

BMW  
GROUP



ROLLS-ROYCE  
MOTOR CARS LTD

INTERIM REPORT  
TO JUNE 30, 2022

BMW US  
CAPITAL,  
LLC





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# MANAGEMENT REPORT

Management submits their report and the financial statements of BMW US Capital, LLC ("BMW US Capital" or "the Company") for the period ended December 31, 2021.

## Principal activities

The Company was formed on January 14, 1993, and until December 31, 2000, was a wholly owned subsidiary of BMW (US) Holding Corp., which is ultimately owned by Bayerische Motoren Werke Aktiengesellschaft (BMW AG). Effective January 1, 2001, the Company adopted a legal structure permitted under the Delaware Limited Liability Company Act dated August 1, 1999, and became a limited liability company whose sole member is BMW (US) Holding Corp, which is ultimately owned by BMW AG. The conversion of the Company to a Limited Liability Company (LLC) did not have any effect on the liabilities or obligations of the organization and did not constitute dissolution of the converting entity. The Company's purpose is to assist in the financing of business activities and in managing interest and foreign exchange risk for BMW Group and its affiliates, primarily in the U.S., and to provide services in connection therewith.

The Company's activities primarily consist of providing long- and short-term liquidity, inter-company funding, factoring of receivables at arm's length for BMW Group companies, being the leader of the US Dollar cash pool, and operating as the in-house bank for USD, CAD and MXN for the BMW Group. The Company aims to minimize the risks from changes in interest rates and foreign exchange rates. Protection against such risks is primarily provided by hedging through financial instruments with matching maturities, amounts and other properties. Derivative financial instruments are used, such as interest rate swaps, foreign exchange swaps and forward rate agreements, to reduce the risk remaining after netting.

## Business review

Worldwide demand for BMW, MINI and Rolls-Royce brand vehicles remained strong during the first half of 2022. At the same time, however, operations continued to be hampered by vehicle component shortages and the impact of pandemic-related lockdowns in China. Despite these adverse circumstances, however, the BMW Group maintained its leading position in the global premium segment.

In total, 1,160,094 BMW Group vehicles were delivered to customers during the six-month period, down by 13.4% compared to the previous year's record level of 1,339,047 units, comprising 1,016,228 BMW (2021: 1,178,210 units; -13.7%), 140,675 MINI (2021: 157,848 units; -10.9%) and 3,191 Rolls-Royce brand vehicles (2021: 2,989 units; +6.8%).

The unabated electrification of the BMW Group's product portfolio remains a key success factor for sales growth. Sales of BMW and MINI brand all-electric models grew particularly strongly, rising by 110.3% to 75,890 units in the first half of 2022 and therefore more than doubling compared to the same period one year earlier (2021: 36,087 units). Sales of BEV and PHEV models increased to 184,468 units, significantly up from the previous year (2021: 153,243 units; +20.4%). The proportion of electrified vehicles in total deliveries during the six-month period therefore climbed to 15.9% (2021: 11.4%; +39.5%).

The Financial Services segment recorded a 2.3% increase in profit before tax in the first half of 2022 to €1,981 million (2021: €1,936 million). However, in line with the development of Automotive segment sales, the number of new credit financing and leasing contracts concluded during the period decreased. New contracts with retail customers in this period fell to 815,448 contracts (2021: 1,029,345 contracts; -20.8%).

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The decline in new business was primarily attributable to the tight supply situation for semiconductor components affecting the automotive sector, which has resulted in limited availability of new vehicles. In addition, competition within the financial services sector remains intense. As of June 30, 2022, the Financial Services segment's portfolio of credit financing and leasing contracts with retail customers decreased in size to 5,411,274 contracts (December 31, 2021: 5,577,011; -3.0%). In the Asia / Pacific region, the contract portfolio was only marginally down on the previous year (-0.3%). The decreases recorded in the Europe / Middle East / Africa (-1.9%), China (-2.7%), EU Bank (-3.4%) and Americas (-5.2%) regions were all on a larger scale.

On February 11, 2022, via its subsidiary BMW Holding B.V., the BMW Group acquired a further 25% of the shares in the BMW Brilliance joint venture, thereby increasing its shareholding from 50% to 75%. The new joint venture agreement came into force and the formal transfer of shares was completed on February 11, 2022, following the issuance of a new business license. Since that date, the BMW Group has held a 75% majority of the voting rights in BMW Brilliance, which has therefore been fully consolidated as a subsidiary in the BMW Group Financial Statements with effect from February 11, 2022.

Due to the first-time consolidation of BMW Brilliance Automotive Ltd., Shenyang, (BMW Brilliance) with effect from February 11, 2022, Group profit before tax increased significantly to €16,156 million in the six-month period (2021: €9,736 million). The Group's pre-tax return on sales (EBT margin) in the first half of 2022 was 24.5% (2021: 17.6%). Group revenues recorded between January and June rose significantly year over year to €65,912 million (2021: €55,360 million; +19.1%), primarily due to the impact of the first-time consolidation of BMW Brilliance, as described above.

Regarding BMW US Capital, it is important to highlight that the net result arises predominantly from the net interest margin between funding provided to affiliates and the cost of funds from the Company's borrow-

ings, along with the fair value gain or loss from financial instruments. BMW US Capital, in October 2020 updated its business model and implemented a liquidity fee to be received from BMW AG. The Company reported an income before taxation of \$58.0 million, an increase of \$33 million, compared to the income before taxation for June 30, 2021, of \$25.0 million. The increase was primarily driven by the positive result yielding from the fair value results.

The Company applies IFRS 9 for the valuation of its financial instruments. IFRS 9 requires that all derivative instruments be recorded on the statements of financial position at their respective fair values upon initial recognition. Fair value changes are reflected in the statements of comprehensive income / (loss). Further details can be found in the appropriate footnotes throughout the report.

