Quarterly Report
to 30 September 2008

Q3

Rolls-Royce
Motor Cars Limited

BMW Group

BMW Group in figures

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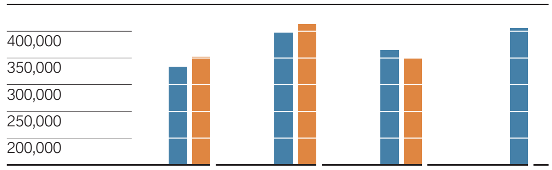
		3rd quarter 2008	3rd quarter 2007	Change in %
Vehicle production				
Automobiles	units	334,976	371,569	–9.8
Motorcycles[1]	units	23,284	20,299	14.7
Deliveries to customers				
Automobiles	units	349,098	364,564	–4.2
Motorcycles[2]	units	24,818	23,549	5.4
Workforce at end of quarter[3]		**103,625**	**107,731**	**–3.8**
Operating cash flow	euro million	**1,070**	**1,678**	**–36.2**
Revenues	euro million	**12,588**	**13,778**	**–8.6**
Profit before financial result (EBIT)	euro million	**387**	**973**	**–60.2**
Thereof:				
Automobiles	euro million	141	788	–82.1
Motorcycles	euro million	–5	7	–
Financial Services	euro million	–26	176	–
Reconciliations	euro million	277	2	–
Profit before tax[4]	euro million	**279**	**765**	**–63.5**
Thereof:				
Automobiles	euro million	18	704	–97.4
Motorcycles	euro million	–7	5	–
Financial Services	euro million	–17	191	–
Reconciliations	euro million	285	–135	–
Income taxes	euro million	**19**	**38**	**–50.0**
Net profit	euro million	**298**	**803**	**–62.9**
Earnings per share[5]	euro	**0.45/0.45**	**1.22/1.22**	**–63.1/–63.1**

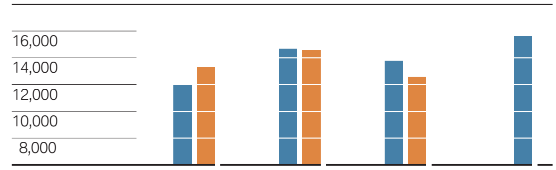
1] including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy, excluding Husqvarna Motorcycles (1,238 units)
2] excluding Husqvarna Motorcycles (4,429 units)
3] excluding Husqvarna Motorcycles (225 employees)
4] Profit before tax for the third quarter 2007 includes an exceptional gain of euro 5 million arising from the exchangeable bond on shares in Rolls-Royce plc, London.
5] for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

Deliveries of automobiles
in units



	Q1	Q2	Q3	Q4
2007	333,276	397,009	364,564	405,829
2008	351,787	413,087	349,098	

Revenues
in euro million

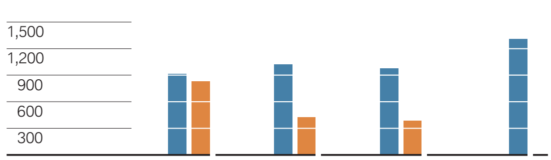


	Q1	Q2	Q3	Q4
2007	11,951	14,683	13,778	15,606
2008	13,285	14,552	12,588	

		1 January to 30 September 2008	1 January to 30 September 2007	Change in %
Vehicle production				
Automobiles	units	1,154,282	1,160,247	–0.5
Motorcycles[1]	units	83,845	88,866	–5.7
Deliveries to customers				
Automobiles	units	1,113,972	1,094,849	1.7
Motorcycles[2]	units	80,750	82,779	–2.5
Workforce at end of quarter[3]		**103,625**	**107,731**	**–3.8**
Operating cash flow	euro million	**3,392**	**4,476**	**–24.2**
Revenues	euro million	**40,425**	**40,412**	**–**
Profit before financial result (EBIT)	euro million	**1,639**	**2,904**	**–43.6**
Thereof:				
Automobiles	euro million	1,155	2,273	–49.2
Motorcycles	euro million	87	102	–14.7
Financial Services	euro million	92	545	–83.1
Reconciliations	euro million	305	–16	–
Profit before tax[4]	euro million	**1,522**	**2,682**	**–43.3**
Thereof:				
Automobiles	euro million	882	2,114	–58.3
Motorcycles	euro million	80	95	–15.8
Financial Services	euro million	131	563	–76.7
Reconciliations	euro million	429	–90	–
Income taxes	euro million	**–230**	**–539**	**57.3**
Net profit	euro million	**1,292**	**2,143**	**–39.7**
Earnings per share[5]	euro	**1.97/1.98**	**3.27/3.28**	**–39.8/–39.6**

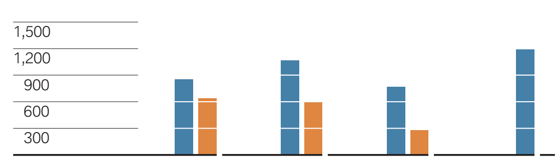
1] including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy, excluding Husqvarna Motorcycles (9,162 units)
2] excluding Husqvarna Motorcycles (10,601 units)
3] excluding Husqvarna Motorcycles (225 employees)
4] Profit before tax for the first nine months of 2007 includes an exceptional gain of euro 66 million arising from the exchangeable bond on shares in Rolls-Royce plc, London.
5] for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

Profit before financial result
in euro million



	Q1	Q2	Q3	Q4
2007	912	1,019	973	1,308
2008	827	425	387	

Profit before tax
in euro million



	Q1	Q2	Q3	Q4
2007	852	1,065	765	1,191
2008	641	602	279	

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The performance of the BMW Group in the third quarter 2008 was perceptibly influenced by the economic downswing in the wake of the financial crisis. Ongoing consumer reticence in the main sales markets, the weak state of the used car markets as well as increasing refinancing costs had a substantial negative impact on the earnings of the BMW Group.

Model life-cycle factors affect car sales volumes

In addition to the ongoing adverse business climate, the BMW Group's third-quarter performance was also influenced by model life-cycle factors, particularly in relation to the BMW brand. Between July and September 2008, the BMW Group sold a total of 349,098 BMW, MINI and Rolls-Royce brand cars, 4.2% down on the previous year. The number of cars delivered in the nine-month period increased marginally (+1.7%) to 1,113,972 units.

Market conditions for the motorcycle business were also difficult. The third-quarter sales volume achieved by the Motorcycles segment was nevertheless ahead of the previous year's high level. In total, 24,818 motorcycles were sold during the period (+5.4%). During the first nine months of the year, 80,750 BMW motorcycles were handed over to customers, 2.5% short of the number sold in the corresponding period of 2007.

In the Financial Services segment a total of 2,971,437 (+17.0%) lease and financing contracts with dealers and retail customers were in place at 30 September 2008.

Negative impact of financial crisis on revenues and earnings

Third-quarter Group revenues decreased by 8.6% to euro 12,588 million, reflecting the noticeable reluctance of customers to spend in the face of the crisis on international financial markets. Despite this extremely unfavourable situation, the BMW Group, with revenues of euro 40,425 million, was nevertheless able to maintain nine-month revenues at the previous year's high level. Adjusted for exchange rate factors, Group revenues for the nine-month period were up by 5.1%.

Earnings for the nine-month period reflect the ongoing effect of the various adverse external factors described above. In the third quarter 2008, the BMW Group increased the cumulative amount of expense recognised for additional risk provision for residual value and bad debt risks to a total of euro 1,037 million. On top of this, expenditure in conjunction with previously announced measures to reduce the workforce reduced nine-month earnings by euro 258 million.

The third-quarter profit before financial result fell by 60.2% to euro 387 million. The profit before financial result for the nine-month period, at euro 1,639 million, also dropped steeply (–43.6%).

External factors also took their toll on the Group's pre-tax earnings. The profit before tax of euro 279 million for the third quarter was 63.5% lower than one year earlier, while that for the nine-month period fell to euro 1,522 million (–43.3%).

The BMW Group recorded a net profit of euro 298 million for the third quarter (–62.9%). The net profit for the nine-month period was 39.7% lower at euro 1,292 million.

BMW Group sells majority shareholding in Cirquent

Effective 30 September 2008, the BMW Group sold 72.9% of its shares in the IT consultancy company Cirquent (formerly Softlab) to the Japanese company NTT Data. The BMW Group continues to hold 25.1% of the shares. The remaining two percent of shares are held by Cirquent itself.

BMW Group workforce reduced according to plan

The previously announced measures to reduce the size of the workforce within the BMW Group are being implemented as scheduled. The BMW Group had 103,625 employees worldwide at the end of the period under report. Since the end of the previous financial year, the workforce has been reduced by 3.8%. This figure includes 1,778 employees of the Cirquent Group.

BMW Group launches numerous new models

The revised models of the BMW 3 Series Limousine and the BMW 3 Series Touring have been available on European markets since the end of September. In addition to specific design modifications and further refinements to the interior layout, both of the new models feature re-engineered engines and a number of innovations in the areas of drive technology, safety and comfort. The new BMW 7 Series will be available to customers from November 2008 onwards. The new BMW 7 Series generation includes numerous technical innovations in the areas of driver assistance and driving dynamics systems. It is also equipped with the full range of EfficientDynamics technology. The new Rolls-Royce Phantom Coupé has also been available on the markets since September.

The BMW Group presented three concept vehicles at the Paris Motor Show in September: the BMW Concept X1, the BMW Concept 7 Series ActiveHybrid and the MINI Crossover Concept. The BMW Concept X1 brings the functionality and versatility of a sports activity vehicle (SAV) to the premium compact class. The MINI Crossover Concept expands the MINI model family with a completely new vehicle concept, combining spaciousness and versatility with a four-wheel drive system.

Innovative drive concepts for BMW and MINI
With the BMW 7 Series ActiveHybrid and the BMW X6 ActiveHybrid, two models employing the highly efficient ActiveHybrid technology in series cars will become available for the first time in 2009. In October, the BMW Group announced the introduction of a fleet of approximately 500 purely electrically powered MINI cars for everyday use. This model will be driven by an electric motor which derives its energy from a lithium-ion battery and transfers its power emission-free and practically noiselessly.

Motorcycle range expanded
Three new models were presented at the INTERMOT international motorcycle show at the beginning of October. The K1300 S, the fastest and most powerful BMW motorcycle ever built, celebrated its world debut. The K1300 S features a high degree of handling precision and agility, without compromising any of the safety and ecologically compatible standards that are typical for BMW motorcycles. The drive system and suspension of this model have also been used in the new K1300 R. This roadster is one of the most powerful in its segment. In addition to its sporty riding dynamics, the third new model, the K1200 GT, also fulfils the highest standards of both comfort and safety. With its enhanced fairing design, this motorcycle is ideal for long distances and displays great dynamics when touring. The BMW Group also presented the racing version of the S1000 RR, which will be ridden at the Superbike World Championship in 2009.

The new BMW G 450 X has also been available since September. The BMW G 450 X is an innovative sports enduro machine for ambitious motor sports enthusiasts. This motorcycle also meets state-of-the-art environmental standards and is fully equipped with everything necessary for road registration in the series version.

Slowdown on international automobile markets
The global economic slowdown also stamped its mark on the international automobile markets during the first nine months of 2008. The major traditional car markets have been affected particularly badly, whereas growth in most of the emerging economies remained relatively high.

Passenger car sales in the USA have slumped dramatically since the beginning of the year. The decrease on this market has meanwhile moved into the double-digit range. In Western Europe, countries such as Spain and the United Kingdom, which are suffering from weak property markets, have been particularly hard hit. By contrast, Germany and France have been able to buck the trend, recording a small increase in car sales. Up to now, the Japanese market appears to have been affected to a lesser degree by the financial crisis, with sales volumes hovering at prior year levels.

Automobile markets in most emerging economies have not so far reacted significantly to the financial crisis. The Russian market in particular grew by about a third compared with the first nine months of the previous year. Car sales in China and India also expanded again at a double-digit pace, albeit noticeably lower than in the previous year. The new EU member countries returned to more moderate growth rates.

International motorcycle markets remain weak
Most of the main motorcycle markets in which the BMW Group operates again performed poorly during the first nine months of 2008. Motorcycle sales worldwide for the nine-month period were down by approximately 4.1%. In Europe, the Group's main motorcycle market – the 500 cc plus market – contracted by 5.8% compared to the corresponding period last year. Some markets, in particular Italy

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(– 8.5 %), Germany (– 6.8 %), the United Kingdom (– 5.2 %) and Spain (– 14.5 %) saw sales figures well below those of the previous year. The only market to perform well was that of France where a growth rate of 4.3 % was recorded. The US motorcycle market contracted by 3.7 %, while the Japanese market registered a drop of 6.1 %.

