ANNUAL REPORT 2019

Power of Choice

BMW GROUP

THE NEXT 100 YEARS

Rolls-Royce
Motor Cars Limited

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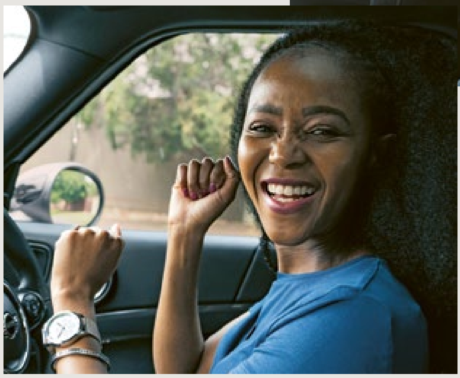
TADAMI SACHIKO
JAPAN

ROB VAN ROON
NETHERLANDS



FAITH MKHOMBE
SOUTH AFRICA

Our customers across the globe have different mobility demands.

Ultimately, they decide for themselves what they want and desire. That's the Power of Choice.

Discover the Power of Choice from Rob, Faith and Sachiko as well as our financial year 2019 in our digital Annual Report.

→ annualreport.bmwgroup.com/2019

The figures for fuel consumption, CO_2 emissions and power consumption are calculated based on the measurement methods stipulated in the current version of Regulation (EU) 715/2007. This information is based on a vehicle with basic equipment in Germany; ranges take into account differences in wheel and tire size selected as well as optional equipment and can change based on configuration. Fuel consumption and CO_2 emissions information are available on page 70.

The figures have been calculated based on the new WLTP test cycle and adapted to NEDC for comparison purposes. In these vehicles, different figures than those published here may apply for the assessment of taxes and other vehicle-related duties which are (also) based on CO_2 emissions.

For further details of the official fuel consumption figures and official specific CO_2 emissions of new cars, please refer to the "Manual on fuel consumption, CO_2 emissions and power consumption of new cars", available at www.dat.de/co2/.

TO OUR SHAREHOLDERS

BMW GROUP IN FIGURES

Key non-financial performance indicators

→ 01

	2015	2016	2017	2018	2019	Change in %
GROUP						
Workforce at year-end[1]	122,244	124,729	129,932	134,682	133,778	–0.7
AUTOMOTIVE SEGMENT						
Deliveries[2,3]	2,257,851	2,352,440	2,468,658	2,483,292	2,538,367	2.2
Fleet emissions in g CO_2/km[4,5]	127	124	128	128	127	–0.8
MOTORCYCLES SEGMENT						
Deliveries	136,963	145,032	164,153	165,566	175,162	5.8

Further non-financial performance figures

→ 02

	2015	2016	2017	2018	2019	Change in %
AUTOMOTIVE SEGMENT						
Deliveries						
BMW[2,3]	1,913,213	1,989,817	2,093,026	2,114,963	2,185,793	3.3
MINI[3]	340,880	358,586	372,194	364,135	347,474	–4.6
Rolls-Royce[3]	3,758	4,037	3,438	4,194	5,100	21.6
Total[2,3]	**2,257,851**	**2,352,440**	**2,468,658**	**2,483,292**	**2,538,367**	**2.2**
Production volume						
BMW[6]	1,933,647	2,002,997	2,123,947	2,168,496	2,205,841	1.7
MINI	342,008	352,580	378,486	368,685	352,729	–4.3
Rolls-Royce	3,848	4,179	3,308	4,353	5,455	25.3
Total[6]	**2,279,503**	**2,359,756**	**2,505,741**	**2,541,534**	**2,564,025**	**0.9**
MOTORCYCLES SEGMENT						
Production volume						
BMW	151,004	145,555	185,682	162,687	187,116	15.0
FINANCIAL SERVICES SEGMENT						
New contracts with retail customers	1,655,961	1,811,157	1,828,604	1,908,640	2,003,782	5.0

[1] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time working arrangements and low income earners.
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 281,357 units, 2016: 311,473 units, 2017: 385,705 units, 2018: 455,581 units, 2019: 538,612 units).
[3] Delivery figures have been adjusted retrospectively going back to 2015. The basis for the adjustments is a review of sales data in prior periods for the BMW Group's most important markets (China, USA, Germany, UK, Italy and Japan). The retrospective adjustment enables better comparability. Additional information can be found in the section "Comparison of Forecasts for 2019 with Actual Results in 2019".
[4] EU-28.
[5] From 2018, adjusted value based on planned conversion to WLTP (Worldwide Harmonised Light Vehicles Test Procedure).
[6] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 287,755 units, 2016: 305,726 units, 2017: 396,749 units, 2018: 491,872 units, 2019: 536,509 units).

Key financial performance indicators

→ 03

	2015	2016	2017	2018	2019	Change in %
GROUP						
Profit before tax[1] in € million	9,224	9,665	10,675	9,627	7,118	–26.1
AUTOMOTIVE SEGMENT						
EBIT margin in % (change in %pts)	9.2	8.9	9.2	7.2	4.9	–2.3
RoCE in % (change in %pts)	72.2	74.3	77.7	49.8	29.0	–20.8
MOTORCYCLES SEGMENT						
EBIT margin in % (change in %pts)	9.1	9.0	9.1	8.1	8.2	0.1
RoCE in % (change in %pts)	31.6	33.0	34.0	28.4	29.4	1.0
FINANCIAL SERVICES SEGMENT						
RoE in % (change in %pts)	20.2	21.2	18.1	14.8	15.0	0.2

Further financial performance figures

→ 04

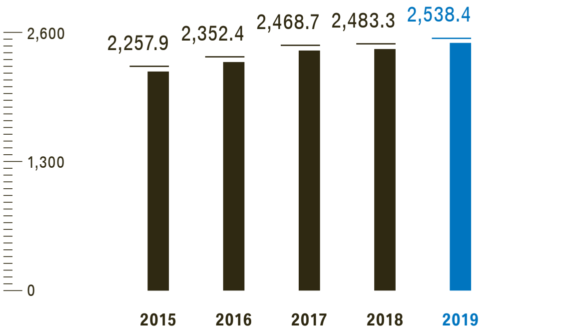
in € million	2015	2016	2017	2018	2019	Change in %
Total capital expenditure[2]	5,890	5,823	7,112	8,013	7,784	–2.9
Depreciation and amortisation	4,659	4,806	4,822	5,113	6,017	17.7
Free cash flow Automotive segment	5,404	5,792	4,459	2,713	2,567	–5.4
Group revenues[1]	**92,175**	**94,163**	**98,282**	**96,855**	**104,210**	**7.6**
Automotive	85,536	86,424	85,742	85,846	91,682	6.8
Motorcycles	1,990	2,069	2,272	2,173	2,368	9.0
Financial Services[1]	23,739	25,681	27,567	27,705	29,598	6.8
Other Entities	7	6	7	6	5	–16.7
Eliminations[1]	–19,097	–20,017	–17,306	–18,875	–19,443	–3.0
Group profit before financial result (EBIT)[1]	**9,593**	**9,386**	**9,899**	**8,933**	**7,411**	**–17.0**
Automotive	7,836	7,695	7,888	6,182	4,499	–27.2
Motorcycles	182	187	207	175	194	10.9
Financial Services[1]	1,981	2,184	2,194	2,172	2,312	6.4
Other Entities	169	–17	14	–27	29	–
Eliminations[1]	–575	–663	–404	431	377	–12.5
Group profit before tax (EBT)[1]	**9,224**	**9,665**	**10,675**	**9,627**	**7,118**	**–26.1**
Automotive	7,523	7,916	8,717	6,977	4,467	–36.0
Motorcycles	179	185	205	169	187	10.7
Financial Services[1]	1,975	2,166	2,207	2,143	2,272	6.0
Other Entities	211	170	80	–45	–96	–
Eliminations[1]	–664	–772	–534	383	288	–24.8
Group income taxes[1]	**–2,828**	**–2,755**	**–2,000**	**–2,530**	**–2,140**	**15.4**
Profit / loss from continuing operations[1]	**6,396**	**6,910**	**8,675**	**7,097**	**4,978**	**–29.9**
Profit / loss from discontinued operations	–	–	–	–33	44	–
Group net profit[1]	**6,396**	**6,910**	**8,675**	**7,064**	**5,022**	**–28.9**
Earnings per share[1] in €	**9.70/9.72**	**10.45/10.47**	**13.07/13.09**	**10.60/10.62**	**7.47/7.49**	**–29.5/–29.5**
Pre-tax return on sales[1,3] in % (change in %pts)	**10.0**	**10.3**	**10.9**	**9.9**	**6.8**	**–3.1**

[1] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.
[2] Expenditure for capitalised development costs, other intangible assets and property, plant and equipment.
[3] Group profit before tax as a percentage of Group revenues.

BMW Group deliveries of automobiles[1,2]

→ 05

in 1,000 units



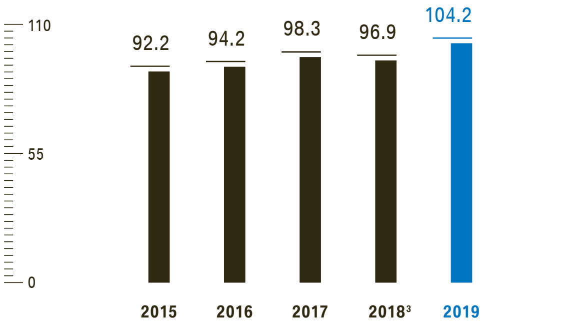
[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 281,357 units, 2016: 311,473 units, 2017: 385,705 units, 2018: 455,581 units, 2019: 538,612 units).