The progress of the Company is monitored by financial and non-financial data on a regular basis with emphasis on key performance indicators, including net interest margin, and loan outstanding at the reporting date. These key performance indicators are reviewed and adjusted regularly in line with the requirements of the business.

**Outlook**

The first half of 2022 saw a significant slowdown in economic activity worldwide. At present, the International Monetary Fund (IMF) is still projecting growth of 3.2%, compared with its forecast of 4.4% for the global economy at the beginning of the year. The main reasons for the downgrade are the war in Ukraine since the end of February and related sanctions, as well as the zero-covid policy focused measures taken in China to contain the coronavirus pandemic which have resulted in regional lockdowns lasting several weeks in some cases. The resulting intensification of supply chain problems and sharp rise in energy prices have given rise to significant distortions in the global economy and are currently driving up inflation rates. In response, many central banks have already initiated tighter monetary policies, thereby putting further pressure on economic growth.

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**International automobile markets**

In light of the numerous adverse factors facing the sector, the outlook for the world's automobile markets for the full year 2022 has deteriorated further. The continuing limited availability of intermediate products and raw materials means that new vehicles continue to be in short supply. Rising inflation and interest rates are resulting in many markets in less favorable financing conditions for consumers, potentially reducing their willing to spend. The outlook is further dampened by the global effects of the ongoing war in Ukraine and lockdowns in China.

**Outlook for the BMW Group – assumptions used in the outlook**

The BMW Group's performance in the first half of 2022 was negatively impacted by the war in Ukraine and ongoing supply bottlenecks for semiconductor components. Moreover, pandemic-related lockdowns in China led to disruptions at local production facilities and restrictions on global logistics and supply chains, thereby slowing the pace of economic growth in China. This mixture of adverse factors caused delivery figures to decline.

In the first quarter, the BMW Group had assumed that the supply situation for semiconductor components would ease during the second half of 2022. In the meantime, however, it is no longer expected to improve appreciably over the remainder of the year. Owing to the negative impact on production, the BMW Group now anticipates a slight year-on-year decline in Automotive segment deliveries over the full twelve-month period.

The BMW Group also expects higher expenses for raw materials and energy prices in the second half of the year, particularly due to reduced gas supplies, with a corresponding negative impact on earnings in the form of further rising costs of material and manufacturing.

High inflation and rising interest rates worldwide are making conditions for consumers less favorable and are likely to influence consumer spending behavior in the coming months. As a consequence, the currently above-average order backlog particularly in Europe is expected to normalize.

The outlook does not factor in the following:

- A significant further tightening of sanctions on Russia and/or countermeasures by Russia
- An interruption of gas supplies from Russia, leading to supply restrictions to the production facilities of the BMW Group and its suppliers
- An escalation of the conflict outside Ukraine
- Further significant and lengthy pandemic-related lockdowns

Uncertainties have continued to grow during the year, making it extremely difficult to accurately forecast outcomes for the twelve-month period as a whole.

**Overall assessment by Group management**

As previously outlined in the BMW Group Report 2021, the full consolidation of BMW Brilliance on the one hand and production interruptions due to the war in Ukraine on the other have been key factors in determining the outlook for the financial year 2022. The following summarized analysis therefore only covers the main factors taken into account in the Outlook.

The full consolidation of BMW Brilliance will result in a significant increase in reported Group profit before tax in the forecast period, even after taking into account the negative impact of production schedule adjustments and interruptions and the resulting decrease in Automotive segment deliveries.

The increased stake in BMW Brilliance and the full consolidation of that entity means that the total number of BMW Group employees will rise significantly.

The share of women in management functions within the BMW Group is expected to rise slightly, irrespective of the Group's increased stake in BMW Brilliance.

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Automotive segment deliveries fell in the first half of the year due to the various restricting factors described above, particularly the semiconductor shortage and logistics-related issues. As the situation is not currently expected to improve, the BMW Group now expects the number of BMW, MINI and Rolls-Royce brand vehicles delivered to customers in 2022 as a whole to be slightly lower year on year.

Carbon emissions generated by the BMW Group's EU new vehicle fleet are still forecast to decrease slightly, driven primarily by the significantly growing share of electrified automobiles in total deliveries.

Carbon emissions per vehicle produced are expected to decrease slightly.

The Automotive segment's EBIT margin is still predicted to come in within a range between 7 and 9%. The expected drop in delivery figures is likely to be partially offset by positive pricing effects and the continued favorable situation on pre-owned vehicle markets. RoCE for the Automotive segment is still forecast to finish within a range between 14 and 19%.

Motorcycles segment deliveries are expected to increase slightly. The segment EBIT margin is predicted to finish within a range between 8 and 10% and the segment RoCE within a range of 19 and 24%.

The ongoing favorable situation on pre-owned vehicle markets has contributed to higher earnings in the Financial Services segment, a trend that is expected to remain stable in the short term. Based on current assessments, the Financial Services segment has recognized appropriate levels of provisions/allowances to cover residual value and credit risks. Accordingly, segment RoE is now expected to finish within a range of between 17 and 20%.

The BMW Group's actual business performance may deviate from current expectations in light of the numerous uncertainties highlighted above and/or the risks and opportunities identified in conjunction with the Group's risk and opportunity management system.

**Internal Control over Financial Reporting**

The Company actively participates in the internal control system in place throughout the BMW Group aimed at ensuring the effectiveness of operations. It adheres to the principal features of the internal control system, in relation to the Company and its financial reporting processes. A detailed description and explanation of the internal control system is available within the BMW Group Annual Report for the year 2021.