Financial sector severely affected by crisis of confidence

Credit spreads increased sharply as the crisis on the global financial markets took hold. This is resulting in less favourable refinancing terms and conditions, in particular for financial services providers. The principal central banks – including the US Reserve Bank, the European Central Bank and the Bank of England – took joint action to stabilise the financial markets by reducing their reference interest rates at the beginning of October. This was aimed at ensuring the availability of liquidity on the money and capital markets and countering the knock-on effect of the financial crisis on the real economy. As a result of this move, interest rates fell in the most important markets, including rates for medium-term periods. This, in turn, is helping to cushion the negative impact of wider credit spreads. The outlook for refinancing costs over the coming months largely depends on the speed with which confidence in the markets can be re-established and the extent to which that process will be a lasting one.

Given the current adverse economic situation, it is unlikely from today’s perspective that residual values of used cars will recover quickly. Due to the extreme reluctance of consumers to spend, particularly in the USA, and in the light of the over-indebtedness of an increasing number of private households, the BMW Group also considers it unlikely that the situation for retail customer and dealer financing business will ease in the short term.

Nine-month car sales volume above previous year

The number of cars sold by the BMW Group in the third quarter 2008 was influenced by the prevailing adverse climate as well as by model life-cycle factors affecting the BMW brand. With 349,098 units sold, the BMW Group's third-quarter sales volume was 4.2 % down on the previous year. For the nine-month period from January to September, the cumulative sales volume increased by 1.7 % to 1,113,972 units.

The number of BMW brand cars sold in the third quarter was down by 5.3 % to 290,661 units. The sales figure for the first nine months of the year, at 928,230 units, was comparable to the previous year's level (– 0.1 %).

Third-quarter sales of the MINI were influenced by the fact that the MINI Convertible is approaching the end of its model life-cycle. Despite these factors, the sales volume of 58,105 units for the third quarter was 1.4 % ahead of the previous year. In total, 184,915 MINI brand vehicles were sold during the first nine months of 2008, 12.1 % more than in the corresponding period last year.

Rolls-Royce Motor Cars achieved strong growth on both a quarterly and a nine-month basis. In the period from July to September 2008, 332 Rolls-Royce cars were handed over to customers (+ 16.5 %). Sales for the nine-month period rose by 42.8 % to 827 units. The new Rolls-Royce Phantom Coupé has been available to customers since September 2008.

Divergent development on the markets

Third-quarter and nine-month car sales recorded by the BMW Group developed unevenly across the markets. Positive impetus was generated by some Western European markets such as Germany, France, Belgium and Luxembourg, the Netherlands and the Scandinavian markets. Sharp growth was also recorded by the BMW Group in Central and Eastern Europe as well as in Asia and Latin America.

In North America, the sales performance was dominated by the ongoing financial crisis in the USA and the increase in fuel prices. The BMW Group sold 85,577 vehicles in this region during the third quarter, 5.8 % fewer than one year earlier. The nine-month sales figure, at 257,847 units, was 4.3 % lower than in the previous year. Car sales in the USA, the BMW Group's largest single market, declined in the third quarter by 6.6 % to 78,518 units. For the period from January to September, the number of cars sold dropped by 4.8 % to 236,598 units. The lower sales volume recorded in the USA is also partly the result of a targeted strategy of reducing volumes in order to increase profitability.

In Europe, the effect of the financial crisis was to reduce consumers' willingness to spend, with the consequent negative impact on sales figures. The BMW Group sold a total of 203,896 vehicles (– 4.9 %) during the period from July to September 2008. The nine-month sales volume, at 674,248 units, was still 3.5 % up on the previous year. The number of vehicles sold in Germany in the third quarter edged up by 1.2 % to 66,000 units and the nine-month sales volume rose by 5.1 % to 212,501 units. The BMW Group sold 40,694 cars in the United Kingdom during the third quarter, 14.0 % fewer than one year earlier. The sales figure for the first nine months of the year slipped by 1.8 % to 127,545 units. In Italy, the BMW Group was unable to escape the effect of a generally weak market. A total of 70,771 cars were sold there during the period from January to September 2008, down by 9.9 % compared to the first nine months of 2007. By contrast, the BMW Group registered strong growth in France, where sales in the nine-month period climbed by 15.4 % to 53,590 units. This was also due to the fact that the taxation of vehicles in France is now emissions-

Automobiles		3rd quarter 2008	3rd quarter 2007	Change in %
Production	units	334,976	371,569	–9.8
Deliveries to customers	units	349,098	364,564	–4.2
Revenues	euro million	11,113	13,107	–15.2
Profit before financial result (EBIT)	euro million	141	788	–82.1
Profit before tax	euro million	18	704	–97.4
Workforce at end of quarter		96,438	98,929	–2.5

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Automobiles		1 January to 30 September 2008	1 January to 30 September 2007	Change in %
Production	units	1,154,282	1,160,247	–0.5
Deliveries to customers	units	1,113,972	1,094,849	1.7
Revenues	euro million	37,029	38,782	–4.5
Profit before financial result (EBIT)	euro million	1,155	2,273	–49.2
Profit before tax	euro million	882	2,114	–58.3

based, thus allowing the BMW Group to profit from its EfficientDynamics technology. Sales in Spain during the same period fell by 8.7% to 47,097 units.

Most Asian markets grew dynamically during the period from January to September 2008. The BMW Group sold 125,613 cars in this region, 9.4% ahead of the sales figure for the corresponding period last year. The Chinese markets (China, Hong Kong, Taiwan) made the greatest contribution to this performance with sales up by 26.0% to 54,557 units and have now become the largest sales region for the BMW Group in Asia. The number of cars sold by the BMW Group in Japan fell by 15.6% to 38,897 units.

Model life-cycle factors affect BMW brand sales

Model life-cycle factors affected the sales performance for the nine-month period from January to September 2008, in particular for the BMW 1 Series, 3 Series and 7 Series. The BMW 1 Series Coupé, available since the beginning of the year, and the

Deliveries of BMW automobiles by model variant in units	1 January to 30 September 2008	1 January to 30 September 2007	Change in %
BMW 1 Series	**173,772**	**114,330**	**52.0**
Three-door	39,257	16,834	–
Five-door	93,567	97,484	–4.0
Coupé	20,314	11	–
Convertible	20,634	1	–
BMW 3 Series	**368,365**	**418,247**	**–11.9**
Sedan	188,625	238,728	–21.0
Touring	68,882	75,281	–8.5
Coupé	64,387	65,326	–1.4
Convertible	46,471	38,912	19.4
BMW 5 Series	**154,605**	**165,109**	**–6.4**
Sedan	120,022	130,292	–7.9
Touring	34,583	34,817	–0.7
BMW 6 Series	**13,480**	**14,325**	**–5.9**
Coupé	6,949	6,859	1.3
Convertible	6,531	7,466	–12.5
BMW 7 Series	**29,355**	**31,286**	**–6.2**
BMW X3	**65,584**	**83,001**	**–21.0**
BMW X5	**91,853**	**80,540**	**14.0**
BMW X6	**15,444**	**–**	**–**
BMW Z4 Series	**15,772**	**22,541**	**–30.0**
Coupé	3,547	6,225	–43.0
Roadster	12,225	16,316	–25.1
BMW brand total	**928,230**	**929,379**	**–0.1**

BMW 1 Series Convertible, which was launched in the spring, were largely responsible for the compact model's sales volume growth. Sales of the BMW 1 Series for the nine-month period jumped by 52.0 % to 173,772 units. As expected, nine-month sales of the BMW 3 Series fell due to model life-cycle factors. The sales figure for this series went down by 11.9 % to 368,365 units, primarily due to the fact that the BMW 3 Series Limousine and Touring are nearing the end of their model life-cycles. The revised versions of both models have been available in Europe since the end of September. The BMW 3 Series Convertible, by contrast, registered strong growth during the period under report, with the number of vehicles sold up by 19.4 % to 46,471 units.

Nine-month sales of the BMW 5 Series fell (–6.4 %) to 154,605 units. The BMW 6 Series performed similarly during the period, with sales falling by 5.9 % to 13,480 units. Sales of the BMW 7 Series went down by 6.2 % to 29,355 units, prior to the upcoming market launch of the new BMW 7 Series Limousine at the end of November.

The BMW X3 registered a 21.0 % drop in sales, with 65,584 units sold. This was also a result of the BMW Group's targeted management of the number of cars sold in the USA.

Nine-month sales of the BMW X5 increased by 14.0 % to 91,853 units. In its first full year since being launched, this model is now available on all markets.

The new BMW X6 was introduced in April. In total, 15,444 units had been sold up to the end of September 2008.

Sales of the BMW Z4 fell by 30.0 % to 15,772 units.

MINI brand remains on growth course

The MINI brand continued to grow during the period from January to September, thus defying the general market trend. With 184,915 units sold, the nine-month sales volume figure rose by 12.1 %. Within that figure, sales of the MINI fell by 6.6 % to 126,808 units, with the reduction mainly attributable to the Cooper and Cooper S models. By contrast, sales of the MINI One increased by 20.0 % to 21,258 units. Model life-cycle factors caused the sales volume of the MINI Convertible to fall by 24.5 % to 21,978 units. The MINI Convertible successor model will be launched in spring 2009. The MINI Clubman continued to enjoy strong demand throughout the period. In total, 36,129 units of this model had been delivered up to the end of September 2008.

Deliveries of MINI automobiles by model variant in units	1 January to 30 September 2008	1 January to 30 September 2007	Change in %
MINI	**126,808**	**135,764**	**–6.6**
One	21,258	17,717	20.0
Cooper	72,099	77,821	–7.4
Cooper S	33,451	40,226	–16.8
MINI Convertible	**21,978**	**29,096**	**–24.5**
One	3,884	5,353	–27.4
Cooper	11,142	13,802	–19.3
Cooper S	6,952	9,941	–30.1
MINI Clubman	**36,129**	**31**	**–**
Cooper	24,594	16	–
Cooper S	11,535	15	–
MINI brand total	**184,915**	**164,891**	**12.1**

First Rolls-Royce Phantom Coupés delivered

The first Phantom Coupés were handed over to customers in September 2008. The Rolls-Royce now has three models in its product range – the Phantom, the Phantom Drophead Coupé and the Phantom Coupé. The Rolls-Royce Phantom continued to be the best-selling car in the super luxury segment. Rolls-Royce Motor Cars sold 475 Phantoms during the nine-month period to September 2008, marginally fewer (– 4.2%) than in the corresponding

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Deliveries of Rolls-Royce automobiles by model variant in units	1 January to 30 September 2008	1 January to 30 September 2007	Change in %
Rolls-Royce	**827**	**579**	**42.8**
Phantom	475	496	–4.2
Drophead Coupé	325	83	–
Coupé	27	–	–

period last year. 325 Phantom Drophead Coupés and 27 Phantom Coupés were handed over to customers during the same period.

Car production volume deliberately reduced in the third quarter

As previously announced, the BMW Group adapted production volumes in the third quarter to suit current market demand. In total, 334,976 BMW, MINI and Rolls-Royce brand cars were manufactured during the quarter. This corresponds to a 9.8% decrease compared to the third quarter 2007. The number of BMW brand vehicles produced was reduced by 11.8% to 272,195 units. Third-quarter production of the MINI at the Oxford plant, at 62,398 units, was 0.6% lower than one year earlier. 383 Rolls-Royce brand vehicles left the Goodwood plant during the period from July to September (+42.4%).

Overall, the BMW Group manufactured 1,154,282 cars during the nine-month period from January to September, 0.5% fewer than in the corresponding period one year earlier. With a volume of 965,131 BMW brand vehicles, production was cut back by 1.8% for the first nine months of 2008. During the same period, 188,136 MINI cars rolled off production lines in Oxford, 6.7% more than in the previous year. 1,015 Rolls-Royce cars were manufactured at the Goodwood plant during the period under report, 46.7% more than one year earlier.

Automobiles segment earnings still being adversely affected by external factors

The third-quarter sales volume of the Automobiles segment is reflected in the segment revenues figure. At euro 11,113 million, revenues for the period from July to September were 15.2% down on the previous year. Segment revenues for the nine-month period totalled euro 37,029 million (–4.5%). Excluding the exchange rate impact, revenues were at the previous year's level (+0.4%).

