

FINANCIAL STATEMENTS OF BMW AG

Financial Year 2018

**BMW
GROUP**

THE NEXT
100 YEARS



Rolls-Royce
Motor Cars Limited

BMW AG IN FIGURES

→ BMW AG in Figures
→ Financial Statements

		2018	2017	Change in %
Revenues	€ million	78,355	79,215	-1.1
Export ratio	%	82.4	82.8	
Production				
Automobiles ¹	Units	2,541,534	2,505,741	1.4
Motorcycles	Units	161,523	185,682	-13.0
Deliveries				
Automobiles ¹	Units	2,519,897	2,494,115	1.0
Motorcycles	Units	164,096	175,452	-6.5
Capital expenditure	€ million	2,975	2,628	13.2
Depreciation, amortisation and impairment losses	€ million	2,470	2,350	5.1
Workforce at end of year		89,842	87,940	2.2
Tangible, intangible and investment assets	€ million	15,787	15,419	2.4
Current assets, prepayments and surplus of pension and similar plan assets over liabilities	€ million	29,748	26,053	14.2
Subscribed capital	€ million	658	658	-
Reserves	€ million	12,280	11,758	4.4
Equity	€ million	15,241	15,046	1.3
as % of tangible, intangible and investment assets	%	96.5	97.6	
Balance sheet total	€ million	45,535	41,472	9.8
Cost of materials	€ million	57,726	56,065	3.0
Personnel expense	€ million	8,597	8,638	-0.5
Taxes	€ million	891	1,579	-43.6
Net profit	€ million	2,801	3,197	-12.4
Dividend	€ million	2,303 ²	2,630	-12.4
per share of common stock with a par value of €1 each	€	3.50 ²	4.00	
per share of preferred stock with a par value of €1 each	€	3.52 ²	4.02	

¹ Including supplies of series parts to BMW Brilliance Automotive Ltd., Shenyang.

² Proposed by the Board of Management.

FINANCIAL STATEMENTS

Publication

The BMW AG Financial Statements and Management Report for the financial year 2018 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. The Management Report of BMW AG is combined with the Group Management Report and published in the BMW Group Annual Report 2018.

The Annual Financial Statements and the Management Report of BMW AG are also available on the BMW Group's website at → www.bmwgroup.com/ir.

BALANCE SHEET AT 31 DECEMBER

→ Balance Sheet at
31 December
→ Income Statement

in € million	Notes	2018	2017
ASSETS			
Intangible assets	1	252	288
Property, plant and equipment	2	11,976	11,455
Investments	3	3,559	3,676
Tangible, intangible and investment assets		15,787	15,419
Inventories	4	4,811	4,643
Trade receivables	5	947	766
Receivables from subsidiaries	5	8,570	7,641
Other receivables and other assets	5	3,595	2,827
Marketable securities	6	4,080	4,185
Cash and cash equivalents	7	6,542	4,218
Current assets		28,545	24,280
Prepayments		535	483
Surplus of pension and similar plan assets over liabilities	8	668	1,290
Total assets		45,535	41,472
EQUITY AND LIABILITIES			
Subscribed capital	9	658	658
Capital reserves	9	2,177	2,153
Revenue reserves	10	10,103	9,605
Unappropriated profit available for distribution	23	2,303	2,630
Equity		15,241	15,046
Registered profit-sharing certificates	11	28	29
Pension provisions		214	139
Other provisions		7,824	8,469
Provisions	12	8,038	8,608
Liabilities to banks		545	965
Trade payables		5,560	5,619
Liabilities to subsidiaries		12,670	8,187
Other liabilities		285	333
Liabilities	13	19,060	15,104
Deferred income	14	3,168	2,685
Total equity and liabilities		45,535	41,472

INCOME STATEMENT

in € million	Notes	2018	2017
Revenues	15	78,355	79,215
Cost of sales	16	-63,841	-62,817
Gross profit		14,514	16,398
Selling expenses		-4,078	-3,958
Administrative expenses		-2,803	-2,733
Research and development expenses		-5,859	-5,168
Other operating income	17		
and expenses	18	1,026	-303
Result on investments	19	2,344	1,081
Financial result	20	-1,452	-541
Income taxes	21	-872	-1,563
Profit after income tax		2,820	3,213
Other taxes		-19	-16
Net profit		2,801	3,197
Transfer to revenue reserves	22	-498	-567
Unappropriated profit available for distribution	23	2,303	2,630

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The financial statements of BMW AG have been drawn up in accordance with the accounting provisions contained in the German Commercial Code (HGB) and legislation applicable to stock corporations. Figures are presented in millions of euro (€ million) unless otherwise stated. BMW AG, which has its legal seat in Munich, is registered in the Commercial Register of the District Court of Munich under the number HRB 42243.

ACCOUNTING POLICIES

In order to improve clarity, individual items are aggregated in the balance sheet and income statement and presented separately in the notes to the financial statements.

Purchased intangible assets are valued at acquisition cost and amortised over their estimated useful lives using the straight-line method. Internally generated intangible assets are not capitalised.

Property, plant and equipment are stated at acquisition or at manufacturing cost, less accumulated scheduled depreciation and impairment losses. Manufacturing cost includes direct material and production costs and an appropriate proportion of material and production overheads (including production-related depreciation). Production-related administrative costs, voluntary social costs and company pension costs are not included. Impairment losses are recorded when the decline in value of an asset is considered to be of a lasting nature. If the reasons for impairment no longer exist, impairment losses previously recorded are reversed, at a maximum up to their amortised cost. Property, plant and equipment are generally depreciated straight-line. The reducing balance method is still also applied in specific cases. Items acquired during the year are depreciated on a time-apportioned basis. Assets with an acquisition or manufacturing cost of up to €250 are recognised directly as an expense in the year of purchase/construction. Assets with an acquisition or manufacturing cost of between €250 and €1,000 are depreciated using the straight-line method over a period of five years.

Factory and office buildings and distribution facilities which form an inseparable part of such buildings are depreciated over eight to 40 years, residential buildings over 25 to 50 years, technical plant and machinery as a general rule over four to 21 years and other facilities, factory and office equipment mainly over five years. For plant and equipment used in multiple-shift operations, depreciation rates are increased to account for the additional utilisation.

Investments in subsidiaries and participations are stated at cost or, if lower, at their fair value. If the reasons for impairment no longer exist, impairment losses previously recorded are reversed, at a maximum up to the level of original cost. Loans which bear no or a below-market rate of interest are discounted to their present value.

Structured financial instruments are accounted for as a single asset, measured at the lower of their fair value or amortised cost.

The composition of and changes in long-lived assets are shown in the Analysis of Changes in Tangible, Intangible and Investment Assets.

Inventories of raw materials, supplies and goods for resale are stated at the lower of cost and net realisable value. Direct material and production costs and an appropriate proportion of material and production overheads (including production-related depreciation) are taken into account in the measurement of unfinished and finished goods. Production-related administrative costs, voluntary social costs and company pension costs are not included. Write-downs are made to cover risks arising from slow-moving items or reduced saleability.

Receivables and other assets are stated at the lower of their nominal value or net realisable value.

Investments in current marketable securities are measured at cost or, if lower, at their fair value at the end of the reporting period. Fair value corresponds to the market price.

Prepayments relate to amounts disbursed before the balance sheet date, which represent expense for a specific period after the end of the reporting period.

In order to meet obligations relating to pension plans, certain assets are managed on a trustee basis by BMW Trust e.V., Munich, in conjunction with Contractual Trust Arrangements (CTA). These assets are measured at their fair value, based on the market values of the corresponding fund management companies at the end of the reporting period. Designated plan assets are offset against the related obligations. A provision is recognised when obligations exceed assets. When assets exceed obligations, the surplus is reported in the balance sheet in the line item "Surplus of pension and similar plan assets over liabilities".

Pension obligations are measured in accordance with the projected unit credit method and discounted using the average market interest rate for the past ten years, which corresponds to the remaining term of the obligations. The provision is derived from independent actuarial valuations which take into account the relevant biometric factors. The difference in the carrying amount of the provision based on using the average market interest rate for the past ten financial years and that for the past seven financial years is disclosed in the notes to the financial statements. The provisions for long-service awards and for pre-retirement part-time work arrangements are also measured using the projected unit credit method. Income and expenses arising on assets offset against liabilities, from the unwinding of discounting and from the effect of changes in the discount rate are presented as part of the financial result. All other components of pension expense are included in the income statement under costs by function.

Other provisions are recognised to take account of all identified risks. Provisions are measured at their expected settlement amount. In the case of non-current provisions, amounts are discounted using the average market interest rate – calculated and published by the Deutsche Bundesbank – which corresponds to the remaining term of the provision.

With effect from the beginning of the financial year 2018, provisions for statutory and non-statutory warranty obligations and product guarantees are measured on the basis of cost price to the Company (previously on the basis of cost price to dealerships) and adjusted to the measurement basis used for tax purposes. Following the change in valuation method, spare parts supplied to dealerships in connection with statutory and non-statutory warranty obligations and product guarantees are no longer recognised as revenues or cost of sales. If the previous valuation method had been retained, revenues would have been €554 million higher, cost of sales €601 million higher and other operating income €599 million lower in the financial year 2018. Overall, the positive impact on earnings for the financial year 2018 was €646 million. Discounting effects arising in conjunction with the change in the valuation method were not material. The comparability of revenues, cost of sales, other operating income and, in the balance sheet, other provisions is limited for the financial years 2018 and 2017 due to the change in the valuation method used to measure provisions for statutory and non-statutory warranty obligations and product guarantees. In order to enable comparison, the impact on the previous year's amounts is disclosed in the notes to the relevant income statement and balance sheet items.

The measurement of provisions for statutory and non-statutory warranty obligations and product guarantees involves estimations. These provisions are recognised when the risks and rewards of ownership of the goods are transferred to the BMW Group's sales companies, dealerships or retail customers. In order to determine the level of the provision, various factors are taken into consideration, including current estimations based on past experience with the nature and amount of claims relating to vehicles delivered. In addition, the future level of potential repair costs (comprising materials and labour) as well as price increases per product are taken into account. Specific and expected warranty-related events, such as vehicle recall actions, are also included in provisions for statutory and non-statutory warranty obligations and product guarantees. Provisions for statutory and non-statutory warranty obligations and product guarantees are adjusted regularly to take account of new circumstances and the impact thereof recognised in the income statement. Expected reimbursement claims are estimated and offset against provisions for statutory and non-statutory warranty obligations and product guarantees.

Tax provisions are calculated in accordance with the principle of reasonable management judgement.

BMW AG assumes some of the residual value obligations arising at the level of BMW Group Financial Services entities in connection with the remarketing of vehicles and recognises provisions accordingly. For the purpose of measuring the provisions, contractually agreed residual values are compared with expected residual values on a contract-by-contract basis. The computation of expected residual values also takes account of publicly available assessments of independent forecasting institutes as well as in-house forecasts.

Liabilities are stated at their expected settlement amount at the balance sheet date.

