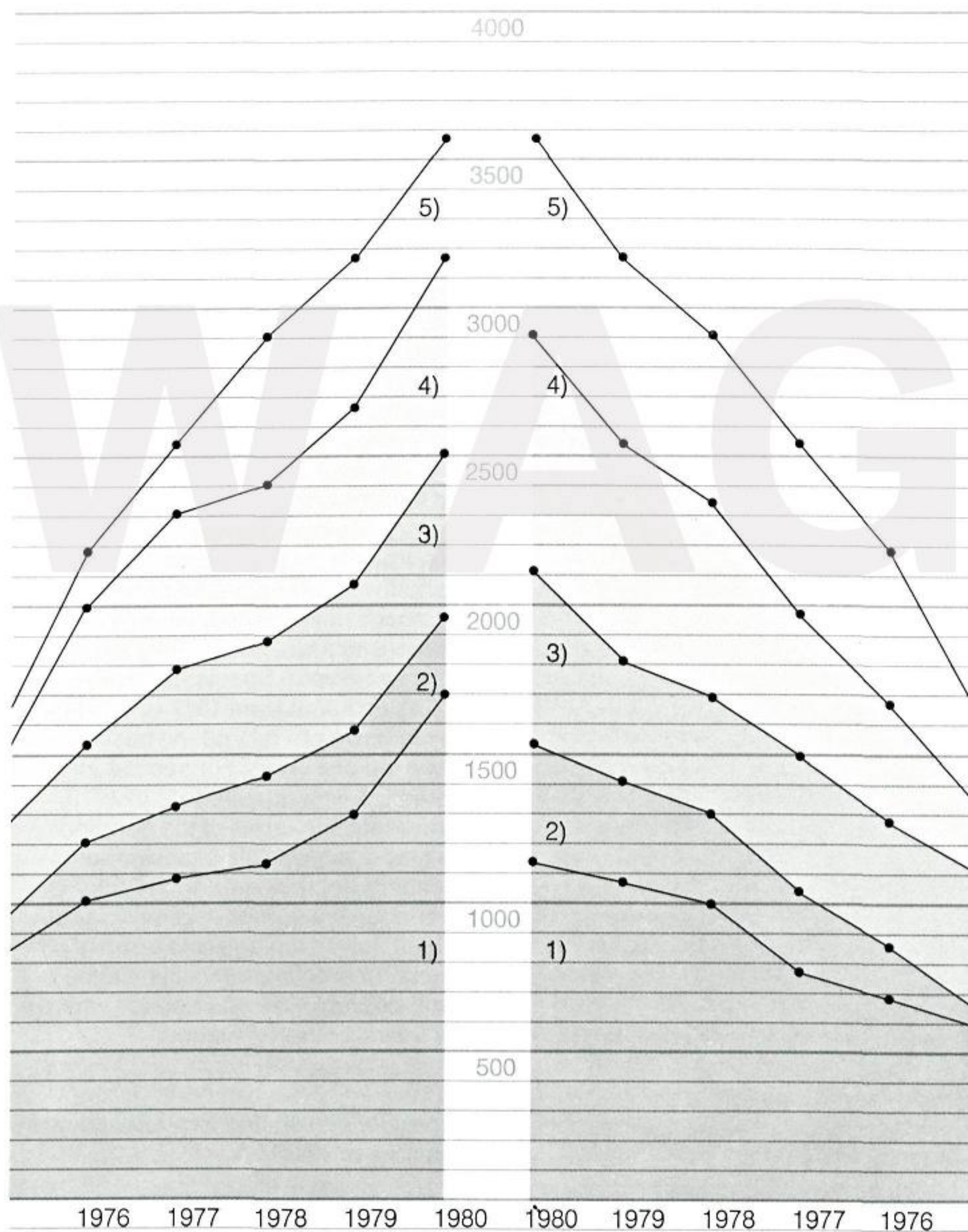
Fixed assets are covered 108% (115% in the previous year) by long-term funds.