Segment earnings were greatly affected by the massive impact of the international financial crisis and the resultant downturn in consumer spending. In an atmosphere of an obvious economic uncertainty, the profit before financial result of the Automobiles segment for the third quarter 2008 plunged to euro 141 million (–82.1%). The nine-month profit before financial result, at euro 1,155 million, was 49.2% lower than in the previous year. The result of the Automobiles segment for the first nine months of the year includes an additional exceptional expense for residual value risks totalling euro 560 million.

In segment terms, the risk provision is recognised by by the Automobiles and Financial Services segments. The risk provision is allocated between these two segments in line with the BMW Group's overall concept of marketing previously leased cars as optimally as possible.

The impact of difficult market conditions is also evident in the Automobiles segment's profit before tax, which fell in the third quarter 2008 to euro 18 million (–97.4%). The nine-month profit before tax decreased to euro 882 million (–58.3%).

Automobiles segment workforce below previous year's level

The Automobiles segment employed a workforce of 96,438 employees worldwide at 30 September 2008, 2.5% lower than one year earlier. The staff reduction programme initiated in conjunction with the new strategic alignment of the BMW Group is progressing according to plan.

Motorcycle sales volume increased in third quarter

The BMW Group was able to defy the generally negative market trend on the motorcycles markets with a third-quarter sales volume increase of 5.4%. In total, 24,818 motorcycles were handed over to customers during the quarter, thus reducing the year's cumulative sales volume shortfall against the previous year. The BMW Group sold 80,750 motorcycles during the first nine months of 2008, 2.5% below the figure for the corresponding figure in 2007. The response to the new F 800 GS and F 650 GS models from the media and from customers was very positive.

Sales figures in Europe for the nine-month period were roughly in line with the previous year (–0.4%), with 59,260 BMW motorcycles sold. Some markets performed well, in particular Italy (13,360 units, +5.2%), France (6,767 units, +10.1%) and the United Kingdom (4,700 units, +9.4%). The BMW Group was also able to increase market share in some countries, notably Spain and the United Kingdom. In Germany, however, the number of BMW motorcycles sold dropped sharply by 13.1% to 14,658 units.

The motorcycles sales performance in the USA during the nine-month period was greatly influenced by the general reluctance of consumers to spend in the wake of the financial crisis. In total 8,445 units were sold on this market, 10.5% fewer than one year earlier.

In Japan, too, where market conditions continue to be difficult, the BMW Group was unable to match its previous year's sales volume performance. With 2,177 units sold during the nine-month period, the cumulative sales volume figure was 15.6% lower than in the previous year.

Nine-month motorcycle production volume down slightly

The number of BMW motorcycles produced during the third quarter 2008 rose by 14.7% to 23,284 units. This figure comprised 23,036 units produced at the BMW Berlin plant and 248 units produced by the Group's cooperation partner, Piaggio. In total, 83,845 motorcycles were produced during the nine-month period (–5.7%), 81,831 at the Berlin plant and 2,014 at the Piaggio plant.

Motorcycles segment earnings down

Revenues recorded by the Motorcycles segment reflect the sales volume performance during the relevant periods. Third-quarter revenues were up by 4.6% to euro 271 million, while nine-month revenues fell by 1.4% to euro 1,008 million. Adverse external factors also held down the Motorcycles segment's pre-tax earnings, with a loss before tax of euro 7 million being recorded for the third quarter. The profit before tax of euro 80 million generated for the nine-month period was 15.8% lower than in the previous year.

Workforce virtually unchanged

The Motorcycles segment had a workforce of 2,796 employees at 30 September 2008, virtually unchanged from the previous year (+0.4%).

Motorcycles		3rd quarter 2008	3rd quarter 2007	Change in %
Production [1]	units	23,284	20,299	14.7
Deliveries to customers [2]	units	24,818	23,549	5.4
Revenues	euro million	271	259	4.6
Profit before financial result (EBIT)	euro million	–5	7	–
Profit before tax	euro million	–7	5	–
Workforce at end of quarter [3]		2,796	2,785	0.4

1] including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy, excluding Husqvarna Motorcycles (1,238 units)
2] excluding Husqvarna Motorcycles (4,429 units)
3] excluding Husqvarna Motorcycles (225 employees)

Motorcycles		1 January to 30 September 2008	1 January to 30 September 2007	Change in %
Production [1]	units	83,845	88,866	–5.7
Deliveries to customers [2]	units	80,750	82,779	–2.5
Revenues	euro million	1,008	1,022	–1.4
Profit before financial result (EBIT)	euro million	87	102	–14.7
Profit before tax	euro million	80	95	–15.8

1] including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy, excluding Husqvarna Motorcycles (9,162 units)
2] excluding Husqvarna Motorcycles (10,601 units)

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Financial services business severely affected by current crisis

The impact of the worldwide financial crisis affected financial services business more severely than expected in the third quarter. The general reluctance of consumers to spend, the ongoing tense situation on the international used car markets and higher bad debt levels resulted in an additional risk provision expense. Alongside these negative factors, refinancing conditions also deteriorated as a result of wider credit spreads on the capital markets.

An assessment of the current risk situation for financial services business in the light of the financial crisis is provided in the risk report on page 20.

The total business volume as disclosed in the balance sheet amounted to euro 57,944 million at the end of the reporting period, an increase of 17.1% compared to the end of September 2007. This increase was mainly due to the integration of the vehicle portfolio of an external leasing company which had included a part of the leasing business for Germany. This means that 2,971,437 lease and credit contracts were in place with dealers and retail customers at September 30, 2008, 17.0% more than one year earlier. The proportion of new BMW Group vehicles leased or financed by the Financial Services segment during the first nine months of 2008 was 48.0%, 3.3 percentage points above the level recorded for the corresponding period in 2007.

Study highlights dealer satisfaction

The market research institute, J.D. Power and Associates, published the results of its Dealer Financing Satisfaction StudySM 2008 in September this year. In terms of dealer satisfaction, the BMW Group's financial services operations in the USA finished up in first place in all price categories.

Continuous good progress for retail customer business

Credit and leasing business with retail customers grew once again during the period under report. 313,173 new contracts were signed during the third quarter 2008, 14.7% more than in the same quarter last year. Retail customer business also performed well on a nine-month basis. With 921,314 new contracts signed worldwide, the previous year's figure was surpassed by 14.9%. Lease business contributed to this growth with a 4.2% increase in the number of contracts signed. Credit financing grew by 21.4% on a nine-month basis. Leasing business and credit financing accounted for 34.3% and 65.7% respectively of new contracts signed.

In the pre-owned car financing line of business, the number of new contracts signed during the nine-month period rose by 26.4%. Almost two thirds of these contracts relate to BMW and MINI brand cars.

The total volume of all new credit and leasing contracts signed with retail customers during the first nine months of 2008 amounted to euro 22,357 million, representing a 6.4% increase over the previous year.

This increase in retail customer business is reflected in the overall contract portfolio. In total, 2,729,754 contracts were in place at 30 September 2008, 16.5% more than one year earlier. All regions contributed to this growth with double-digit increases: the Americas region, with 896,027 contracts, continues to constitute the largest contract portfolio.

Dealer financing expanded further

The Financial Services segment also supports the BMW Group dealer organisation with a comprehensive range of products. In addition to the financing of vehicle inventories held by dealerships, the Financial

Financial Services		3rd quarter 2008	3rd quarter 2007	Change in %
New contracts with retail customers		313,173	272,938	14.7
Revenues	euro million	4,084	3,569	14.4
Profit before financial result (EBIT)	euro million	–26	176	–
Profit before tax	euro million	–17	191	–
Workforce at end of quarter		4,275	4,123	3.7

Services segment also offers real estate and equipment financing products for dealers. The total volume of dealer financing contracts managed by the Financial Services segment at the end of the period under report was euro 8,702 million, 16.6 % above the comparable figure in 2007.

Multi-brand financing and fleet lines of business above previous year

A total of 133,243 new multi-brand financing contracts was signed during the first nine months of 2008. New business in this area therefore grew by 46.8 %.

The contract portfolio for fleet business continued to grow strongly over the first nine months of 2008. At the end of the period under report, the Group's fleet management entities were managing a portfolio of 315,351 contracts worldwide, 19.8 % more than one year earlier.

Banking business at previous year's level

Competition remains intense in the deposit line of business. Nevertheless, the Financial Services segment's deposit volume worldwide amounted to euro 5,843 million at 30 September 2008, 1.2 % up on the previous year. The number of securities custodian accounts maintained at the end of the reporting period totalled 31,806, more or less on the same level as one year earlier.

Insurance business registers continuous growth

Demand for insurance products offered to customers in addition to finance and lease contracts remains strong. The insurance contract portfolio expanded by 11.1 % compared to last year's figure, increasing to 1,009,432 contracts at 30 September 2008.

Financial Services segment earnings severely affected

Business conditions relevant for financial services business continued to deteriorate during the third quarter. Both third-quarter and nine-month earnings have therefore been severely affected by the current situation. Between July and September 2008, for example, the segment recorded a pre-tax loss of euro 17 million. The profit before tax for the nine-month period, at euro 131 million, was also well below the previous year's figure (– 76.7 %). The additional expense for risk provision borne by the Financial Services segment during the first nine months of 2008 in conjunction with bad debts and residual value risks amounted to euro 477 million.

Further rise in size of workforce

At 30 September 2008, the Financial Services segment had 4,275 employees, 3.7 % more than one year earlier.

Financial Services		1 January to 30 September 2008	1 January to 30 September 2007	Change in %
New contracts with retail customers		921,314	801,791	14.9
Business volume*	euro million	57,944	49,491	17.1
Revenues	euro million	11,818	10,101	17.0
Profit before financial result (EBIT)	euro million	92	545	–83.1
Profit before tax	euro million	131	563	–76.7

* leased products plus receivables from sales financing (per Group balance sheet)

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BMW stock in the third quarter 2008

The escalation of the financial crisis in the USA and the spill-over to the United Kingdom and continental Europe caused the world's stock markets to plunge. The international financial crisis is becoming increasingly felt by other sectors, causing prices to tumble on the stock markets. The German stock index, the DAX, finished the third quarter at 5,831.02 points, the lowest it has been since September 2006. The index therefore lost 27.7 % in value compared to the end of 2007, when it had stood at 8,067.32 points. The drop compared to the level at the end of the previous quarter was 9.2 %.

Subdued growth outlook for the euro zone resulted in a sharp rise in the value of the US dollar against the euro during the quarter under report. At 30 September 2008, the US dollar stood at 1.41 to one euro, 11.7 % stronger than at the end of the second quarter when the exchange rate had been US dollar 1.58 to the euro. The US dollar was 3.5 % stronger compared to the exchange rate at the end of 2007.

German automobile shares were unable to avoid these developments on the world's stock markets. The Prime Automobile sector index closed the third quarter at 656.15 points, 16.5 % lower than at the end of 2007 (785.54 points). Due to a number of special factors, the drop in the sector index was modest compared to that of the DAX; the Prime Automobile index even gained 7.7 % in value compared to 30 June 2008.

BMW common stock lost 10.7 % in value during the third quarter, closing at euro 27.29 on 30 September. BMW common stock was down by 35.6 % compared to the end of the previous year. The market price of BMW preferred stock performed similarly. It finished the period under report at euro 21.67, equivalent to a loss of 14.0 % during the third quarter and one of 40.3 % since the beginning of the year.

Buy-back of preferred stock for employee share plan

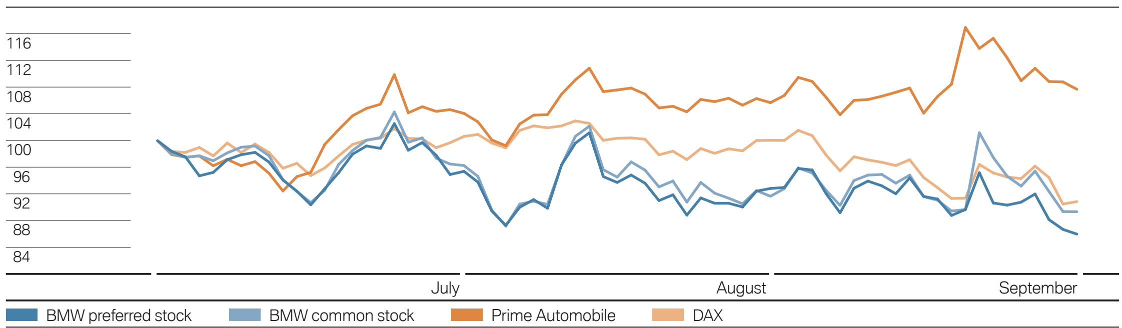
BMW AG is again offering its employees the opportunity to participate in an employee share scheme in 2008. To this end, a total of 900,000 shares of preferred stock were acquired via the stock exchange during the first nine months of 2008. These shares will be offered to employees for subscription.