Foreign currency receivables and payables are translated using the mid-spot exchange rate applicable at transaction date. Gains arising on the translation of period-end items are only recognised for receivables and payables with a remaining term of one year or less. Unrealised losses resulting from changes in exchange rates are recognised by restating the foreign currency amount in the balance sheet to the closing rate. Financial assets and financial liabilities denominated in a foreign currency are mostly hedged, in which case they are translated using the relevant hedge rate.

The Company uses derivative financial instruments to hedge interest rate, currency and commodity price risks arising in conjunction with operating activities as well as the resulting financing requirements.

The market values of commodity hedging contracts are determined on the basis of current reference prices, as adjusted for forward premium and discount amounts. The fair values of derivative financial instruments derived for the relevant nominal values do not take account of any offsetting change in the fair value of the hedged items.

Where there is a direct hedging relationship, the derivative financial instrument and the hedged item are accounted for as a valuation unit.

BMW AG invoices a number of its affiliated sales companies that are based outside the eurozone in the relevant local currency. The resulting currency exposures are hedged by derivative currency instruments and, together with the hedged items, accounted for as valuation units. The hedged items relate to highly probable forecast transactions, for which portfolio hedges are designated out of foreign currency amounts invoiced to the sales subsidiaries. The "Valuation Freeze Method" (Einfrierungsmethode) is applied until the foreign currency receivables arise, at which stage the "Booking through method" (Durchbuchungsmethode) is applied. In the case of a late designation, the forward currency contracts are treated as stand-alone derivatives until the date of designation.

Micro hedges are designated for currency and interest rate derivatives used to hedge financial assets and for back-to-back derivative financial instruments. Portfolio hedges are designated for commodity derivatives. BMW AG has elected to apply the "Valuation Freeze Method" (Einfrierungsmethode) for these hedging relationships.

Since the principal features of the transactions included in a valuation unit are matched, changes in fair values or cash flows generally offset each other. Hedging is in place for the whole term of the hedged item. Effectiveness is ensured as a general rule by the use of a critical term match. The effectiveness of the portfolio hedge relating to foreign-currency-denominated revenues invoiced to sales subsidiaries is measured on the basis of regression analysis. The Dollar-Offset method is used to calculate the absolute amounts attributable to non-validity and ineffectiveness. Realised gains and losses arising on valuation units created for back-to-back derivative financial instruments entered into with subsidiaries and banks are presented in other operating income/expenses on a net basis.

If there is no hedging relationship, or if the hedging relationship is deemed to be insufficient, pending losses are recognised with income statement effect.

Deferred income relates to amounts received before the balance sheet date, which represent income for a specific period after the end of the reporting period. This also includes revenues billed for services which are rendered after the end of the reporting period. Revenues from sales with multiple components are analysed into the various performance components on the basis of fair values which can be determined objectively and reliably. The portion of revenues relating to services not performed by the end of the reporting period is presented as deferred income.

Deferred taxes are calculated for temporary differences between the tax base and accounting carrying amounts of assets, liabilities and deferred/prepaid items. Deferred tax assets and liabilities are measured using a combined income tax rate of 30.8% relevant for the BMW AG tax group. This combined rate covers corporation tax, municipal trade tax and solidarity surcharge. In the case of temporary differences arising on assets, liabilities and deferred/prepaid items of partnership entities, in which BMW AG participates in the capacity of a shareholder, deferred taxes are measured on the basis of an income tax rate of 15.83% which covers corporation tax and solidarity surcharge. In the year under report, the BMW AG tax group has a surplus of deferred tax assets over deferred tax liabilities, mainly as a result of temporary differences between the tax base and accounting carrying amounts of provisions for pensions and similar obligations (before offset against designated plan assets), other provisions and property, plant and equipment. BMW AG, as head of the German tax group, has elected not to recognise the surplus amount of deferred tax assets.

The share-based remuneration programmes for Board of Management members and senior heads of department entitle BMW AG to elect whether to settle its commitments in cash or with shares of BMW AG common stock. Based on the decision to settle in cash, the two share-based programmes are accounted for as cash-settled share-based transactions. Share-based programmes expected to be settled in cash are revalued to their fair value at each balance sheet date between the grant date and the settlement date and on the settlement date itself. The expense for such programmes is recognised in the income statement (as personnel expense) over the vesting period of the options and in the balance sheet as a provision. Further information regarding the two share-based programmes is provided in note 41 to the BMW Group Financial Statements 2018.

ANALYSIS OF CHANGES IN TANGIBLE, INTANGIBLE AND INVESTMENT ASSETS

in € million	Acquisition or manufacturing costs				31.12.2018
	1.1.2018	Additions	Reclassi- fications	Disposals	
Intangible assets	884	119	–	95	908
Land, titles to land, buildings, including buildings on third party land	6,186	86	107	6	6,373
Plant and machinery	26,794	1,792	571	2,367	26,790
Other facilities, factory and office equipment	1,574	145	17	121	1,615
Advance payments made and construction in progress	1,272	833	–695	–	1,410
Property, plant and equipment	35,826	2,856	–	2,494	36,188
Investments in subsidiaries	3,385	1	–	–	3,386
Participations	625	–	–	–	625
Non-current marketable securities	28	–	–	–	28
Other non-current loans receivable	3	1	–	–	4
Investments	4,041	2	–	–	4,043
Tangible, intangible and investment assets	40,751	2,977	–	2,589	41,139

Depreciation, amortisation and impairment losses			Carrying amount			
1.1.2018	Current year	Disposals	31.12.2018	31.12.2018	31.12.2017	
596	146	86	656	252	288	Intangible assets
2,836	166	5	2,997	3,376	3,350	Land, titles to land, buildings, including buildings on third party land
20,402	2,005	2,358	20,049	6,741	6,392	Plant and machinery
1,133	153	120	1,166	449	441	Other facilities, factory and office equipment
–	–	–	–	1,410	1,272	Advance payments made and construction in progress
24,371	2,324	2,483	24,212	11,976	11,455	Property, plant and equipment
–	–	–	–	3,386	3,385	Investments in subsidiaries
364	119	–	483	142	261	Participations
–	–	–	–	28	28	Non-current marketable securities
1	–	–	1	3	2	Other non-current loans receivable
365	119	–	484	3,559	3,676	Investments
25,332	2,589	2,569	25,352	15,787	15,419	Tangible, intangible and investment assets

NOTES TO THE BALANCE SHEET

01

Intangible assets

Intangible assets comprise mainly purchased software, franchises and licenses. Scheduled amortisation in the year under report totalled €146 million (2017: €133 million). Advance payments for intangible assets amounted to €7 million (2017: €17 million).

02

Property, plant and equipment

Additions to property, plant and equipment relate primarily to infrastructure improvements and product-related investments in plant and machinery. Scheduled depreciation in the year under report totalled €2,324 million (2017: €2,217 million).

03

Investments

BMW AG holds an investment in SGL Carbon SE, Wiesbaden. Impairment losses totalling €119 million (2017: reversal of impairment losses totalling €70 million) were recognised on the investment in the financial year under report since its fair value at the balance sheet date was lower than its carrying amount.

04

Inventories

in € million	31.12.2017	31.12.2017
Raw materials and supplies	843	834
Work in progress, unbilled contracts	354	367
Finished goods and goods for resale	3,614	3,442
Inventories	4,811	4,643

05

Receivables and other assets

in € million	31.12.2018	31.12.2017
Trade receivables	947	766
Receivables from subsidiaries	8,570	7,641
thereof due later than one year	21	20
Other receivables and other assets		
Receivables from other companies in which an investment is held	1,617	1,178
Other assets	1,978	1,649
thereof due later than one year	57	33
	3,595	2,827
Receivables and other assets	13,112	11,234

Receivables from subsidiaries comprise financial receivables amounting to €6,147 million (2017: €5,030 million) and trade receivables amounting to €2,423 million (2017: €2,611 million).

Other assets include primarily tax receivables, prepayments made and receivables in conjunction with securities repurchase agreements.

In addition, BMW AG has recognised the positive fair values of forward currency contracts entered into on behalf of sales companies amounting to €24 million (2017: €69 million) in other assets.

Unless stated otherwise, receivables and other assets are due within one year.

06

Marketable securities

Marketable securities relate primarily to one special investment fund and to money market funds.

BMW AG holds all of the shares of the special investment fund. The fund is not subject to any restrictions in terms of the daily redemption amount. The acquisition cost for the shares in the special investment fund amounted \rightarrow

to €3,554 million (2017: €3,554 million). A profit distribution amounting to €9 million (2017: €17 million) was received during the financial year 2018.

The following table shows the acquisition cost and fair value of investments held by the special investment fund at 31 December 2018:

in € million	Acquisition cost		Fair value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Fixed-income securities	3,398	3,538	3,369	3,557
Shares	718	530	701	534
Other marketable securities	31	64	31	64
Receivables and payables	21	24	21	24
Cash and cash equivalents	4	–	4	–
Derivative instruments	–	–	–	2
Special investment fund	4,172	4,156	4,126	4,181

07

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, of which €5 million (2017: €16 million) relates to amounts held by subsidiaries, and to cash on hand.

08

Surplus of pension and similar plan assets over liabilities

Assets held to secure obligations relating to pensions are offset against the related liabilities. The assets concerned comprise mainly holdings in investment fund assets. The surplus of designated plan assets over liabilities at the end of the reporting period amounts to €668 million (2017: €1,290 million). The reconciliation of the asset-side difference arising from offsetting assets and liabilities is shown under provisions (\rightarrow note 12).

\rightarrow See
note 12

09

Subscribed capital and capital reserves

in € million	31.12.2018	31.12.2017
Subscribed capital	658	658
Capital reserves	2,177	2,153

BMW AG's issued share capital of €658 million comprises 601,995,196 shares of common stock, each with a par value of €1, and 56,126,904 shares of non-voting preferred stock, each with a par value of €1. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

In 2018, a total of 521,524 shares of preferred stock was sold to employees at a reduced price of €46.26 per share in conjunction with the Company's Employee Share Programme. These shares are entitled to receive dividends for the first time with effect from the financial year 2019.

Issued share capital increased by €0.5 million as a result of the issue to employees of 521,500 new shares of non-voting preferred stock. The Authorised Capital of BMW AG at the end of the reporting period therefore amounted to nominal €3.1 million (corresponding to 3.1 million shares of non-voting preferred stock). The Company is authorised to issue shares of non-voting preferred stock amounting to nominal €5.0 million prior to 14 May 2019. The share premium of €23.6 million arising on this share capital increase was transferred to capital reserves.

In addition, 24 previously issued shares of preferred stock were acquired and re-issued to employees.

10 Revenue reserves

in € million	31.12.2018	31.12.2017
Statutory reserves	1	1
Other revenue reserves		
Balance brought forward	9,604	9,037
Transfer from net profit	498	567
	10,102	9,604
Revenue reserves	10,103	9,605

The amount not available for distribution at 31 December 2018 was €2,822 million (2017: €2,917 million). This figure arises in conjunction with fair value gains amounting to €1,373 million (2017: €1,667 million) on assets held to service obligations for pensions and the difference of €1,449 million (2017: €1,250 million) in the carrying amount of the pension provision based on using the relevant average market interest rate for the past ten rather than seven financial years.

