

# 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 <sup>1</sup>  | Units     | 2,541,534          | 2,505,741 | 1.4         |
| Motorcycles   | Units     | 161,523            | 185,682   | -13.0       |
| Deliveries  |           |                    |           |             |
| Automobiles <sup>1</sup>  | 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 <sup>2</sup> | 2,630     | -12.4       |
| per share of common stock with a par value of €1 each                                       | €         | 3.50 <sup>2</sup>  | 4.00      |             |
| per share of preferred stock with a par value of €1 each                                    | €         | 3.52 <sup>2</sup>  | 4.02      |             |

<sup>1</sup> Including supplies of series parts to BMW Brilliance Automotive Ltd., Shenyang.

<sup>2</sup> 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](http://www.bmwgroup.com/ir).

**BALANCE SHEET AT 31 DECEMBER**

→ Balance Sheet at  
31 December  
→ Income Statement

| in € million   | Notes | 2018          | 2017          |
|--|-------|---------------|---------------|
| <b>ASSETS</b>  |       |               |               |
| Intangible assets  | 1     | 252           | 288           |
| Property, plant and equipment                                      | 2     | 11,976        | 11,455        |
| Investments  | 3     | 3,559         | 3,676         |
| <b>Tangible, intangible and investment assets</b>                  |       | <b>15,787</b> | <b>15,419</b> |
| 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         |
| <b>Current assets</b>  |       | <b>28,545</b> | <b>24,280</b> |
| <b>Prepayments</b>   |       | <b>535</b>    | <b>483</b>    |
| <b>Surplus of pension and similar plan assets over liabilities</b> | 8     | <b>668</b>    | <b>1,290</b>  |
| <b>Total assets</b>  |       | <b>45,535</b> | <b>41,472</b> |
| <b>EQUITY AND LIABILITIES</b>                                      |       |               |               |
| 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         |
| <b>Equity</b>  |       | <b>15,241</b> | <b>15,046</b> |
| <b>Registered profit-sharing certificates</b>                      | 11    | <b>28</b>     | <b>29</b>     |
| Pension provisions   |       | 214           | 139           |
| Other provisions   |       | 7,824         | 8,469         |
| <b>Provisions</b>  | 12    | <b>8,038</b>  | <b>8,608</b>  |
| Liabilities to banks   |       | 545           | 965           |
| Trade payables   |       | 5,560         | 5,619         |
| Liabilities to subsidiaries  |       | 12,670        | 8,187         |
| Other liabilities  |       | 285           | 333           |
| <b>Liabilities</b>   | 13    | <b>19,060</b> | <b>15,104</b> |
| <b>Deferred income</b>   | 14    | <b>3,168</b>  | <b>2,685</b>  |
| <b>Total equity and liabilities</b>                                |       | <b>45,535</b> | <b>41,472</b> |

# INCOME STATEMENT

| in € million  | Notes | 2018          | 2017          |
|---|-------|---------------|---------------|
| Revenues  | 15    | 78,355        | 79,215        |
| Cost of sales   | 16    | -63,841       | -62,817       |
| <b>Gross profit</b>                                     |       | <b>14,514</b> | <b>16,398</b> |
| 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        |
| <b>Profit after income tax</b>                          |       | <b>2,820</b>  | <b>3,213</b>  |
| Other taxes   |       | -19           | -16           |
| <b>Net profit</b>                                       |       | <b>2,801</b>  | <b>3,197</b>  |
| Transfer to revenue reserves                            | 22    | -498          | -567          |
| <b>Unappropriated profit available for distribution</b> | 23    | <b>2,303</b>  | <b>2,630</b>  |