Refinancing remains secure despite financial crisis

The BMW Group was again able to obtain refinancing funds on the capital markets during the third quarter 2008, despite the unfavourable climate. The issue of private placements in various currencies raised funds of over euro 1.5 billion from the financial markets. These refinancing activities were supplemented by new ABS transactions (private conduits) with a total value of euro 2.5 billion. The BMW Group continued to be able to issue commercial paper at good conditions.

Despite the current financial crisis, the BMW Group continues to have a stable liquidity base. The Group has access to a diversified and flexible range of funding sources to finance its operating activities. In addition to issuing bonds and commercial papers, this also includes the use of asset- backed securities, bank credits and loan notes. These funds are primarily used to finance the financial services business of the BMW Group.

Development of BMW stock compared to stock exchange indices
(Index: 30. 06. 2008 = 100)



BMW Group again sector leader in the Dow Jones Sustainability World Index

For the fourth time in succession, the BMW Group was the sector leader in the Dow Jones Sustainability World Index and therefore holds the title as the world's most sustainable automobile manufacturer. In order to be included in the index, general sustainability criteria and sector-specific challenges are taken into account. The Dow Jones Sustainability Index was created in 1999 as the first global sustainability index and has been published annually since then by the SAM Group, based in Zurich, in cooperation with Dow Jones Indexes and STOXX Limited. The BMW Group is the only enterprise from the automobile sector to have been represented continuously in these important sustainable business indices since their creation. The BMW Group keeps the public informed of its commitment and the progress made in the field of sustainable business in its Sustainable Value Report, which is published once every two years. The current Sustainable Value Report 2007/2008 is available on the Internet at www.bmwgroup.com/sustainability. A printed version can also be ordered at that address.

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Earnings performance

The unfavourable business conditions described elsewhere in this report had an adverse impact on the BMW Group's earnings performance for both the third quarter and the first nine months of 2008. In addition, reported earnings have been affected by increased adverse currency factors and the ongoing high prices of raw materials.

Earnings performance for the third quarter 2008

Third-quarter Group revenues decreased by 8.6% to euro 12,588 million. External revenues of the Financial Services and Motorcycles segments were 17.0% and 3.9% respectively up on the same quarter last year. External revenues of the Automobiles segment fell by 16.8% compared to the third quarter 2007. Revenues from other activities of the Group amounted to euro 49 million and related mainly to the Cirquent Group. The comparable figure for the previous year was euro 47 million.

Cost of sales decreased by 5.5% to euro 10,298 million, falling therefore at a slower rate than revenues. This was due to the negative impact of external factors caused by exchange rate fluctuations, high raw material prices and a higher risk provision expense. The third-quarter gross profit in absolute terms decreased by 20.4% to euro 2,290 million and the gross profit percentage fell to 18.2% (third quarter 2007: 20.9%). The gross profit margin of Industrial Operations slipped by 1.4 percentage points to 17.8% and that of Financial Operations fell by 5.8 percentage points to 4.3%.

Sales and administrative costs increased by 6.4% and represented 10.4% of revenues (third quarter 2007: 8.9%). Expenditure incurred to date to reduce the size of the workforce has predominantly related to administrative functions.

Research and development costs decreased by 5.1% compared to the third quarter 2007 and represented 5.4% (third quarter 2007: 5.2%) of revenues. They include amortisation of capitalised development costs amounting to euro 287 million (third quarter 2007: euro 283 million). Total research and development costs for the third quarter 2008 amounted to euro 709 million (third quarter 2007: euro 736 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. The research and development expenditure ratio for the third quarter 2008 was 5.6% (third quarter 2007: 5.3%).

Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs amounted to euro 899 million (third quarter 2007: euro 924 million).

The positive net amount from other operating income and expenses in the third quarter increased by euro 41 million, mainly due to the higher level of income from the reversal of provisions.

As a result of the various adverse factors discussed above, the third-quarter profit before financial result fell by euro 586 million or 60.2%.

The financial result for the third quarter 2008 increased by euro 100 million compared to the same quarter last year, reflecting improvements in net interest expense (euro 56 million), the result from investments (euro 7 million), the result from equity accounted investments (euro 5 million) and sundry other financial result (euro 32 million).

The third-quarter profit before tax, at euro 279 million, was euro 486 million below the previous

Revenues by segment in the 3rd quarter	External revenues		Inter-segment revenues		Total revenues	
in euro million	2008	2007	2008	2007	2008	2007
Automobiles	8,595	10,331	2,518	2,776	11,113	13,107
Motorcycles	269	259	2	–	271	259
Financial Services	3,675	3,141	409	428	4,084	3,569
Reconciliations	49	47	–2,929	–3,204	–2,880	–3,157
Group	**12,588**	**13,778**	**–**	**–**	**12,588**	**13,778**

year's figure. The pre-tax return on sales was 2.2% (third quarter 2007: 5.6%).

The BMW Group recorded a net profit of euro 298 million for the third quarter 2008, euro 505 million or 62.9% lower than in the previous year. Third quarter earnings per share of common stock and preferred stock were euro 0.45 (third quarter 2007: euro 1.22).

Earnings performance for the first nine months of 2008

Nine-month Group revenues, at euro 40,425 million, remained at the previous year's level. Excluding the effect of exchange rate fluctuations, the increase was 5.1%. Within Group revenues, external revenues of the Automobiles and Motorcycles segments for the quarter were 5.5% and 1.5% down on the previous year. Nine-month external revenues of the Financial Services segment climbed by 19.3%. Revenues from other activities of the Group amounted to euro 148 million and related mainly to the Cirquent Group. The comparable figure for the previous year was euro 146 million.

Cost of sales amounted to euro 32,718 million, rising by 4.0% and therefore at a faster rate than revenues. This was attributable to the adverse external factors previously described. The nine-month gross profit figure was 13.8% down on the previous year. The gross profit percentage was 19.1% (first nine months 2007: 22.1%). The gross profit margin of Industrial Operations fell by 1.4 percentage points to 18.6% and that of Financial Operations decreased by 4.8 percentage points to 5.8%.

Sales and administrative costs increased by 2.8% compared to the corresponding period last year and represented 10.0% (first nine months 2007: 9.8%) of revenues. Expenditure of euro 258 million incurred to date to reduce the size of the workforce has predominantly related to administrative functions.

Research and development costs were 1.5% lower than in the first nine months of 2007 and represented 5.3% of revenues (first nine months 2007: 5.4%). Research and development costs include amortisation of capitalised development costs amounting to euro 884 million (first nine months 2007: euro 800 million). Total research and development costs for the first nine months of 2008 amounted to euro 2,055 million (first nine months 2007: euro 2,299 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. The research and development expenditure ratio for the first nine months of 2008 was 5.1% (first nine months 2007: 5.7%).

Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs amounted to euro 2,711 million (first nine months 2007: euro 2,679 million).

The positive net amount from other operating income and expenses for the nine-month period increased by euro 48 million, mainly as a result of the higher level of income from reversals of provisions.

As a result of the various adverse factors discussed above, the nine-month profit before financial result fell by euro 1,265 million or 43.6%.

The financial result was a net expense of euro 117 million, which represented an improvement of euro 105 million compared to the corresponding period last year. Within that figure, the net result from derivative financial instruments improved by euro

Revenues by segment in the period from 1 January to 30 September	External revenues		Inter-segment revenues		Total revenues	
in euro million	2008	2007	2008	2007	2008	2007
Automobiles	28,762	30,439	8,267	8,343	37,029	38,782
Motorcycles	1,002	1,017	6	5	1,008	1,022
Financial Services	10,513	8,810	1,305	1,291	11,818	10,101
Reconciliations	148	146	–9,578	–9,639	–9,430	–9,493
Group	**40,425**	**40,412**	**–**	**–**	**40,425**	**40,412**

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111 million. The increase in the fair values of these financial instruments was primarily due to changes in the interest rate structure. In the previous year, sundry other financial result included an exceptional gain of euro 66 million resulting from the partial settlement of the exchangeable bond option relating to the BMW Group investment in Rolls-Royce plc, London. Within the financial result, net interest expense increased by euro 27 million. The main factor for this was the level of write-downs on marketable securities. Within the financial result, the result from equity method accounting increased by euro 14 million and the result from investments increased by euro 7 million.

The profit before tax for the nine-month period fell by 43.3 % to euro 1,522 million. The pre-tax return on sales was 3.8 % (first nine months 2007: 6.6 %).

Income tax expense decreased by euro 309 million. The effective tax rate of 15.1 % is 5.0 percentage points lower than in the previous year (20.1 %).

For the first nine months of 2008, the Group generated earnings per share of common stock of euro 1.97 (first nine months 2007: euro 3.27) and earnings per share of preferred stock of euro 1.98 (first nine months 2007: euro 3.28).

Earnings performance by segment

Revenues of the Automobiles segment for the third quarter 2008 decreased by 15.2 %, and the segment profit before tax fell by 97.4 % due to the adverse factors previously described. Segment revenues for the nine-month period decreased by 4.5 % while the segment profit before tax fell by 58.3 % to euro 882 million.

Third-quarter revenues of the Motorcycles segment went up by 4.6 %. The segment reported a loss before tax for the quarter of euro 7 million (third quarter 2007: profit before tax of euro 5 million). Segment revenues for the nine-month period, at euro 1,008 million, were at the previous year's level (euro 1,022 million). The nine-month segment profit before tax of euro 80 million was down by 15.8 %.

Revenues of the Financial Services segment for the third-quarter increased by 14.4 %. As a consequence of the higher expense for bad debt risk provision, the segment recorded a pre-tax loss of euro 17 million (third quarter 2007: pre-tax profit of euro 191 million). For the nine-month period, segment revenues increased by 17.0 %, whereas the segment result, at euro 131 million, decreased by 76.7 %.

Reconciliations to the Group net profit in the third quarter 2008 were a net positive amount of euro 285 million (third quarter 2007: net negative amount of euro 135 million). Reconciliations to the Group profit from ordinary activities for the nine-month period gave rise to a positive net result of euro 429 million, an improvement of euro 519 million compared to the corresponding period last year.

Financial position

The cash flow statements of the BMW Group and its sub-groups show the sources and applications of cash flows for the first nine months of the financial

Profit before tax by segment in euro million	3rd quarter 2008	3rd quarter 2007	1 January to 30 September 2008	1 January to 30 September 2007
Automobiles	18	704	882	2,114
Motorcycles	–7	5	80	95
Financial Services	–17	191	131	563
Reconciliations	285	–135	429	–90
Profit before tax*	**279**	**765**	**1,522**	**2,682**
Income taxes	19	38	–230	–539
Net profit	**298**	**803**	**1,292**	**2,143**

* Profit before tax for the first nine months of 2007 includes an exceptional gain of euro 66 million arising from the exchangeable bond on shares in Rolls-Royce plc, London.

years 2007 and 2008, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount disclosed in the balance sheet.

The cash inflow from operating activities in the first nine months increased by euro 749 million to euro 8,630 million (first nine months 2007: euro 7,881 million).

The cash outflow for investing activities for the nine-month period amounted to euro 14,739 million and was therefore euro 2,674 million higher than one year earlier. Capital expenditure for intangible assets and property, plant and equipment resulted in the cash outflow for investing activities decreasing by euro 192 million compared to the corresponding period last year. Cash outflow in conjunction with the net investment in leased products and receivables from sales financing increased by euro 1,973 million. 58.6 % (first nine months 2007: 65.3 %) of the cash outflow for investing activities was covered by the cash inflow from operating activities. The sub-group cash flow statement shows coverage of 98.1 % (first nine months 2007: 162.8 %) for Industrial Operations. As expected, the cash flow statement of the Financial Operations sub-group shows that cash inflow from operating activities does not cover cash outflow from investing activities due to the high level of capital expenditure on leased products and receivables from sales financing.

Cash inflow from financing activities includes inflows of euro 7,183 million from bond issues (first nine months 2007: euro 3,014 million) and outflows for repayments of euro 2,221 million (first nine months 2007: euro 1,573 million). The cash inflow from financing activities totalling euro 7,398 million arises in the first nine months of 2008 primarily from the issue of bonds and asset-backed financing instruments as well as an increase in liabilities to banks. After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group, the various cash flows resulted in an increase in cash and cash equivalents of euro 1,258 million (first nine months 2007: euro 501 million).