11 Registered profit-sharing certificates

Employees are entitled to subscribe to shares of preferred stock as part of a wealth accumulation programme. These arrangements replaced the programme in place up to 1989, under which employees were entitled to subscribe to registered profit-sharing certificates, with the level of the profit share based on the level of the dividend. A total of 583,904 registered profit-sharing certificates remained in place at 31 December 2018 (2017: 600,513 registered profit-sharing certificates).

12 Provisions

in € million	31.12.2018	31.12.2017
Pension provisions	214	139
Other provisions		
Tax provisions	437	458
Sundry other Provisions	7,387	8,011
thereof provisions for statutory and non-statutory warranty obligations and product guarantees	1,859	2,281
	7,824	8,469
Provisions	8,038	8,608

BMW AG provides pension benefits to its employees in various forms. BMW AG's pension obligations include defined benefit obligations, for which benefits are determined either by multiplying a fixed amount by the number of years of service or on the basis of an employee's final salary. The defined benefit plans have been closed to new entrants.

An additional pension plan is also in place – covered by trust assets – which pays defined benefit amounts that are predominantly dependent on the contributions made by the Company, the investment income earned and a guaranteed minimum rate of interest.

BMWAG also offers employees the option of participating in a voluntary deferred remuneration retirement plan.

In the financial year 2018, the measurement of pension obligations was based for the first time on the assumptions set out in the biometric tables (2018 G) issued by Prof. Dr. Klaus Heubeck. As a result, the obligation rose by €38 million. The related reduction in invalidity rates from 50 % to 30 % had an offsetting effect of €23 million. In addition, the following assumptions are applied:

in %	31.12.2018	31.12.2017
Discount rate	3.21	3.68
Future salary increases	3.06	2.94
Future pension increases	1.62	1.82

The discount rate used to discount pension obligations corresponds to the average market interest rate for the past ten financial years for an assumed maturity term of 15 years, as calculated and published by the Deutsche Bundesbank. The difference in the carrying amount of the pension provision as a result of using an average market interest rate for ten rather than seven years is disclosed in the note on revenue reserves (→ note 10).

→ See
note 10

The so-called “pension entitlement trend” (Festbetragstrend) also represents a significant actuarial assumption for the purposes of determining benefits payable at retirement and was left unchanged at 2.0 %.

The provision for pensions amounting to €214 million (2017: €139 million) can be summarised as follows:

in € million	31.12.2018	31.12.2017
Fair value of assets held to cover pension obligations	9,620	9,505
Present value of defined benefit obligations	9,166	8,354
Surplus of pension and similar plan assets over liabilities	668	1,290
Pension provisions	214	139

If the fair value of the designated plan assets exceeds the pension obligations, the surplus amount is reported in the line item “Surplus of pension and similar plan assets over liabilities” (see → note 8). Acquisition cost of the designated plan assets for pension obligations amounted to €8,248 million (2017: €7,838 million).

→ see
note 8

Tax provisions comprise mainly expected income tax payments relating to prior years as well as back-payments for ancillary tax-related expenses. Tax provisions cover risks relating to transfer pricing (taking account of diverse tax legislation requirements) and potential non-compliance with guidelines issued by tax authorities in the relevant countries.

Other provisions comprise mainly obligations for personnel-related expenses, statutory and non-statutory warranty obligations and product guarantees, selling activities, litigation and liability risks.

As a result of the change in the valuation method used to measure provisions for statutory and non-statutory warranty obligations and product guarantees, sundry other provisions the end of the previous financial year must be reduced by €599 million to make them comparable with the figure reported at 31 December 2018.

13 Liabilities

in € million	31.12.2018 (31.12.2017)			
	Total	thereof with a remaining term of		
		up to one year	1 to 5 years	more than 5 years
Liabilities to banks	545	136	409	–
	(965)	(520)	(445)	–
Trade payables	5,560	5,560	–	–
	(5,619)	(5,619)	–	–
Liabilities to subsidiaries	12,670	12,670	–	–
	(8,187)	(8,187)	–	–
Other liabilities				
Advance payments received on orders	44	44	–	–
	(41)	(41)	–	–
Payables to entities in which a participation is held	10	10	–	–
	(16)	(16)	–	–
Liabilities to BMW Unterstützungsverein e. V.	3	–	–	3
	(3)	–	–	(3)
Sundry other liabilities	228	224	4	–
	(273)	(234)	(39)	–
thereof for social security	52	52	–	–
	(52)	(52)	–	–
thereof for taxes	86	86	–	–
	(58)	(58)	–	–
	285	278	4	3
	(333)	(291)	(39)	(3)
Liabilities	19,060	18,644	413	3
	(15,104)	(14,617)	(484)	(3)

Payables to subsidiaries comprise financial liabilities amounting to €9,359 million (2017: €6,930 million) and trade payables amounting to €3,311 million (2017: €1,257 million).

In addition, BMW AG has recognised the negative fair values of forward currency contracts entered into on behalf of sales companies amounting to €36 million (2017: €111 million) in other liabilities.

14 Deferred income

Deferred income includes revenue received for services to be performed in future accounting periods, including €2,750 million (2017: €2,467 million) deferred for work still to be performed in conjunction with service and maintenance contracts.

NOTES TO THE INCOME STATEMENT

15

Revenues

in € million	2018	2017
Automobiles	65,490	66,456
Motorcycles	1,547	1,690
Other revenues	11,318	11,069
Revenues	78,355	79,215
Information by region		
Germany	13,820	13,624
China	13,907	12,912
USA	12,930	13,298
Rest of Europe	24,400	25,001
Rest of Asia	8,081	9,005
Rest of the Americas	2,917	2,985
Other regions	2,300	2,390
Revenues	78,355	79,215

The line item Rest of the Americas comprises the markets in North America, Central America and South America, but excluding the USA. The markets in Africa, Australia and Oceania are aggregated in the line item Other regions.

As a result of the change in the valuation method used to measure provisions for statutory and non-statutory warranty obligations and product guarantees, prior year revenues must be reduced by €534 million to make the figure comparable with the financial year under report.

16

Cost of sales

Cost of sales comprises mainly production costs of materials, bought-in goods and services, personnel expenses, depreciation and amortisation of assets, production-related rent and leasing expenses as well as expenses for statutory and non-statutory warranties and product guarantees.

As a result of the change in the valuation method used to measure provisions for statutory and non-statutory warranty obligations and product guarantees, prior year cost of sales must be reduced by €579 million to make the figure comparable with the financial year under report.

17

Other operating income

Other operating income totalling €2,184 million (2017: €2,457 million) include mainly realised exchange gains, income from the reversal of provisions and other sundry items.

Other operating income relating to prior periods amounted to €539 million (2017: €200 million), mainly for the reversal of provisions. Gains resulting from the measurement of foreign currency items using closing exchange rates totalled €48 million (2017: €98 million).

Other operating income also includes an amount of €599 million arising from the reversal of provisions for statutory and non-statutory warranty obligations and product guarantees as a result of the change in the valuation method.

18**Other operating expenses**

Other operating expenses amounted to €1,158 million (2017: €2,760 million) and included in particular realised exchange losses and allocations to provisions (including for litigation and other legal risks).

Other operating expenses relating to prior periods amounted to €58 million (2017: €42 million). Losses resulting from the measurement of foreign currency items using closing exchange rates totalled €39 million (2017: €37 million).

19**Result on investments**

in € million	2018	2017
Income from investments	–	–
Income from profit and loss transfer agreements	2,345	1,082
Expense of assuming losses under profit and loss transfer agreements	–1	–1
Result on investments	2,344	1,081

Income from profit and loss transfer agreements related mainly to BMW INTEC Beteiligungs GmbH, Munich, and BMW Bank GmbH, Munich, amounting to €2,042 million (2017: €723 million) and €201 million (2017: €249 million) respectively.

20**Financial result**

in € million	2018	2017
Other interest and similar income	53	74
thereof from subsidiaries	34	40
Reversals of impairment losses on non-current financial assets and current marketable securities	–	70
Impairment losses on non-current financial assets and current marketable securities	–119	–
Interest and similar expenses	–1,386	–685
thereof to subsidiaries	–70	–75
thereof financial expense from unwinding the discounting of pension and long-term personnel-related provisions	–1,126	–400
thereof expense from unwinding the discounting of liabilities and other provisions	–117	–118
Financial result	–1,452	–541

The net financing expense for pension and long-term personnel expense-related provisions results from netting the following items:

in € million	2018	2017
Expense / income from fund assets offset against liabilities	–176	307
Expense from unwinding discounted pension and long-term personnel expense-related provisions and effect of changes in the discount factor	–950	–707
Financial expense from pension and long-term personnel-related provisions	–1,126	–400

21**Taxes on income**

The expense for income taxes relates primarily to current tax for the financial year 2018. This includes prior years tax income of €144 million (2017: prior year tax expense of €60 million), including transfer pricing risks and ancillary tax-related expense.

22**Transfer to revenue reserves**

An amount of €498 million (2017: €567 million) was transferred from net profit for the year to other revenue reserves.

23**Unappropriated profit**

A proposal will be made that the unappropriated profit of BMW AG amounting to €2,302,714,123.60 for the financial year 2018 be utilised as follows:

Payment of a dividend of €3.52 per share of non-voting preferred stock, each with a par value of €1, on the stock entitled to receive a dividend (55,605,380 shares of preferred stock), amounting to €195,730,937.60. Payment of a dividend of €3.50 per share of common stock, each with a par value of €1, on the stock entitled to receive a dividend (601,995,196 shares of common stock), amounting to €2,106,983,186.00.

OTHER DISCLOSURES

24

Cost of materials

in € million	2018	2017
Cost of raw materials and goods for resale	54,555	53,572
Cost of purchased services	3,171	2,493
Cost of materials	57,726	56,065

25

Personnel expense

in € million	2018	2017*
Wages and salaries	7,555	7,328
Social security, pension and welfare costs	1,042	1,310
thereof pension costs	40	328
Personnel expense	8,597	8,638

* The allocation of prior-year figures to wages and salaries, social security, pension and other welfare costs has been adjusted.

Personnel expense does not include financial expenses relating to pension and long-term personnel provisions amounting to €1,126 million (2017: €400 million), as disclosed in → note 20.

→ See
note 20

Average workforce during the year	2018	2017
Head office and Munich plant	37,905	36,351
Dingolfing plant	18,195	18,144
Regensburg plant	9,347	9,299
Leipzig plant	5,071	5,016
Landshut plant	4,078	3,934
Berlin plant	3,103	2,988
Branches	5,369	5,272
	83,068	81,004
Apprentices and students gaining work experience	6,024	5,978
	89,092	86,982

26

Fee expense of the external auditor

Work performed during the financial year 2018 by the Group auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for BMW AG and subsidiaries under its control relates to the audit of the financial statements, other attestation services, tax advisory services and other services.

The audit of financial statements comprises mainly the audit of the Company and Group financial statements of BMW AG and subsidiaries under its control, and, in accordance with new requirements all related work, including the review of the Group Interim Financial Statements.

Other attestation services include mainly project-related audits, comfort letters and statutorily prescribed, contractually agreed or voluntarily commissioned attestation work.

Tax advisory services were performed particularly in conjunction with tax compliance.