Shareholders' equity and pension fund provisions and liabilities to the benevolent fund now amount to 72% (79% in the previous year) of long-term funds.

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 valued at cash purchase price or manufacturing cost less normal depreciation based on write-off in a maximum of 25–50 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. Special-to-product tooling acquired from 1977 onwards was written down pro rata on the basis of a useful life of 4 years. 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. Again in 1980, 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 3.45 million sq. meters (3.24 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 1980, DM 10.7 million was paid in rent. A heritable building right on the land is registered in favor of the company which owns the building.

Depreciation relating to additions and transfers in 1980	Additions and transfers in DM million	Depreciation in DM million
Real estate without buildings and with office, factory and other buildings (including residential buildings)	188.0	10.5
Buildings on land not owned	1.1	0.5
Machinery and equipment	413.6	60.3
Furniture and fixtures	46.5	27.1
	649.2	98.4

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 46 million relate to the purchase of the outside shareholding interests in BMW Kredit Bank GmbH, Frankfurt/M., as well as to capital increases of BMW Leasing GmbH, Munich, BMW Kredit Bank GmbH, Frankfurt/M., BMW-STEYR Motoren Gesellschaft m.b.H., Steyr and BMW (South Africa) (Pty) Ltd., Pretoria.

The write-down of DM 7 million relates to an addition in 1980 and takes into account a single risk existing abroad.

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

The retirements in loans with a minimum term of 4 years and in securities relate mainly to scheduled repayments of long-term items employed by definition to finance additions to fixed-assets. The remaining loans and securities amounting to DM 127 million continue to serve as a long-term liquidity provision of BMW AG. 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 8.4% 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 increased by 10% compared to the previous year. Of these, 73% comprise foreign receivables. Receivables from subsidiaries increased mainly because of the higher financing of the business of BMW Leasing GmbH, Munich.

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 reduction in liquidity by 20% is explained in the section on Finance.

Miscellaneous assets, which rose by DM 27 million, include real estate earmarked for future utilization in the Concern, bonded loans, and 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 60 million from net income for the year under review was allocated to other reserves. Reserves now amount to DM 646 million.

Registered dividend right certificates

In 1980, the shareholders' general meeting approved the issue of registered dividend right certificates, the conditions of which are explained in detail in the Personnel and Social Report. The employees subscribed to DM 11 million in the scope of this employees' capital formation model.

General allowance for doubtful accounts

As in the previous year, a provision of 2.5% for domestic and 5.0% 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

Compared to the previous year, pension fund provisions increased by DM 45 million because of the increase of the actuarially calculated part value and because of the enlarged circle of beneficiaries.

The actuarial calculations are based on an interest rate of 5.5%. DM 284 million of the pension fund provisions is allocated to expectancies and DM 59 million to current pensions.

The covering capital fund of the BMW benevolent fund, whose circle of beneficiaries has remained unchanged since 1976 was raised by DM 3 million to DM 52 million. This addition mainly serves as security for non-recurring payments to employees.

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 increased by DM 186 million in the year under review, and were used to finance the higher fixed assets.

Land charges valued at DM 48 million on the balance sheet date provide security for these loans. Foreign exchange liabilities were shown at their 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 to 1978. In the year under review, these were reduced by DM 3 million to DM 21 million mainly by scheduled repayments of the issue year 1974.

Other liabilities

Trade payables increased by DM 41 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 obligations mainly involve such obligations in the case of subsidiaries.

Statement of income

As a result of increased sales abroad, the production capacities were fully utilized in the year under review.

The total value of production of the company rose by 5.1% from DM 6.613 million to DM 6.953 million.

Expenses for raw materials, supplies and merchandise purchased – after deduction of discounts – increased by 10.4% to DM 3.676 million in the year under review.