# 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-<br>fications | Disposals    |               |
| <b>Intangible assets</b>  | <b>884</b>                         | <b>119</b>   | <b>–</b>               | <b>95</b>    | <b>908</b>    |
| Land, titles to land, buildings,<br>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         |
| <b>Property, plant and equipment</b>  | <b>35,826</b>                      | <b>2,856</b> | <b>–</b>               | <b>2,494</b> | <b>36,188</b> |
| 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             |
| <b>Investments</b>  | <b>4,041</b>                       | <b>2</b>     | <b>–</b>               | <b>–</b>     | <b>4,043</b>  |
| <b>Tangible, intangible and investment assets</b>                           | <b>40,751</b>                      | <b>2,977</b> | <b>–</b>               | <b>2,589</b> | <b>41,139</b> |

| 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        | <b>Intangible assets</b>  |
| 2,836  | 166          | 5         | 2,997           | 3,376      | 3,350      | Land, titles to land, buildings,<br>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     | <b>Property, plant and equipment</b>  |
| –  | –            | –         | –               | 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      | <b>Investments</b>  |
| 25,332   | 2,589        | 2,569     | 25,352          | 15,787     | 15,419     | <b>Tangible, intangible and investment assets</b>                           |

# 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        |
| <b>Inventories</b>                   | <b>4,811</b> | <b>4,643</b> |

## 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            |
|   | <b>3,595</b>  | <b>2,827</b>  |
| <b>Receivables and other assets</b>                             | <b>13,112</b> | <b>11,234</b> |

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, pre-payments 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        | <b>3,398</b>     | 3,538        | <b>3,369</b> | 3,557        |
| Shares                         | <b>718</b>       | 530          | <b>701</b>   | 534          |
| Other marketable securities    | <b>31</b>        | 64           | <b>31</b>    | 64           |
| Receivables and payables       | <b>21</b>        | 24           | <b>21</b>    | 24           |
| Cash and cash equivalents      | <b>4</b>         | –            | <b>4</b>     | –            |
| Derivative instruments         | <b>–</b>         | –            | <b>–</b>     | 2            |
| <b>Special investment fund</b> | <b>4,172</b>     | <b>4,156</b> | <b>4,126</b> | <b>4,181</b> |

**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 | <b>658</b>   | 658        |
| Capital reserves   | <b>2,177</b> | 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        |
| <b>Revenue reserves</b>  | <b>10,103</b> | <b>9,605</b> |

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        |
| <b>Provisions</b>  | <b>8,038</b> | <b>8,608</b> |

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      |
| <b>Pension provisions</b>                                   | <b>214</b> | <b>139</b> |

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)                          | –            | –                 |
| <b>Other liabilities</b>                              |                         |                                  |              |                   |
| 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)               |
| <b>Liabilities</b>                                    | <b>19,060</b>           | <b>18,644</b>                    | <b>413</b>   | <b>3</b>          |
|   | <b>(15,104)</b>         | <b>(14,617)</b>                  | <b>(484)</b> | <b>(3)</b>        |

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        |
| <b>Revenues</b>              | <b>78,355</b> | <b>79,215</b> |
| <b>Information by region</b> |               |               |
| 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         |
| <b>Revenues</b>              | <b>78,355</b> | <b>79,215</b> |

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           |
| <b>Result on investments</b>   | <b>2,344</b> | <b>1,081</b> |

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        |
| <b>Financial result</b>  | <b>–1,452</b> | <b>–541</b> |

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        |
| <b>Financial expense from pension and long-term personnel-related provisions</b>  | <b>–1,126</b> | <b>–400</b> |

**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         |
| <b>Cost of materials</b>                   | <b>57,726</b> | <b>56,065</b> |

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          |
| <b>Personnel expense</b>                   | <b>8,597</b> | <b>8,638</b> |

\* 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         |
|  | <b>83,068</b> | <b>81,004</b> |
| Apprentices and students gaining work experience | 6,024         | 5,978         |
|  | <b>89,092</b> | <b>86,982</b> |

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         |
| <b>Contingent liabilities</b>                      | <b>60,826</b> | <b>53,976</b> |

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          |
| <b>Other financial commitments</b> | <b>3,055</b> | <b>2,990</b> |