Other services include mainly IT consulting, benchmark analyses as well as advisory work relating to production processes.

The fee expense of the external auditor is not reported here due to the exempting group clause contained in § 285 no. 17 HGB (German Commercial Code).

27

Contingent liabilities

in € million	31.12.2018	31.12.2017
Guarantees for bonds under the AMTN/EMTN programme	36,508	34,839
thereof in favour of subsidiaries	36,508	34,839
Guarantees for commercial paper	2,422	4,405
thereof in favour of subsidiaries	2,422	4,405
Guarantees for other debt capital transactions	19,203	12,560
thereof in favour of subsidiaries	19,203	12,560
Other	2,693	2,172
of which to subsidiaries	2,669	2,145
Contingent liabilities	60,826	53,976

BMW AG is liable for the full extent and amount of customer deposits taken in by the subsidiary, BMW Bank GmbH, Munich, instead of the Deposit Protection Fund of the Association of German Banks (Einlagensicherungsfonds des Bundesverbands deutscher Banken e.V.), of which BMW Bank GmbH, Munich, is a member. The maximum liability per customer is capped at 20 % of the equity capital of BMW Bank GmbH, Munich.

The Dutch entities BMW International Holding B.V., Rijswijk, and Alphabet Nederland B.V., Breda, apply the exemption provision contained in Article 2:403 of the Civil Code of the Netherlands. BMW AG assumes joint and several liability to these entities for all obligations arising out of legal transactions.

Based on the information available to BMW AG at the date of the preparation of the financial statements regarding the financial condition of the principal debtors, BMW AG considers that the obligations underlying the contingent liabilities shown above can be fulfilled by the relevant principal debtors. In the case of so-called double contingent liabilities, the potential risk of BMW AG being called upon is included only once within contingent liabilities.

BMW AG considers it unlikely that it will be called upon in conjunction with these contingent liabilities.

28

Other financial commitments and off-balance-sheet transactions

Other financial commitments total €3,055 million (2017: €2,990 million) and comprise mainly obligations arising from rental and leasing contracts.

The total amount of these obligations can be analysed by maturity as follows:

in € million	31.12.2018	31.12.2017
due within one year	1,257	1,266
due between one and five years	834	788
due later than five years	964	936
Other financial commitments	3,055	2,990

Of these amounts, €1,415 million (2017: €1,421 million) relate to subsidiaries.

Purchase commitments for capital expenditure are at a normal level for the business.

As part of BMW AG's refinancing activities, some receivables have been sold to other BMW Group entities and sale-and-lease-back transactions have been entered into in previous years. No significant risks and rewards remain with BMW AG in conjunction with these transactions.

Buyback commitments amounting to €3,391 million (2017: €3,268 million) relate entirely to commitments given by BMW AG to financial services subsidiaries in conjunction with vehicle sales and vehicle leasing. Of this amount, €1,784 million (2017: €1,845 million) falls due within one year.

29

Related party transactions

Transactions with related parties are all conducted on an arm's length basis.

30

Derivative financial instruments

in € million	Nominal volume		Fair values	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Currency-related contracts				
Forward currency contracts	24,306	33,759	287	1,617
thereof positive fair values			630	1,784
thereof negative fair values			-343	-167
Interest rate-related instruments				
Interest swaps	110	120	-	-
thereof positive fair values			-	-
thereof negative fair values			-	-
Purchasing-related instruments				
Commodity derivatives	3,718	2,718	-152	442
thereof positive fair values			190	533
thereof negative fair values			-342	-91
Derivative financial instruments	28,134	36,597	135	2,059

Provisions of €19 million (2017: €87 million) were recognised to cover negative fair values and fair value changes in derivative instruments as well as for the negative impact of the ineffective portion of valuation units.

The nominal amounts of derivative financial instruments correspond to the purchase or sale amounts or to the contracted amounts of hedged items. The fair values of currency and interest-rate-related instruments shown are measured on the basis of market information available at the balance sheet date or using appropriate measurement techniques e.g. the discounted cash flow method. Options are measured

on the basis of quoted prices or option price models using appropriate market data.

The fair values of commodity hedging contracts are determined on the basis of current reference prices, as adjusted for forward premium and discount amounts. The fair values of derivative financial instruments derived for the relevant nominal values do not take account of any offsetting change in the fair value of the hedged items.

Amounts are discounted at 31 December 2018 on the basis of the following interest rates:

in %	EUR	USD	GBP	JPY	CNY
Interest rate for six months	-0.33	2.82	1.04	-0.21	3.32
Interest rate for one year	-0.23	2.75	1.08	0.01	3.20
Interest rate for five years	0.20	2.59	1.30	0.02	3.46
Interest rate for ten years	0.83	2.73	1.44	0.18	3.68

31

Valuation units

The Company is exposed to exchange rate, commodity price and interest rate risks from underlying and forecast transactions. These risks are hedged for the most part by derivative financial instruments and aggregated in valuation units.

At 31 December 2018 BMWAG held currency derivative instruments with terms of up to 31 months (2017: 32 months). These currency derivatives are used to hedge the exchange rates of foreign currency transactions, including both highly probable forecast foreign currency trading transactions and financial transactions. Derivative financial instruments also include back-to-back contracts entered into with subsidiaries and banks.

Hedges for future purchases of commodities relate to highly probable forecast transactions. Changes in prices of these raw materials have an impact on BMW AG's production costs. Hedging strategies have therefore been put in place for raw materials management purposes, based on forecast purchase volumes. Commodity derivative instruments with terms of up to 69 months were in place at the end of the reporting period (2017: 46 months).

↵

In addition, BMW AG held interest-rate derivative instruments at 31 December 2018 with terms of up to 63 months (2017: 75 months), including back-to-back derivative financial instruments entered into with subsidiaries and banks. Fixed-interest financial instruments are used as a hedge against interest-rate risks.

in € million	Volume hedged		Amount of risk hedged	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Currency risk hedges				
Forecast transactions	23,316	28,334	341	80
Executory contracts	1	-2	2	2
Interest rate hedges				
Assets	10	10	-	-
Liabilities	100	110	-	-
Executory contracts	-	-	-	-
Commodity hedges				
Forecast transactions	3,667	1,814	334	90
Valuation units	27,094	30,266	677	172

The amounts disclosed for volumes hedged relate to the carrying amounts of hedged assets, the nominal amount of forecast transactions and the fair value of hedged contracts over the period of the valuation units. The figures disclosed for the amount of risk hedged refer to the non-recognition of a provision for onerous contracts with negative fair values.

The grant of the share-based remuneration component related to 9,087 shares of common stock (2017: 9,913 shares of common stock) or a corresponding cash-based settlement, measured at the relevant market share price prevailing on grant date.

The expense of €5.2 million relating to the newly introduced Performance Cash Plan for the financial year 2018 is not included in variable remuneration in accordance with the provisions of German commercial law.

The remuneration of former members of the Board of Management and their dependants amounted to €9.2 million (2017: €6.7 million).

Pension obligations to former members of the Board of Management and their surviving dependants are covered by pension provisions amounting to €79.3 million (2017: €73.2 million) computed in accordance with the requirements of German commercial law.

The compensation of the members of the Supervisory Board for the financial year 2018 amounted to €5.6 million (2017: €5.6 million). This comprised fixed components of €2.0 million (2017: €2.0 million) and variable components of €3.6 million (2017: €3.6 million).

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Total remuneration of the Board of Management and the Supervisory Board

The Supervisory Board resolved to revise the compensation system for the Board of Management for financial years from 2018 onwards. Under the revised system, base remuneration was increased, the structure and scope of target setting for the bonus were revised and a new multi-year and future-oriented component introduced in the form of the Performance Cash Plan.

The total compensation of the current members of the Board of Management for the financial year 2018 amounted to €24.0 million (2017: €40.3 million). This comprised fixed components of €8.2 million (2017: €7.7 million), variable components of €15.0 million (2017: €31.7 million) and a share-based compensation component totalling €0.8 million (2017: €0.9 million).

The compensation systems for members of the Supervisory Board do not include any stock options, value appreciation rights comparable to stock options or any other share-based compensation components. Apart from vehicle leasing and credit financing contracts entered into on customary market conditions, no advances or loans were granted to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Further details about the compensation system of current members of the Board of Management and of the Supervisory Board can be found in the Compensation Report included in the BMW Group Annual Report 2018. The Compensation Report is part of the Combined Management Report.

33

Disclosures pursuant to § 160 (1) no. 8 of the German Stock Corporation Act (AktG)

A number of shareholdings in the Company exist at 31 December 2018, which have been notified in accordance with § 33 (1) of the German Securities Trading Act (WpHG) and published with the following content in accordance with § 40 (1) WpHG.

Stefan Quandt informed us that his voting rights in BMW AG on 16 February 2018 amounted to 25.83 % (previously 25.83 %), corresponding to 155,485,833 voting rights. 25.63 % (corresponding to 154,300,215 voting rights) are attributable to Mr. Quandt in accordance with § 34 WpHG. This includes 16.61 % indirectly attributable to him via AQTON GmbH & Co. KG für Automobilwerte and 9.02 % via AQTON SE.

Susanne Klatten informed us that her voting rights in BMW AG on 15 February 2018 amounted to 20.94 % (previously 12.75 %), corresponding to 126,068,819 voting rights. 20.74 % (corresponding to 124,883,201 voting rights) are attributable to Ms. Klatten via Susanne Klatten Beteiligungs GmbH in accordance with § 34 WpHG.

BlackRock, Inc., Wilmington, Delaware, USA, informed us that its voting rights in BMW AG on 9 May 2018 amounted to 3.13 % (previously 3.05 %), corresponding to 18,867,682 voting rights. All of these shares are attributable to BlackRock, Inc. in accordance with § 34 WpHG.

After the end of the reporting period **BlackRock, Inc., Wilmington, Delaware, USA**, informed us that its voting rights in BMW AG on 13 February 2019 amounted to 3.00 % (previously 2.98 %), corresponding to 18,070,744 voting rights. All of these shares are attributable to BlackRock, Inc. in accordance with § 34 WpHG.

The voting power percentages disclosed above may have changed subsequent to the dates stated, if these changes were not required to be reported to the Company. Due to the fact that the Company's shares are issued to bearer, the Company is generally only aware of changes in shareholdings if such changes are subject to mandatory notification rules.

Voluntary notifications at 31 December 2018 relating to investments that exceed 10 % of the voting rights at the end of the reporting period are disclosed in the Management Report.

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Events after the end of the reporting period

No events have occurred since the end of the reporting period which could have a major impact on the results of operations, financial position or net assets of BMW AG.

35

Declaration with respect to the Corporate Governance Code

The Declaration with respect to the Corporate Governance Code pursuant to § 161 AktG is reproduced in the Annual Report 2018 of the BMW Group and is available to shareholders on the BMW Group's website

→ www.bmwgroup.com/ir.

LIST OF INVESTMENTS AT 31 DECEMBER 2018

if they are of “minor significance” for the results of operations, financial position and net assets of BMW AG pursuant to § 286 (3) sentence 1 no. 1 HGB and § 313 (3) sentence 4 HGB. It is also shown in the list which subsidiaries apply the exemptions available in § 264 (3) and § 264 b HGB with regard to the publication of annual financial statements and the drawing up of a management report and/or notes to the financial statements (footnotes 5 and 6). The Group Financial Statements of BMW AG serve as exempting consolidated financial statements for these companies.