Management assesses the design and effectiveness of the internal control over financial reporting on the basis of internal review procedures performed at regular intervals. Effective measures are implemented whenever weaknesses are identified and reported. Based on these assessments, management believes that the Company maintained effective internal controls over financial reporting during the period ended June 30, 2022.

**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. Detailed descriptions of the main risks facing the Company and the instruments used to manage these risks are presented in the notes to the financial statements. New virus variants, pandemic related restrictions, prolonged supply bottlenecks and inflation will have impacts on the Company's financial performance.

**Research and development**

The Company does not carry out any research and development.

**Creditor payment policy**

The Company's policy concerning the payment of its trade creditors is to pay in accordance with contractual and other legal obligations.

**Members and members' interests**

The members who held office during the year or subsequently were as follows:

BMW (US) Holding Corporation, as the sole member.

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**Employees**

During the period ended June 30, 2022, the Company employed 16 persons, all of which are included within these accounts.

**Political and charitable contributions**

The company made no political or charitable contributions during the period ended June 30, 2022.

**Disclosure of information to auditors**

Management who held office at the date of approval of this management report confirms that, to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and management has taken all the steps that ought to have taken to make itself aware of any relevant audit information and has made such information available to the Company's auditors.

**Auditors**

The independent auditor ("certified public accountants") of BMW US Capital is PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt, Germany.

BMW US Capital, LLC



August 31, 2022

Christian Kunz

President



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# RESPONSIBILITY STATEMENT

## Statement of Management responsibilities in respect of financial statements and the Management Report

Management is responsible for preparing the financial statements and the Management Report in accordance with applicable laws and regulations of Luxembourg, which BMW US Capital, LLC has chosen as its Home Member State under the regulations of the EU Transparency Directive.

Luxembourg Law, pursuant to the EU Transparency Directive, requires Management to prepare audited financial statements for each financial year. Management has elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board. Management makes every effort to ensure the financial statements present fairly the financial position of the Company and the performance for that period.

Management is also responsible for preparing the Management Report that complies with the law.

The financial information contained in the Management Report concerning the operations, economic performance and financial condition of the Company is subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the Management of the Company, which may cause actual results, performance

or achievements to differ materially from anticipated results, performance or achievements. Also, the financial information is based upon Management's estimates of fair values and future costs, using currently available information. Factors that could cause such differences include, but are not limited to:

- risks of economic slowdown, downturn or recession,
- risks inherent in changes in market interest rates and spreads,
- lending conditions to companies turning to the worse, thereby increasing the cost of borrowing,
- changes in funding markets, including commercial paper and term debt,
- uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks,
- changes in laws or regulations governing BMW US Capital, LLC's business and operations, and
- changes in competitive factors.

Management has a general responsibility to design and implement controls to prevent and detect fraud and other irregularities.

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**Responsibility Statement by the Company's legal representatives**

To the best of Management's knowledge, and in accordance with the applicable reporting principles, International Financial Reporting Standards as issued by the International Accounting Standard Board, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of BMW US Capital, LLC, and the Management Report includes a fair review of the development and performance of the business and the position of BMW US Capital, LLC, together with a description of the principal opportunities and risks associated with the expected development of BMW US Capital, LLC.

BMW US Capital, LLC



August 31, 2022  
Christian Kunz  
President

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## STATEMENTS OF FINANCIAL POSITION

### PERIODS ENDED JUNE 30, 2022 AND DECEMBER 31, 2021

in thousands of dollars	Notes	2022	2021	in thousands of dollars	Notes	2022	2021
Receivables from BMW Group companies	2a	10,983,334	13,505,220	Member's capital		11,000	11,000
Derivative assets	2d	434,712	461,058	Capital reserves		144,000	144,000
Deferred tax assets		-	10,304	Accumulated other comprehensive loss		(3,048)	(5,921)
<b>Total non-current assets</b>		<b>11,418,046</b>	<b>13,976,582</b>	Retained earnings		68,366	24,651
Cash and cash equivalents		113,026	95,067	<b>Total member's capital</b>		<b>220,318</b>	<b>173,730</b>
Receivables from BMW Group companies	2a	17,719,006	20,386,612	Pension obligation		258	166
Derivative assets	2d	78,978	91,555	Term debt	2c	14,755,242	16,221,525
Other assets		8,092	-	Liabilities due to BMW Group companies	2a	640,000	540,000
<b>Total current assets</b>		<b>17,919,102</b>	<b>20,573,234</b>	Derivative liabilities	2d	740,174	171,197
<b>Total assets</b>		<b>29,337,148</b>	<b>34,549,816</b>	Deferred tax liabilities		351	-
				<b>Total non-current liabilities</b>		<b>16,136,025</b>	<b>16,932,888</b>
				Term debt	2c	2,631,322	3,336,005
				Commercial paper	2b	1,524,048	1,219,937
				Liabilities due to BMW Group companies	2a	8,763,485	12,783,286
				Derivative liabilities	2d	57,529	102,706
				Other liabilities		4,421	1,264
				<b>Total current liabilities</b>		<b>12,980,805</b>	<b>17,443,198</b>
				<b>Total liabilities</b>		<b>29,116,830</b>	<b>34,376,086</b>
				<b>Total member's capital and liabilities</b>		<b>29,337,148</b>	<b>34,549,816</b>



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## STATEMENTS OF COMPREHENSIVE INCOME