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   |
| <b>Currency-related contracts</b>        |                |               |             |              |
| Forward currency contracts               | 24,306         | 33,759        | 287         | 1,617        |
| thereof positive fair values             |                |               | 630         | 1,784        |
| thereof negative fair values             |                |               | -343        | -167         |
| <b>Interest rate-related instruments</b> |                |               |             |              |
| Interest swaps                           | 110            | 120           | -           | -            |
| thereof positive fair values             |                |               | -           | -            |
| thereof negative fair values             |                |               | -           | -            |
| <b>Purchasing-related instruments</b>    |                |               |             |              |
| Commodity derivatives                    | 3,718          | 2,718         | -152        | 442          |
| thereof positive fair values             |                |               | 190         | 533          |
| thereof negative fair values             |                |               | -342        | -91          |
| <b>Derivative financial instruments</b>  | <b>28,134</b>  | <b>36,597</b> | <b>135</b>  | <b>2,059</b> |

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).

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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 |
| <b>Currency risk hedges</b> |               |               |                       |            |
| Forecast transactions       | 23,316        | 28,334        | 341                   | 80         |
| Executory contracts         | 1             | -2            | 2                     | 2          |
| <b>Interest rate hedges</b> |               |               |                       |            |
| Assets                      | 10            | 10            | -                     | -          |
| Liabilities                 | 100           | 110           | -                     | -          |
| Executory contracts         | -             | -             | -                     | -          |
| <b>Commodity hedges</b>     |               |               |                       |            |
| Forecast transactions       | 3,667         | 1,814         | 334                   | 90         |
| <b>Valuation units</b>      | <b>27,094</b> | <b>30,266</b> | <b>677</b>            | <b>172</b> |

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.

## 32

### 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 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).



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.

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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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34

### **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.

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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](http://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.