This development is attributable to higher costs for materials and to changes in the sales structure. Gross income of DM 3.3 billion was at the same level as in the previous year.

Income from other financial assets and other interest and similar income remained virtually unchanged compared to the previous year, while interest and similar expenses for credits and loans increased by 23% because of the higher financing of investments.

Interest received exceeded expenses on interest by DM 25 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, profits from rates of exchange and further settlements for services.

Wages and salaries and social security contributions are up 10%, as a result of collectively agreed and discretionary increases in wages and salaries and higher legal and collective social expenses.

Expense structure relative to total value of production

Total value of production

	1976	1977	1978	1979	1980
DM million	4,300.6	5,063.0	5,954.7	6,612.8	6,953.1
%					
Material expenses	51.5	51.8	50.2	50.3	52.9
Personnel expenses	26.4	26.7	24.2	24.6	25.6
Depreciation	3.7	4.4	4.2	4.5	4.7
Other expense and income items offset	10.8	9.8	12.6	11.9	10.2
Taxes	4.7	4.8	6.3	6.1	4.3
Net income	2.9	2.5	2.5	2.6	2.3

Compared to the previous year, expenses for old-age pensions and benefits remained virtually unchanged.

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 36 million (12.1%) higher than in the previous year. This increase is mainly the result of the high volume of investment in the year under review.

The decrease of DM 103 million in taxes on income, profits and property is the result of a changed earnings situation.

Miscellaneous expenses include expenses for administration and marketing, for 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 1980 business year will amount to DM 5,994,199 that of the former members of the Managing Board and of their surviving dependants to DM 761,223. The total remuneration of the Supervisory Board for 1980 amounted to DM 1,170,000.

Balance sheet profit

The financial statement for the year ending December 31, 1980, 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 1981

Bayerische Motoren Werke
Aktiengesellschaft

The Managing Board

with comparative figures for the previous year

	Jan. 1, 1980	Additions	Transfers	Retire- ments	Depre- ciation	Dec. 31, 1980	Dec. 31, 1979
	DM	DM	DM	DM	DM	DM	DM

Real estate and equivalent rights with office, factory and other buildings	364,392,376	83,820,463	+	103,019,552	1,003,626	30,033,769	520,194,996	364,392,376
Real estate with residential buildings	8,849,233	22,468	+	79,911	159,646	375,139	8,416,827	8,849,233
Real estate without buildings	16,238,147	1,083,378	+	930	647,719	602,276	16,072,460	16,238,147
Buildings on land not owned	27,994,463	1,173,955	-	100,486	9,576	3,485,064	25,573,292	27,994,463
Machinery and equipment	585,860,429	342,914,863	+	70,650,651	5,534,292	253,222,281	740,669,370	585,860,429
Furniture and fixtures	47,890,571	43,681,299	+	2,845,208	2,594,607	42,366,995	49,455,476	47,890,571
Construction in progress and advances for fixed assets	261,116,802	266,201,916	-	176,495,766	4,683,714	-	346,139,238	261,116,802
Patents	1	-	-	-	-	-	1	1
	1,312,342,022	738,898,342	-	14,633,180	330,085,524	1,706,521,660	1,312,342,022	

Investments in participations	104,216,801	46,121,524	—	—	7,034,519	143,303,806	104,216,801
Securities	49,531,600	—	—	21,630,400	361,380	27,539,820	49,531,600
Loans with a minimum term							
of four years	124,427,275	3,329,784	—	25,012,215	3,547,040	99,197,804	124,427,275
— thereof secured by							
mortgages: DM 5,575,378	—						
	278,175,676	49,451,308	—	46,642,615	10,942,939	270,041,430	278,175,676
						1,976,563,090	1,590,517,698

Raw materials and supplies	143,093,974	153,657,189
Work in progress	93,446,006	96,548,417
Finished products, trading stocks	299,741,695	244,645,813
	536,281,675	494,851,419