### SIX MONTHS ENDED JUNE 30, 2022 AND 2021

in thousands of dollars	Notes	2022	2021	in thousands of dollars	Notes	2022	2021
BMW Group companies		195,563	246,517	Costs of hedging		3,804	402
Third parties		307,691	295,467	Deferred taxes		(931)	(99)
<b>Interest income</b>	<b>3a</b>	<b>503,254</b>	<b>541,984</b>	<b>Items that can be reclassified to the income statement in the future</b>		<b>2,873</b>	<b>303</b>
BMW Group companies		(26,264)	(7,086)	<b>Other comprehensive income, net of tax</b>		<b>2,873</b>	<b>303</b>
Third parties		(514,136)	(582,874)	<b>Total comprehensive income</b>		<b>46,588</b>	<b>18,900</b>
<b>Interest expense</b>	<b>3a</b>	<b>(540,400)</b>	<b>(589,960)</b>				
<b>Net Interest margin</b>		<b>(37,146)</b>	<b>(47,976)</b>				
Gains from financial transactions		1,279,792	692,763				
Losses from financial transactions		(1,182,199)	(617,569)				
<b>Financial result</b>	<b>3b</b>	<b>97,593</b>	<b>75,194</b>				
General and administrative expenses		(2,272)	(2,255)				
<b>Net income before taxation</b>		<b>58,175</b>	<b>24,963</b>				
Income taxes	3c	(14,460)	(6,366)				
<b>Net income after taxation</b>		<b>43,715</b>	<b>18,597</b>				

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## STATEMENTS OF CHANGES IN MEMBER'S CAPITAL

### PERIODS ENDED JUNE 30, 2022 AND 2021

in thousands of dollars	Member's capital	Capital reserves	Accumulated other comprehensive (loss) / income		Retained earnings	Total member's capital
			Pension	Cost of hedging		
<b>Balance at December 31, 2021</b>	<b>11,000</b>	<b>144,000</b>	<b>(2,250)</b>	<b>(3,671)</b>	<b>24,651</b>	<b>173,730</b>
Other comprehensive income for the period			-	2,873		2,873
Net income					43,715	43,715
<b>Balance at June 30, 2022</b>	<b>11,000</b>	<b>144,000</b>	<b>(2,250)</b>	<b>(798)</b>	<b>68,366</b>	<b>220,318</b>
<b>Balance at December 31, 2020</b>	<b>11,000</b>	<b>144,000</b>	<b>(2,465)</b>	<b>(8,142)</b>	<b>(11,972)</b>	<b>132,421</b>
Other comprehensive income for the period			-	303	-	303
Net income					18,597	18,597
<b>Balance at June 30, 2021</b>	<b>11,000</b>	<b>144,000</b>	<b>(2,465)</b>	<b>(7,839)</b>	<b>6,625</b>	<b>151,321</b>

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# STATEMENTS OF CASH FLOWS

## SIX MONTHS ENDED JUNE 30, 2022 AND 2021

in thousands of dollars	2022	2021	in thousands of dollars	2022	2021
<b>Net income</b>	<b>43,715</b>	<b>18,597</b>	Proceeds from term debt issuances	1,997,546	1,997,633
Foreign exchange losses / (gains)	(2,741)	6,125	Repayment of term debt issuances	(3,091,367)	(3,370,635)
Fair value change due to hedge accounting	(1,074,459)	(409,693)	Proceeds from commercial paper issuances	24,082,111	8,390,831
Fair value measurement losses / (gains) – derivatives	527,492	310,208	Repayment of commercial paper issuances	(23,778,104)	(8,140,838)
Interest expense – term debt	251,116	271,898	Interest paid – term debt	(253,700)	(283,881)
Change in deferred tax assets / liabilities	10,655	(442)	Interest received on fair value hedge derivatives	103,752	117,701
Interest income	(897,464)	(55,178)	<b>Cash flow from financing equivalents</b>	<b>(939,762)</b>	<b>(1,289,189)</b>
Interest expense	910,294	56,984	<b>Change in cash and cash equivalents</b>	<b>17,959</b>	<b>(942,920)</b>
<b>Total adjustments for non-cash items</b>	<b>(275,107)</b>	<b>179,902</b>	Cash and cash equivalents at beginning of year	95,067	993,754
Change in receivables from / liabilities to BMW Group companies	1,428,520	519,706	<b>Cash and cash equivalents at end of period</b>	<b>113,026</b>	<b>50,834</b>
Change in other assets	(8,092)	13			
Change in pension obligation	91	31			
Change in other liabilities	3,157	(1,601)			
Interest received on free-standing derivatives	35,895	24,373			
Interest paid on free-standing derivatives	(101,544)	(159,153)			
Interest received	12,961	4,285			
Interest paid	(181,875)	(239,884)			
<b>Total adjustments for cash items</b>	<b>1,189,113</b>	<b>147,770</b>			
<b>Cash flow from operating activities</b>	<b>957,721</b>	<b>346,269</b>			

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# NOTES TO FINANCIAL STATEMENTS

## PERIODS ENDED JUNE 30, 2022 AND 2021

### 1 Basis of Preparation and Significant Accounting Policies and Practices

#### (a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Interim Financial Statements (Interim Report) at June 30, 2022, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as those utilised in the 2021 Financial Statements.

No significant new Standards or revised Standards were applied by the Company for the first time in the first six months of the current financial year.

Other financial reporting standards issued by the IASB and not yet applied are not expected to have any significant impact on the Company's Financial Statements.

Further information regarding the Company's accounting principles and policies is contained in the notes to the Company Financial Statements within the Annual Report 2021.

The financial statements were authorized for issuance by management of the Company on August 31, 2022.

#### (b) Functional and Presentation Currency

These financial statements are presented in United States dollars (USD), which is the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### (c) Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency using spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the spot exchange rate at that date. The economic effect of foreign currency transactions is recognized in the statements of comprehensive income / (loss).