[2] Delivery figures have been adjusted retrospectively going back to 2015. The basis for the adjustments is a review of sales data in prior periods for the BMW Group's most important markets (China, USA, Germany, UK, Italy and Japan). The retrospective adjustment enables better comparability. Additional information can be found in the section "Comparison of Forecasts for 2019 with Actual Results in 2019".

BMW Group revenues

→ 07

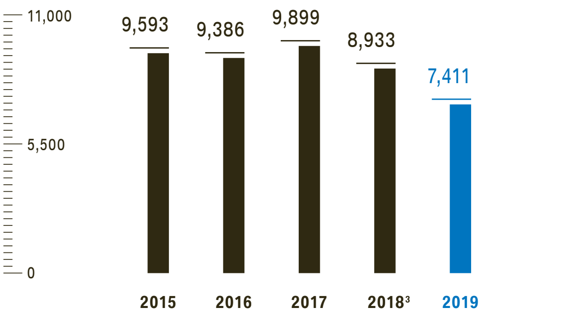
in € billion



BMW Group profit before financial result (EBIT)

→ 06

in € million

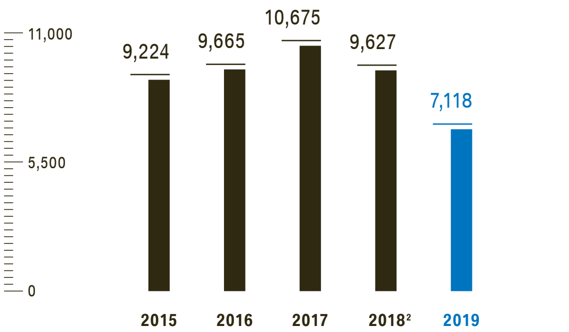


[3] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

BMW Group profit before tax

→ 08

in € million



Norbert Reithofer
Chairman of the Supervisory Board

Dear Shareholders,

The BMW Group faced numerous challenges in 2019. Despite retaining its leading position in the premium segment in terms of delivery volumes, it did not generate the level of earnings we aspire to. In our capacity as Supervisory Board, we stand firmly behind the Board of Management's objective of increasing profitability again in the coming years and continuing in the long and highly successful tradition of the BMW Group despite the difficult global economic conditions. Customer focus is always our highest priority. At the same time, the BMW Group is committed to assuming a pioneering role in the field of sustainability. The importance we attach to this topic is most evident in the rapid expansion of our range of electrified vehicles driven by the BMW Group's new model offensive this year.

With its product portfolio firmly on the right track, the BMW Group is well positioned to meet the challenges posed by technological change.

Focus of the Supervisory Board's activities during the past financial year

The Supervisory Board performed the duties incumbent upon it with the utmost diligence.

In 2019, we made major decisions regarding the leadership of the BMW Group, with Mr Oliver Zipse designated as new Chairman of the Board of Management and two new members appointed to the Board.

The Supervisory Board continuously monitored the running of the business in a thorough manner and advised the Board of Management on matters relating to the management and further development of the BMW Group. In five meetings of the full Supervisory Board (including one two-day meeting), we deliberated in detail with the Board of Management on the performance of the BMW Group. The Board of Management also kept the Supervisory Board well informed on matters of particular significance between meetings. Furthermore, the Chairman of the Supervisory Board was in frequent direct contact with the Chairman of the Board of Management, as was the Chairman of the Audit Committee with the Chief Financial Officer regarding current topics.

The work of the Supervisory Board focused in particular on the strategic development of the BMW Group against the backdrop of digitalisation and electrification, including the core topic of automated driving. Key cooperations, such as the joint venture with Daimler in the field of mobility services, were subject to intensive scrutiny.

The Audit Committee and the full Supervisory Board also deliberated at great length on the challenges posed by trade conflicts as well as the various Brexit scenarios.

I personally held a number of individual discussions with investor representatives on Supervisory Board-related matters, especially in light of the planned changes to the German Corporate Governance Code. The main topics discussed were the compensation of the Board of Management, the independence of Supervisory Board members and the planned change in the compensation system for the Supervisory Board.

In its regular reports on the BMW Group's current situation, the Board of Management reported to the Supervisory Board on new models and model revisions in the Automotive and Motorcycles segments, delivery volumes (in particular of electrified models) and the competitive situation, as well as the development of new and total business volume in the Financial Services segment. Any variances from budget were also brought to the Supervisory Board's attention. The Board of Management's status reports also covered changes in the workforce size as well as economic developments in key markets.

The Board of Management also informed us about important current topics such as the opening of the BMW plant in Mexico, the Battery Cell Competence Centre in Munich and the new #NEXTGen technology and future fair held at the BMW Welt site in Munich. The Board of Management also reported on the state of negotiations with FC Bayern and the BMW Group's participation at the IAA in Frankfurt. Moreover, the Board of Management kept the Supervisory Board well informed on matters of product quality, the joint venture with Great Wall Motor and the cooperation with Northvolt in the field of battery cell production.

The Supervisory Board also deliberated at length on important issues arising in the Board of Management's various areas of responsibility. For instance, the Board of Management presented the core elements of the Group's Finance function, including a description of its financing strategy. We also considered the strategy and risk profile of the Financial Services segment. In addition to strategy realignment within the sales organisation, a further topic of focus was the contribution of the Purchasing and Supplier Network to the profitability and future viability of the BMW Group. The Board of Management reported in detail on the current status of and overall strategy regarding the BMW brand.

We paid particular attention to the implementation of Strategy NUMBER ONE > NEXT. The Board of Management elaborated on the current status, highlighting changes in the market environment attributable to trade conflicts, regulatory issues – especially fleet CO_2 emissions – as well as corporate social responsibility considerations. Together with the Board of Management, we discussed in detail the decisions reached and measures taken to implement the strategy over the past 12 months. The Board of Management reported in detail on its strategies adopted for brands and design, for products as well as for customer experience and services, focusing in particular on the expansion of the Group's electrified product portfolio and the luxury segment. The strategic fields of technology and digitalisation were also the subject of intensive debate, specifically focusing on the core topics of electric mobility and automated driving.

In the third quarter, the Supervisory Board conferred extensively on the BMW Group's forecasts for the period from 2020 to 2025. In this context, the Board of Management outlined the currently volatile nature of external business conditions, highlighting in particular risks arising from trade policies and weaker economic forecasts for certain markets. The potential impact of a range of risk scenarios on forecasts was also discussed at length. After a thorough examination, the Supervisory Board approved the BMW Group's long-term corporate forecast. Based on this long-term assessment, the Board of Management presented the annual budget for the financial year 2020, which the Supervisory Board likewise deliberated upon at length.

The Board of Management also reported on the current status of diversity concepts for the Group.

With regard to Board of Management compensation, the Supervisory Board spent a significant amount of time addressing issues related to the Act on the Implementation of the Second Shareholder Rights Directive (ARUG II) and the new version of the German Corporate Governance Code as well as assessing any resulting need for change at the BMW Group. We intend to revise the compensation system for the Board of Management during the financial year 2020 and will put forward the revised system for shareholder approval at the Annual General Meeting to be held in the financial year 2021.

For the financial year 2019, the Supervisory Board examined the structure and level of compensation paid to the members of the Board of Management. In this context, we took into account trends in Group business performance, executive manager compensation and the remuneration of BMW Group employees in Germany. Based on comparative studies conducted by an external compensation consultant, we concluded that the compensation of the members of the Board of Management is commensurate. Detailed information on the compensation of the Board of Management is contained in the Compensation Report.

We also addressed the compensation of the Supervisory Board, which has remained unchanged since 2013, and spoke in favour of changing to a purely fixed compensation model. A corresponding proposal will be submitted for shareholder approval at the Annual General Meeting 2020.

We also deliberated intensively on corporate governance within the BMW Group and the application of the recommendations contained in the German Corporate Governance Code. In December, the Board of Management and the Supervisory Board issued their Declaration of Compliance with the German Corporate Governance Code. We intend to fully comply with all recommendations made in the Code in the version dated 7 February 2017, which was valid at the date of the Declaration. The wording of the Declaration of Compliance is available in the Statement on Corporate Governance on our website.

We also reviewed current targets for the composition of the Supervisory Board and the competency profile set out for its members. We concluded that the composition of the Supervisory Board at 31 December 2019 was in line with the targets stipulated in the diversity concept, the competency profile and other composition targets. In view of the major strategic importance of automated driving, we have decided to expand our competency profile to include the fields of digitalisation and artificial intelligence. The composition targets for the financial year 2020 were further developed in line with the recommendations contained in the draft version of the new German Corporate Governance Code. An overview of the members of the Supervisory Board, describing their specific fields of expertise, is available in the Statement on Corporate Governance on our website.

No conflicts of interest pertaining to members of the Supervisory Board arose during the year under report. Significant transactions with Supervisory Board members and other related parties as defined by IAS 24, including their close relatives and intermediary entities, were examined on a quarterly basis.

We reviewed the efficiency of our work on the Supervisory Board and prepared for the related deliberations within the full Supervisory Board based on a questionnaire and detailed individual discussions between the Chairman and all members. Overall, the work of the Supervisory Board was deemed efficient and given a positive assessment. Valuable feedback and suggestions relating to the work of the Supervisory Board were welcomed and will be taken up in the new financial year.