## 36

### 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<br>in € million | Profit/loss<br>in € million | Capital invest-<br>ment in % |
|--|------------------------|-----------------------------|------------------------------|
| <b>DOMESTIC<sup>1</sup></b>  |                        |                             |                              |
| BMW Beteiligungs GmbH & Co. KG, Munich <sup>6</sup>                          | 5,497                  | -13                         | 100                          |
| BMW INTEC Beteiligungs GmbH, Munich <sup>3,6</sup>                           | 3,558                  | -                           | 100                          |
| BMW Bank GmbH, Munich <sup>3</sup>   | 1,988                  | -                           | 100                          |
| BMW Finanz Verwaltungs GmbH, Munich  | 326                    | 1                           | 100                          |
| BMW Verwaltungs GmbH, Munich <sup>3,6</sup>                                  | 153                    | -                           | 100                          |
| Parkhaus Oberwiesenfeld GmbH, Munich   | -                      | -                           | 100                          |
| Alphabet Fuhrparkmanagement GmbH, Munich <sup>4</sup>                        | -                      | -                           | 100                          |
| Alphabet International GmbH, Munich <sup>4,5,6</sup>                         | -                      | -                           | 100                          |
| BMW High Power Charging Beteiligungs GmbH, Munich <sup>4,6</sup>             | -                      | -                           | 100                          |
| DriveNow GmbH & Co. KG, Munich <sup>11</sup>                                 | -                      | -                           | 100                          |
| BMW Hams Hall Motoren GmbH, Munich <sup>4,5,6</sup>                          | -                      | -                           | 100                          |
| BMW Fahrzeugtechnik GmbH, Eisenach <sup>3,5,6</sup>                          | -                      | -                           | 100                          |
| BMW Anlagen Verwaltungs GmbH, Munich <sup>3,6</sup>                          | -                      | -                           | 100                          |
| Bürohaus Petuelring GmbH, Munich   | -                      | -                           | 100                          |
| Bavaria Wirtschaftsagentur GmbH, Munich <sup>3,5,6</sup>                     | -                      | -                           | 100                          |
| BAVARIA-LLOYD Reisebüro GmbH, Munich   | -                      | -                           | 100                          |
| Rolls-Royce Motor Cars GmbH, Munich <sup>4,5,6</sup>                         | -                      | -                           | 100                          |
| BMW Vermögensverwaltungs GmbH, Munich  | -                      | -                           | 100                          |
| BMW Vertriebszentren Verwaltungs GmbH, Munich                                | -                      | -                           | 100                          |
| BMW M GmbH Gesellschaft für individuelle Automobile, Munich <sup>3,5,6</sup> | -                      | -                           | 100                          |
| DriveNow Verwaltungs GmbH, Munich <sup>11</sup>                              | -                      | -                           | 100                          |
| LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Munich                       | -                      | -                           | 100                          |
| <b>FOREIGN<sup>2</sup></b>   |                        |                             |                              |
| <b>Europe<sup>12</sup></b>   |                        |                             |                              |
| BMW Holding B.V., The Hague  | 17,761                 | 2,106                       | 100                          |
| BMW International Holding B.V., Rijswijk <sup>10</sup>                       | 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 <sup>10</sup>             | 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 <sup>11</sup>          | –   | –  | 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 <sup>11</sup>                            | –     | –     | 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 <sup>11</sup>                                       | –     | –     | 100 |
| DriveNow Austria GmbH, Vienna <sup>11</sup>   | –     | –     | 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 <sup>11</sup>                                   | –     | –     | 100 |
| DriveNow Italy S.r.l., Milan <sup>11</sup>  | –     | –     | 100 |
| DriveNow UK Ltd., London <sup>11</sup>  | –     | –     | 100 |
| Bavarian Sky S.A., Compartment German Auto Loans 4, Luxembourg <sup>13</sup>        | –     | –     | 0   |
| Bavarian Sky S.A., Compartment German Auto Loans 5, Luxembourg <sup>13</sup>        | –     | –     | 0   |
| Bavarian Sky S.A., Compartment German Auto Loans 6, Luxembourg <sup>13</sup>        | –     | –     | 0   |
| Bavarian Sky S.A., Compartment German Auto Loans 7, Luxembourg <sup>13</sup>        | –     | –     | 0   |
| Bavarian Sky S.A., Compartment German Auto Loans 8, Luxembourg <sup>13</sup>        | –     | –     | 0   |
| Bavarian Sky S.A., Compartment A, Luxembourg <sup>13</sup>                          | –     | –     | 0   |
| Bavarian Sky S.A., Compartment B, Luxembourg <sup>13</sup>                          | –     | –     | 0   |
| Bavarian Sky Europe S.A. Compartment A, Luxembourg <sup>13</sup>                    | –     | –     | 0   |
| Bavarian Sky Europe S.A., Compartment Swiss Auto Leases 2, Luxembourg <sup>13</sup> | –     | –     | 0   |
| Bavarian Sky FTC, Compartment French Auto Leases 2, Paris <sup>13</sup>             | –     | –     | 0   |
| Bavarian Sky FTC, Compartment French Auto Leases 3, Paris <sup>13</sup>             | –     | –     | 0   |
| Bavarian Sky UK 1 plc, London <sup>13</sup>   | –     | –     | 0   |
| Bavarian Sky UK 2 plc, London <sup>13</sup>   | –     | –     | 0   |
| Bavarian Sky UK A Ltd., London <sup>13</sup>  | –     | –     | 0   |
| Bavarian Sky UK B Ltd., London <sup>13</sup>  | –     | –     | 0   |
| <b>The Americas</b>   |       |       |     |
| 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 <sup>13</sup>                 | –     | –   | 0   |
| BMW Vehicle Lease Trust 2017-1, Wilmington, Delaware <sup>13</sup>                 | –     | –   | 0   |
| BMW Vehicle Lease Trust 2017-2, Wilmington, Delaware <sup>13</sup>                 | –     | –   | 0   |
| BMW Vehicle Lease Trust 2018-1, Wilmington, Delaware <sup>13</sup>                 | –     | –   | 0   |
| BMW Vehicle Lease Trust 2017-A, Wilmington, Delaware <sup>13</sup>                 | –     | –   | 0   |
| BMW Vehicle Owner Trust 2016-A, Wilmington, Delaware <sup>13</sup>                 | –     | –   | 0   |
| BMW Vehicle Owner Trust 2018-A, Wilmington, Delaware <sup>13</sup>                 | –     | –   | 0   |
| BMW Floorplan Master Owner Trust Series 2018-1, Wilmington, Delaware <sup>13</sup> | –     | –   | 0   |
| BMW Canada 2015-A, Richmond Hill, Ontario <sup>13</sup>                            | –     | –   | 0   |
| BMW Canada 2018-A, Richmond Hill, Ontario <sup>13</sup>                            | –     | –   | 0   |
| BMW Canada Auto Trust 2016, Richmond Hill, Ontario <sup>13</sup>                   | –     | –   | 0   |
| BMW Canada Auto Trust 2017-1, Richmond Hill, Ontario <sup>13</sup>                 | –     | –   | 0   |
| BMW Canada Auto Trust 2018-1, Richmond Hill, Ontario <sup>13</sup>                 | –     | –   | 0   |
| <b>Africa</b>  |       |     |     |
| 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 <sup>13</sup>                          | –     | –   | 0   |
| <b>Asia</b>  |       |     |     |
| 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 <sup>13</sup>   | –   | –  | 0   |
| 2015-2 ABL, Tokyo <sup>13</sup>   | –   | –  | 0   |
| 2016-1 ABL, Tokyo <sup>13</sup>   | –   | –  | 0   |
| 2016-2 ABL, Tokyo <sup>13</sup>   | –   | –  | 0   |
| 2017-1 ABL, Tokyo <sup>13</sup>   | –   | –  | 0   |
| 2017-2 ABL, Tokyo <sup>13</sup>   | –   | –  | 0   |
| 2017-3 ABL, Tokyo <sup>13</sup>   | –   | –  | 0   |
| 2018-1 ABL, Tokyo <sup>13</sup>   | –   | –  | 0   |
| 2018-2 ABL, Tokyo <sup>13</sup>   | –   | –  | 0   |
| 2018-3 ABL, Tokyo <sup>13</sup>   | –   | –  | 0   |
| Bavarian Sky Korea 2nd Asset Securitization Speciality Company, Seoul <sup>13</sup> | –   | –  | 0   |
| Bavarian Sky Korea 3rd Asset Securitization Speciality Company, Seoul <sup>13</sup> | –   | –  | 0   |
| Bavarian Sky China 2017-2, Beijing <sup>13</sup>                                    | –   | –  | 0   |
| Bavarian Sky China 2017-3, Beijing <sup>13</sup>                                    | –   | –  | 0   |
| Bavarian Sky China 2018-1, Beijing <sup>13</sup>                                    | –   | –  | 0   |
| Bavarian Sky China 2018-2, Beijing <sup>13</sup>                                    | –   | –  | 0   |
| <b>Oceania</b>  |     |    |     |
| 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 <sup>13</sup>                                  | –   | –  | 0   |
| Bavarian Sky Australia Trust A, Mulgrave <sup>13</sup>                              | –   | –  | 0   |