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List of investments at 31 December 2018

The List of Investments of BMW AG pursuant to § 285 and § 313 HGB is presented below. Disclosures for equity and earnings and for investments are not made ↗

Affiliated companies (subsidiaries) of BMW AG at 31 December 2018

Companies	Equity in € million	Profit/loss in € million	Capital invest- ment in %
DOMESTIC¹			
BMW Beteiligungs GmbH & Co. KG, Munich ⁶	5,497	-13	100
BMW INTEC Beteiligungs GmbH, Munich ^{3,6}	3,558	-	100
BMW Bank GmbH, Munich ³	1,988	-	100
BMW Finanz Verwaltungs GmbH, Munich	326	1	100
BMW Verwaltungs GmbH, Munich ^{3,6}	153	-	100
Parkhaus Oberwiesenfeld GmbH, Munich	-	-	100
Alphabet Fuhrparkmanagement GmbH, Munich ⁴	-	-	100
Alphabet International GmbH, Munich ^{4,5,6}	-	-	100
BMW High Power Charging Beteiligungs GmbH, Munich ^{4,6}	-	-	100
DriveNow GmbH & Co. KG, Munich ¹¹	-	-	100
BMW Hams Hall Motoren GmbH, Munich ^{4,5,6}	-	-	100
BMW Fahrzeugtechnik GmbH, Eisenach ^{3,5,6}	-	-	100
BMW Anlagen Verwaltungs GmbH, Munich ^{3,6}	-	-	100
Bürohaus Petuelring GmbH, Munich	-	-	100
Bavaria Wirtschaftsagentur GmbH, Munich ^{3,5,6}	-	-	100
BAVARIA-LLOYD Reisebüro GmbH, Munich	-	-	100
Rolls-Royce Motor Cars GmbH, Munich ^{4,5,6}	-	-	100
BMW Vermögensverwaltungs GmbH, Munich	-	-	100
BMW Vertriebszentren Verwaltungs GmbH, Munich	-	-	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich ^{3,5,6}	-	-	100
DriveNow Verwaltungs GmbH, Munich ¹¹	-	-	100
LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Munich	-	-	100
FOREIGN²			
Europe¹²			
BMW Holding B.V., The Hague	17,761	2,106	100
BMW International Holding B.V., Rijswijk ¹⁰	7,971	58	100
BMW Österreich Holding GmbH, Steyr	3,064	838	100
BMW (UK) Holdings Ltd., Farnborough	1,889	385	100
BMW España Finance S.L., Madrid	1,020	22	100
BMW Financial Services (GB) Ltd., Farnborough	1,014	269	100
BMW Motoren GmbH, Steyr	963	176	100
BMW (Schweiz) AG, Dielsdorf	895	55	100
BMW International Investment B.V., The Hague	588	9	100
BMW (UK) Manufacturing Ltd., Farnborough	561	105	100

BMW Finance S.N.C., Guyancourt	476	57	100
BMW Italia S.p.A., San Donato Milanese	388	61	100
BMW Belgium Luxembourg S.A./N.V., Bornem	316	16	100
BMW (UK) Ltd., Farnborough	304	84	100
ALPHABET (GB) Ltd., Farnborough	284	64	100
BMW France S.A.S., Montigny-le-Bretonneux	225	27	100
BMW Financial Services Scandinavia AB, Sollentuna	222	11	100
BMW i Ventures SCS SICAV-RAIF, Senningerberg	218	43	100
BMW Iberica S.A., Madrid	213	19	100
BMW Finance N.V., The Hague	205	19	100
Rolls-Royce Motor Cars Ltd., Farnborough	195	71	100
BMW Russland Trading OOO, Moscow	157	75	100
BMW Austria Leasing GmbH, Salzburg	156	20	100
Alphabet Nederland B.V., Breda ¹⁰	129	29	100
BMW Austria Bank GmbH, Salzburg	128	16	100
BMW Vertriebs GmbH, Salzburg	123	19	100
Alphabet Belgium Long Term Rental NV, Aartselaar	101	2	100
APD Industries plc, Birmingham	–	–	100
BMW Malta Ltd., Floriana	–	–	100
Alphabet UK Ltd., Glasgow	–	–	100
BMW Austria GmbH, Salzburg	–	–	100
Bavaria Reinsurance Malta Ltd., Floriana	–	–	100
BMW Finanzdienstleistungen (Schweiz) AG, Dielsdorf	–	–	100
BMW Bank OOO, Moscow	–	–	100
BMW Financial Services Belgium S.A./N.V., Bornem	–	–	100
BMW Northern Europe AB, Stockholm	–	–	100
Alphabet España Fleet Management S.A.U., Madrid	–	–	100
BMW Norge AS, Fornebu	–	–	100
BMW Financial Services B.V., Rijswijk	–	–	100
Swindon Pressings Ltd., Farnborough	–	–	100
BMW Services Ltd., Farnborough	–	–	100
BMW Financial Services Polska Sp. z o.o., Warsaw	–	–	100
Alphabet Italia Fleet Management S.p.A., Rome	–	–	100
Alphabet Austria Fuhrparkmanagement GmbH, Salzburg	–	–	100
Alphabet France Fleet Management S.N.C., Rueil-Malmaison	–	–	100
BMW Retail Nederland B.V., The Hague	–	–	100
BMW Hellas Trade of Cars A.E., Kifissia	–	–	100
Alphabet Fuhrparkmanagement (Schweiz) AG, Dielsdorf	–	–	100
BMW Financial Services (Ireland) DAC, Dublin	–	–	100
BMW Portugal Lda., Porto Salvo	–	–	100
BMW Financial Services Denmark A/S, Copenhagen	–	–	100
BMW Nederland B.V., Rijswijk	–	–	100
BMW Amsterdam B.V., Amsterdam	–	–	100
BMW Automotive (Ireland) Ltd., Dublin	–	–	100
BMW Distribution S.A.S., Vélizy-Villacoublay	–	–	100
Park Lane Ltd., Farnborough	–	–	100
BMW Renting (Portugal) Lda., Porto Salvo	–	–	100
Alphabet France S.A.S., Rueil-Malmaison	–	–	100
Oy BMW Suomi AB, Helsinki	–	–	100
BMW Services Belgium N.V., Bornem	–	–	100
BMW Czech Republic s.r.o., Prague ¹¹	–	–	100
BMW Roma S.r.l., Rome	–	–	100
BMW Danmark A/S, Copenhagen	–	–	100
BMW Den Haag B.V., The Hague	–	–	100

BMW Madrid S.L., Madrid	–	–	100
Alphabet Polska Fleet Management Sp. z o.o., Warsaw	–	–	100
BMW Slovenská republika s.r.o., Bratislava ¹¹	–	–	100
Société Nouvelle WATT Automobiles S.A.R.L., Rueil-Malmaison	–	–	100
BMW Milano S.r.l., Milan	–	–	100
Alphabet Luxembourg S.A., Leudelange	–	–	100
BMW (UK) Investments Ltd., Farnborough	–	–	100
DriveNow Sverige AB, Sollentuna ¹¹	–	–	100
DriveNow Austria GmbH, Vienna ¹¹	–	–	100
BMW Coordination Center V.o.F., Bornem	–	–	100
BiV Carry I SCS, Senningerberg	–	–	100
BMW (UK) Capital plc, Farnborough	–	–	100
Riley Motors Ltd., Farnborough	–	–	100
BMW Central Pension Trustees Ltd., Farnborough	–	–	100
Triumph Motor Company Ltd., Farnborough	–	–	100
BLMC Ltd., Farnborough	–	–	100
DriveNow Belgium S.p.r.l., Brussels ¹¹	–	–	100
DriveNow Italy S.r.l., Milan ¹¹	–	–	100
DriveNow UK Ltd., London ¹¹	–	–	100
Bavarian Sky S.A., Compartment German Auto Loans 4, Luxembourg ¹³	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 5, Luxembourg ¹³	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 6, Luxembourg ¹³	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 7, Luxembourg ¹³	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 8, Luxembourg ¹³	–	–	0
Bavarian Sky S.A., Compartment A, Luxembourg ¹³	–	–	0
Bavarian Sky S.A., Compartment B, Luxembourg ¹³	–	–	0
Bavarian Sky Europe S.A. Compartment A, Luxembourg ¹³	–	–	0
Bavarian Sky Europe S.A., Compartment Swiss Auto Leases 2, Luxembourg ¹³	–	–	0
Bavarian Sky FTC, Compartment French Auto Leases 2, Paris ¹³	–	–	0
Bavarian Sky FTC, Compartment French Auto Leases 3, Paris ¹³	–	–	0
Bavarian Sky UK 1 plc, London ¹³	–	–	0
Bavarian Sky UK 2 plc, London ¹³	–	–	0
Bavarian Sky UK A Ltd., London ¹³	–	–	0
Bavarian Sky UK B Ltd., London ¹³	–	–	0
The Americas			
BMW (US) Holding Corp., Wilmington, Delaware	4,991	2,599	100
BMW Manufacturing Co. LLC, Wilmington, Delaware	1,817	270	100
Financial Services Vehicle Trust, Wilmington, Delaware	1,530	340	100
BMW Bank of North America Inc., Salt Lake City, Utah	1,445	164	100
BMW Canada Inc., Richmond Hill, Ontario	513	134	100
BMW US Capital LLC, Wilmington, Delaware	228	–35	100
BMW Financial Services NA LLC, Wilmington, Delaware	190	85	100
BMW do Brasil Ltda., Joinville	175	–24	100
BMW of North America LLC, Wilmington, Delaware	–116	2,670	100
BMW Financeira S.A. Credito, Financiamento e Investimento, São Paulo	–	–	100
BMW de Mexico S.A. de C.V., Mexico City	–	–	100
BMW Financial Services de Mexico S.A. de C.V. SOFOM, Mexico City	–	–	100
BMW of Manhattan, Inc., Wilmington, Delaware	–	–	100
BMW SLP, S.A. de C.V., Villa de Reyes	–	–	100
BMW de Argentina S.A., Buenos Aires	–	–	100
BMW Insurance Agency Inc., Wilmington, Delaware	–	–	100
BMW Leasing de Mexico S.A. de C.V., Mexico City	–	–	100
BMW Leasing do Brasil S.A., São Paulo	–	–	100
Rolls-Royce Motor Cars NA LLC, Wilmington, Delaware	–	–	100