Description of Presiding Board and committee work

The Supervisory Board has established a Presiding Board and four committees, whose work during the financial year 2019 was reported on by their respective chairpersons at the subsequent meetings of the full Supervisory Board. You can read more about the tasks, the composition and the working methods of the Presiding Board and the various committees of the Supervisory Board in the Statement on Corporate Governance on our website.

The Presiding Board convened four times during the year under report. Its focus was on preparing the detailed agenda of full Supervisory Board meetings, unless a committee was responsible for doing so. Working closely with the Board of Management and senior heads of department, we made suggestions for topics to be reported on at Supervisory Board meetings. Furthermore, the Presiding Board devoted time to following the latest developments regarding corporate governance.

The Audit Committee held five meetings and two telephone conference calls during the financial year 2019.

The meeting held in February 2019 focused primarily on preparing for the Supervisory Board meeting at which the financial statements and on the planned change of the Group auditor were examined. The committee recommended to the full Supervisory Board that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) be elected as Company and Group auditor at the Annual General Meeting 2019. Prior to this, PwC issued a Declaration of Independence, and the planned scope of non-audit services to be provided by PwC was discussed. In connection with the audits of the financial statements for the financial year 2018, which were performed for the last time by KPMG Wirtschaftsprüfungsgesellschaft mbH, the Audit Committee considered the scope of non-audit services provided by KPMG entities to the BMW Group in 2018. There were no indications of conflicts of interest, grounds for exclusion or lack of independence on the part of the auditor.

The Audit Committee discussed PwC’s fee proposal for the audits of the Company and Group Financial Statements 2019 and for the review of the Half-Year Financial Report, and deemed it appropriate. Following the approval at the Annual General Meeting held in May 2019, the Audit Committee appointed PwC for the relevant engagements and specified audit focus areas. It also approved the scope of non-audit services to be provided by PwC and subsequently received regular reports on the relevant matters.

The quarterly financial reports were discussed with the Board of Management prior to their publication. Representatives of the external auditors were present when the Half-Year Financial Report was discussed at the end of July 2019.

During the year under report, the Audit Committee again dealt intensively with the topic of compliance within the BMW Group. In his regular report, the Chairman of the Compliance Committee provided a summary of ongoing compliance-related proceedings and presented the improvements being made to the compliance system, which is now known as “Compliance 4.0”.

In February 2019, the Board of Management informed the Audit Committee of the result of the proceedings conducted by the Public Prosecutor’s Office Munich regarding a faulty software update. Based on its classification as a misdemeanour, a fine of €8.5 million was imposed, which the Company accepted. The investigations undertaken by the Public Prosecutor did not identify any evidence of test-stand-related defeat devices, fraud or any other deliberate legal violations.

The Audit Committee continued to deal intensively with the EU Commission's investigation into the antitrust allegations in connection with the former working groups of several German automobile manufacturers. Subsequent to receiving the EU Commission's Statement of Objections in April 2019, which resulted in the BMW Group recognising a significant provision for a possible fine, the Audit Committee held a separate meeting on this topic. At that meeting, the Audit Committee was provided with detailed information concerning allegations made by the EU Commission and was fully briefed on the Company's viewpoint, which denies the allegations and intends to contest them – with all the legal means at its disposal if necessary. The Company's Chief Legal Counsel and a representative of the law firm engaged by the Company explained the Company's legal position to the Committee.

At the following meeting of the Supervisory Board, the Chairman of the Audit Committee reported on these matters in great detail. At the recommendation of the Audit Committee, the Supervisory Board decided to obtain a second opinion from an independent antitrust law expert in addition to the advice received from the law firm engaged by the Company. At a subsequent meeting of the Audit Committee, the expert confirmed the Company's legal opinion and its defence strategy.

The Board of Management also reported in detail to the Audit Committee on the mutually agreeable completion of proceedings initiated by the German Federal Cartel Office in 2016 regarding the purchase of long steel by the BMW Group. The proceedings were terminated in November 2019 with the imposition of a fine of €28 million, which the Company did not contest. The Board of Management stressed that the exchange of information in question had no effect on the selling prices of BMW Group vehicles.

Furthermore, the main results of the audits conducted by Group Internal Audit, along with details of further audit planning, were reported to the Audit Committee. The Audit Committee also discussed risk management and the BMW Group's current risk profile as well as the internal control system and the report on major legal disputes. The EMIR audit report ("European Market Infrastructure Regulation") pursuant to § 32 of the German Securities Trading Act (WpHG) was also presented to the Audit Committee by an auditor, and the effectiveness of the system in place at BMW AG to ensure compliance with regulatory requirements was confirmed.

The Audit Committee concurred with the decision of the Board of Management to raise the Company's share capital in accordance with Article 4 (5) of the Articles of Incorporation (Authorised Capital 2019) by €740,400 and to issue a corresponding number of new non-voting bearer shares of preferred stock in conjunction with an Employee Share Programme.

A key aspect of the Personnel Committee's work during its five meetings held during 2019 involved preparing decisions in connection with the composition of the Board of Management. The Personnel Committee held discussions on Board of Management compensation, not least against the background of the implementation of ARUG II and revision of the German Corporate Governance Code. In individual cases it also granted approval for Board of Management members to assume mandates outside the Group.

The Nomination Committee held one meeting during the financial year 2019, at which it addressed the subject of succession planning for shareholder representatives on the Supervisory Board going forward, taking into account the composition targets decided upon by the Supervisory Board.

The Mediation Committee, which is prescribed by law, did not need to convene during the financial year 2019.

Composition of the Board of Management

The Supervisory Board made several decisions regarding the composition of the Board of Management during the 2019 financial year:

The mandate of the Chairman of the Board of Management, Harald Krüger, was terminated by mutual agreement on 15 August 2019, after Mr Krüger had previously informed the Chairman of the Supervisory Board that he was not available for a further term of office. We wish to thank Mr Krüger for his outstanding work and the key momentum he provided with great enthusiasm during his long tenure at the BMW Group as Chairman and Member of the Board of Management as well as in his previous functions.

The Supervisory Board appointed Oliver Zipse as Chairman of the Board of Management with effect from 16 August 2019. Mr Zipse initially became a Board of Management member with responsibility for Production in 2015 and has worked for the BMW Group since 1991. Apart from his expertise in the field of production, he has also gained a wealth of experience in various strategic management functions.

On 16 August 2019, Dr Andreas Wendt was temporarily given Board responsibility for Production in addition to his role as Board member responsible for the Purchasing and Supplier Network.

With effect from 1 October 2019, Dr Milan Nedeljković was appointed member of the Board of Management and assumed responsibility for Production. Dr Nedeljković joined the BMW Group in 1993 and, after serving as Managing Director of the Leipzig and Munich production plants, most recently worked as Senior Vice President for Corporate Quality.

The mandate of Milagros Caiña Carreiro-Andree was terminated by mutual agreement with effect from 31 October 2019. We would like to thank Ms Caiña Carreiro-Andree for her positive contribution to the further development of human resource policies throughout the BMW Group.

With effect from 1 November 2019, Ilka Horstmeier was appointed member of the Board of Management with responsibility for Human Resources and as Labour Relations Director. Ms Horstmeier has worked for the BMW Group since 1995, most recently as Managing Director of the Dingolfing plant.

In 2019, we resolved to extend the mandate of one Board of Management member.

Peter Schwarzenbauer left the Board of Management on 31 October 2019 after reaching the stipulated retirement age. We wish to thank him for his dedication, his excellent work and the dynamic contribution he made to the field of digitalisation in particular. As part of the realignment of Board member portfolios, Mr Pieter Nota has been given combined responsibility for all BMW Group brands as head of "Customer, Brands, Sales" and the size of the Board has been reduced overall.

Composition of the Supervisory Board, the Presiding Board and the Supervisory Board's committees

Messrs Franz Haniel, Ralf Hattler and Jürgen Wechsler resigned from the Supervisory Board with effect from the end of the Annual General Meeting 2019. We would like to thank all three of them for their faithful, constructive cooperation during their respective periods of office on the Supervisory Board. Mr Haniel was a member of the Supervisory Board for a period of 15 years.

We therefore wish to express our gratitude to him in particular for his many years of loyal service to the BMW Group. Within the framework of elections pursuant to the German Co-Determination Act, the employees elected Verena zu Dohna-Jaeger and Dr Thomas Wittig as members of the Supervisory Board, the former as representative of IG Metall and the latter as executive staff representative. The remaining employee representatives were re-elected. The Annual General Meeting elected Dr Vishal Sikka, founder and CEO of Vianai Systems, Inc., as a new member of the Supervisory Board. Susanne Klatten and Stefan Quandt, both entrepreneurs, were re-elected as shareholder representatives.

The composition of the Presiding Board and the committees of the Supervisory Board remained unchanged during the financial year 2019. The Supervisory Board plans to make a mutually agreed change to the position of chair of the Audit Committee directly following the 2020 Annual General Meeting. As in the past, the future chairperson also needs to meet the required criteria as an independent financial expert. The composition of the Supervisory Board and its committees is contained in the Corporate Governance Report and the Statement on Corporate Governance, which is available on our website. You can also find the curricula vitae of the Supervisory Board members on our website.