Net interest-bearing assets relating to Industrial Operations (including receivables from Financial Operations) amounted to euro 5,439 million at 30 September 2008. This represents a decrease of euro 1,613 million since 31 December 2007. Net interest-bearing assets relating to Industrial Operations comprise cash and cash equivalents (euro 3,405 million), marketable securities relating to Industrial Operations (euro 1,117 million) and receivables from Financial Operations (euro 3,548 million) less financial liabilities relating to Industrial Operations. Excluding interest and currency derivatives, the latter amounts to euro 2,631 million.

Net assets

The balance sheet total of the BMW Group increased by euro 8,172 million or 9.2 % compared to 31 December 2007. Adjusted for changes in exchange rates, the balance sheet total would have increased by 9.4 %. The main reasons for this increase on the assets side of the balance sheet were leased-out products (+ 18.5 %), inventories (+ 20.8 %), receivables from sales financing (+ 10.3 %) and cash and cash equivalents (+ 52.6 %). By contrast, financial assets decreased by 21.7 %. On the equity and liabilities side of the balance sheet, the increase was due to the increase in financial liabilities (+ 20.4 %). By contrast, pension provisions decreased by 46.1 %.

Leased-out products increased by euro 3,144 million or 18.5 %. In addition to higher business volumes, the increase was mainly due to the integration of the vehicle portfolio of an external leasing company which had included a part of the leasing business for Germany. Increased risk provisions for residual values are offset against leased-out products. The increase in business volume meant that receivables from sales financing went up by euro 3,543 million (+ 10.3 %).

Compared to 31 December 2007, inventories increased by euro 1,526 million to euro 8,875 million.

Financial assets decreased mainly as a result of the transfer of securities to the newly founded BMW Trust e. V., Munich, in conjunction with the creation of an external fund for pension obligations.

Group equity increased primarily as a result of the net profit for the period. Within Group equity, accumulated other equity decreased by euro 101 million.

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The increase in interest rates gave rise to actuarial gains of euro 623 million (net of deferred tax) on pension obligations. Group equity was reduced by net fair value losses of euro 425 million recognised on derivative financial instruments. Translation differences and the fair value measurement of securities reduced accumulated other equity by euro 299 million.

The equity ratio of the BMW Group fell overall by 1.5 percentage points to 22.9%. The equity ratio for Industrial Operations was 45.6% (31 December 2007: 43.8%). The equity ratio for Financial Operations was 8.6%, which was 0.6 percentage points lower than at 31 December 2007.

Pension provisions went down by 46.1% to euro 2,494 million, primarily as a result of the transfer of pension obligations to the newly founded BMW Trust e.V., Munich, in conjunction with a Contractual Trust Agreement (CTA). Obligations also decreased because of the higher discount factor used.

Other provisions, at euro 5,061 million, were euro 441 million below their level at 31 December 2007, with reduction mainly due to lower obligations for on-going operational expenses.

Financing liabilities increased by 20.4% in the nine-month period mainly as a result of the higher level of bonds, liabilities to banks and asset-backed financing transactions.

Other liabilities, at euro 7,009 million, were euro 879 million higher than at 31 December 2007, mainly due to an increase in accruals and deferred income.

Risk management

As a globally operating enterprise, the BMW Group is confronted with numerous risks. A description of these risks and of the Group's risk management methods is provided in the Group management report for the financial year ended 31 December 2007 (Annual Report, page 62 et seq.).

The financial crisis, which first reared its head a year ago in relation to the US mortgage market, and which is now having a worldwide impact, worsened during the first nine months of 2008. Around the globe, governments and central banks are stepping in with huge support measures to bolster the banking and financial sector and re-establish confidence amongst market participants. There are currently no signs of the worldwide financial crisis situation easing, let alone coming to an end. Given this situation, the consequences for the BMW Group are also extremely difficult to predict. The economic environment in the USA, the BMW Group's largest single market for cars, continues to suffer perceptibly as a result of this situation. This fact is currently being reflected in the high number of insolvencies, rising unemployment, the rising number of households that are over-indebted and a very definite reluctance on the part of consumers to spend.

The BMW Group is also affected by these developments and is unable to avoid the negative impact on its portfolio. Payment arrears and an increased level of bad debts, particularly in the USA, necessitated the recognition of a higher risk provision in the BMW Group's financial services business.

In the meantime, the worldwide financial crisis is also having a severe impact on European financial markets. A rising shortage of liquidity on the credit markets increases the risk of insolvencies. These risks have resulted in the BMW Group having to increase its level of risk provision.

The current state of international used car markets represents a further consequence of the financial crisis that is highly relevant for the BMW Group. Losses incurred selling pre-owned cars and, where appropriate, the requirement to remeasure the portfolio of vehicles exposed to residual value risks, have resulted in an additional risk provision expense for the BMW Group. Any long-drawn-out drop in consumer spending in the face of the uncertainties caused by the international financial crisis could also have an adverse impact on the BMW Group's new car business.

Due to the increasing loss of confidence in the banks, the financial crisis has had a serious negative impact on the proper functioning of the capital markets. This also means wider credit spreads for the BMW Group and result, in turn, in higher refinancing costs. Further rises cannot be ruled out at present.

Outlook

Global economic climate continues to darken

The outlook for the global economy has deteriorated considerably over the course of 2008. This is primarily due to turbulence on the international financial markets. Following a phase of stabilisation during the summer, the crisis of confidence in the world's financial systems took on a new magnitude. The crisis is likely to last well into 2009 and will severely hold down global growth.

The impact of the property and financial crisis is most obvious in the USA. It must be assumed that private consumption will no longer provide any impetus for growth and that this development will only be partially offset by the growth of exports. Domestic demand is not expected to pick up until housing prices stabilise. This is not likely to happen before the end of the coming year.

The financial crisis has now also reached Europe and, together with the impact of lower export growth rates and weaker property markets – the latter especially in the United Kingdom and Spain – is having an extremely negative effect on the general economic climate. In Japan, it is hoped that the knock-on effects of the financial crisis will be manageable. Growth is being held down here mainly as a result of lower demand for exports.

Only emerging market countries are with prospects of dynamic growth in the near future. That having been said, the economies of these countries will not grow at the rates seen in recent years. The impact of the global economic downturn is also manifest in these countries, primarily in the form of lower export volumes.

The level of risk to which the global economy is exposed is currently higher than it has been for a long time. It is still not possible to evaluate the full effect of the loss in confidence that has led to the crisis on the financial markets. If governments and central banks do not succeed in re-establishing confidence in the markets, the ultimate impact could be significantly more dramatic than assumed so far. This could in fact lead to a relatively long worldwide recession. On top of all these factors, the current high volatility on the energy and raw material markets also poses a danger to the global economy. Although the US dollar has regained some ground over the past months, the risk of a weak US dollar remains for export-orientated companies based in the euro zone.

Automobile markets: impetus for growth only in emerging economies

The economic downturn in the three main traditional markets (Japan, the USA and Western Europe) will have a noticeable impact on the performance of the automobile markets in those regions. It looks at present as if the USA will see a very sharp drop in business this year with the market contracting at double-digit rates. Within Europe, the number of new car registrations is also dropping off significantly due to a number of factors, not least as a consequence of the uncertainty surrounding the CO_2 emissions debate. Stagnation only appears to be possible for the Japanese market. There are currently no indications that any of these individual markets will recover; at best, some of them might stagnate at a low level.

Growth rates in the emerging economies of Asia and Latin America will remain high for the foreseeable future. So far, they have only been held down marginally by the turbulence on the financial markets. Russia is again likely to display the fastest growth rate. The markets in Brazil and Argentina will also continue to grow rapidly. Growth rates in China and India are also likely to edge down slightly. By contrast, after a number of years of strong growth, Eastern European markets are only expected to grow at a slow pace.

International motorcycle markets contracting

The motorcycle markets relevant for the BMW Group in the 500 cc plus segment are not predicted to recover significantly before the year-end. Overall, the world market is forecasted to contract compared to the previous year. This is mainly due to negative developments in the USA, the largest single market for motorcycles. In Europe, the markets in Spain, Italy and the United Kingdom are all expected to have negative growth rates. The market contraction wit-

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nessed in Germany during the last eight years will continue in 2008. The Japanese motorcycle market is also expected to shrink significantly in the 500 cc plus class relevant for the BMW Group.

Financial sector remains volatile

The general uncertainty caused by the financial crisis will continue to dominate the macro-economic climate in the financial services sector during the last few months of the year. Financial markets are therefore likely to remain volatile. The state of the economy as a whole and inflationary tendencies do not at present give any definite indication of the direction in which the interest rate markets are heading. Credit spreads are also likely to be characterised by a high degree of volatility. It is not possible at present to conclusively assess the benefit of the support measures being taken by governments and central banks around the world.

Outlook overshadowed by financial crisis and uncertainty

Business conditions have deteriorated further for the BMW Group over the past months. The escalation of the financial crisis and the signs that this will spill over to the real economy have increased the risk of a worldwide recession. The cyclical downturn is going hand in hand with a noticeable reduction in consumer spending in numerous markets. A further contributing factor here is the ongoing debate about CO_2 emissions which is also having the effect of unsettling customers, causing them to avoid, or at least put off, the acquisition of consumer goods, in particular long-lived goods and equipment. A significant level of volatility on the financial and commodity markets poses the risk of even greater uncertainty.

The market situation has therefore also deteriorated sharply for the automobile industry. Private consumption and consumer confidence have dipped perceptibly, particularly in the USA, the BMW Group's largest single market for cars, but also in Europe. The situation on most of the world's emerging markets remains robust. It is likely, however, that the dynamic growth rates registered on these markets in recent years will be trimmed back as a result of the financial crisis. In the triad of traditional car markets, the number of new registrations will drop sharply for the full year 2008 compared to the preceding year. The side-effect of the economic downturn – namely some signs of easing pressure on raw material markets and a slightly stronger US dollar – are nowhere near sufficient to offset the extremely high level of expenses that have had to be borne.

The BMW Group cannot avoid the effects of these developments. The uncertainties that result from the adverse factors described make reliable forecasting difficult, even rendering it almost impossible to make reliable assertions for the near future.

Taking all of these factors into consideration, the BMW Group estimates that it will no longer surpass the previous year's record sales volume figure in its automobile business. Due to the prevailing adverse climate and the uncertainties caused by the financial crisis, the profitability targets set for 2008 are no longer achievable. In particular, it cannot be ruled out that the risk provision for bad debts and lease financing will have to be increased again before the end of 2008. Given the difficult business conditions described above, the likely progress of business over the coming months cannot be forecast with any exactitude. For this reason, it is not possible to predict the level of Group earnings for the year, other that they will continue to remain clearly positive.

The BMW Group continues to aim to achieve a return on sales of at least 6% in 2010. The corresponding EBIT margin in the Automobiles segment would then be just under 6% or better. This does, however, depend on the markets recovering.

Strategy Number ONE focusing on right areas

The BMW Group has taken measures at an early stage to deal with changing business conditions. It is reacting to the challenges that it faces primarily by putting in place various sales strategies aimed at managing sales volumes around the world. Throughout this, the BMW Group remains sharply focused on earnings. This also includes aligning sales volumes in specific markets to actual demand. The BMW Group remains committed to sustaining its strong market position in the countries and regions involved, maintaining a high level of customer satisfaction and ensuring the stability of the dealer organisation. This allows the BMW Group to be able to react quickly and take advantage of the situation as soon as demand revives.

The extreme flexibility of the BMW Group's production network provides a competitive edge in terms of the ability to realign production volumes where necessary. Thanks to the use of flexible working methods and working-time accounts, the BMW Group can direct its production capacities highly efficiently to changes in demand on the various sales markets. Its customer-oriented sales and production processes enable capacities and sales processes to be adjusted flexibly and at short notice. The BMW Group remains committed to its "production follows the market" philosophy.

In the light of the current negative developments, the strategy "Number ONE" is proving to be an appropriate and forward-looking entrepreneurial decision. In the light of the various challenges that it faces, the BMW Group is now intensifying its efforts to implement its new strategic alignment. Despite the current gloomy climate for consumer spending, the BMW Group is convinced that the measures it has initiated will generate benefits in the medium term. This confidence is based, amongst other things, on a discernible trend towards more efficient drive systems. Technological expertise represents the key building block for the future success of the BMW Group. The competitive edge achieved with EfficientDynamics is a clear demonstration of this. Upfront investment in this area provides an important basis for taking advantage of medium and long term opportunities.