BMW Consolidation Services Co. LLC, Wilmington, Delaware	–	–	100
BMW Acquisitions Ltda., São Paulo	–	–	100
BMW Manufacturing Indústria de Motos da Amazônia Ltda., Manaus	–	–	100
SB Acquisitions LLC, Wilmington, Delaware	–	–	100
BMW Auto Leasing LLC, Wilmington, Delaware	–	–	100
BMW Facility Partners LLC, Wilmington, Delaware	–	–	100
BMW FS Securities LLC, Wilmington, Delaware	–	–	100
BMW FS Funding Corp., Wilmington, Delaware	–	–	100
BMW Manufacturing LP, Woodcliff Lake, New Jersey	–	–	100
BMW FS Receivables Corp., Wilmington, Delaware	–	–	100
BMW Receivables 1 Inc., Richmond Hill, Ontario	–	–	100
BMW Receivables Ltd. Partnership, Richmond Hill, Ontario	–	–	100
BMW Receivables 2 Inc., Richmond Hill, Ontario	–	–	100
BMW Extended Service Corp., Wilmington, Delaware	–	–	100
BMW Vehicle Lease Trust 2016-2, Wilmington, Delaware ¹³	–	–	0
BMW Vehicle Lease Trust 2017-1, Wilmington, Delaware ¹³	–	–	0
BMW Vehicle Lease Trust 2017-2, Wilmington, Delaware ¹³	–	–	0
BMW Vehicle Lease Trust 2018-1, Wilmington, Delaware ¹³	–	–	0
BMW Vehicle Lease Trust 2017-A, Wilmington, Delaware ¹³	–	–	0
BMW Vehicle Owner Trust 2016-A, Wilmington, Delaware ¹³	–	–	0
BMW Vehicle Owner Trust 2018-A, Wilmington, Delaware ¹³	–	–	0
BMW Floorplan Master Owner Trust Series 2018-1, Wilmington, Delaware ¹³	–	–	0
BMW Canada 2015-A, Richmond Hill, Ontario ¹³	–	–	0
BMW Canada 2018-A, Richmond Hill, Ontario ¹³	–	–	0
BMW Canada Auto Trust 2016, Richmond Hill, Ontario ¹³	–	–	0
BMW Canada Auto Trust 2017-1, Richmond Hill, Ontario ¹³	–	–	0
BMW Canada Auto Trust 2018-1, Richmond Hill, Ontario ¹³	–	–	0
Africa			
BMW (South Africa) (Pty) Ltd., Pretoria	719	63	100
BMW Financial Services (South Africa) (Pty) Ltd., Midrand	149	4	100
SuperDrive Investments (RF) Ltd., Cape Town ¹³	–	–	0
Asia			
BMW Automotive Finance (China) Co. Ltd., Beijing	2,107	248	58
BMW China Automotive Trading Ltd., Beijing	557	480	100
BMW Financial Services Korea Co. Ltd., Seoul	530	47	100
BMW Japan Finance Corp., Tokyo	482	62	100
BMW Japan Corp., Tokyo	337	93	100
Herald International Financial Leasing Co., Ltd., Tianjin	197	13	58
BMW Korea Co. Ltd., Seoul	173	27	100
BMW India Financial Services Private Ltd., Gurgaon, Haryana	123	7	100
BMW (Thailand) Co. Ltd., Bangkok	108	87	100
BMW Manufacturing (Thailand) Co. Ltd., Rayong	–	–	100
BMW Malaysia Sdn Bhd, Kuala Lumpur	–	–	51
BMW Leasing (Thailand) Co. Ltd., Bangkok	–	–	74
BMW China Services Ltd., Beijing	–	–	100
BMW Holding Malaysia Sdn Bhd, Kuala Lumpur	–	–	100
BMW India Private Ltd., Gurgaon	–	–	100
BMW Asia Technology Centre Sdn Bhd, Kuala Lumpur	–	–	100
BMW Asia Pte. Ltd., Singapore	–	–	100
PT BMW Indonesia, Jakarta	–	–	100
BMW Asia Pacific Capital Pte Ltd., Singapore	–	–	100
BMW Credit (Malaysia) Sdn Bhd, Kuala Lumpur	–	–	100
BMW Lease (Malaysia) Sdn Bhd, Kuala Lumpur	–	–	100

BMW Tokyo Corp., Tokyo	–	–	100
2015-1 ABL, Tokyo ¹³	–	–	0
2015-2 ABL, Tokyo ¹³	–	–	0
2016-1 ABL, Tokyo ¹³	–	–	0
2016-2 ABL, Tokyo ¹³	–	–	0
2017-1 ABL, Tokyo ¹³	–	–	0
2017-2 ABL, Tokyo ¹³	–	–	0
2017-3 ABL, Tokyo ¹³	–	–	0
2018-1 ABL, Tokyo ¹³	–	–	0
2018-2 ABL, Tokyo ¹³	–	–	0
2018-3 ABL, Tokyo ¹³	–	–	0
Bavarian Sky Korea 2nd Asset Securitization Speciality Company, Seoul ¹³	–	–	0
Bavarian Sky Korea 3rd Asset Securitization Speciality Company, Seoul ¹³	–	–	0
Bavarian Sky China 2017-2, Beijing ¹³	–	–	0
Bavarian Sky China 2017-3, Beijing ¹³	–	–	0
Bavarian Sky China 2018-1, Beijing ¹³	–	–	0
Bavarian Sky China 2018-2, Beijing ¹³	–	–	0
Oceania			
BMW Australia Finance Ltd., Mulgrave	403	27	100
BMW Australia Ltd., Melbourne	179	53	100
BMW Financial Services New Zealand Ltd., Auckland	–	–	100
BMW New Zealand Ltd., Auckland	–	–	100
BMW Sydney Pty. Ltd., Sydney	–	–	100
BMW Melbourne Pty. Ltd., Melbourne	–	–	100
BMW Australia Trust 2011-2, Mulgrave ¹³	–	–	0
Bavarian Sky Australia Trust A, Mulgrave ¹³	–	–	0

BMW AG's non-consolidated companies at 31 December 2018

Companies	Equity in € million	Profit/loss in € million	Capital invest- ment in %
DOMESTIC⁷			
Alphabet Fleetservices GmbH, Munich	–	–	100
Automag GmbH, Munich	–	–	100
Blitz 18-353 GmbH, Munich	–	–	100
Blitz 18-354 GmbH, Munich	–	–	100
BMW Car IT GmbH, Munich ⁴	–	–	100
BMW i Ventures GmbH, Munich	–	–	100
Digital Charging Solutions GmbH, Munich	–	–	100
ParkNow GmbH, Munich	–	–	100
PM Parking Ventures GmbH, Munich	–	–	100
FOREIGN⁷			
Europe			
Alphabet Insurance Services Polska Sp. z o.o., Warsaw	–	–	100
BMW (GB) Ltd., Farnborough	–	–	100
BMW (UK) Pensions Services Ltd., Hams Hall	–	–	100
BMW Bulgaria EOOD, Sofia	–	–	100
BMW Car Club Ltd., Farnborough	–	–	100
BMW Drivers Club Ltd., Farnborough	–	–	100
BMW Group Benefit Trust Ltd., Farnborough	–	–	100

BMW i Ventures B.V., The Hague	–	–	100
BMW Manufacturing Hungary Kft., Vecsés	–	–	100
BMW Merger S.R.L., Bukarest	–	–	100
BMW Merger, distribucija motornih vozil, d.o.o., Ljubljana	–	–	100
BMW Motorsport Ltd., Farnborough	–	–	100
BMW Russland Automotive OOO, Kaliningrad	–	–	100
Cobalt Holdings Ltd., Basingstoke	–	–	100
Cobalt Telephone Technologies Ltd., Basingstoke	–	–	100
Content4all B.V., Amsterdam	–	–	100
John Cooper Garages Ltd., Farnborough	–	–	100
John Cooper Works Ltd., Farnborough	–	–	100
OOO BMW Leasing, Moscow	–	–	100
Park-line Aqua B.V., The Hague	–	–	100
Park-line B.V., The Hague	–	–	100
Park-line Holding B.V., The Hague	–	–	100
Park-Mobile (UK) Ltd., Basingstoke	–	–	100
Parkmobile Belgium BvBa, Antwerp	–	–	100
Parkmobile Benelux B.V., Amsterdam	–	–	100
Parkmobile Group B.V., Amsterdam	–	–	100
Parkmobile Group Holding B.V., Amsterdam	–	–	100
Parkmobile Hellas S.A., Athens	–	–	60
Parkmobile International B.V., Amsterdam	–	–	100
Parkmobile International Holding B.V., Amsterdam	–	–	100
Parkmobile Licenses B.V., Amsterdam	–	–	100
Parkmobile Ltd., Basingstoke	–	–	100
Parkmobile Software B.V., Amsterdam	–	–	100
ParkNow Austria GmbH, Vienna	–	–	100
ParkNow France S.A.S., Versailles	–	–	100
ParkNow Suisse S.A., Bulle	–	–	100
RingGo (GB) Ltd., Basingstoke	–	–	100
U.T.E. Alfabet España-Bujarkay, Sevilla	–	–	90
The Americas			
217-07 Northern Boulevard Corp., Wilmington, Delaware	–	–	100
BMW Experience Centre Inc., Richmond Hill, Ontario	–	–	100
BMW i Ventures Inc., Wilmington, Delaware	–	–	100
BMW i Ventures LLC, Wilmington, Delaware	–	–	100
BMW Leasing de Argentina S.A., Buenos Aires	–	–	100
BMW Operations Corp., Wilmington, Delaware	–	–	100
BMW Technology Corp., Wilmington, Delaware	–	–	100
Designworks / USA Inc., Newbury Park, California	–	–	100
Digital Charging Solution Corp., Atlanta, Georgia	–	–	100
MINI Business Innovation LLC, Wilmington, Delaware	–	–	100
Mini Urban X Accelerator SPV LLC, Wilmington, Delaware	–	–	100
Parkmobile Electronic Parking Solutions Canada Inc., Vancouver	–	–	100
Parkmobile Montgomery County LLC, Baltimore, Maryland	–	–	100
Parkmobile USA Inc., Atlanta, Georgia	–	–	100
Parkmobile LLC, Wilmington, Delaware	–	–	100
ParkNow LLC, Wilmington, Delaware	–	–	100
ReachNow LLC, Wilmington, Delaware	–	–	100
Toluca Planta de Automoviles S.A. de C.V., Mexico City	–	–	100
Africa			
BMW Automobile Distributors (Pty) Ltd., Midrand	–	–	100
BPF Midrand Property Holdings (Pty) Ltd., Midrand	–	–	100
Multisource Properties (Pty) Ltd., Midrand	–	–	100

Asia			
THEPSATRI Co. Ltd., Bangkok ⁹	–	–	49
BMW Financial Services Singapore Pte Ltd., Singapore	–	–	100
BMW Philippines Corp., Manila	–	–	70
BMW India Foundation, Gurgaon	–	–	100
BMW Hong Kong Services Ltd., Hongkong	–	–	100
BMW Insurance Services Korea Co. Ltd., Seoul	–	–	100
BMW Mobility Services Ltd., Sichuan Tianfu New Area (Chengdu Section)	–	–	100
BMW Finance (United Arab Emirates) Ltd., Dubai	–	–	100
BMW Middle East Retail Competency Centre DWC-LLC, Dubai	–	–	100
BMW India Leasing Private Ltd., Gurgaon	–	–	100
Herald Hezhong (Beijing) Automotive Trading Co. Ltd., Beijing	–	–	100
BMW Financial Services Hong Kong Ltd., Hongkong	–	–	51
Oceania			
Parkmobile International (Australia) Pty. Ltd., Sydney	–	–	100