Disclosure of attendance at meetings by individual members

The attendance rate at the meetings of the Supervisory Board and its committees was 99.6 % overall. The following table shows attendance by individual member:

Supervisory Board Member	Meetings	Attendance	Attendance in %
Dr.-Ing. Norbert Reithofer	22	22	100
Manfred Schoch	21	21	100
Stefan Quandt	22	22	100
Stefan Schmid	21	21	100
Dr. Karl-Ludwig Kley	22	21	95
Christiane Benner	5	5	100
Dr. Kurt Bock	5	5	100
Verena zu Dohna-Jaeger[1]	4	4	100
Franz Haniel[2]	1	1	100
Ralf Hattler[2]	1	1	100
Dr.-Ing. Heinrich Hiesinger	5	5	100
Prof. Dr. Reinhard Hüttl	5	4	80
Susanne Klatten	6	6	100
Prof. Dr. Renate Köcher	5	5	100
Horst Lischka	5	5	100
Willibald Löw	5	5	100
Simone Menne	5	5	100
Dr. Dominique Mohabeer	5	5	100
Brigitte Rödig	5	5	100
Dr. Vishal Sikka[1]	4	4	100
Jürgen Wechsler[2]	1	1	100
Dr. Thomas Wittig[1]	4	4	100
Werner Zierer	5	5	100

[1] Supervisory Board Member since 16 May 2019
[2] Supervisory Board Member until 16 May 2019

Examination of financial statements, including the separate non-financial report and the proposal for the appropriation of profits

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC") was appointed as auditor for the first time for the financial year 2019. PwC conducted a review of the condensed Interim Group Financial Statements and Interim Group Management Report for the six-month period ended 30 June 2019 and presented the findings of its review to the Audit Committee. No issues were identified that might indicate that the condensed Interim Group Financial Statements and Interim Group Management Report had not been prepared in accordance with the applicable provisions in all material respects.

PwC audited the Company and Group Financial Statements of BMW AG for the financial year 2019 as well as the Combined Company and Group Management Report – as authorised for issue by the Board of Management on 10 March 2020 – and issued an unqualified audit opinion, signed by the auditor Petra Justenhoven as independent auditor (Wirtschaftsprüferin) and by Andreas Fell as independent auditor (Wirtschaftsprüfer) and auditor responsible for the performance of the engagement.

At its meeting held on 27 February 2020, the Audit Committee initially considered in detail the preliminary version of the Company and Group Financial Statements for the financial year 2019, the Combined Management Report (including the Statement of Corporate Governance), the auditor's long-form reports and the Board of Management's proposal for the appropriation of profits.

Immediately after authorising their issue, the Board of Management submitted the Company and Group Financial Statements for the 2019 financial year, the Combined Management Report (including the Statement of Corporate Governance) and the proposal for the appropriation of profits to the Supervisory Board. The long-form audit reports of the auditor were also made available to the Supervisory Board without delay.

At its meeting on 12 March 2020, the Audit Committee carefully examined and deliberated on these documents before they were considered in detail at the plenary session of the Supervisory Board.

At the respective meetings, the Board of Management provided the Audit Committee and the Supervisory Board with detailed explanations of the financial reports presented. Representatives of the external auditor were also present at both meetings. They reported on the main findings of their audit, explained the key audit matters and answered additional questions put by members of the Audit Committee and the Supervisory Board. The Audit Committee and the Supervisory Board reviewed the key audit issues and the related audit procedures in great detail.

The representatives of the external auditor confirmed that the risk management system established by the Board of Management is capable of identifying at an early stage any developments that might threaten the Company's going-concern status. They confirmed that no material weaknesses in the internal control system and risk management system with regard to the financial reporting process were identified. Similarly, they did not identify in the course of their audit work any facts that were inconsistent with the contents of the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) issued by the Board of Management and the Supervisory Board.

Based on a thorough examination conducted by the Audit Committee and the full Supervisory Board, we concurred with the results of the external audit. In accordance with the conclusion reached after the examination by the Audit Committee and the Supervisory Board, no objections were raised. The Group and Company Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the financial year 2019 drawn up by the Board of Management were subsequently approved at our meeting held on 12 March 2020.

We also examined the proposal of the Board of Management to use the unappropriated profit to pay a dividend of €2.50 per share of common stock and €2.52 per share of non-voting preferred stock, in each case on shares entitled to receive a dividend. We consider the proposal appropriate and have therefore given it our approval.

Due to the rapidly deteriorating situation caused by the proliferation of coronavirus, the Board of Management resolved on 16 March 2020 to revise the forecast for the financial year 2020 and to draw up the Company and Group Financial Statements anew, together with the Combined Management Report. In a telephone conference of the Audit Committee held on the same day, the Board of Management reported in detail on the adjustments made. Representatives of the auditor reported on the supplementary audit performed and the findings identified and confirmed that no objections had arisen in the course of this work. After thorough examination and deliberation, the Audit Committee recommended that the Supervisory Board approve the revised versions of the Company and Group Financial Statements for the financial year 2019. After concluding its own examination, the Supervisory Board determined that it had no objections and accordingly approved the revised versions of the Company and Group Financial Statements for the financial year 2019 on 17 March 2020. The Company Financial Statements have therefore been adopted.

Furthermore, in conjunction with the presentation of the Sustainable Value Report, the Audit Committee and the Supervisory Board considered the separate non-financial report of BMW AG (Company and Group) at 31 December 2019 drawn up by the Board of Management. The Board of Management provided a detailed explanation of the reports at the meetings. Representatives of the auditor presented the main findings of their audit and answered additional questions put by the members of the Supervisory Board. PwC performed a "limited assurance" review of these reports and issued an unqualified statement thereon. The Supervisory Board acknowledged and approved the separate non-financial report (Company and Group) drawn up by the Board of Management.

Expression of appreciation by the Supervisory Board

We wish to express our appreciation to the members of the Board of Management and the entire workforce of the BMW Group worldwide for their commitment and joint achievements in the financial year 2019.

The readiness of our employees to deliver outstanding performance alongside their passion and enthusiasm for the enterprise and its products make us confident in the ability of the BMW Group to successfully shape individual mobility as a technological pioneer moving forward.

Munich, 17 March 2020

On behalf of the Supervisory Board

Yours

Norbert Reithofer
Chairman of the Supervisory Board

Oliver Zipse
Chairman of the Board of Management

Dear Shareholders,

At the BMW Group, the customer always takes centre stage. That is what makes your Company strong. But we also know that success doesn't happen by itself – and certainly not in times of technological transformation. We seek to offer our customers the best products and services so they can be mobile in a way that suits their personal needs. Together, we are leading "sheer driving pleasure" into a sustainable future – as intended by the Paris Climate Agreement. To achieve this, we are systematically directing our focus towards new technologies and connectivity. Because we want your Company to emerge as a winner of this transformation.

Our customers are the key to our success.
In 2019 we reached a new record level of vehicles delivered to customers for the ninth consecutive year. Personally, and on behalf of my Board of Management team, I would like to thank our more than two-and-a-half million BMW, MINI and Rolls-Royce customers – and over 175,000 BMW Motorrad customers.

I would also like to thank our high-performing retail organisation, as well as the suppliers we work with as partners. The dedication and ideas of our more than 133,000 associates worldwide drive the Company forwards.

Our team is proud to work for the BMW Group.
This was confirmed by our most recent employee survey – even at a time when the role of the automotive industry is the subject of intense debate. The BMW Group is considered one of the world's most attractive employers and is the number one automobile manufacturer in various renowned rankings. Our associates value that you, our shareholders, support the Company's long-term course. This gives us the backing and internal stability we need to continue to chart our own course and differentiate ourselves from the competition.

The BMW Group strategy is dynamic.
Our business environment is shaped by uncertain developments, which we need to respond to quickly and appropriately, but it is also shaped by stable trends. That is why enhancing our strategy is an ongoing task.

Our corporate spirit is rooted in the values of responsibility, appreciation, transparency, trust and openness. In the Board of Management, we have geared the BMW Group's strategy towards the relevant areas of future activity and adjusted core elements: what does the BMW Group stand for? What drives us? What are we working towards? And how can we achieve our goals? It is imperative that we focus on business, environmental and social challenges equally. Everything today is interconnected. There are no simple solutions to long-term success.

People still want to be mobile.
This forms the basis of our business model and our confidence. Demand for premium mobility worldwide is expected to grow until 2030. Our goal is to gain or regain market share – but not at any price. Rising sales must also generate the necessary earnings.

We aim to improve our profitability.

The financial year 2019 was impacted by a variety of headwinds. As previously announced, our Group earnings before tax were significantly lower than the previous year.

The EBIT margin in the Automotive Segment was within our adjusted target range of 4.5 to 6.5 percent. The Board of Management and the Supervisory Board will propose a dividend of €2.50 per share of common stock and €2.52 per share of preferred stock to the Annual General Meeting. We are working intensively to bring the EBIT margin in the Automotive Segment back within our target range of 8 to 10 percent. This is the standard we hold ourselves to – and what you expect as shareholders. We will realise over 12 billion euros in efficiency potential through our Performance > NEXT programme by the end of 2022 – for example, through current measures aimed at digitalising our processes. We will continue to make significant investments in our future. In 2019 alone, we invested 6.4 billion euros in research and development.

The biggest model offensive in our history continues.

Nearly all model series have been updated over the past two years. They will be joined this year by new models like the BMW 2 Series Gran Coupé, highly profitable BMW M models, new plug-in hybrids and electric models. Our portfolio is younger, more attractive and more technologically diverse than ever before. This allows us to meet every customer's needs and desires – no matter where they are in the world. As a result we are challenging the competition in every segment.