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

| Companies   | Equity<br>in € million | Profit/loss<br>in € million | Capital invest-<br>ment in % |
|---|------------------------|-----------------------------|------------------------------|
| <b>DOMESTIC<sup>7</sup></b>                           |                        |                             |                              |
| 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 <sup>4</sup>                  | –                      | –                           | 100                          |
| BMW i Ventures GmbH, Munich                           | –                      | –                           | 100                          |
| Digital Charging Solutions GmbH, Munich               | –                      | –                           | 100                          |
| ParkNow GmbH, Munich                                  | –                      | –                           | 100                          |
| PM Parking Ventures GmbH, Munich                      | –                      | –                           | 100                          |
| <b>FOREIGN<sup>7</sup></b>                            |                        |                             |                              |
| <b>Europe</b>   |                        |                             |                              |
| 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  |
| <b>The Americas</b>  |   |   |     |
| 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 |
| <b>Africa</b>  |   |   |     |
| BMW Automobile Distributors (Pty) Ltd., Midrand                | – | – | 100 |
| BPF Midrand Property Holdings (Pty) Ltd., Midrand              | – | – | 100 |
| Multisource Properties (Pty) Ltd., Midrand                     | – | – | 100 |

| <b>Asia</b>   |   |   |     |
|---|---|---|-----|
| THEPSATRI Co. Ltd., Bangkok <sup>9</sup>                              | – | – | 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  |
| <b>Oceania</b>  |   |   |     |
| Parkmobile International (Australia) Pty. Ltd., Sydney                | – | – | 100 |