Advance payments	1,308,501	881,498
Trade receivables – thereof with a maturity of more than one year: – DM –	129,390,926	117,458,856
Notes receivable – thereof rediscountable at the Federal Reserve Bank: DM 3,131,186 –	4,337,527	2,400,491
Cash on hand, deposits at the Federal Reserve Bank and at postal cheque accounts	1,409,270	1,209,636
Cash with banks	173,211,596	167,485,816
Marketable securities	217,464,617	324,406,969
Receivables from subsidiaries	351,680,297	301,111,440
Receivables resulting from loans granted under sec. 89 AktG (Corporation Law)	992,433	850,574
Miscellaneous assets	201,755,305	174,233,412
	1,081,550,472	1,090,038,692
	1,617,832,147	1,584,890,111

III. Prepaid Expenses	1,341.897	2,481.567
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3.595,737,134 3.177,889,376

Shareholders' Equity and Liabilities

		Dec. 31, 1980	Dec. 31, 1979
	DM	DM	DM
I. Common Stock		500,000,000	500,000,000
II. Reserves			
Legal reserves		127,083,250	127,083,250
Other reserves			
Retained earnings	459,188,750		
Transfer from 1980 net income	60,000,000	519,188,750	459,188,750
		646,272,000	586,272,000
III. Registered Dividend Right Certificates		11,310,375	—
IV. General Allowance for Doubtful Accounts		6,957,260	5,587,291
V. Pension Fund Provisions and Liabilities			
Pension fund provisions		342,516,609	297,075,250
Liabilities to BMW benevolent fund		51,811,299	48,960,000
		394,327,908	346,035,250
VI. Other Provisions			
Provisions for deferred maintenance		15,000,000	15,000,000
Miscellaneous provisions		771,912,191	728,548,475
		786,912,191	743,548,475
VII. Liabilities with a Term Exceeding Four Years			
Loans — thereof secured by mortgages:	DM 37,000,000 —	83,272,000	90,272,000
Due to banks		466,727,610	271,134,800
— thereof secured by mortgages:	DM 10,500,000 —		
Miscellaneous liabilities		24,219,283	27,168,764
Of item VII, due in less than four years:	DM 316,892,458		
		574,218,893	388,575,564
VIII. Other Liabilities			
Trade payables		413,979,257	372,648,826
Advance payments received		4,786,975	3,346,023
Liabilities to subsidiaries		45,539,392	52,433,575
Miscellaneous liabilities		111,427,634	79,235,403
		575,733,258	507,663,827
IX. Deferred Income		5,249	206,969
X. Balance Sheet Profit		100,000,000	100,000,000
		1980	1979
		DM	DM
Contingent liabilities on rediscounted notes receivable		214,974,660	152,021,527
Guarantees — thereof for subsidiaries:	DM 8,199,102 —	8,199,102	10,155,606
Joint and several guarantee for SF bond of BMW Overseas Enterprises N. V., Curaçao		222,100,000	217,000,000
Contingent liabilities under warranty contracts		—	275,125
Mortgages for liabilities of others		—	150,000
		3,595,737,134	3,177,889,376

Statement of Income of BMW AG for the year ended December 31, 1980

with comparative figures for the previous year

Net sales
Increase of finished products and work in progress
Other company-produced additions to tangible fixed assets
Total value of production
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 liquidation of provisions
Miscellaneous income – thereof extraordinary income: DM 16,695,557 –
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 6,819,631 for old-age pensions.
In the next five years, old-age pension payments will probably amount to 119% of the cited amount in 1981, 133% in 1982, 149% in 1983, 166% in 1984 and 193% in 1985.
A total of DM 3,100,000 was allocated to the BMW benevolent fund as unique allowances.
These allocations are subject to the annual resolution of the Management.