We offer our customers the Power of Choice.

Customers choose the vehicle segment that best suits their living environment – we provide the right drivetrain to go with it. The popular BMW X3 is a good example of this. Starting this year, four different drivetrain variants will be offered: efficient diesel and petrol, plug-in hybrid and pure electric. Mobility needs will continue to vary around the world and from region to region – in some cases, significantly. Our plants have the flexibility to produce all types of drivetrains. In this way, we are able to inspire our customers and win them over to sustainable drivetrains. Our online Annual Report features customers from the Netherlands, South Africa and Japan and shows how they use different drivetrains in their everyday lives.

More than one million electrified vehicles by the end of 2021.

Our experience with e-mobility is delivering results. By the end of 2019, the BMW Group had more than 500,000 electrified vehicles on roads across the world. This, in itself, is already a significant contribution to climate protection. In Germany, BMW clearly leads the market for electrified vehicles, with a share of 21 percent. In 2019, the average share of battery-electric vehicles and plug-in hybrids in the European Union was three percent.

The BMW Group figure was nearly double that. We will continue in this direction: the goal is for a quarter of our European new vehicle fleet to be electrified in 2021; a third in 2025 and half in 2030. The next fully-electric models are already in the starting blocks: the MINI SE and BMW iX3 this year, followed by the BMW i4 and iNEXT from 2021.

We provide maximum vertical integration for e-mobility.

The iX3, i4 and iNEXT use our entirely newly developed fifth-generation electric drivetrain. The electric motor is designed in such a way that no rare earths are needed. Long-term contracts will secure our supply of battery cells.

We plan to meet the EU's new CO_2 standards.

We geared up for sustainable mobility early. This year alone, we plan to lower the CO_2 emissions of our European new vehicle fleet by another 20 percent. This would allow us to meet the European Union's new CO_2 targets for 2020 and 2021. To achieve this, we are forging ahead with our electric offensive and, at the same time, continuing to make our conventional engines more efficient. Too little attention is paid to these efforts and their effects – even though they have a rapid and noticeable impact.

Offering effective solutions. Creating a real impact. Ensuring sustainability. That's what we stand for.

Climate protection achieves the biggest impact through implementation, not announcements. Our understanding of responsibility has always encompassed the entire value chain. Last year alone, we reduced CO_2 emissions from production by 25 percent from the previous year. The "footprint" of every new plug-in hybrid is certified: from raw material procurement, through the supply chain, production and use phase, all the way to recycling. E-mobility requires cobalt and lithium. Starting this year, we will be sourcing both raw materials ourselves and making them available to our suppliers. This creates transparency. You will find more details on this in our Sustainable Value Report 2019. We will no longer be printing our Annual Report, which will now be exclusively available on our website as part of our expanded digital offering.

Reliability even in difficult times.

The latest developments regarding the coronavirus pose major challenges for us all – including the BMW Group. In close cooperation with our business partners, we are working on targeted measures to avoid supply bottlenecks where possible. As a Company, we have initiated measures worldwide to protect the health and safety of our employees, in consultation with our works council representatives. At the same time I have been witnessing a remarkable solidarity: employees are supporting each other. That is what sets your Company apart – taking on responsibility as a key member of society.

Optimism secures success – and success secures the future.

Dear Shareholders,

We firmly believe that the far-reaching technological transformation will strengthen our business model.

We are systematically further developing our highly complex and digitally connected vehicles in the interests of our customers and society. We have the capability, the ambition and the determination to be a pioneer in the age of new mobility – and, at the same time, to remain an attractive and safe investment for you, our shareholders.

I invite you to accompany the BMW Group on our continued path towards the future.

Yours

O. Zipse

Oliver Zipse

Chairman of the Board of Management

BMW AG STOCK AND CAPITAL MARKETS IN 2019

Top ratings unchanged

Dividend payout ratio increases

→ www.bmwgroup.com/ir

Ratings remain at top level

The BMW Group continues to be the best-rated automobile manufacturer in Europe.

Moody's has given BMW AG a long-term rating of A1 (stable outlook) since January 2017. The short-term rating is P-1. The overall positive assessment reflects the launch of attractive products in conjunction with the current model offensive, the excellent positioning of the BMW Group with respect to the challenges faced by the automobile industry and its consistently strong operating performance and robust financial and capital structure. The rating agency Standard & Poor's has given BMW AG a long-term rating of A+ (negative outlook) and a short-term rating of A-1.

These rating assessments are underpinned by the BMW Group's dependable financial profile and excellent creditworthiness. Consequently, the Company not only has good access to international capital markets, but also benefits from attractive refinancing conditions.

Company rating	Moody's	Standard & Poor's
Non-current financial liabilities	A1	A+
Current financial liabilities	P-1	A-1
Outlook	stable	negative

Dividend and payout ratio

In view of the Group's good earnings performance, the Board of Management and the Supervisory Board will propose to the Annual General Meeting that BMW AG's unappropriated profit of €1,646 million (2018: €2,303 million) be used to pay a dividend of €2.50 per share of common stock (2018: €3.50) and a dividend of €2.52 for each share of preferred stock (2018: €3.52). The payout ratio for 2019 therefore stands at 32.8 % (2018: 32.0 %).

BMW AG stock

→ 09

	2019	2018	2017	2016	2015
COMMON STOCK					
Number of shares in 1,000	**601,995**	601,995	601,995	601,995	601,995
Stock exchange price in €[1]					
Year-end closing price	**73.14**	70.70	86.83	88.75	97.63
High	**77.75**	96.26	90.83	92.25	122.60
Low	**58.70**	69.86	77.71	65.10	75.68
PREFERRED STOCK					
Number of shares in 1,000	**56,867**	56,127	55,605	55,114	54,809
Stock exchange price in €[1]					
Year-end closing price	**55.05**	62.10	74.64	72.70	77.41
High	**67.85**	82.50	78.89	74.15	92.19
Low	**47.54**	60.70	67.29	56.53	58.96
KEY DATA PER SHARE IN €					
Dividend					
Common stock	**2.50**[2]	3.50	4.00	3.50	3.20
Preferred stock	**2.52**[2]	3.52	4.02	3.52	3.22
Earnings per share of common stock[3]	**7.47**	10.60[5]	13.07	10.45	9.70
Earnings per share of preferred stock[4]	**7.49**	10.62[5]	13.09	10.47	9.72
Free cash flow Automotive segment	**3.90**	4.12	6.78	8.81	8.23
Equity	**90.92**	87.87[5]	82.30	72.08	65.11

[1] Xetra closing prices.
[2] Proposed by management.
[3] Weighted average number of shares for the year.
[4] Stock weighted according to dividend entitlements.
[5] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

FINANCIAL CALENDAR

2020

18 March 2020
Annual Accounts Press Conference

19 March 2020
Analyst and Investor Conference

6 May 2020
Quarterly Statement to 31 March 2020

14 May 2020
Annual General Meeting

5 August 2020
Quarterly Report to 30 June 2020

4 November 2020
Quarterly Statement to 30 September 2020

2021

17 March 2021
Annual Report 2020

17 March 2021
Annual Accounts Press Conference

18 March 2021
Analyst and Investor Conference

7 May 2021
Quarterly Statement to 31 March 2021

12 May 2021
Annual General Meeting

3 August 2021
Quarterly Report to 30 June 2021

3 November 2021
Quarterly Statement to 30 September 2021

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The BMW Group on the Internet

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Investor Relations information is available directly at → www.bmwgroup.com/ir.
Information about the various BMW Group brands is available at → www.bmw.com, → www.mini.com, → www.rolls-roycemotorcars.com and → www.bmw-motorrad.com.

COMBINED MANAGEMENT REPORT

GENERAL INFORMATION AND GROUP PROFILE

Substantial upfront expenditure for future-oriented projects

Production running at full swing

ORGANISATION AND BUSINESS MODEL

→ www.bmwgroup.com/company

This Combined Management Report incorporates the management reports of Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and the BMW Group.

On 10 March 2020, the Financial Statements of BMW AG were drawn up by the Board of Management and the Board of Management granted approval for publication of the Group Financial Statements. Based on current developments regarding the spread of the coronavirus, the Board of Management on 16 March 2020 adjusted the original outlook for the BMW Group, the assumptions regarding the development of the global economy and the economic risks and opportunities for the financial year 2020 in the Combined Management Report, as well as the statement regarding the Events after the end of the reporting period. On the same day, the Board of Management again drew up the Financial Statements of BMW AG and once again gave approval for the publication of the Group Financial Statements.

General information on the BMW Group is provided below. There have been no significant changes to the Group's structure compared to the previous year.

Based in Munich, Germany, Bayerische Motoren Werke Aktiengesellschaft (BMW AG) is the parent Company of the BMW Group, which is the most successful maker of automobiles and motorcycles in the premium segment worldwide. With BMW, MINI and Rolls-Royce, the BMW Group owns three of the best-known premium brands in the automotive industry. In addition to a strong market position in the premium segment of the global motorcycles sector, the BMW Group is also well-positioned in the financial services business. The BMW Group comprises BMW AG itself and all subsidiaries over which BMW AG has either direct or indirect control. BMW AG is also responsible for managing the Group, which is sub-divided into the Automotive, Motorcycles and Financial Services operating segments. The Other Entities segment primarily comprises holding companies and Group financing companies.