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

| Companies  | Equity<br>in € million | Profit / loss<br>in € million | Capital invest-<br>ment in % |
|--|------------------------|-------------------------------|------------------------------|
| <b>Associated companies – equity accounted</b>                           |                        |                               |                              |
| <b>DOMESTIC</b>  |                        |                               |                              |
| IONITY Holding GmbH & Co. KG, Munich <sup>8</sup>                        | 149                    | –15                           | 25                           |
| <b>FOREIGN</b>   |                        |                               |                              |
| BMW Brilliance Automotive Ltd., Shenyang <sup>8</sup>                    | 5,926                  | 1,561                         | 50                           |
| <b>Joint operations – proportionately consolidated entities</b>          |                        |                               |                              |
| <b>FOREIGN</b>   |                        |                               |                              |
| THERE Holding B.V., Amsterdam <sup>8</sup>                               | 1,764                  | –337                          | 29.6                         |
| <b>Not equity accounted or proportionately consolidated entities</b>     |                        |                               |                              |
| <b>DOMESTIC<sup>7</sup></b>  |                        |                               |                              |
| 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                           |
| <b>FOREIGN<sup>7</sup></b>   |                        |                               |                              |
| 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<br>in € million | Profit/loss<br>in € million | Capital invest-<br>ment in % |
|---|------------------------|-----------------------------|------------------------------|
| <b>DOMESTIC<sup>7</sup></b>   |                        |                             |                              |
| Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern | –                      | –                           | 4.6                          |
| GSB Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen                    | –                      | –                           | 3.1                          |
| Hubject 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                         |
| <b>FOREIGN<sup>7</sup></b>  |                        |                             |                              |
| Gios Holding B.V., Oss  | –                      | –                           | 12.0                         |
| SGL Composites LLC, Dover, Delaware   | –                      | –                           | 49.0                         |

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

<sup>2</sup> 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.

<sup>3</sup> Profit and Loss Transfer Agreement with BMW AG.

<sup>4</sup> Profit and Loss Transfer Agreement with a subsidiary of BMW AG.

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

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

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

<sup>8</sup> 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.

<sup>9</sup> Including power to appoint representative bodies.

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

<sup>11</sup> First-time consolidation.

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

<sup>13</sup> 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 Schoch**<sup>1</sup> (\*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 Schmid**<sup>1</sup> (\*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 Benner**<sup>2</sup> (\*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 Hattler**<sup>3</sup> (\*1968)

Member since 2017

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

<sup>1</sup> Employee representatives (company employees).

<sup>2</sup> Employee representatives (union representatives).

<sup>3</sup> 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**<sup>2</sup> (\*1963)

Member since 2009

General Representative of IG Metall Munich

## Mandates

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

**Willibald Löw**<sup>1</sup> (\*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)

<sup>1</sup> Employee representatives (company employees).<sup>2</sup> Employee representatives (union representatives).<sup>3</sup> Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

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

**Dr. Dominique Mohabeer<sup>1</sup> (\*1963)**

Member since 2012

Member of the Works Council, Munich

**Brigitte Rödiger<sup>1</sup> (\*1963)**

Member since 2013

Member of the Works Council, Dingolfing

**Jürgen Wechsler<sup>2</sup> (\*1955)**

Member since 2011

Former Regional Head of IG Metall Bavaria

Mandates

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

**Werner Zierer<sup>1</sup> (\*1959)**

Member since 2001

Chairman of the Works Council, Regensburg

<sup>1</sup> Employee representatives (company employees).

<sup>2</sup> Employee representatives (union representatives).