Bayerische Motoren Werke
Aktiengesellschaft

The Managing Board

DM	1980 DM	DM	1979 DM
	6,898,518,498		6,500,266,105
	+ 30,047,453		+ 37,321,757
	6,928,565,951		6,537,587,862
	24,557,840		15,175,705
	6,953,123,791		6,612,757,648
	3,675,633,506		3,327,759,004
	3,277,490,285		3,284,998,644
	10,826,279		10,005,896
	26,066,731		3,611,750
	10,492,979		14,211,530
	69,867,427		61,185,706
	3,351,075		30,181,294
	16,524,262		8,007,800
	62,599,388		51,289,100
	199,728,141		131,510,100
	3,477,218,426		3,416,509,082
	1,512,066,921		1,373,216,853
	215,218,955		192,998,600
	53,798,303		19,900,000
	330,085,524		294,500,000
	10,942,939		4,310,000
	13,090,012		26,000,000
	4,068,363		4,294,000
	55,126,576		41,000,000
298,145,726		400,730,907	
2,385,004	300,530,730	3,265,651	403,006,558
	7,778,952		14,247,106
	814,511,151		822,549,002
	3,317,218,426		3,241,509,082
	160,000,000		175,000,000
	60,000,000		75,000,000
	100,000,000		100,000,000

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

Munich, April 2, 1981

Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Clemm
Auditor

von Lippmann
Auditor

Consolidated Annual Report (Domestic)

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

To the consolidated companies of the previous year, BMW Kredit Bank GmbH, Frankfurt/M., has been added.

The following domestic companies are now included:

Scope of consolidation	Common stock on 31. 12. 1980 DM million	Interest
Bayerische Motoren Werke AG, Munich (BMW AG)	500.00	
BMW Motorrad GmbH, Munich	12.00	100% BMW AG
BMW Marine GmbH, Munich	6.00	100% BMW AG
BMW Leasing GmbH, Munich	10.00	100% BMW AG
BMW Kredit Bank GmbH, Frankfurt/M.	13.50	100% BMW AG
BMW Motorsport GmbH, Munich	0.02	100% BMW AG
Schorsch Meier GmbH, Munich	0.30	100% BMW AG
Fahrzeug- und Maschinenfabrik GmbH Landshut, Landshut	0.30	100% Schorsch Meier GmbH
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
BMW Grundstücksgesellschaft Berlin GmbH, Berlin	0.02	100% 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, because of minor importance.

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 important Concern 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 11.6 million. This sum is the difference between the voluntary reserves set up by the subsidiaries and the premium paid when shares in the member companies in the Concern were acquired.

Compared to the previous year, the change resulted from BMW Kredit Bank GmbH which was consolidated for the first time. Because of this, an equalizing item on consolidation on the asset side had to be accounted for in the amount of DM 4.3 million.

Assets and liabilities were shown as in the separate annual financial statement. 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 Marine GmbH and Schorsch Meier GmbH. After the inclusion of BMW Kredit Bank GmbH in the consolidated financial statement, significantly higher trade receivables compared to the balance sheet of BMW AG had to be disclosed. On the other hand, short-term liabilities to banks, which correspond to a customary financing in banking had to be shown for the first time in years.

The increase in long-term liabilities to banks by DM 404 million compared to the previous year is attributable to the higher long-term financing needs of BMW AG and 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 (Corporation Law). The net income of the Concern at DM 163.3 million exceeds the net income of BMW AG at DM 160.0 million by DM 3.3 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, 1980