The BMW Group will continue to invest in the future on a long-term basis despite difficult market conditions. Given the various adverse factors described above, initiatives to improve profitability will also be reinforced. Measures aimed at increasing efficiency and improving productivity ensure that resources are put to their best use. On the cost side, those measures also represent another important aspect of the BMW Group's new strategic direction. Substantial progress has been made during the year to date, most clearly evident in the sharp focus achieved in the area of research and development spending.

The profitability targets for 2012 set in conjunction with the strategy "Number ONE" remain in place. The BMW Group will remain on its strategic course by speeding up cost cutting and efficiency improvement measures. The target is then to achieve a return on capital employed (ROCE) in the Automobiles segment in excess of 26 % and a return on sales of between 8 % and 10 %.

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in euro million	Notes	Group		Industrial Operations[1]		Financial Operations[1]	
		2008	2007	2008	2007	2008	2007
Revenues	[4]	12,588	13,778	11,434	13,420	4,181	3,665
Cost of sales	[5]	–10,298	–10,902	–9,395	–10,843	–4,000	–3,294
Gross profit		**2,290**	**2,876**	**2,039**	**2,577**	**181**	**371**
Sales and administrative costs	[6]	–1,306	–1,228	–1,176	–1,076	–136	–155
Research and development costs	[7]	–686	–723	–686	–723	–	–
Other operating income	[8]	380	144	253	129	144	32
Other operating expenses	[8]	–291	–96	–123	–86	–176	–31
Profit before financial result		**387**	**973**	**307**	**821**	**13**	**217**
Result from equity accounted investments	[9]	4	–1	4	–1	–	–
Other financial result	[10]	–112	–207	–123	–69	–2	–100
Financial result		–108	–208	–119	–70	–2	–100
Profit before tax		**279**	**765**	**188**	**751**	**11**	**117**
Income taxes	[11]	19	38	53	120	3	–85
Net profit		**298**	**803**	**241**	**871**	**14**	**32**
Attributable to minority interest		2	3	2	3	–	–
Attributable to shareholders of BMW AG		**296**	**800**	**239**	**868**	**14**	**32**
Earnings per share of common stock in euro	[12]	0.45	1.22				
Earnings per share of preferred stock[2] in euro	[12]	0.45	1.22				

1] before consolidation of transactions between the sub-groups
2] In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

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in euro million	Notes	Group 2008	Group 2007	Industrial Operations[1] 2008	Industrial Operations[1] 2007	Financial Operations[1] 2008	Financial Operations[1] 2007
Revenues	[4]	40,425	40,412	38,186	39,957	12,135	10,373
Cost of sales	[5]	–32,718	–31,468	–31,084	–31,970	–11,435	–9,275
Gross profit		**7,707**	**8,944**	**7,102**	**7,987**	**700**	**1,098**
Sales and administrative costs	[6]	–4,055	–3,946	–3,615	–3,507	–432	–442
Research and development costs	[7]	–2,162	–2,195	–2,162	–2,195	–	–
Other operating income	[8]	915	413	536	326	422	130
Other operating expenses	[8]	–766	–312	–363	–248	–451	–116
Profit before financial result		**1,639**	**2,904**	**1,498**	**2,363**	**239**	**670**
Result from equity accounted investments	[9]	16	2	16	2	–	–
Other financial result	[10]	–133	–224	–264	–58	143	–55
Financial result		–117	–222	–248	–56	143	–55
Profit before tax		**1,522**	**2,682**	**1,250**	**2,307**	**382**	**615**
Income taxes	[11]	–230	–539	–123	–352	–129	–240
Net profit		**1,292**	**2,143**	**1,127**	**1,955**	**253**	**375**
Attributable to minority interest		5	6	5	6	–	–
Attributable to shareholders of BMW AG		**1,287**	**2,137**	**1,122**	**1,949**	**253**	**375**
Earnings per share of common stock in euro	[12]	1.97	3.27				
Earnings per share of preferred stock[2] in euro	[12]	1.98	3.28				

1] before consolidation of transactions between the sub-groups
2] In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

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Assets	Notes	Group		Industrial Operations*		Financial Operations*	
in euro million		30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007
Intangible assets	[13]	5,513	5,670	5,388	5,550	125	120
Property, plant and equipment	[14]	11,028	11,108	11,004	11,083	24	25
Leased products	[15]	20,157	17,013	290	254	23,250	19,911
Investments accounted for using the equity method	[16]	106	63	106	63	–	–
Other investments	[16]	216	209	192	186	24	23
Receivables from sales financing	[17]	22,456	20,248	–	–	22,456	20,248
Financial assets	[18]	1,039	1,173	42	81	997	1,092
Deferred tax	[19]	693	720	1,562	1,201	–2,391	–1,952
Other assets	[20]	622	415	250	892	562	344
Non-current assets		**61,830**	**56,619**	**18,834**	**19,310**	**45,047**	**39,811**
Inventories	[21]	8,875	7,349	8,867	7,340	9	9
Trade receivables		2,304	2,672	2,253	2,592	51	80
Receivables from sales financing	[17]	15,331	13,996	–	–	15,331	13,996
Financial assets	[18]	2,716	3,622	1,367	2,213	1,349	1,409
Current tax	[19]	361	237	351	225	10	12
Other assets	[20]	2,101	2,109	4,721	6,932	898	863
Cash and cash equivalents		3,651	2,393	3,405	1,887	246	506
Current assets		**35,339**	**32,378**	**20,964**	**21,189**	**17,894**	**16,875**
Total assets		**97,169**	**88,997**	**39,798**	**40,499**	**62,941**	**56,686**
Total assets adjusted for asset backed financing transactions		88,882	82,651	–	–	54,654	50,340

*before consolidation of transactions between the sub-groups

Equity and liabilities in euro million	Notes	Group 30.9.2008	 31.12.2007	Industrial Operations* 30.9.2008	 31.12.2007	Financial Operations* 30.9.2008	 31.12.2007
Subscribed capital		654	654				
Capital reserves		1,911	1,911				
Revenue reserves		21,382	20,789				
Accumulated other equity		–1,722	–1,621				
Treasury shares		–26	–				
Minority interest		15	11				
Equity	[22]	**22,214**	**21,744**	**18,130**	**17,755**	**5,416**	**5,197**
Pension provisions		2,494	4,627	2,457	4,595	37	32
Other provisions	[23]	2,579	2,676	2,380	2,417	199	259
Deferred tax	[24]	2,684	2,714	2,317	2,067	60	369
Financial liabilities	[25]	28,355	21,428	777	716	27,578	20,712
Other liabilities	[26]	2,309	2,024	1,697	1,514	1,367	1,843
Non-current provisions and liabilities		**38,421**	**33,469**	**9,628**	**11,309**	**29,241**	**23,215**
Other provisions	[23]	2,482	2,826	2,197	2,673	281	178
Current tax	[24]	760	808	620	654	140	154
Financial liabilities	[25]	24,512	22,493	2,213	2,090	22,299	20,403
Trade payables		4,080	3,551	3,513	2,938	567	613
Other liabilities	[26]	4,700	4,106	3,497	3,080	4,997	6,926
Current provisions and liabilities		**36,534**	**33,784**	**12,040**	**11,435**	**28,284**	**28,274**
Total equity and liabilities		**97,169**	**88,997**	**39,798**	**40,499**	**62,941**	**56,686**
Total equity and liabilities adjusted for asset backed financing transactions		88,882	82,651	–	–	54,654	50,340

* before consolidation of transactions between the sub-groups

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in euro million	Group	
	2008	2007
Net profit	1,292	2,143
Depreciation of leased products	4,662	3,521
Depreciation and amortisation of tangible, intangible and investment assets	2,711	2,685
Change in provisions	–237	100
Change in deferred tax	–78	12
Change in net current assets and other items	280	–580
Cash inflow from operating activities	**8,630**	**7,881**
Investment in intangible assets and property, plant and equipment	–2,612	–2,804
Net investment in leased products and receivables from sales financing	–11,223	–9,250
Other	–904	–11
Cash outflow from investing activities	**–14,739**	**–12,065**
Cash inflow/outflow from financing activities	**7,398**	**4,706**
Effect of exchange rate and changes in composition of group on cash and cash equivalents	**–31**	**–21**
Change in cash and cash equivalents	**1,258**	**501**
Cash and cash equivalents at 1 January	2,393	1,336
Cash and cash equivalents at 30 September	**3,651**	**1,837**

Industrial Operations 2008	Industrial Operations 2007	Financial Operations 2008	Financial Operations 2007	
1,127	1,955	253	375	Net profit
5	3	4,461	3,233	Depreciation of leased products
2,646	2,668	65	17	Depreciation and amortisation of tangible, intangible and investment assets
−290	251	82	−151	Change in provisions
−87	−72	89	136	Change in deferred tax
−9	−329	288	−205	Change in net current assets and other items
3,392	**4,476**	**5,238**	**3,405**	**Cash inflow from operating activities**
−2,589	−2,701	−23	−103	Investment in intangible assets and property, plant and equipment
−40	−25	−11,183	−9,225	Net investment in leased products and receivables from sales financing
−827	−24	−77	13	Other
−3,456	**−2,750**	**−11,283**	**−9,315**	**Cash outflow from investing activities**
1,583	**−1,403**	**5,815**	**6,109**	**Cash inflow/outflow from financing activities**
−1	**−10**	**−30**	**−11**	**Effect of exchange rate and changes in composition of group on cash and cash equivalents**
1,518	**313**	**−260**	**188**	**Change in cash and cash equivalents**
1,887	1,235	506	101	Cash and cash equivalents at 1 January
3,405	**1,548**	**246**	**289**	**Cash and cash equivalents at 30 September**

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in euro million	2008	2007
Fair value gains and losses on available-for-sale investments recognised directly in equity	–32	–118
Fair value gains and losses on financial instruments used for hedging purposes recognised directly in equity	–665	180
Exchange differences arising on the translation of foreign subsidiaries	–293	–209
Actuarial gains and losses on defined benefit pension and similar obligations	899	646
Deferred tax on gains and losses recognised directly in equity	–10	–362
Gains and losses recognised directly in equity	**–101**	**137**
Profit after tax attributable to shareholders of BMW AG	**1,287**	**2,137**
Aggregate amount of net profit for period and gains and losses recognised directly in equity	**1,186**	**2,274**

[1] **Basis of preparation**

The Group financial statements of BMW AG at 31 December 2007 were drawn up in accordance with International Financial Reporting Standards (IFRSs), as applicable in the EU. The interim Group financial statements (Interim Report) at 30 September 2008, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as those employed in the 2007 Group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which are mandatory at 30 September 2008 have also been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the German Accounting Standards Committee e. V. (GASC). The interim Group financial statements have neither been audited nor reviewed by the Group auditors, KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft.

Further information regarding the Group's accounting principles and policies is contained in the BMW Group financial statements at 31 December 2007. The Group currency is the euro. All amounts are disclosed in millions of euros (euro million) unless otherwise stated.

In order to support the sale of its products, the BMW Group provides various financial services – mainly loan and lease financing – to retail customers and to dealers. The inclusion of the financial services activities of the Group therefore has an impact on the interim Group financial statements. In order to provide a better insight into the assets, liabilities, financial position and performance of the Group, additional information is presented in the BMW Group financial statements for Industrial Operations and Financial Operations. Financial Operations include financial services and the activities of the Group financing companies. The operating interest income and expense of Financial Operations are included in revenues and cost of sales respectively. The holding companies BMW (UK) Holdings Ltd., Bracknell, BMW Holding B.V., The Hague, BMW Österreich Holding GmbH, Steyr, BMW (US) Holding Corp., Wilmington, Del., BMW España Finance S.L., Madrid, and BMW Holding Malaysia Sdn Bhd, Kuala Lumpur, are allocated to Industrial Operations. The main business transactions between Industrial and Financial Operations, which are eliminated at Group level, are internal sales of products, the provision of funds for Group companies and the related interest. These additional disclosures allow the assets, liabilities, financial position and performance of Industrial and Financial Operations to be presented, in accordance with the recognition and measurement principles stipulated by IFRSs, as if they were two separate groups. This information is provided on a voluntary basis.

In conjunction with the refinancing of the financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well established instrument used by industrial companies. These transactions are usually in the form of asset-backed financing transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to "service" the receivables and receives an appropriate fee for these services. In accordance with IAS 27 (Consolidated and Separate Financial Statements) and the interpretation contained in SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group financial statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. The balance sheet value of the assets sold at 30 September 2008 totalled euro 8.3 billion (31 December 2007: euro 6.3 billion). For an additional understanding of the asset, liability and financial position of the BMW Group, the Group balance sheet contains a supplementary disclosure of the balance sheet total adjusted for assets which have been sold.