<sup>3</sup> Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

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



# 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 <sup>1</sup>   | € million | <b>78,355</b>            | 79,215    | 75,350    | 72,384    |
| Export ratio  | %         | <b>82.4</b>              | 82.8      | 82.4      | 83.0      |
| Production  |           |                          |           |           |           |
| Automobiles <sup>2</sup>  | Units     | <b>2,541,534</b>         | 2,505,741 | 2,359,756 | 2,279,503 |
| Motorcycles   | Units     | <b>161,523</b>           | 185,682   | 145,555   | 151,004   |
| Deliveries  |           |                          |           |           |           |
| Automobiles <sup>2</sup>  | Units     | <b>2,519,897</b>         | 2,494,115 | 2,355,726 | 2,275,367 |
| Motorcycles   | Units     | <b>164,096</b>           | 175,452   | 147,290   | 144,291   |
| Capital expenditure   | € million | <b>2,975</b>             | 2,628     | 2,346     | 2,748     |
| Depreciation, amortisation and impairment losses  | € million | <b>2,470</b>             | 2,350     | 2,233     | 2,072     |
| Workforce at end of year <sup>3</sup>   |           | <b>89,842</b>            | 87,940    | 85,754    | 84,860    |
| Tangible, intangible and investment assets <sup>4</sup>                                     | € million | <b>15,787</b>            | 15,419    | 14,711    | 14,619    |
| Current assets, prepayments and surplus of pension and similar plan assets over liabilities | € million | <b>29,748</b>            | 26,053    | 21,588    | 20,358    |
| Subscribed capital  | € million | <b>658</b>               | 658       | 657       | 657       |
| Reserves  | € million | <b>12,280</b>            | 11,758    | 11,165    | 10,168    |
| Equity  | € million | <b>15,241</b>            | 15,046    | 14,122    | 12,927    |
| as % of tangible, intangible and investment assets  | %         | <b>96.5</b>              | 97.6      | 96.0      | 88.4      |
| Balance sheet total   | € million | <b>45,535</b>            | 41,472    | 36,299    | 34,977    |
| Cost of materials   | € million | <b>57,726</b>            | 56,065    | 53,862    | 52,128    |
| Personnel expense <sup>3</sup>  | € million | <b>8,597</b>             | 8,638     | 8,340     | 7,576     |
| Taxes   | € million | <b>891</b>               | 1,579     | 1,327     | 1,831     |
| Net profit  | € million | <b>2,801</b>             | 3,197     | 3,277     | 2,741     |
| Dividend  | € million | <b>2,303<sup>5</sup></b> | 2,630     | 2,300     | 2,102     |
| per share of common stock with a par value of €1 each                                       | €         | <b>3.50<sup>5</sup></b>  | 4.00      | 3.50      | 3.20      |
| per share of preferred stock with a par value of €1 each                                    | €         | <b>3.52<sup>5</sup></b>  | 4.02      | 3.52      | 3.22      |

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

<sup>2</sup> Including supplies of series parts to BMW Brilliance Automotive Ltd., Shenyang.

<sup>3</sup> From 2009 onward including personnel seconded from other group entities.

<sup>4</sup> 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.

<sup>5</sup> 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 <sup>1</sup>   |
|  | 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 <sup>2</sup>  |
|  | 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 <sup>2</sup>  |
|  | 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 <sup>3</sup>   |
|  | 13,945    | 12,833    | 11,078    | 9,663     | 8,273     | 6,984     | Tangible, intangible and investment assets <sup>4</sup>                                     |
|  | 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 <sup>3</sup>  |
|  | 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                                    |

# CONTACTS

## **Business and Finance Press**

Telephone +49 89 382-2 45 44  
+49 89 382-2 41 18  
Fax +49 89 382-2 44 18  
E-mail [presse@bmwgroup.com](mailto:presse@bmwgroup.com)

## **Investor Relations**

Telephone +49 89 382-2 53 87  
Fax +49 89 382-1 46 61  
E-mail [ir@bmwgroup.com](mailto:ir@bmwgroup.com)

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Bayerische Motoren Werke  
Aktiengesellschaft  
80788 Munich  
Germany  
Telephone +49 89 382-0