with comparative figures for the previous year

Assets

	Dec. 31, 1980 DM	Dec. 31, 1979 DM
I. Fixed and Financial Assets		
Tangible and Intangible		
Fixed Assets		
Real estate and equivalent rights with office, factory and other buildings	551,582,849	379,952,789
Real estate with residential buildings	8,416,827	8,849,233
Real estate without buildings	16,072,460	16,238,147
Buildings on land not owned	26,565,043	29,072,003
Machinery and equipment	760,593,533	598,874,616
Furniture and fixtures	422,560,449	216,188,555
Construction in progress and advances for fixed assets	348,400,449	274,510,003
Patents	1	1
	2,134,191,611	1,523,685,347
Financial Assets		
Investments in participations	63,975,023	54,411,694
Securities	27,539,820	49,531,600
Loans with a minimum term of four years	99,426,613	124,677,756
— thereof secured by mortgages: DM 5,575,378 —		
	190,941,456	228,621,050
	2,325,133,067	1,752,306,397
II. Current Assets		
Inventories		
Raw materials and supplies	169,252,820	173,894,499
Work in progress	108,545,853	109,558,085
Finished products, trading stocks	332,052,946	272,631,609
	609,851,619	556,084,193
Other Current Assets		
Advance payments	3,022,718	883,451
Trade receivables — thereof with a maturity of more than one year: — DM —	505,713,326	158,179,486
Notes receivable — thereof rediscountable at the Federal Reserve Bank: DM 5,359,908 —	9,812,227	2,688,875
Cash on hand, deposits at the Federal Reserve Bank and at postal cheque accounts	12,054,508	1,486,577
Cash with banks	216,867,225	197,162,895
Marketable securities	217,464,616	324,406,969
Receivables from subsidiaries	211,910,341	205,379,869
Receivables resulting from loans granted under sec. 89 AktG (Corporation Law)	992,433	850,574
Miscellaneous assets	206,960,828	196,244,471
	1,384,798,222	1,087,283,167
	1,994,649,841	1,643,367,360
III. Prepaid Expenses	3,684,735	2,910,616
	4,323,467,643	3,398,584,373

Shareholders' Equity and Liabilities

	Dec. 31, 1980	Dec. 31, 1979
	DM	DM
I. Common Stock	500,000,000	500,000,000
II. Reserves		
Legal reserves	127,083,250	127,083,250
Other reserves		
Retained earnings	459,188,750	
Transfer from 1980 net income	60,000,000	459,188,750
	646,272,000	586,272,000
III. Consolidation Reserve	11,620,918	15,926,285
IV. Minority Interests	23,628	46,082
— thereof net income share: DM 13,828 —		
V. Registered Dividend Right Certificates	11,310,375	—
VI. General Allowance for Doubtful Accounts	8,560,824	6,907,472
VII. Pension Fund Provisions and Liabilities		
Pension fund provisions	357,302,738	309,382,925
Liabilities to BMW benevolent fund	51,811,299	48,960,000
	409,114,037	358,342,925
VIII. Other Provisions		
Provisions for deferred maintenance	15,703,090	15,812,000
Miscellaneous provisions	811,430,406	787,042,142
	827,133,496	802,854,142
IX. Liabilities with a Term Exceeding Four Years		
Loans — thereof secured by mortgages: DM 37,000,000 —	83,272,000	90,272,000
Due to banks	722,483,605	318,292,603
— thereof secured by mortgages: DM 64,882,551 —		
Miscellaneous liabilities	24,219,283	27,168,764
Of item IX, due in less than four years: DM 546,288,453		
	829,974,888	435,733,367
X. Other Liabilities		
Trade payables	464,070,954	406,458,135
Due to banks	320,544,481	—
Advance payments received	5,259,580	4,188,433
Liabilities to subsidiaries	39,242,256	22,258,331
Miscellaneous liabilities	127,802,142	89,432,830
	956,919,413	522,337,729
XI. Deferred Income	9,049,215	62,358,878
XII. Consolidated Balance Sheet Profit	113,488,849	107,805,493
	1980	1979
	DM	DM
Contingent liabilities on rediscounted notes receivable	56,802,556	152,021,527
Guarantees — thereof for subsidiaries: DM 8,003,182 —	8,238,387	10,155,606
Joint and several guarantee for SF bond of BMW Overseas Enterprises N. V., Curaçao	222,100,000	217,000,000
Contingent liabilities under warranty contracts	—	5,025,378
Mortgages for liabilities of others	—	150,000
	4,323,467,643	3,398,584,373