BMW AG's associated companies, joint ventures and joint operations at 31 December 2018

Companies	Equity in € million	Profit / loss in € million	Capital invest- ment in %
Associated companies – equity accounted			
DOMESTIC			
IONITY Holding GmbH & Co. KG, Munich ⁸	149	–15	25
FOREIGN			
BMW Brilliance Automotive Ltd., Shenyang ⁸	5,926	1,561	50
Joint operations – proportionately consolidated entities			
FOREIGN			
THERE Holding B.V., Amsterdam ⁸	1,764	–337	29.6
Not equity accounted or proportionately consolidated entities			
DOMESTIC⁷			
Encory GmbH, Unterschleißheim	–	–	50
Digital Energy Solutions GmbH & Co. KG, Munich	–	–	50
The Retail Performance Company GmbH, Munich	–	–	50
PDB – Partnership for Dummy Technology and Biomechanics GbR, Gaimersheim	–	–	20
FOREIGN⁷			
Bavarian & Co. Ltd., Incheon	–	–	20
BMW Albatha Finance PSC, Dubai	–	–	40
BMW Albatha Leasing LLC, Dubai	–	–	40
BMW AVTOTOR Holding B.V., Amsterdam	–	–	50
Critical TW S.A., Porto	–	–	51
DSP Concepts Inc., Dover, Delaware	–	–	20
IP Mobile N.V., Brussels	–	–	25
Rever Moto Inc., Wilmington, Delaware	–	–	20
Stadsparkeren B.V., Deurne	–	–	30

BMW AG's participations at 31 December 2018

Companies	Equity in € million	Profit/loss in € million	Capital invest- ment in %
DOMESTIC⁷			
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern	–	–	4.6
GSB Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen	–	–	3.1
Hsubject GmbH, Berlin	–	–	17.8
IVM Industrie-Verband Motorrad GmbH & Co. Dienstleistungs KG, Essen	–	–	18.9
Joblinge gemeinnützige AG Berlin, Berlin	–	–	9.8
Joblinge gemeinnützige AG Leipzig, Leipzig	–	–	16.7
Joblinge gemeinnützige AG München, Munich	–	–	6.2
Racer Benchmark Group GmbH, Landsberg am Lech	–	–	9.1
SGL Carbon SE, Wiesbaden	–	–	18.3
FOREIGN⁷			
Gios Holding B.V., Oss	–	–	12.0
SGL Composites LLC, Dover, Delaware	–	–	49.0

¹ The amounts shown for the German subsidiaries correspond to the annual financial statements drawn up in accordance with German accounting requirements (HGB).

² The amounts shown for the foreign subsidiaries correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity and earnings not denominated in euro are translated into euro using the closing exchange rate at the balance sheet date.

³ Profit and Loss Transfer Agreement with BMW AG.

⁴ Profit and Loss Transfer Agreement with a subsidiary of BMW AG.

⁵ Exemption from drawing up a management report applied in accordance with § 264 (3) and § 264 b HGB.

⁶ Exemption from publication of financial statements applied in accordance with § 264 (3) and § 264 b HGB.

⁷ These entities are neither consolidated nor accounted for using the equity method due to their overall immateriality for the Group Financial Statements.

⁸ The amounts shown for entities accounted for using the equity method and for proportionately consolidated entities correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity not denominated in euro is translated into euro using the closing exchange rate at the balance sheet date, earnings are translated using the average rate.

⁹ Including power to appoint representative bodies.

¹⁰ Exemption pursuant to Article 2:403 of the Civil Code of the Netherlands (Burgerlijk Wetboek).

¹¹ First-time consolidation.

¹² Deconsolidation in the financial year 2018: BMW Malta Finance Ltd., St. Julians.

¹³ Control on basis of economic dependence.

MEMBERS OF THE BOARD OF MANAGEMENT

Harald Krüger (*1965)

Chairman

Mandates

— Deutsche Telekom AG (since 17 May 2018)

Milagros Caiña Carreiro-Andree (*1962)

Human Resources, Industrial Relations Director

Markus Duesmann (*1969)

Purchasing and Supplier Network

(until 24 July 2018)

Klaus Fröhlich (*1960)

Development

Mandates

— E.ON SE (since 9 May 2018)

— HERE International B.V. (until 28 February 2018)

Pieter Nota (*1964)

Sales and Brand BMW, Aftersales BMW Group

Dr. Nicolas Peter (*1962)

Finance

Mandates

— BMW Brilliance Automotive Ltd.

(Deputy Chairman)

Peter Schwarzenbauer (*1959)

MINI, Rolls-Royce, BMW Motorrad,
Customer Engagement and Digital Business
Innovation BMW Group

Mandates

— Scout24 AG

— Rolls-Royce Motor Cars Limited (Chairman)

Dr.-Ing. Andreas Wendt (*1958)

Purchasing and Supplier Network

(since 1 October 2018)

Mandates

— Pöttinger Landtechnik GmbH

(Chairman, until 29 October 2018)

Oliver Zipse (*1964)

Production

Mandates

— BMW (South Africa) (Pty) Ltd. (Chairman)

— BMW Motoren GmbH (Chairman)

General Counsel:

Dr. Jürgen Reul

MEMBERS OF THE SUPERVISORY BOARD

Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer (*1956)

Member since 2015

Chairman

Former Chairman of the Board of
Management of BMW AG

Mandates

- Siemens Aktiengesellschaft
- Henkel AG & Co. KGaA (Shareholders' Committee)

Manfred Schoch¹ (*1955)

Member since 1988

Deputy Chairman

Chairman of the European
and General Works Council

Industrial Engineer

Stefan Quandt (*1966)

Member since 1997

Deputy Chairman

Entrepreneur

Mandates

- DELTON Health AG (Chairman)
- DELTON Technology SE
(Chairman, since 19 November 2018)
- AQTON SE (Chairman)
- Entrust Datacard Corp.

Stefan Schmid¹ (*1965)

Member since 2007

Deputy Chairman

Chairman of the Works Council, Dingolfing

Dr. jur. Karl-Ludwig Kley (*1951)

Member since 2008

Deputy Chairman

Chairman of the Supervisory Board of E.ON SE
and of the Deutsche Lufthansa Aktiengesellschaft

Mandates

- E.ON SE (Chairman)
- Deutsche Lufthansa Aktiengesellschaft (Chairman)
- Verizon Communications Inc. (until 3 May 2018)

Christiane Benner² (*1968)

Member since 2014

Second Chairman of IG Metall

Mandates

- Continental AG
(Deputy Chairman, since 1 March 2018)

Dr. rer. pol. Kurt Bock (*1958)

Member since 17 May 2018

Former Chairman of the Board of
Management of BASF SE

Mandates

- Fresenius Management SE
- Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft (since 25 April 2018)

Franz Haniel (*1955)

Member since 2004

Entrepreneur

Mandates

- DELTON Health AG
(Deputy Chairman, until 31 December 2018)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- TBG AG

Ralf Hattler³ (*1968)

Member since 2017

Head of Purchasing Indirect Goods and Services,
Raw Material, Production Partner

¹ Employee representatives (company employees).

² Employee representatives (union representatives).

³ Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

Dr.-Ing. Heinrich Hiesinger (*1960)

Member since 2017

Former Chairman of the Board of Management
of thyssenkrupp AG

Mandates

- thyssenkrupp Elevator AG
(Chairman, until 6 July 2018)
- thyssenkrupp Steel Europe AG
(Chairman, until 6 July 2018)
- thyssenkrupp (China) Ltd.
(Chairman, until 6 July 2018)

Prof. Dr. rer. nat. Dr. h.c. Reinhard Hüttl (*1957)

Member since 2008

Chairman of the Executive Board
of Helmholtz-Zentrum Potsdam
Deutsches GeoForschungsZentrum – GFZ
University Professor**Susanne Klatten** (*1962)

Member since 1997

Entrepreneur

Mandates

- ALTANA AG (Deputy Chairman)
- SGL Carbon SE (Chairman)
- UnternehmerTUM GmbH (Chairman)

Prof. Dr. rer. pol. Renate Köcher (*1952)

Member since 2008

Director of Institut für Demoskopie
Allensbach Gesellschaft zum Studium der
öffentlichen Meinung mbH

Mandates

- Infineon Technologies AG
- Nestlé Deutschland AG
- Robert Bosch GmbH

Dr. h.c. Robert W. Lane (*1949)

Member since 2009 until 17 May 2018

Former Chairman and Chief Executive Officer of
Deere & Company**Horst Lischka**² (*1963)

Member since 2009

General Representative of IG Metall Munich

Mandates

- KraussMaffei Group GmbH
- MAN Truck & Bus AG
- Städtisches Klinikum München GmbH

Willibald Löw¹ (*1956)

Member since 1999

Chairman of the Works Council, Landshut

Simone Menne (*1960)

Member since 2015

Member of supervisory boards

Mandates

- Deutsche Post AG
- Springer Nature AG & Co. KGaA
(since 23 April 2018)
- Johnson Controls International plc
(since 7 March 2018)
- Russell Reynolds Associates Inc.
(since 19 January 2019)

¹ Employee representatives (company employees).² Employee representatives (union representatives).³ Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

Dr. Dominique Mohabeer¹ (*1963)

Member since 2012

Member of the Works Council, Munich

Brigitte Rödiger¹ (*1963)

Member since 2013

Member of the Works Council, Dingolfing

Jürgen Wechsler² (*1955)

Member since 2011

Former Regional Head of IG Metall Bavaria

Mandates

- Schaeffler AG (Deputy Chairman)
- Siemens Healthcare GmbH (Deputy Chairman)

Werner Zierer¹ (*1959)

Member since 2001

Chairman of the Works Council, Regensburg

¹ Employee representatives (company employees).

² Employee representatives (union representatives).

³ Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

Munich, 19 February 2019

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree Klaus Fröhlich

Pieter Nota Dr. Nicolas Peter

Peter Schwarzenbauer Dr.-Ing. Andreas Wendt

Oliver Zipse

BMW AG RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

Responsibility Statement by the Legal Representatives of the Company pursuant to § 264 (2) sentence 3 and § 289 (1) sentence 5 HGB

“To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements of Bayerische Motoren Werke Aktiengesellschaft give a true and fair view of the assets, liabilities, financial position and results of operations of the Company in accordance with German accounting principles, and the Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.”

Munich, 19 February 2019

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree Klaus Fröhlich

Pieter Nota

Dr. Nicolas Peter

Peter Schwarzenbauer

Dr.-Ing. Andreas Wendt

Oliver Zipse

INDEPENDENT AUDITOR'S REPORT

To Bayerische Motoren Werke
Aktiengesellschaft, Munich

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements prepared by the Bayerische Motoren Werke Aktiengesellschaft (BMW AG), Munich, which comprise the balance sheet as at 31 December 2018, and the income statement for the financial year from 1 January to 31 December 2018 and notes to the financial statements, including accounting policies. In addition, we have audited the combined management report (subsequently referred to as management report) of BMW for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements we have not audited the content of the statement on Corporate Governance which is included in section "Statement on Corporate Governance (§289 f HGB) [Handelsgesetzbuch: German Commercial Code]" of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the contents of the statement on Corporate Governance mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of provisions for statutory and non-statutory warranty obligations and product guarantees

Please refer to note "accounting policies" in the notes to the financial statements, for "provisions" please refer to note 12.