#### (d) Significant events during the first half of the financial year 2022

The first half of 2022 saw a significant slowdown in economic activity worldwide. At present, the International Monetary Fund (IMF) is still projecting growth of 3.2 %, compared with its forecast of 4.4 % for the global economy at the beginning of the year. The main reasons for the downgrade are the war in Ukraine since the end of February and related sanctions, as well as the zero-covid policy focused measures taken in China to contain the coronavirus pandemic which have resulted in regional lockdowns lasting several weeks in some cases. The resulting intensification of supply chain problems and sharp rise in energy prices have given rise to significant distortions in the global economy and are currently driving up inflation rates. In response, many central banks have already initiated tighter monetary policies, thereby putting further pressure on economic growth.

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The BMW Group's performance in the first half of 2022 was also negatively impacted by the war in Ukraine and ongoing supply bottlenecks for semiconductor components. Moreover, pandemic-related lockdowns in China led to disruptions at local production facilities and restrictions on global logistics and supply chains, thereby slowing the pace of economic growth in China. This mixture of adverse factors caused delivery figures to decline. Major uncertainties remained at the end of the first half of 2022 with respect to the ongoing war in Ukraine. High inflation and rising interest rates worldwide are making conditions for consumers less favorable and are likely to influence consumer spending behavior in the coming months.

## 2 Notes on the Items of the Balance Sheet

### (a) Receivables from BMW Group companies, Liabilities to BMW Group companies

The Company makes and accepts loans to/from various BMW Group companies in the course of normal business operations. Receivables from BMW Group companies due within 12 months and the related accrued interest receivable from BMW Group companies are short term in nature. The fair value of long-term amounts receivable from BMW Group companies is the estimated discounted future cash flows based on rates currently available for debt with similar terms and remaining maturities. The Company serves as the in-house bank service provider for the Americas region and is the cash pool leader for USD, CAD and MXN currencies. The Company receives deposits from and/or lends funds to participating entities of the BMW Group. Balances from participating entities are not subject to offsetting.

In accordance with IFRS 9, the Company has adjusted the carrying value of receivables subject to fair value hedges by the change in fair value to the risk being hedged as of June 30, 2022 and December 31, 2021. At June 30, 2022, the resulting adjustment decreased the related value of the underlying receivable by \$480,827k. At December 31, 2021, the resulting adjustment decreased the related value of the underlying receivable by \$33,252k. Concurrently with this adjustment, the derivative instruments classified as fair value hedges were carried at fair value with changes in fair value recorded in profit of loss.

Receivables from BMW Group companies at June 30, 2022 and December 31, 2021, along with the range of interest rates charged on such loans are as follows:

in thousands of dollars	Long-term		Short-term	
	2022	2021	2022	2021
	10,983,334	13,505,220	17,719,006	20,386,612
	0.70%– 2.39%	0.64%– 1.96%	0.58%– 1.45%	0.50%– 1.70%

Liabilities due to BMW Group Companies at June 30, 2022 and December 31, 2021, along with the range of annual interest rates on such loans, are as follows:

in thousands of dollars	Long-term		Short-term	
	2022	2021	2022	2021
	640,000	540,000	8,763,485	12,783,286
	0.16%– 1.40%	0.15%– 0.78%	0.08%– 1.00%	0.02%– 0.21%



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**(b) Commercial Paper**

The Company maintains a BMW AG guaranteed U.S. commercial paper program of \$7 billion. At June 30, 2022 and December 31, 2021, commercial paper outstanding totaled \$1,524,048k and \$1,219,937k, respectively. The weighted average interest rate on the commercial paper was 2.26% and 0.11%, at June 30, 2022 and December 31, 2021, respectively. All commercial paper mature within 180 days.

Commercial paper is an unsecured and discounted promissory note issued to finance the short term credit needs of institutions. Although commercial paper is occasionally issued as an interest bearing note, it typically trades at a discount to its par value. In other words, the purchaser usually purchases commercial paper below par and then receives its face value at maturity. The discount, or the difference between the purchase price and the face value of the note, is amortized over the term of the commercial paper as interest expense by applying the effective interest rate method. At June 30, 2022 and December 31, 2021, the commercial paper unamortized discount was \$952k and \$63k, respectively.

At June 30, 2022 and December 31, 2021, the fair value of the Company's commercial paper obligations approximated the recorded value primarily due to the short-term nature of the outstanding commercial paper.

**(c) Term Debt and Line of Credit**

Term debt consists of the following at June 30, 2022 and December 31, 2021:

	2022	2021
in thousands of dollars	Carrying amounts	Carrying amounts
Foreign and U.S. dollar denominated variable rate notes interest range from 0.22%–1.46% at June 30, 2022 and 0.12%–0.58% at December 31, 2021	1,947,328	2,135,471
Foreign and U.S. dollar denominated fixed rate notes interest range from 0.75%–6.19% at June 30, 2022 and 0.63%–6.19% at December 31, 2021	15,439,236	17,422,059
<b>Total</b>	<b>17,386,564</b>	<b>19,557,530</b>

The carrying amounts of term debt due in the following five fiscal periods, and thereafter, are as follows as of June 30, 2022 and December 31, 2021:

	2022	2021
in thousands of dollars	Carrying amounts	Carrying amounts
<b>Maturity:</b>		
Due within one year	2,631,322	3,336,005
Due between one and five years	10,622,712	11,047,131
Due later than five years	4,132,530	5,174,394
<b>Total</b>	<b>17,386,564</b>	<b>19,557,530</b>

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The movements in term debt are as follows for the periods ended June 30, 2022 and 2021:

in thousands of dollars

<b>Balance as of December 31, 2021</b>	<b>19,557,530</b>
Issues	1,997,546
Repayments	(3,091,367)
Accrued interest payable	(2,582)
Change in fees amortized by the effective interest method	(5,588)
Fair value change due to hedge accounting	(1,068,975)
<b>Balance as of June 30, 2022</b>	<b>17,386,564</b>

in thousands of dollars

<b>Balance as of December 31, 2020</b>	<b>22,398,443</b>
Issues	1,997,633
Repayments	(3,370,635)
Accrued interest payable	(11,983)
Change in fees amortized by the effective interest method	(2,863)
Fair value change due to hedge accounting	(406,830)
<b>Balance as of June 30, 2021</b>	<b>20,603,765</b>