Consolidated Statement of Income for the year ended December 31, 1980

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

	1980		1979
DM	DM	DM	DM
	7,261,102,084		6,833,170,902
	6,468,066,924		5,954,308,889
	793,035,160		878,862,013
	26,208,642		3,650,470
	10,493,679		14,241,530
	75,904,566		63,202,454
	19,977,239		14,212,756
	76,014,705		36,235,842
	208,598,831		131,543,052
	1,001,633,991		1,010,405,065
	452,619,609		373,987,624
	10,941,439		4,315,336
	67,491,191		47,753,220
304,129,797		403,346,746	
3,150,671	307,280,468	3,885,845	407,232,591
	838,332,707		833,288,771
	163,301,284		177,116,294
	10,201,393		5,724,481
	60,000,000		75,000,000
	13,828		35,282
	113,488,849		107,805,493

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 2, 1981

Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Saur
Auditor

von Lippmann
Auditor

BMW AG

Ten Year Survey

		1971	1972	1973
Sales ¹⁾	DM million	1,907.1	2,319.3	2,608.0
Increase (decrease)	%	+10.6	+21.6	+12.5
Export share	%	40.8	42.9	46.2
Production automobiles	units	164,701	182,858	197,446
Production motorbikes ²⁾	units	18,772	21,122	20,856
Automobile sales	units	166,354	185,188	193,978
Motorbike sales ²⁾	units	18,898	21,045	19,918
Investments in tangible fixed assets	DM million	153.6	250.3	250.0
Additions to investments in participations	DM million	1.5	5.3	9.6
Depreciation on tangible fixed assets	DM million	112.7	123.4	128.2
Personnel at end of year		23,307	24,750	27,737
Wage earners		17,051	17,945	20,079
Salaried employees		5,336	5,769	6,522
Fixed assets	DM million	598.2	720.5	884.6
Current assets	DM million	455.8	562.6	681.0
Common stock	DM million	250.0	250.0	275.0
Reserves ⁴⁾	DM million	204.3	255.9 ⁵⁾	273.2
Shareholders' equity	DM million	454.3	505.9 ⁵⁾	548.2
as % of fixed assets	%	75.9	70.2 ⁵⁾	62.0
Long-term liabilities ⁶⁾	DM million	313.0	311.2	399.6
Shareholders' equity and long-term liabilities	DM million	767.3	817.1 ⁵⁾	947.8
as % of fixed assets	%	128.3	113.4 ⁵⁾	107.1
Balance sheet total	DM million	1,054.0	1,283.7	1,566.1
Material expenses	DM million	1,028.3	1,176.4	1,363.4
as % of total value of production	%	54.0	50.6	50.8
Personnel expenses ⁷⁾	DM million	451.8	539.6	678.0
as % of total value of production	%	23.7	23.2	25.2
Taxes on income, profits and property	DM million	39.7	147.7	153.5
Net income	DM million	32.2	92.9	93.2
Dividends	DM million	27.0	40.0	49.5
Dividend in %	%	12	16	18

¹⁾ without value added tax

²⁾ since 1976, BMW Motorrad GmbH

³⁾ offset against retirements (only in 1977 and 1978)

⁴⁾ until 1976 including special items containing reserves

⁵⁾ including profit on merger with Schorsch Meier Vermögensverwaltung GmbH, Dingolfing

⁶⁾ pension fund provisions, liabilities to BMW benevolent fund, liabilities with a term exceeding four years

⁷⁾ wages and salaries, social security contributions, expenses for old-age pensions and benefits