In addition to credit financing and lease contracts, the Financial Services segment also brokers insurance business via cooperation arrangements entered into with local insurance companies. These activities are not material to the BMW Group as a whole.

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[2] **Consolidated companies**
The BMW Group financial statements for the third quarter 2008 include, besides BMW AG, 41 German and 152 foreign subsidiaries. This includes 17 special securities funds and 24 trusts (special purpose entities), almost all of which are used for asset backed financing.

No entities were consolidated for the first time during the third quarter 2008.

72.9% of the shares of Cirquent GmbH, Munich, were sold with effect from 30 September 2008. Due to the fact that this entity is no longer controlled in accordance with the criteria contained in IAS 27, Cirquent GmbH, Munich, and its subsidiaries arcensis GmbH, Stuttgart, Silverstroke AG, Ettlingen, Cirquent Ges.m.b.H., Vienna, Cirquent AG, Zurich, and Cirquent Ltd., Birmingham, ceased to be consolidated companies. The remaining interest in Cirquent GmbH, Munich, is included in the Group financial statements as an at-equity accounted investment. Income and expenses recorded by Cirquent GmbH and its subsidiaries during the first nine months of 2008 are included in the BMW Group interim financial statements for the three-month and the nine-month periods ended 30 September 2008.

In addition, entory S.A. Luxembourg, Luxembourg, Midland Gears Ltd., Bracknell, and Lingford Australia Pty Ltd., Sydney, ceased to be consolidated companies in the third quarter 2008. BMW Vertriebs GmbH, Munich, also ceased to be a separate consolidated company following its merger with BMW Leasing GmbH, Munich.

BMW Roma S.r.l., Rome, and BMW de Argentina S.A., Buenos Aires, were consolidated for the first time during the nine-month period to 30 September 2008. SimeLease (Malaysia) Sdn Bhd, Kuala Lumpur, and its subsidiary, SimeCredit (Malaysia) Sdn Bhd, Kuala Lumpur – both acquired by BMW Holding B.V., The Hague, on 13 April 2007 following receipt of approval from the relevant local authorities – were also consolidated for the first time. The names of these entities were changed to BMW Lease (Malaysia) Sdn Bhd, Kuala Lumpur, and BMW Credit (Malaysia) Sdn Bhd, Kuala Lumpur, immediately after acquisition.

The purchase consideration for the two companies – all settled with cash and cash equivalents – was euro 23 million. Transaction costs were not incurred. The transaction involved the acquisition of all issued share capital and voting rights. Based on the definitive purchase price allocation, the following carrying amounts and fair values were attributed to the assets and liabilities of the acquired companies at the acquisition date:

in euro million	Carrying amount/ Fair value
Assets	
Receivables from sales financing	179
Other assets	3
Liabilities	
Provisions	4
Financial liabilities	141
Other liabilities	28
Net assets acquired	**9**
Acquisition cost	**23**
Goodwill	**14**

The excess of cost over the fair value of recognised net assets amounted to euro 14 million. This relates primarily to potential synergy benefits that can be realised by expanding lease and financing business. The full amount is attributable to the Financial Services segment. This goodwill is tested annually for impairment.

BMW Lease (Malaysia) Sdn Bhd, Kuala Lumpur, and its subsidiary, BMW Credit (Malaysia) Sdn Bhd, Kuala Lumpur, recorded a net profit of euro 1.5 million for the first nine months of 2008, of which euro 0.9 million related to the third quarter. Revenues of the two entities during the nine-month period totalled euro 12.6 million, of which euro 4.8 million related to the third quarter.

The companies entory AG, Ettlingen, axentiv AG, Darmstadt, Nexolab GmbH, Munich, and F.A.S.T. Gesellschaft für angewandte Softwaretechnologie mbH, Munich, ceased to be consolidated companies during the nine-month period to 30 September 2008 following their merger with Cirquent GmbH, Munich. As a result of the sale of Cirquent GmbH, Munich, with effect from 30 September 2008, a further five subsidiaries ceased to be consolidated companies. Aveling Barford Manufacturing (Pty) Ltd., Cape Town, entory S. A. Luxembourg, Luxembourg, Midland Gears Ltd., Bracknell, Lingford Australia Pty Ltd., Sydney, and BMW Vertriebs GmbH, Munich – the latter due to its merger with BMW Leasing GmbH, Munich – also ceased to be consolidated companies.

Compared to the same period last year, five subsidiaries, six special purpose securities trusts and two special purpose funds were consolidated for the first time. In addition, 15 subsidiaries, two special purpose securities trusts and two special purpose funds ceased to be consolidated companies.

The changes to the composition of the Group do not have a material impact on the earnings performance, financial position or net assets of the Group.

[3] New financial reporting rules

(a) Financial reporting rules applied for the first time in the third quarter 2008

No new financial reporting rules were applied for the first time in the third quarter 2008.

(b) New financial reporting rules issued during the third quarter 2008

On 31 July 2008, the International Accounting Standards Board (IASB) issued an amendment to IAS 39 (Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items). The amended requirements are mandatory for financial years commencing on or after 1 July 2009. IAS 39 shall be applied retrospectively.

The following interpretations were also issued during the third quarter 2008:
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 15 is mandatory for financial years commencing on or after 1 January 2009. IFRIC 16 is mandatory for financial years commencing on or after 1 October 2008, whereby existing hedging relationships that do not meet the criteria contained in IFRIC 16 may be wound up prospectively.

These new financial rules will not have a significant impact on the BMW Group.

[4] Revenues

Revenues by activity comprise the following:

in euro million	3rd quarter 2008	3rd quarter 2007	1 January to 30 September 2008	1 January to 30 September 2007
Sales of products and related goods	8,763	10,520	29,470	31,251
Income from lease instalments	1,474	1,324	4,129	3,739
Sales of products previously leased to customers	1,322	1,076	3,905	2,991
Interest income on loan financing	767	632	2,153	1,756
Other income	262	226	768	675
Revenues	**12,588**	**13,778**	**40,425**	**40,412**

An analysis of revenues by segment is shown in the segment information on page 42.

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[5] Cost of sales

Cost of sales in the third quarter include euro 3,650 million (third quarter 2007: euro 2,863 million) relating to the financial services business. For the period from 1 January to 30 September 2008, euro 10,216 million (first nine months 2007: euro 7,979 million) relates to the financial services business.

[6] Sales and administrative costs

Sales costs in the third quarter amounted to euro 940 million (third quarter 2007: euro 1,015 million). For the first nine months of 2008, they amounted to euro 3,066 million (first nine months 2007: euro 3,226 million). Sales costs mainly comprise marketing, advertising and sales personnel costs.

Administrative costs in the third quarter and first nine months amounted to euro 366 million (third quarter 2007: euro 213 million) and euro 989 million (first nine months 2007: euro 720 million). Administrative costs comprised expenses for administration not attributable to development, production or sales functions. The increases compared to 2007 related, amongst other factors, to the additional expenses incurred to reduce the size of the workforce.

[7] Research and development expenses

Third-quarter research and development costs amounting to euro 686 million (third quarter 2007: euro 723 million) comprise all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to euro 287 million (third quarter 2007: euro 283 million). Research and development costs for the first nine months of 2008 amounted to euro 2,162 million (first nine months 2007: euro 2,195 million). This includes amortisation on capitalised development costs of euro 884 million (first nine months 2007: euro 800 million).

[8] Other operating income and expenses

Other operating income in the third quarter amounted to euro 380 million (third quarter 2007: euro 144 million). For the nine-month period, other operating income amounted to euro 915 million (first nine months 2007: euro 413 million). Other operating expenses in the third quarter amounted to euro 291 million (third quarter 2007: euro 96 million). For the nine-month period, they amounted to euro 766 million (first nine months 2007: euro 312 million). These items principally include exchange gains and losses, gains and losses on the disposal of assets and income/expense from the reversal of, and allocation to, provisions.

[9] Result from equity accounted investments

The result from equity accounted investments in the third quarter was a net profit of euro 4 million (third quarter 2007: net loss of euro 1 million). For the nine-month period, the equivalent figure was a net profit of euro 16 million (first nine months 2007: euro 2 million). This includes the result of the joint venture, BMW Brilliance Automotive Ltd., Shenyang.

[10] Other financial result

in euro million	3rd quarter 2008	3rd quarter 2007	1 January to 30 September 2008	1 January to 30 September 2007
Result on investments	1	–6	2	–5
Net interest expense	–36	–92	–201	–174
Sundry other financial result	–77	–109	66	–45
Other financial result	**–112**	**–207**	**–133**	**–224**

The change in the sundry other financial result was attributable primarily to changed interest rate structures and changed exchange rate parities with the US dollar and the British pound.

[11] Income taxes

Taxes on income comprise the following:

in euro million	3rd quarter 2008	3rd quarter 2007	1 January to 30 September 2008	1 January to 30 September 2007
Current tax expense	32	223	330	649
Deferred tax expense	–51	–261	–100	–110
Income taxes	**–19**	**–38**	**230**	**539**

The effective tax rate for the nine-month period was 15.1 % (first nine months 2007: 20.1 %).

[12] Earnings per share

The computation of earnings per share is based on the following figures:

		3rd quarter 2008	3rd quarter 2007	1 January to 30 September 2008	1 January to 30 September 2007
Profit attributable to the shareholders	euro million	295.8	800.2	1,287.2	2,137.1
Profit attributable to common stock	euro million (rounded)	272.6	737.3	1,185.7	1,968.4
Profit attributable to preferred stock	euro million (rounded)	23.2	62.9	101.5	168.7
Average number of common stock shares in circulation	number	601,995,196	601,995,196	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	51,296,162	51,446,162	51,296,162	51,446,162
Earnings per share of common stock	euro	**0.45**	**1.22**	**1.97**	**3.27**
Earnings per share of preferred stock	euro	**0.45**	**1.22**	**1.98**	**3.28**

Earnings per share are calculated for common and preferred stock by dividing the net profit after minority interests, as attributable to each category of stock, by the average number of shares in circulation.

In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the four quarters of the corresponding financial year. Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years. Diluted earnings per share were not applicable in either of the reporting periods.

[13] Intangible assets

Intangible assets comprise capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects and software. Capitalised development costs at 30 September 2008 amounted to euro 4,927 million (31 December 2007: euro 5,034 million). Capital expenditure on development costs for the nine-month period amounted to euro 777 million (first nine months 2007: euro 904 million). Amortisation amounted to euro 884 million (first nine months 2007: euro 800 million).

In addition, intangible assets include goodwill of euro 111 million (31 December 2007: euro 163 million). This comprises goodwill arising on the acquisition of DEKRA SüdLeasing Services GmbH, Stuttgart, and its subsidiaries and on the acquisition of SimeLease (Malaysia) Sdn Bhd, Kuala Lumpur, and its subsidiary SimeCredit (Malaysia) Sdn Bhd, Kuala Lumpur.

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[14] **Property, plant and equipment**

Capital expenditure for property, plant and equipment in the first nine months of 2008 was euro 1,749 million (first nine months 2007: euro 1,697 million). The depreciation expense for same period amounted to euro 1,755 million (first nine months 2007: euro 1,807 million).

[15] **Leased products**

Additions to leased products and depreciation thereon amounted to euro 9,769 million (first nine months 2007: euro 7,726 million) and euro 2,442 million (first nine months 2007: euro 1,575 million) respectively. Disposals amounted to euro 4,309 million (first nine months 2007: euro 3,523 million). The translation of foreign currency financial statements resulted in a net positive translation difference of euro 126 million (first nine months 2007: net negative translation difference of euro 635 million).

[16] **Investments accounted for using the equity method and other investments**

Investments accounted for using the equity method comprise the Group's interests in the joint venture BMW Brilliance Automotive Ltd., Shenyang, and in the Cirquent GmbH, Munich.

Other investments relate to investments in non-consolidated subsidiaries and in other companies and non-current marketable securities.

[17] **Receivables from sales financing**

Receivables from sales financing totalling euro 37,787 million (31 December 2007: euro 34,244 million) relate to credit financing for retail customers and dealers and to finance leases.

Receivables from sales financing include euro 22,456 million (31 December 2007: euro 20,248 million) with a remaining term of more than one year.