Term Debt by Category:

in thousands of dollars	<b>2022</b>	2021
Debt part of a fair value hedge relationship	15,273,673	17,254,136
Debt at amortized cost	2,112,891	2,303,394
<b>Total</b>	<b>17,386,564</b>	<b>19,557,530</b>

In accordance with IFRS 9, the Company has adjusted the carrying value of term debt subject to fair value hedges by the change in fair value to the risk being hedged as of June 30, 2022 and December 31, 2021. At June 30, 2022 and December 31, 2021, the resulting adjustment decreased and increased the related value of the underlying debt by \$(729,330)k and \$232,943k respectively. Concurrently with this adjustment, the derivative instruments classified as fair value hedges were carried at fair value with changes in fair value recorded through earnings.

At June 30, 2022 and December 31, 2021, \$17,386,564k and \$19,557,530k respectively, of the unsecured debt is guaranteed by BMW AG. The Company has access to a syndicated revolving credit facility of eight billion Euros, maturing in July 2024. The credit facility was negotiated in July 2017 with a maturity of July 2024 and is being provided by a consortium of 44 international banks. As of June 30, 2022 there were no borrowings under the credit facility outstanding.

Bond discount and private placement fees incurred related to the issuance of term debt are taken into account when initially recording the term debt and are recognized in the statements of comprehensive income / (loss) as interest expense under the effective interest rate method over the remaining lives of the debt. Bond discount is the difference between the face value and the proceeds received when the term debt is issued below face value. Private placement fees relate to legal and administrative fees associated with the issuance of the term debt.

#### (d) Derivative Financial Assets and Liabilities

The Company enters into payer interest rate swaps, combined interest / currency swaps and option agreements with both BMW Group companies and external parties to manage and hedge its interest rate exposure arising from mismatches between the interest earned on non-derivative financial assets and the interest paid on non-derivative financial liabilities. Floating rates are fixed periodically and, during this

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transition period for the respective benchmark rates, are mostly based on USD London Interbank Offered Rate (LIBOR) as published daily by the British Bankers' Association or USD secured overnight financing rate (SOFR) as published by The New York Federal Reserve. Depending on the respective hedge relationship interest rate swaps and combined interest / currency swaps are accounted for as designated hedging instruments applying hedge accounting as well as stand-alone financial derivatives categorized as FVPL.

In addition, foreign exchange forward and swap agreements are concluded with affiliates and external parties to hedge foreign exchange rate risk. In general, the Company concludes foreign exchange derivatives with external parties and simultaneously enters into reciprocal contracts with its affiliates in order to manage currency risk on the level of the affiliates.

The below table summarizes the Company's derivative notional amounts and corresponding fair values at June 30, 2022 and December 31, 2021:

in thousands of dollars	2022		2021	
	Notional	Fair value	Notional	Fair value
Derivative assets				
Interest rate derivatives	20,301,037	513,576	24,476,170	551,434
Foreign exchange rate derivatives	232,166	114	117,217	1,180
<b>Total</b>	<b>20,533,203</b>	<b>513,690</b>	<b>24,593,387</b>	<b>552,614</b>

in thousands of dollars	2022		2021	
	Notional	Fair value	Notional	Fair value
Derivative liabilities				
Interest rate derivatives	19,736,357	797,703	18,500,836	273,904
<b>Total</b>	<b>19,736,357</b>	<b>797,703</b>	<b>18,500,836</b>	<b>273,904</b>

### 3 Notes on the Items of the Comprehensive Income Statement

#### (a) Interest income and expense

Interest income with BMW Group Companies relates to loans to affiliates, derivatives and factoring of short-term BMW AG trade receivables. The factored receivable is accounted for at amortized cost. The company earns a premium which is the difference between the present value and face value of the receivable factored and is earned as the receivable comes due (terms 30-90 days). Interest expense with BMW Group Companies relates to loans with affiliates and derivatives.

Interest income with third parties relates to derivatives and bank deposits. Interest expense with third parties relates to derivatives, interest on debt and commercial paper.

#### (b) Financial Result

The caption "Financial Result" in the statements of comprehensive income / (loss) includes: the liquidity fee between BMW US Capital and BMW AG, the fee remitted to BMW AG to guarantee the unsecured debt, and foreign exchange gains and losses on operational transactions, stand-alone interest rate derivatives, fair value adjustments of hedged items, debt and other financial instruments. Operational transactions include routine transactions denominated in foreign currencies.

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in thousands of dollars	2022	2021
Liquidity fee	64,774	80,577
Gains on stand-alone interest rate derivatives	29,229	117,303
Gains on fair value adjustments from applying hedge accounting	1,057,985	379,573
Foreign exchange gains on term debt	106,886	100,325
Foreign exchange gains on other financial instruments	20,918	14,985
<b>Total gains</b>	<b>1,279,792</b>	<b>692,763</b>
Guarantee fee	(12,416)	(13,063)
Losses on stand-alone interest rate derivatives	(25,053)	(119,052)
Losses on fair value adjustments from applying hedge accounting	(1,107,179)	(470,121)
Foreign exchange losses on other financial instruments	(37,551)	(15,333)
<b>Total losses</b>	<b>(1,182,199)</b>	<b>(617,569)</b>
<b>Total</b>	<b>97,593</b>	<b>75,194</b>