⁸⁾ proposal of the Management

1974	1975	1976	1977	1978	1979	1980
2,492.3	3,254.5	4,287.0	4,993.0	5,959.2	6,560.3	6,898.5
- 4.4	+ 30.6	+ 31.7	+ 16.5	+ 19.4	+ 10.1	+ 5.2
46.6	40.7	47.3	47.0	47.6	48.0	55.0
188,965	221,298	275,022	290,236	320,853	336,981	341,031
23,160	25,566	28,209	31,515	29,580	24,415	29,260
184,330	226,688	275,596	288,260	321,196	335,132	339,232
25,189	25,553	28,171	31,231	26,592	27,339	29,263
159.4	167.3	320.8	335.1	304.9	472.8	738.9
6.4	47.0	32.4	3.4 ³⁾	4.5 ³⁾	4.5	46.1
139.4	142.8	160.5	222.5	249.6	294.4	330.1
25,805	28,989	30,192	33,398	35,171	36,777	37,246
18,338	21,043	21,554	23,804	24,815	25,461	25,118
6,385	6,590	6,979	7,786	8,408	9,294	10,022
903.3	986.0	1,216.7	1,353.4	1,450.9	1,590.5	1,976.6
589.7	710.3	981.4	1,203.7	1,487.5	1,587.4	1,619.1
300.0	300.0	330.0	396.0	500.0	500.0	500.0
284.7	303.6	365.6	391.5	511.3	586.3	646.3
584.7	603.6	695.6	787.5	1,011.3	1,086.3	1,146.3
64.7	61.2	57.2	58.2	69.7	68.3	58.0
402.5	520.5	582.2	711.7	694.2	734.6	979.8
987.2	1,124.1	1,277.8	1,499.2	1,705.5	1,820.9	2,126.1
109.3	114.0	105.0	110.8	117.5	114.5	107.6
1,493.7	1,697.2	2,198.1	2,557.1	2,938.4	3,177.9	3,595.7
1,356.2	1,709.3	2,213.1	2,620.9	2,989.5	3,327.8	3,675.6
53.9	52.8	51.5	51.8	50.2	50.3	52.9
728.0	902.7	1,135.6	1,350.8	1,439.2	1,626.3	1,781.1
29.0	27.9	26.4	26.7	24.2	24.6	25.6
22.7	84.4	200.5	242.2	374.6	400.7	298.1
42.0	74.0	126.0	125.3	150.6	175.0	160.0
42.0	54.0	63.0	65.3	80.6	100.0	100.0 ⁸⁾
14	18	20	18	18	20	20 ⁸⁾

Supervisory Board

Hans Graf von der Goltz
Bad Homburg v. d. H.
Chairman since June 19, 1980
Deputy Chairman until June 19, 1980
Businessman

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

Dr. h. c. Herbert Quandt
Bad Homburg v. d. H.
Deputy Chairman since June 19, 1980
Chairman until June 19, 1980

Norbert Fischer*
Frankfurt/Main
Deputy Chairman
Member of the Managing Board
of IG Metall

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

Helmuth Baumgärtner*
Dingolfing
Member of the Labor Council
of BMW AG, Dingolfing plant

Klaus Bernhardt*
Frankfurt/Main
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
Member of the Managing Board of the
Bank für Gemeinwirtschaft AG

Franz Köhne*
München
Head of Technical Central
Planning Department of BMW AG

Dr. Hans Meinhardt
Wiesbaden
Chairman of the Managing Board
of Linde AG

Prof. Dr. Rudolf Nirk
Karlsruhe
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
President of the Chamber of
Commerce in Hamburg

Willi Seidel*
Landshut
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
Chairman of the Managing Board
of Maschinenfabrik Goebel GmbH

Dr. Kurt Wessing
Düsseldorf
Lawyer

Hans Winschin*
München
Member of the Labor Council
of BMW AG, Munich plant

* elected by the employees

Managing Board

Eberhard v. Kuenheim
Chairman

Volker Doppelfeld
Finance and Controlling
since April 8, 1981

Dr. Erich Haiber
Finance and Controlling
until April 7, 1981

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

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