The BMW Group sets itself clear targets in terms of sustainable, individual mobility, resource-efficient value creation, the continued development of its workforce potential and its own social commitment. Sustainability is therefore an integral part of the Group's business model and plays a vital role in ensuring its viability going forward.

The BMW Group operates on a global scale and employed a workforce of 133,778 people worldwide at the end of the year. In 2019, the BMW Group strengthened its position as one of the world's most attractive employers. Its leading role in terms of sustainability contributes to employee loyalty within the BMW Group and is one of the reasons for the low staff attrition rate.

The BMW Group's underlying principle in all aspects of corporate strategy is its customer-oriented approach. In its ongoing efforts to develop its products, brands and services, the BMW Group is currently focusing on new technologies such as alternative drivetrains, digitalisation, connectivity and autonomous driving.

Presentation of segments

In order to provide a better insight into the Group as a whole, this report also contains separate presentations of the operating segments Automotive, Motorcycles and Financial Services.

Automotive segment

The BMW brand caters to a wide variety of customer requirements. Its portfolio encompasses a broad range of models, starting with the premium compact class and extending – via the premium mid-class – through to the ultra-luxury class. Alongside all-electric models such as the BMW i3, it also offers its customers state-of-the-art plug-in hybrids and a whole array of vehicles driven by highly efficient combustion engines. Together with its extremely popular X-model family and high-performance BMW M range, the BMW Group meets the varying needs and wishes of its customers worldwide.

The MINI brand promises outstanding driving pleasure in the premium small car segment and, apart from its highly efficient combustion-engine-driven models, also offers plug-in hybrid and all-electric drivetrains. Rolls-Royce is the ultimate marque in the ultra-luxury segment, boasting a tradition that stretches back over more than 100 years. Rolls-Royce Motor Cars specialises in bespoke customer specifications and offers the very highest level of both quality and service.

The global sales network of the BMW Group's automobile business currently comprises around 3,500 BMW, 1,600 MINI and 150 Rolls-Royce dealerships. Within Germany, sales are conducted through branches of the BMW Group and independent authorised dealerships. Sales outside Germany are handled primarily by subsidiary companies and by independent import companies in some markets.

Motorcycles segment

The Motorcycles business is also clearly focused on the premium segment. The model range currently comprises motorcycles for the Sport, Tour, Roadster, Heritage and Adventure segments as well as scooter models for the Urban Mobility segment. BMW Motorrad also offers a broad range of equipment options to enhance rider safety and comfort. The Motorcycles business sales network is organised similarly to that of the automobiles business. Currently, BMW motorcycles are sold by more than 1,200 dealerships and importers in over 90 countries.

Financial Services segment

The BMW Group is a leading provider of financial services in the automobile sector. These services are offered in almost 60 countries worldwide via companies and cooperation arrangements in place with local financial service providers and importers. The segment's main business comprises credit financing and the leasing of BMW Group brand cars and motorcycles to retail customers. Customers can also choose from an attractive array of insurance and banking products. Operating under the brand name Alphabet and working together with Alphabet cooperation partners, the BMW Group's international multi-brand fleet business provides financing and comprehensive management services for corporate car fleets in 20 countries. The segment also supports the BMW Group's dealership organisation by financing dealership vehicle inventories.

Research and Development

→ www.bmwgroup.com/innovation

A major factor in the enduring success of the BMW Group is its consistent focus on the future. Innovation is an integral part of its corporate philosophy. Shaping individual mobility and finding innovative solutions today for the needs of tomorrow is a key driving force. Research and development (R&D) are therefore of major importance for the BMW Group in ensuring its long-term commercial success as a premium manufacturer.

In its development of new technologies, the BMW Group focuses on the topics of emissions-reducing drivetrain systems, digitalisation and autonomous driving with the aim of creating completely new experiences and future ways of travelling. A key prerequisite for success both now and in the future is the ability to anticipate customer needs and wishes in all fields of technology and implement developments in a way that adds value for the customer. However, as a premium manufacturer, the BMW Group is driven by the aspiration to exceed customer expectations in every respect. With this approach, the BMW Group strives to find outstanding solutions for the overall (mobility) needs of its customers.

The BMW Group addresses the key trends shaping tomorrow's individual mobility via the central topics of Design, Autonomous, Connectivity, Electrified and Services.

1. **Design**
   The BMW Group sees design as the characteristic combination of aesthetics and technology. Outstanding design involves focusing keenly on people and their needs. Ground-breaking design underlines the inimitable character of each new vehicle, thereby strengthening all of the Group's brands.

2. **Autonomous**
   Since 2018, the BMW Group has been pooling its expertise with the aim of developing state-of-the-art driver assistance systems in its own development centre. The goal is to create an open platform for highly and fully automated driving that will serve as an industry standard going forward. Today, the latest generation of driver assistance systems already supports customers in a variety of driving situations. However, "safety first" always has the foremost priority in all development work performed.

   In July 2019, the BMW Group and Daimler AG signed an agreement on long-term strategic cooperation in the field of automated driving. The two companies intend to jointly develop the next generation of technology for driver assistance systems and automated driving on motorways as well as automated parking features. The cooperation is open for further OEM and technology partners and the results of this collaboration will also be offered to other OEMs for licensing.

3. **Connectivity**
   The demands and needs of customers for modern, digital mobility are the top priority for the BMW Group. One of the most important effects of digitalisation in the automotive industry is that the vehicle itself has become focal point of the digital customer experience. The BMW Group prepared itself at an early stage in this area. With BMW Connected and the growing digital offerings, the Company is prepared for the expectations and wishes of its customers. In this regard, the focus is not just on the development and integration of new technologies and services for the vehicle, but on customers and their contemporary demands. Digital services, which customers are used to, should be available seamlessly and without restrictions even outside of the vehicle.

   The ability to use services from the BMW Group nearly everywhere at all times is the prerequisite for a digital services offering that is solely focused on the customers and their individual needs. This includes, for example, personalised and context-based information in the vehicle. For customers of the BMW Group it is very easy to keep the vehicle digitally up-to-date and to tailor the vehicle to customers' individual wishes over the entire life cycle. With the Remote Software Update, the vehicle can always be updated with the latest software, functions are continuously expanded and digital services can be booked at any time. In this way, the security and quality of the vehicle is continually improved. BMW drivers can therefore keep their vehicles up to date as they are accustomed to from the smartphone world.

With digital services such as on-street parking or digital charging services, which are available to book over the BMW ConnectedDrive Store, it has been possible since 2014 to constantly customise the vehicle toward individual preferences. The next step for more flexibility involves offering additional vehicle functions after purchase, such as a high-beam assistant or driver assistant system, Active Cruise Control (ACC). The expanded, customer-oriented and digital offerings of the BMW Group make it possible to update the vehicle for many years with the newest functions. Therefore, customers do not need to decide about specific optional equipment at purchase, but they can regularly customise their vehicle based on individual needs.

Together with automated driving, the systematic expansion of connectivity on the path towards a digital and emissions-free future is one of the central areas of action, with which the BMW Group is shaping the transformation of the mobility industry in line with its corporate strategy.

4. Electrified

During the 2019 reporting period, the BMW Group reached a further milestone with the delivery of its 500,000th electrified automobile. With 11 electrified models in its range (as of 2019), the BMW Group is among the world's leading providers of electric mobility. Since 2016, the Company has been the market leader for electrified vehicles in Germany and also occupies a top position not only in Europe, but worldwide.

Its many years of experience have given the BMW Group a broad and sound base of knowledge in the field of electric mobility. On this basis, the Company develops the drivetrain technology such as the motor, the power electronics and also the battery, including the battery cell itself, guaranteeing the typical driving characteristics for its electrified vehicles that customers associate with the brand.

In 2020, the BMW X3 will be the first BMW Group model to be available in four different drivetrain versions: with an efficient diesel or petrol engine, as a plug-in hybrid, and with an all-electric powertrain system in the form of the BMW iX3*. The BMW iX3 is the first model to benefit from a new generation of highly efficient BMW electric drivetrains, which enables a new balance between range and battery size.

* Fuel consumption and CO_2 emissions information are available on page 70.

Due to its role as a technology carrier and its enduring sales success, the BMW i3 is also being developed to the next level. Launched at the end of 2019, the MINI Cooper SE* is a further all-electric vehicle that complements the BMW Group's range of electrified models. Over 90,000 registered prospective customers (as of 2019) reflect the avid interest of consumers in this first all-electric MINI model. Rolls-Royce Motor Cars is also working hard on developing an electric vehicle. In line with the expectations of its customers, the brand will immediately focus on manufacturing all-electric models.

The BMW Group's range of models includes highly efficient combustion engines as well as state-of-the-art plug-in hybrids and all-electric drivetrains. This broad array of options enables the Group to meet the varying requirements and wishes of its customers in different regions of the world while at the same time making an effective contribution to cutting CO_2 emissions. Regardless of the type of drivetrain the customer chooses, all current and future models, each with their own specific characteristics, will feature the driving pleasure typical of the brand.

5. Services

The BMW Group aims to be one of the leading providers of premium mobility services going forward. In order to do so, it is essential to have a clear understanding of the needs of customers worldwide. This knowledge is the basis for offering customers an attractive, comprehensive range of services in this field, too. These include easy-to-use, digitally supported mobility services that also feature bring-and-collect services or help customers find open parking spaces in urban environments. In order to reinforce this strategic field, the BMW Group founded the joint venture YOUR NOW together with Daimler AG during the period under report. Further information is provided in the section Cooperation Agreements and Partnerships.