[18] **Financial assets**

Financial assets comprise:

in euro million	30.9.2008	31.12.2007
Interest and currency derivatives	1,619	1,980
Marketable securities and investment funds	1,219	1,959
Loans to third parties	13	28
Other	904	828
Financial assets	**3,755**	**4,795**
thereof non-current	1,039	1,173
thereof current	2,716	3,622

The change in marketable securities and investment funds was primarily attributable to the transfer of securities to the newly founded BMW Trust e.V. in conjunction with the creation of an external fund for pension obligations.

[19] Income tax assets

Income tax assets can be analysed as follows:

30 September 2008 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	693	693
Current tax	258	103	361
Income tax assets	**258**	**796**	**1,054**

31 December 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	720	720
Current tax	118	119	237
Income tax assets	**118**	**839**	**957**

[20] Other assets

in euro million	30.9.2008	31.12.2007
Other taxes	659	554
Receivables from subsidiaries	437	641
Receivables from other companies in which an investment is held	88	104
Prepayments	886	729
Sundry other assets	653	496
Other assets	**2,723**	**2,524**
thereof non-current	622	415
thereof current	2,101	2,109

[21] Inventories

Inventories comprise the following:

in euro million	30.9.2008	31.12.2007
Raw materials and supplies	604	632
Work in progress, unbilled contracts	941	871
Finished goods	6,391	4,731
Goods for resale	939	1,115
Inventories	**8,875**	**7,349**

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[22] **Equity**

Equity of the BMW Group developed during the first nine months of the year as follows:

in euro million	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity				Treasury shares	Minority interest	Total
				Translation differences	Securities	Derivative financial instruments	Pension obligations			
31 December 2006	**654**	**1,911**	**18,121**	**–837**	**214**	**178**	**–1,115**	**–**	**4**	**19,130**
Acquisition of treasury shares	–	–	–	–	–	–	–	–34	–	–34
Dividends paid	–	–	–458	–	–	–	–	–	–	–458
Translation differences	–	–	–	–209	–	2	15	–	–1	–193
Financial instruments	–	–	–	–	–118	178	–	–	–	60
Actuarial gains and losses on pension obligations	–	–	–	–	–	–	631	–	–	631
Deferred tax on transactions recognised directly in equity	–	–	–	–	–	–54	–308	–	–	–362
Net profit 30 September 2007	–	–	2,137	–	–	–	–	–	6	2,143
30 September 2007	**654**	**1,911**	**19,800**	**–1,046**	**96**	**304**	**–777**	**–34**	**9**	**20,917**
31 December 2007	**654**	**1,911**	**20,789**	**–1,259**	**35**	**438**	**–835**	**–**	**11**	**21,744**
Acquisition of treasury shares	–	–	–	–	–	–	–	–26	–	–26
Dividends paid	–	–	–694	–	–	–	–	–	–	–694
Translation differences	–	–	–	–293	–	3	23	–	–1	–268
Financial instruments	–	–	–	–	–32	–668	–	–	–	–700
Actuarial gains and losses on pension obligations	–	–	–	–	–	–	876	–	–	876
Deferred tax on transactions recognised directly in equity	–	–	–	–	–	243	–253	–	–	–10
Net profit 30 September 2008	–	–	1,287	–	–	–	–	–	5	1,292
30 September 2008	**654**	**1,911**	**21,382**	**–1,552**	**3**	**16**	**–189**	**–26**	**15**	**22,214**

Number of shares issued

At 30 September 2008, common stock issued by BMW AG was divided into 601,995,196 shares with a par-value of one euro, unchanged from the previous year. Preferred stock issued by BMW AG was divided into 52,196,162 shares with a par-value of one euro, also unchanged from the previous year. Unlike the common stock, no voting rights are attached to the preferred stock. All of the company's stock is issued to bearer. Preferred stock bears an additional dividend of euro 0.02 per share.

At the Annual General Meeting on 8 May 2008, the shareholders authorised the Board of Management to acquire treasury shares via the stock exchange, up to a maximum of 10 % of the share capital in place at the date of the resolution, and to withdraw these shares from circulation without any further resolution by the Annual General Meeting.

At the same time, the authorisation from 15 May 2007 to acquire treasury shares was rescinded. The authorisation has not been exercised to date. It has not yet been decided whether or to which extent the authorisation will be used.

During the first nine months of 2008, BMW AG acquired 900,000 shares of BMW preferred stock at an average price of euro 28.54 per share. It is intended to issue these shares to employees during the financial year 2008 at a reduced price in conjunction with an employee share scheme. These shares of preferred stock are subject to a vesting period of four years. The effect of applying IFRS 2 (Share-Based Payments) to the employee share scheme is not material for the Group.

Equity attributable to shareholders
Equity attributable to shareholders of BMW AG at 30 September 2008 amounted to euro 22,199 million (31 December 2007: euro 21,733 million).

Equity attributable to minority interests amounted to euro 15 million (31 December 2007: euro 11 million). This includes a minority interest of euro 5 million in results for the period (31 December 2007: euro 8 million).

[23] Other provisions

Other provisions, at euro 5,061 million (31 December 2007: euro 5,502 million) primarily include personnel-related obligations and obligations for ongoing operational expenses.

Current provisions at 30 September 2008 amounted to euro 2,482 million (31 December 2007: euro 2,826 million).

[24] Income tax liabilities

30 September 2008 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,684	2,684
Current tax	392	368	760
Income tax liabilities	**392**	**3,052**	**3,444**

31 December 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,714	2,714
Current tax	378	430	808
Income tax liabilities	**378**	**3,144**	**3,522**

Current tax liabilities of euro 760 million (31 December 2007: euro 808 million) comprise euro 137 million (31 December 2007: euro 161 million) for taxes payable and euro 623 million (31 December 2007: euro 647 million) for tax provisions.

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[25] Financial liabilities

Financial liabilities include all obligations of the BMW Group relating to financing activities. These comprise the following at the relevant reporting dates:

in euro million	30.9.2008	31.12.2007
Bonds	23,543	18,383
Liabilities to banks	7,581	6,501
Liabilities from customer deposits (banking)	5,843	5,732
Commercial paper	5,405	5,445
Asset backed financing transactions	8,287	6,346
Interest and currency derivatives	1,023	616
Other	1,185	898
Financial liabilities	**52,867**	**43,921**
thereof non-current	28,355	21,428
thereof current	24,512	22,493

Other financial liabilities relate primarily to obligations recognised under finance leases.

[26] Other liabilities

Other liabilities comprise the following items:

in euro million	30.9.2008	31.12.2007
Other taxes	635	537
Social security	40	46
Advance payments from customers	662	382
Deposits received	154	146
Liabilities to subsidiaries	39	75
Liabilities to other companies in which an investment is held	8	–
Deferred income	3,220	2,844
Sundry other liabilities	2,251	2,100
Other liabilities	**7,009**	**6,130**
thereof non-current	2,309	2,024
thereof current	4,700	4,106

[27] Related party relationships

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities which have the ability to control the BMW Group or which are controlled by the BMW Group must be disclosed unless such parties are not already included in the consolidated financial statements as consolidated companies. Control is defined as ownership of more than one half of the voting power of BMW AG or the power to direct, by statute or agreement, the financial and operating policies of the management of the Group.

In addition, the disclosure requirements of IAS 24 also cover transactions with investee companies, joint ventures and with parties which have the ability to exercise significant influence over the financial and operating policies of the BMW Group. This also includes close relatives and intermediaries. Significant influence over the financial and operating policies of the BMW Group can arise when a party holds 20 % or more of the shares of BMW AG or is a member of the Board of Management or Supervisory Board of BMW AG.

For the third quarter 2008, the disclosure requirements contained in IAS 24 only affect the BMW Group with regard to business relationships with affiliated, non-consolidated subsidiaries, joint ventures, other equity investments as well as with members of the Board of Management and Supervisory Board of BMW AG.

The BMW Group maintains normal business relationships with affiliated, non-consolidated entities. Transactions with these entities are small in scale, arise in the normal course of business and are conducted on the basis of arm's length principles.

Transactions of BMW Group companies with the joint venture, BMW Brilliance Automotive Ltd., Shenyang, all arise in the normal course of business and are conducted on the basis of arm's length principles. Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during the first nine months of 2008 for an amount of euro 293 million, including euro 79 million recorded in the third quarter. At 30 September 2008, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, totalled euro 61 million. Payables of Group companies to BMW Brilliance Automotive Ltd., Shenyang, amounted to euro 8 million.

Business relationships of the BMW Group with investee entities all arise in the normal course of business and are conducted on the basis of arm's length principles. With the exception of Cirquent GmbH, Munich, business relationships with investee entities are on a small scale. At 30 September 2008, receivables of Group companies from Cirquent GmbH, Munich, totalled euro 26.9 million. Payables of Group companies to Cirquent GmbH, Munich, amounted to euro 0.4 million.

Stefan Quandt is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v. d. H., which, via its subsidiaries, performed logistics services for the BMW Group during the third quarter 2008. In addition, companies of the DELTON Group purchased vehicles from the BMW Group. These service and sales contracts are not material for the BMW Group, arise in the course of ordinary activities and are made, without exception, on the basis of arm's length principles.

Susanne Klatten is a shareholder and member of the Supervisory Board of BMW AG, and also a shareholder and Deputy Chairman of the Supervisory Board of Altana AG, Wesel. Altana AG, Wesel, purchased vehicles from the BMW Group during the third quarter 2008. The corresponding sales contracts are not material for the BMW Group, arise in the course of ordinary activities and are made, without exception, on the basis of arm's length principles.

Apart from these transactions, companies of the BMW Group did not enter into any contracts with members of the Board of Management or Supervisory Board of BMW AG. The same applies to close members of the families of those persons.

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[28] Segment information

The activities of the various segments are described in the Group financial statements of BMW AG at 31 December 2007. Segment information for the third quarter 2008 is as follows:

Segment information by business segment in euro million		Automobiles 2008	Automobiles 2007	Motorcycles 2008	Motorcycles 2007	Financial Services 2008	Financial Services 2007	Reconciliations 2008	Reconciliations 2007	Group 2008	Group 2007
External revenues		8,595	10,331	269	259	3,675	3,141	49	47	12,588	13,778
Inter-segment revenues		2,518	2,776	2	–	409	428	–2,929	–3,204	–	–
Total revenues		**11,113**	**13,107**	**271**	**259**	**4,084**	**3,569**	**–2,880**	**–3,157**	**12,588**	**13,778**
Profit before financial result (EBIT)		141	788	–5	7	–26	176	277	2	387	973
Result from equity accounted investments		4	–1	–	–	–	–	–	–	4	–1
Other net financial result		–127	–83	–2	–2	9	15	8	–137	–112	–207
Profit before tax		**18**	**704**	**–7**	**5**	**–17**	**191**	**285**	**–135**	**279**	**765**
Return on sales	%	0.2	5.4	–	1.9	–	5.4	–	–	2.2	5.6
EBIT margin	%	1.3	6.0	–	2.7	–	4.9	–	–	3.1	7.1

Segment information for the first three quarters of 2008 is as follows:

Segment information by business segment in euro million		Automobiles 2008	Automobiles 2007	Motorcycles 2008	Motorcycles 2007	Financial Services 2008	Financial Services 2007	Reconciliations 2008	Reconciliations 2007	Group 2008	Group 2007
External revenues		28,762	30,439	1,002	1,017	10,513	8,810	148	146	40,425	40,412
Inter-segment revenues		8,267	8,343	6	5	1,305	1,291	–9,578	–9,639	–	–
Total revenues		**37,029**	**38,782**	**1,008**	**1,022**	**11,818**	**10,101**	**–9,430**	**–9,493**	**40,425**	**40,412**
Profit before financial result (EBIT)		1,155	2,273	87	102	92	545	305	–16	1,639	2,904
Result from equity accounted investments		16	2	–	–	–	–	–	–	16	2
Other net financial result		–289	–161	–7	–7	39	18	124	–74	–133	–224
Profit before tax		**882**	**2,114**	**80**	**95**	**131**	**563**	**429**	**–90**	**1,522**	**2,682**
Return on sales	%	2.4	5.5	7.9	9.3	1.1	5.6	–	–	3.8	6.6
EBIT margin	%	3.1	5.9	8.6	10.0	0.8	5.4	–	–	4.1	7.2

Other Information
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Financial Calendar

Annual Report 2008	18 March 2009
Annual Accounts Press Conference	18 March 2009
Financial Analysts' Meeting	19 March 2009
Quarterly Report to 31 March 2009	6 May 2009
Annual General Meeting	14 May 2009
Quarterly Report to 30 June 2009	4 August 2009
Quarterly Report to 30 September 2009	3 November 2009

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