Financial statement risk

Provisions for statutory and non-statutory warranty obligations and product guarantees are included in the annual financial statements of BMW AG as a significant component in "other provisions". The provisions for statutory and non-statutory warranty obligations and product guarantees amounts to EUR 1.859 as at 31 December 2018.

BMW AG is responsible for the legally prescribed statutory product liability and warranty. Moreover, additional warranties are granted to differing extents. In order to assess the liabilities arising from warranty, guarantee and goodwill for vehicles sold, information on the type and volume of damages arising and on remedial measures is recorded and evaluated at vehicle model level. The expected amount of obligations arising from warranty claims is extrapolated from the costs of the past and provided for. For specific or anticipated individual circumstances, for example recalls, additional provisions are set aside provided they have not already been taken into account. The determination of provisions is associated with unavoidable estimation uncertainties, is complex and is subject to a high degree of risk of change, depending on factors such as detected deficiencies becoming known and claims made by vehicle owners.

There is a risk for the financial statements that the valuation of provisions for statutory and non-statutory warranty obligations and product guarantees is not appropriate.

Our audit approach

In order to evaluate the appropriateness of the valuation method used for the determination of the provisions for statutory and non-statutory warranty obligations and product guarantees including the assumptions and parameters, through discussions with the departments responsible, we primarily obtained an understanding of the process for determining the assumptions and parameters. We audited the appropriateness and effectiveness of controls to determine the assumptions and parameters. With the involvement of our IT specialists, we reviewed the IT systems utilised to verify their appropriateness.

We compared the amount of provisions from prior year with expenses selected according to risk and which actually arose for damage claims, as well as with technical measures, in order to arrive at a conclusion on the forecast accuracy.

Based on a deliberate sample of vehicle models, the computational accuracy of the valuation model used including a tool for rate-based planning was verified with the support of our actuaries. The measurement parameters included therein, such as cost components, are reconciled with actual costs. We evaluated the assumptions concerning the extent to which the historical values are representative for the expected damage susceptibility, for the expected value of damage per vehicle in terms of material and labour cost and for the anticipated claim.

Our observations

The method for the valuation of statutory and non-statutory warranty obligations and product guarantees is appropriate in view of the transition of valuation from dealer cost price to own cost price in the reporting year. The measurement parameters and assumptions utilised are appropriate as a whole.

Valuation of residual value obligations

Please refer to "accounting policies" in the notes to the financial statements, "provisions" please refer to note 12.

Financial statement risk

BMW AG carries realisation risks for vehicles which are recognised by the affiliated companies of the financial services segment and partially assumes the residual value obligations arising from this. Residual value risks are determined by comparing the contractually agreed residual value on a contract-by-contract basis with the expected residual value at the end of the customer contract. The other provisions of BMW AG amount to EUR 7.387 million as at 31 December 2018 and include residual value obligations.

A key estimated value for subsequent measurement is the expected residual value at the end of the lease term.

The estimation of future residual values is subject to judgement and complex due to the large number of assumptions to be made and the amount of data incorporated in the determination. BMW AG uses internally available data on historical values, current market data for residual value forecasts as well as forecasts of external market research institutes.

There is a risk for the financial statements that the residual values expected for the end of the lease terms are not appropriately assessed and the provisions required on account of the cost assumption obligations of BMW AG are not recognised in sufficient amounts.

Our audit approach

By means of inquiries, inspecting internal calculation methods and analysing the disposal proceeds of vehicles, among other methods, we obtained an understanding of the development of leased products, the underlying residual value risks as well as the business processes for the identification, management, monitoring and measurement of residual value risks.

We reviewed the appropriateness and effectiveness of the internal control system, particularly in relation to the determination of expected residual values. This included the audit of the compliance of the relevant IT systems as well as the implemented interfaces therein by our IT specialists.

In addition, we evaluated the appropriateness of the forecasting methods, the model assumptions as well as the parameters used for the determination of the residual values based on the validations carried out by the BMW Group. For this purpose, we inquired with the company's experts responsible for the management and monitoring of residual value risks and inspected the internal analysis on residual value developments and residual value forecasts as well as the validation results. Furthermore, we evaluated the processes for handling external forecast values from market research institutes. We ensured the computational accuracy of the forecast values by verifying key calculation steps.

Our observations

The methods and processes for the expected residual values of vehicles at the end of the leases underlying the valuation are appropriate. The assumptions and parameters incorporated in the forecast model for the residual value are appropriate as a whole.

Other information

Management is responsible for the other information. The other information comprises:

- the statement on Corporate Governance and
- the remaining parts of the annual report of BMW AG, with the exception of the audited financial statements and management report as well as our Auditor's Report,

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal controls as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor for the financial year from 1 January to 31 December 2018 at the annual general meeting on 17 May 2018. We were engaged by the Audit Committee of the Supervisory Board on 7 June 2018. Taking into account the transitional provisions of Article 41 (2) of the EU Audit Regulation, we have been the group auditor of Bayerische Motoren Werke Aktiengesellschaft for more than 30 consecutive years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Certified Public Auditor Responsible for the Engagement

The Certified Public Auditor responsible for the engagement is Andreas Feege.

Munich, 27 February 2018

KPMG AG
 Wirtschaftsprüfungsgesellschaft

Sailer
 Wirtschaftsprüfer
 [Certified Public Auditor]

Feege
 Wirtschaftsprüfer
 [Certified Public Auditor]

FINANCIAL CALENDAR

2019

20 March 2019

Annual Accounts Press Conference

21 March 2019

Analyst and Investor Conference

7 May 2019

Quarterly Report to 31 March 2019

16 May 2019

Annual General Meeting

1 August 2019

Quarterly Report to 30 June 2019

6 November 2019

Quarterly Report to 30 September 2019

2020

18 March 2020

Annual Report 2019

18 March 2020

Annual Accounts Press Conference

19 March 2020

Analyst and Investor Conference

6 May 2020

Quarterly Report to 31 March 2020

14 May 2020

Annual General Meeting

5 August 2020

Quarterly Report to 30 June 2020

4 November 2020

Quarterly Report to 30 September 2020

BMW AG

TEN-YEAR COMPARISON

→ BMW AG
Ten-year Comparison

		2018	2017	2016	2015
Revenues ¹	€ million	78,355	79,215	75,350	72,384
Export ratio	%	82.4	82.8	82.4	83.0
Production					
Automobiles ²	Units	2,541,534	2,505,741	2,359,756	2,279,503
Motorcycles	Units	161,523	185,682	145,555	151,004
Deliveries					
Automobiles ²	Units	2,519,897	2,494,115	2,355,726	2,275,367
Motorcycles	Units	164,096	175,452	147,290	144,291
Capital expenditure	€ million	2,975	2,628	2,346	2,748
Depreciation, amortisation and impairment losses	€ million	2,470	2,350	2,233	2,072
Workforce at end of year ³		89,842	87,940	85,754	84,860
Tangible, intangible and investment assets ⁴	€ million	15,787	15,419	14,711	14,619
Current assets, prepayments and surplus of pension and similar plan assets over liabilities	€ million	29,748	26,053	21,588	20,358
Subscribed capital	€ million	658	658	657	657
Reserves	€ million	12,280	11,758	11,165	10,168
Equity	€ million	15,241	15,046	14,122	12,927
as % of tangible, intangible and investment assets	%	96.5	97.6	96.0	88.4
Balance sheet total	€ million	45,535	41,472	36,299	34,977
Cost of materials	€ million	57,726	56,065	53,862	52,128
Personnel expense ³	€ million	8,597	8,638	8,340	7,576
Taxes	€ million	891	1,579	1,327	1,831
Net profit	€ million	2,801	3,197	3,277	2,741
Dividend	€ million	2,303⁵	2,630	2,300	2,102
per share of common stock with a par value of €1 each	€	3.50⁵	4.00	3.50	3.20
per share of preferred stock with a par value of €1 each	€	3.52⁵	4.02	3.52	3.22

¹ Financial Reporting Implementation Act (BilRUG) applied with effect from the beginning of the financial year 2016. Comparative figures for 2015 not adjusted.

² Including supplies of series parts to BMW Brilliance Automotive Ltd., Shenyang.

³ From 2009 onward including personnel seconded from other group entities.

⁴ From 2010 onward including property, plant and equipment transferred in conjunction with the merger of BMW Ingenieur-Zentrum GmbH + Co oHG, Dingolfing.

From 2011 onward including property, plant and equipment transferred in conjunction with the merger of BMW Maschinenfabrik Spandau GmbH, Berlin.

From 2013 onward including tangible, intangible and investment assets transferred in conjunction with the merger of BMW Peugeot Citroën Electrification GmbH, Munich.

From 2015 onward including property, plant and equipment transferred in conjunction with the merger of BMW Forschung und Technik GmbH, Munich.

⁵ Proposed by the Board of Management.

	2014	2013	2012	2011	2010	2009	
	66,599	60,474	58,805	55,007	45,773	37,980	Revenues ¹
	81.7	81.5	79.6	77.3	76.7	73.8	Export ratio
							Production
	2,165,566	2,006,366	1,861,826	1,738,160	1,481,253	1,258,417	Automobiles ²
	133,615	110,127	113,811	110,360	99,236	82,631	Motorcycles
							Deliveries
	2,166,772	1,995,903	1,868,158	1,723,637	1,460,923	1,231,893	Automobiles ²
	133,635	110,039	110,857	110,145	97,586	86,451	Motorcycles
	3,150	3,203	2,776	2,032	1,582	1,667	Capital expenditure
	1,890	1,732	1,613	1,578	1,540	1,505	Depreciation, amortisation and impairment losses
	80,675	77,110	74,571	71,630	69,518	70,223	Workforce at end of year ³
	13,945	12,833	11,078	9,663	8,273	6,984	Tangible, intangible and investment assets ⁴
	20,291	20,932	20,887	17,845	16,073	17,663	Current assets, prepayments and surplus of pension and similar plan assets over liabilities
	656	656	656	655	655	655	Subscribed capital
	9,506	8,166	7,568	6,059	5,581	4,502	Reserves
	12,066	10,529	9,864	8,222	7,088	5,354	Equity
	86.5	82.0	89.0	85.1	85.7	76.7	as % of tangible, intangible and investment assets
	34,236	33,765	31,965	27,508	24,346	24,647	Balance sheet total
	47,008	43,402	42,178	39,324	32,875	28,300	Cost of materials
	6,786	6,419	6,030	5,758	5,428	5,850	Personnel expense ³
	1,934	1,674	1,666	2,096	1,106	403	Taxes
	3,229	2,289	3,131	1,970	1,506	202	Net profit
	1,904	1,707	1,640	1,508	852	197	Dividend
	2.90	2.60	2.50	2.30	1.30	0.30	per share of common stock with a par value of €1 each
	2.92	2.62	2.52	2.32	1.32	0.32	per share of preferred stock with a par value of €1 each

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The BMW Group on the Internet

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