Battery cell competence centre opened

The BMW Group has combined its wealth of experience in the field of e-mobility with its wide-ranging knowledge of battery cells to form a new competence centre in Munich. It is tasked with continuing to develop battery cell technology and master the processes required for cell production. Based on current technology, the aim is to significantly increase the energy density of battery cells and thus also the range for customers.

The further development of battery cell technology is a key success factor in the BMW Group's electric offensive strategy, enabling it to have a direct impact on both the performance and the cost of the battery. This holistic approach ensures that the BMW Group is always at the cutting edge of technology while simultaneously covering the entire value chain, including research and development, assembly and design of battery cells. Swift decision-making and comprehensive collaboration are making it possible to develop battery cells in a complete, transparent and sustainable manner. Moreover, it is crucial to take recycling into account from the very beginning.

Sustainability is also a key factor for the expansion of electric mobility. For the BMW Group, responsible raw material extraction and processing starts at the very beginning of the value chain. Supply chains for the upcoming fifth generation of high-voltage electrical storage systems have also been restructured, including the plan to purchase cobalt and lithium for battery cells directly with effect from 2020. The strategy will provide complete transparency regarding the origin of these two essential raw materials for manufacturing batteries. Further information is available in the Sustainable Value Report at → www.bmwgroup.com/svr.

With the opening of the competence centre, the BMW Group is not only setting the future strategic course in technological terms, it is also securing jobs and key qualifications in the long term.

BMW i Hydrogen NEXT presented

The BMW Group assumes that various alternative drivetrain systems will coexist in future years, as the mobility requirements of customers worldwide cannot be met by one solution alone. Hydrogen-powered vehicles could become an important alternative to, as well as a supplement for, battery-electric powered vehicles. This diversity in the field of electrified drivetrain technologies, which also includes plug-in hybrids alongside highly efficient combustion engines, underlines the BMW Group's commitment to offering its customers tailor-made solutions that satisfy their own individual mobility needs. In 2019, the BMW Group presented a further milestone in this strategy at the IAA with its fuel cell-powered development vehicle BMW i Hydrogen NEXT. This innovative vehicle provides an initial preview of a small series of hydrogen fuel cell electric drivetrains based on the current BMW X5.

The BMW Group has already demonstrated the practical viability of the technology. Since 2013, the BMW Group and the Toyota Motor Corporation have been collaborating on the joint development of a powertrain system based on hydrogen fuel cell technology. Since summer 2015, BMW Group researchers have been testing a small fleet of BMW 5 Series GT hydrogen fuel cell prototypes with a jointly developed powertrain system.

Global research and innovation network expanded

At 31 December 2019, more than 15,700 people in 12 countries were working in the BMW Group's global research and innovation network. The following tables summarise the key financial figures for research and development:

BMW Group performance indicators relating to research and development expenses

→ 10

in € million	2019	2018
Research and development expenses	5,952	5,320
Amortisation	–1,667	–1,414
New expenditure for capitalised development costs	2,134	2,984
Research and development expenditure	**6,419**	**6,890**

	2019	2018[1]	Change in %pts[1]
Research and development expenditure ratio[2]	6.2	7.1	–0.9
Capitalisation rate[3]	33.2	43.3	–10.1

[1] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.
[2] Research and development expenditure as a percentage of Group revenues.
[3] Capitalised development costs as a percentage of research and development expenditure.

→ see note 8

Further information on research and development expenditure is provided in → note 8 to the Group Financial Statements.

Production Network

The BMW Group's production system is characterised by its high flexibility and efficiency, enabling it to respond rapidly to changing market situations and fluctuating regional demand. The BMW Group's production expertise also makes a contribution to its profitability.

Its production network leverages innovative technologies from the fields of digitalisation and Industry 4.0, including applications from the worlds of virtual reality, artificial intelligence and 3D printing. Standardised processes and structures ensure consistent premium quality throughout the production system. At the same time, the BMW Group offers its customers a high degree of individualisation.

Sustainability in production and along the value chain has played a fundamental role for the BMW Group for many years. The Company has been continually reducing the use of resources such as energy and water and produces less waste and CO_2 emissions. In 2019 the production of a vehicle required on average only half the resources and CO_2 as in 2006. From 2020 onwards all plants operated directly by the BMW Group globally as well as those of the joint venture BMW Brilliance Automotive in China will obtain energy exclusively from renewable sources.

High capacity utilisation throughout the entire production network

The Group set a new production volume record in the year under report, totalling 2,564,025[1] BMW, MINI and Rolls-Royce brand vehicles (2018: 2,541,534[1] units; +0.9%). The figure comprised 2,205,841[1] BMW (2018: 2,168,496[1] units; +1.7%), 352,729 MINI (2018: 368,685 units; –4.3%) and 5,455 Rolls-Royce (2018: 4,353 units; +25.3%) brand vehicles.

Vehicle production of the BMW Group by plant

→ 11

in units	2019	2018	Change in %	Proportion of production in %
Spartanburg	411,620	356,749	15.4	16.1
Dingolfing	284,907	328,862	–13.4	11.1
Regensburg	255,804	319,592	–20.0	10.0
Leipzig	230,284	244,248	–5.7	9.0
Oxford	222,340	234,501	–5.2	8.7
Munich	221,077	157,799	40.1	8.6
Rosslyn	69,463	50,224	38.3	2.7
Rayong	23,700	15,612	51.8	0.9
Chennai	8,976	10,956	–18.1	0.3
Araquari	8,208	7,752	5.9	0.3
Goodwood	5,455	4,353	25.3	0.2
San Luis Potosí	25,538	308	–	1.0
Tiexi (BBA)[2]	250,241	299,939	–16.6	9.8
Dadong (BBA)[2]	286,268	191,888	49.2	11.2
Born (VDL Nedcar)[3]	174,097	211,660	–17.7	6.8
Graz (Magna Steyr)[3]	52,231	64,431	–18.9	2.0
Partner plants	33,816	42,660	–20.7	1.3
Group	**2,564,025**	**2,541,534**	**0.9**	**100.0**

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 536,509 units, 2018: 491,872 units).
[2] Joint Venture BMW Brilliance Automotive Ltd., Shenyang.
[3] Contract production.

Production of electrified automobiles in the existing production system

The BMW Group is integrating the production of fully and partially electrified vehicles in its existing production system, enabling it to ensure the long-term capacity utilisation of the production network, while at the same time being able to respond swiftly and flexibly to customer requirements. In 2019, the Group produced electrified models at 11 different locations worldwide.

The BMW Group plants in Germany play a leading role in integrating e-mobility throughout the Group's production network. The technologies used to produce electric powertrain components and high-voltage batteries are developed at the Group's prototype construction centre in Munich. As a competence centre for electric powertrain systems, the Dingolfing site acts as lead production plant, and the e-motors for the BMW Group's electrified vehicles are manufactured there. The corresponding battery modules and high-voltage batteries are produced at the Group's three battery factories in Dingolfing (Germany), Spartanburg (USA) and Shenyang (China). In Thailand, the BMW Group works closely with a partner that manufactures batteries for electrified vehicles produced locally.

Its ability to produce electric powertrain systems, batteries and prototypes for battery cells in-house gives the BMW Group a competitive edge that enables it to secure valuable knowledge of new technologies, gain important system expertise and leverage cost advantages.

The BMW Group combines its wealth of experience and broad knowledge of battery cell technologies in its own new competence centre, which was opened in Munich in 2019.

Expansion of the international production network

In its efforts to remain successful going forward, the BMW Group continues to invest in expanding existing and establishing new production capacities, thereby increasing its manufacturing capability and enhancing the flexibility of its production network. The BMW Group endeavours to achieve an even distribution of production and deliveries in the various regions of the world.

In 2019, the BMW Group opened a new plant in San Luis Potosí (Mexico). The new facility, which has the capacity to manufacture up to 175,000 units per year, produces the BMW 3 Series Sedan, thus significantly boosting production flexibility within the network. The BMW 3 Series Sedan is also produced in Germany and China.

The BMW Brilliance Automotive Ltd, Shenyang (BBA) joint venture in China is currently building a new facility on the premises of the Tiexi plant and carrying out major extensions to its automobile plant in Dadong.

International production network

The production network comprises 31 locations in 15 countries, 20 of which are BMW Group plants. Three of these locations belong to the BMW Brilliance Automotive joint venture in Shenyang, China. A further eight production sites are operated either by partners or contract manufacturers. The same standards of quality, safety and sustainability apply at all locations within the BMW Group's production network worldwide.