**(c) Income taxes**

The Company's federal and state income tax payments are made by BMW (US) Holding Corp. as part of a consolidated tax return. At June 30, 2022 and December 31, 2021, a current income tax payable is included in Payables to BMW Group companies of \$4,737k and \$16,073k, respectively. The provision for federal, and state income taxes for the periods ended June 30, 2022 and 2021 consists of the following:

in thousands of dollars	2022	2021
<b>Current:</b>		
Federal	(3,646)	(5,385)
State and local	(1,091)	(1,522)
	<b>(4,737)</b>	<b>(6,907)</b>
<b>Deferred:</b>		
Federal	(7,975)	442
State and local	(1,748)	99
	<b>(9,723)</b>	<b>541</b>
<b>Total income taxes</b>	<b>(14,460)</b>	<b>(6,366)</b>

The effective tax rate for the periods ended June 30, 2022 and 2021 was 24.86 % and 25.50 %, respectively.

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#### 4 Additional Disclosures to Financial Instruments

The following table presents the carrying amounts and fair values of the Company's financial instruments at June 30, 2022 and December 31, 2021 under consideration of the respective measurement categories according to IFRS 9:

2022 (in thousands of dollars)	Category	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial instruments included on the statement of financial position:</b>						
<b>Non-current financial assets:</b>						
Receivable from BMW Group companies	AC	10,983,334	10,603,593	-	10,603,593	-
Derivative assets						
Thereof stand-alone	FVPL	51,410	51,410	-	51,410	-
Thereof within hedge accounting	n/a	383,302	383,302	-	383,302	-
<b>Current financial assets:</b>						
Cash	AC	113,026	113,026	113,026	-	-
Receivable from BMW Group companies	AC	17,719,006	17,693,032	-	17,693,032	-
Derivative assets						
Thereof stand-alone	FVPL	3,145	3,145	-	3,145	-
Thereof within hedge accounting	n/a	75,833	75,833	-	75,833	-
<b>Non-current financial liabilities:</b>						
Term debt	AC	14,755,242	15,543,795	-	15,543,795	-
Liabilities due to BMW Group companies	AC	640,000	481,176	-	481,176	-
Derivative liabilities						
Thereof stand-alone	FVPL	48,356	48,356	-	48,356	-
Thereof within hedge accounting	n/a	691,818	691,818	-	691,818	-
<b>Current financial liabilities:</b>						
Term debt	AC	2,631,322	2,658,474	-	2,658,474	-
Commercial paper	AC	1,524,048	1,524,048	-	1,524,048	-
Liabilities due to BMW Group companies	AC	8,763,485	8,736,288	-	8,736,288	-
Derivative liabilities						
Thereof stand-alone	FVPL	(180)	(180)	-	(180)	-
Thereof within hedge accounting	n/a	57,709	57,709	-	57,709	-

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2021 (in thousands of dollars)	Category	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial instruments included on the statement of financial position:</b>						
<b>Non-current financial assets:</b>						
Receivable from BMW Group companies	AC	13,505,220	13,633,216	-	13,633,216	-
Derivative assets						
Thereof stand-alone	FVPL	3,597	3,597	-	3,597	-
Thereof within hedge accounting	n/a	457,461	457,461	-	457,461	-
<b>Current financial assets:</b>						
Cash	AC	95,067	95,067	95,067	-	-
Receivable from BMW Group companies	AC	20,386,612	20,533,814	-	20,533,814	-
Derivative assets						
Thereof stand-alone	FVPL	3,605	3,605	-	3,605	-
Thereof within hedge accounting	n/a	87,950	87,950	-	87,950	-
<b>Non-current financial liabilities:</b>						
Term debt	AC	16,221,525	17,198,711	-	17,198,711	-
Liabilities due to BMW Group companies	AC	540,000	538,105	-	538,105	-
Derivative liabilities						
Thereof stand-alone	FVPL	7,114	7,114	-	7,114	-
Thereof within hedge accounting	n/a	164,083	164,083	-	164,083	-
<b>Current financial liabilities:</b>						
Term debt	AC	3,336,005	3,334,807	-	3,334,807	-
Commercial paper	AC	1,219,937	1,219,937	-	1,219,937	-
Liabilities due to BMW Group companies	AC	12,783,286	12,778,534	-	12,778,534	-
Derivative liabilities						
Thereof stand-alone	FVPL	2,805	2,805	-	2,805	-
Thereof within hedge accounting	n/a	99,901	99,901	-	99,901	-

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The Company measures the fair value of the financial instruments based on the fair value hierarchy that reflects the significance of the inputs used in making the measurement:

Level 1: Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments in Level 2 are based on valuation techniques using observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices) at the measurement date.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability. The fair value of financial instruments in Level 3 are based on valuation techniques using significant unobservable inputs.

The Company generally uses the discounted cash flow model as the valuation technique to determine the fair value of financial instruments at the measurement date. The objective of the valuation technique is to arrive at a fair value measurement that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Essential observable inputs used in this valuation technique include risk free (i.e. Fed Rates) and benchmark interest rates (i.e. LIBOR, USD SOFR Rates), credit spreads and foreign currency exchange rates.

Derivatives are classified in Level 2 of the fair value hierarchy using the discounted cash flow model to determine the fair value using yield curves of the cash flow currency and relevant credit spreads.

For non-current non-derivative financial assets and liabilities (such as receivables / liabilities from BMW Group companies and term debt) the fair value, which is determined for disclosure purposes, is measured by discounting the future principal and interest cash flows using a market rate of interest for similar risk and matching maturity as well as relevant credit spreads at the reporting date. Therefore these fair values are allocated as Level 2.

For reasons of materiality, the fair value of current non-derivative financial assets and liabilities is generally deemed to be approximated by the carrying amount.

For the periods ended June 30, 2022 and December 31, 2021, the fair value of the financial instruments has been measured by using either Level 1 or Level 2 inputs.

The transfers between the level of the fair value hierarchy are reported at the respective reporting dates. There have been no transfers between the levels during the reporting period.

## 5 Related Parties

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities, which have the ability to control the Company or which are controlled by the Company, must be disclosed unless such parties are already included in the financial statements as affiliated companies. Control is defined as ownership of more than one half of the voting power of the Company or the power to direct, by statute or agreement, the financial and operating policies of the management of the Company.

The disclosure requirements of IAS 24 also cover transactions with associates, joint ventures, and individuals that have the ability to exercise significant influence over the financial and operating policies of the Company.

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In addition, the requirements contained in IAS 24 relating to key management personnel and close members of their families or intermediary entities are also applied.

BMW AG guarantees the unsecured debt of the Company, for this the Company remits a fee to BMW AG. The guarantee fee of 12.5bps is defined based upon a transfer pricing policy and arm's length principle defined by BMW AG and it is remitted from the Company to BMW AG on a monthly basis. For the periods ended June 30, 2022 and 2021 the amount paid for this guarantee was \$12,416k and \$13,063k respectively.

The Company provides a factoring service of short-term inter-group BMW AG trade receivables. For this service the Company earns a commission equal to 0.05% of the receivables. The Company also earns interest which is equal to the designed benchmark rate for maturities between 30 and 90 days plus a defined margin. The defined margin is set by the Company monthly and is communicated to seller at the beginning of each month.

The company earns interest on loans granted to affiliates and pays interest on loans received from affiliates. The interest rate is defined according to the BMW Group pricing policies and based upon the Arm's length principle plus a defined margin which is derived from BMW Group borrowing costs and service fees. For the periods ended June 30, 2022 and 2021 the Company received interest in the amounts of \$195,563k, and \$246,517k. For the same periods, the Company paid interest in the amounts of \$26,264k, and \$7,086k respectively.

For the periods ended June 30, 2022 and December 31, 2021, the disclosure requirements of IAS 24 only affect the Company with regard to relationships with the Parent, affiliated entities, and members of management and officers.

The related party balances for the years periods ended June 30, 2022 and December 31, 2021 were as follows:

in thousands of dollars	2022	2021
Receivable from BMW AG	179,116	175,252
All other receivables from BMW Group companies	28,523,224	33,716,580
<b>Total</b>	<b>28,702,340</b>	<b>33,891,832</b>
All other liabilities due to BMW Group companies	9,403,485	13,323,286
<b>Total</b>	<b>9,403,485</b>	<b>13,323,286</b>

The Company did not enter into any contracts with any member of management or officers. The same applies to close members of the families of those persons. For the periods ended June 30, 2022 and 2021 the remuneration of key management is \$789k and \$716k respectively. The remuneration consists of:

in thousands of dollars	2022	2021
Short-term employee benefits	747	662
Post-employment benefits	42	54
<b>Total</b>	<b>789</b>	<b>716</b>



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## 6 Cash Flow

The statements of cash flows show how the cash and cash equivalents of the Company have changed during the year as a result of cash inflows and cash outflows. In accordance with IAS 7, cash flows are classified into cash flows from operating, investing and financing activities. The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group. The cash flows from operating activities are presented under the indirect method (profit or loss for the

period reconciled to the total net cash flow from operating activities). Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The cash flows from investing and financing activities are based on actual payments and receipts.

Liabilities related to financing activities can be reconciled as follows:

in thousands of dollars	2021	Cash flows	Accrued interest	Foreign exchange	Fair value adjustments	Fee amortization	2022
Term debt	19,557,530	(1,093,821)	(2,582)	(106,886)	(962,089)	(5,588)	17,386,564
Commercial paper	1,219,937	304,007	104	-	-	-	1,524,048
	<b>20,777,467</b>	<b>(789,814)</b>	<b>(2,478)</b>	<b>(106,886)</b>	<b>(962,089)</b>	<b>(5,588)</b>	<b>18,910,612</b>

## 7 Segment Information

According to the definition of an operating segment under IFRS 8 and as presented in Note (1) Nature of Operations, BMW US Capital, LLC has one segment, and figures included in the statements of comprehensive income / (loss) represent the nature and financial effects of the business activities.

## 8 Additional Disclosures

During 2022, no events have occurred, that could be considered unusual due to their nature, size or incidence, that have not been disclosed in previous notes and that could have a major impact on the earnings performance, financial position and net assets of the Company. There have been no changes in the composition of the Company during 2022. The Company did not become an investment entity under the definition of IFRS 10.

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## 9 Contingent Liabilities

In December 2019, the Company was informed by the U. S. Securities and Exchange Commission (the SEC) that the SEC had commenced an inquiry into BMW Group's vehicle sales practices and reporting. On January 22, 2020, the SEC formally opened an investigation into potential violations of U. S. securities laws by the Company relating to disclosures regarding BMW Group's unit sales of new vehicles.

This matter was settled on September 24, 2020 with the SEC, without admitting or denying the allegations, and BMW Group consented to the entry of an Order finding violations of the U. S. Securities Act and agreed to pay a penalty of \$18 million. Certain BMW Group entities and their officers are defendants in private securities litigation following the SEC Order. Plaintiffs voluntarily dismissed the individual defendants without prejudice. The remaining parties have entered into an agreement in principle to settle the action for a settlement amount of US \$1.75 million, subject to court approval. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

## 10 Subsequent Events

The Company has evaluated subsequent events for potential recognition, measurement, or disclosure in the financial statements occurring after the reported period through the date of this report August 31, 2022 and concluded no such events occurred.

BMW US Capital, LLC



August 31, 2022  
Christian Kunz  
President