Locations	Country	Products
BMW GROUP PLANTS		
Araquari	Brazil	BMW 3 Series, BMW X1, BMW X3, BMW X4, BMW X5
Berlin	Germany	BMW motorcycles, Maxi-Scooters, car brake discs
Chennai	India	BMW 3 Series, BMW 5 Series, BMW 6 Series, BMW 7 Series BMW X1, BMW X3, BMW X4, BMW X5, BMW X7, MINI Countryman
Dingolfing	Germany	BMW 3 Series, BMW 4 Series, BMW 5 Series, BMW 6 Series, BMW 7 Series, BMW 8 Series, BMW M Chassis and drivetrain components Components for electric mobility Rolls-Royce bodywork, pressed parts
Eisenach	Germany	Toolmaking, outer body parts for Rolls-Royce, aluminium tanks for BMW Motorrad
Hams Hall	United Kingdom	Petrol engines for BMW, BMW i, MINI Core engine parts
Landshut	Germany	Lightweight construction components, electric drivetrain systems and special engines
Leipzig	Germany	BMW 1 Series, BMW 2 Series, BMW i, BMW M
Manaus	Brazil	Motorcycles
Munich	Germany	BMW 3 Series, BMW 4 Series, BMW M Petrol and diesel engines, high-performance engines for M models Core engine parts
Oxford	United Kingdom	MINI, MINI Clubman
Rayong	Thailand	BMW 3 Series, BMW 5 Series, BMW 7 Series BMW X1, BMW X3, BMW X5, BMW X6 Motorcycles
Regensburg	Germany	BMW 1 Series, BMW 2 Series, BMW 3 Series, BMW 4 Series BMW X1, BMW X2, BMW M
Rosslyn	South Africa	BMW X3
San Luis Potosí	Mexico	BMW 3 Series
Spartanburg	USA	BMW X3, BMW X4, BMW X5, BMW X6, BMW X7, BMW M
Steyr	Austria	Petrol and diesel engines for BMW and MINI Core engine parts High-performance engines for M models
Swindon	United Kingdom	Pressed parts and bodywork components
Wackersdorf	Germany	Distribution centre for parts and components Cockpit assembly Processing of carbon fibre components
Rolls-Royce Manufacturing Plant Goodwood	United Kingdom	Rolls-Royce Phantom, Ghost, Wraith, Dawn, Cullinan*

* Fuel consumption and CO_2 emissions information are available on page 70.

The plants in Shenyang (China) are operated by the BMW Brilliance Automotive (BBA) joint venture. The Shenyang production location comprises the Dadong and Tiexi automobile plants. Tiexi also has an engine plant with an adjacent foundry and battery factory.

Locations	Country	Products
JOINT VENTURE BMW BRILLIANCE AUTOMOTIVE HOLDINGS LTD.		
Dadong (Shenyang)	China	BMW 5 Series BMW X3
Tiexi (Shenyang)	China	BMW 1 Series, BMW 2 Series, BMW 3 Series BMW X1, BMW X2
Tiexi (Shenyang)	China	Petrol engines, production of core engine parts

The BMW Group's four automobile partner plants in Jakarta (Indonesia), Cairo (Egypt), Kaliningrad (Russia) and Kulim (Malaysia) primarily serve their respective regional markets.

Locations	Country	Products
PARTNER PLANTS		
Jakarta	Indonesia	BMW 3 Series, BMW 5 Series, BMW 7 Series, BMW X1, BMW X3, BMW X5 MINI Countryman
Cairo	Egypt	BMW 5 Series, BMW 7 Series BMW X1, BMW X3, BMW X4, BMW X5, BMW X6, BMW X7
Kaliningrad	Russia	BMW 5 Series, BMW 7 Series BMW X1, BMW X3, BMW X4, BMW X5, BMW X6, BMW X7
Kulim	Malaysia	BMW 3 Series, BMW 5 Series, BMW 6 Series, BMW 7 Series BMW X1, BMW X3, BMW X4, BMW X5 MINI Countryman

The BMW Group also awards contracts to external partners for the production of specific types of vehicle as well as motorcycles. During the period under report, Magna Steyr Fahrzeugtechnik produced the BMW 5 Series Sedan and the BMW Z4 in Graz (Austria).

Moreover, various MINI models and the BMW X1 were assembled at VDL Nedcar in Born (the Netherlands). BMW motorcycles were also manufactured by the TVS Motor Company in Hosur (India) and the Loncin Motor Company in Chongqing (China).

Locations	Country	Products
CONTRACT PRODUCTION		
Born	The Netherlands	MINI Convertible, MINI Countryman BMW X1
Chongqing	China	Motorcycles
Graz	Austria	BMW 5 Series BMW Z4
Hosur	India	Motorcycles

Motorcycle production up sharply

In 2019, a total of 187,116 motorcycles rolled off production lines at five different locations worldwide (2018: 162,687 units; +15.0 %). The significant increase was primarily due to the fact that the production of BMW scooters at the Chinese partner Loncin Motor Co., Ltd in Chongqing now covers the full product range. In September 2019, BMW Motorrad celebrated 50 years of motorcycle production at the Berlin plant together with over 10,000 visitors.

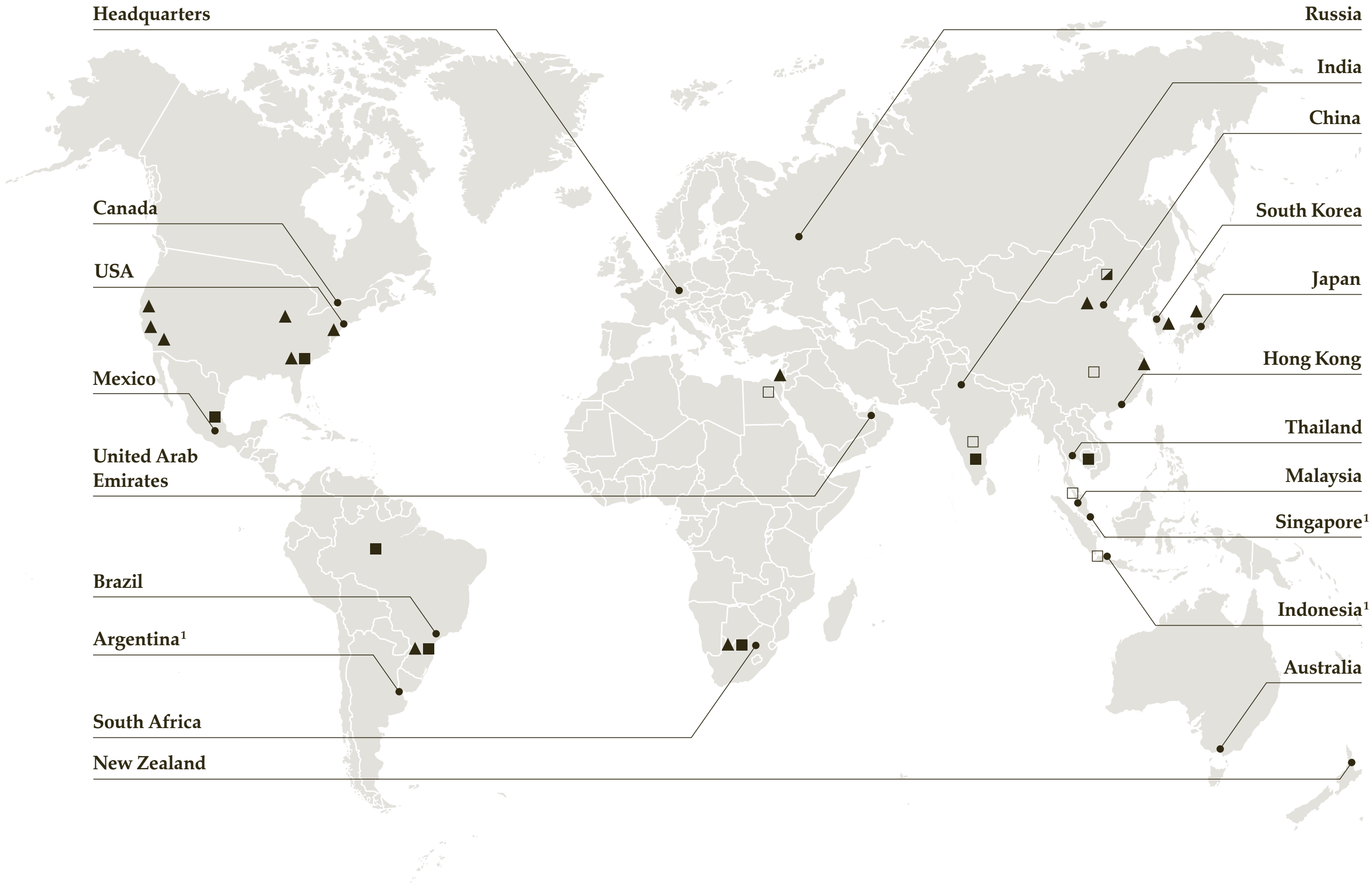
BMW Group locations worldwide

→ 12

43
↗ Sales subsidiaries and Financial Services locations worldwide

31
↗ Production and assembly plants

12
↗ Countries with research and development locations



Production outside Europe

■ BMW Group plant Araquari, Brazil
BMW Group plant Chennai, India
BMW Group plant Manaus, Brazil
BMW Group plant Rayong, Thailand
BMW Group plant Rosslyn, South Africa
BMW Group plant San Luis Potosí, Mexico
BMW Group plant Spartanburg, USA
◪ BMW Brilliance Automotive, China (joint venture – 3 plants)

□ Partner plants outside Europe

Partner plant, Chongqing, China
Partner plant, Hosur, India
Partner plant, Jakarta, Indonesia
Partner plant, Cairo, Egypt
Partner plant, Kulim, Malaysia

▲ Research and development network outside Europe

BMW Group Designworks, Newbury Park, USA
BMW Group Technology Office USA, Mountain View, USA
BMW Group Engineering and Emission Test Center, Oxnard, USA
BMW Group ConnectedDrive Lab China, Shanghai, China, and BMW Group Designworks Studio Shanghai, China
BMW Group Technology Office, Shanghai, China
BMW Group Engineering China, Beijing, China
BMW Group Engineering Japan, Tokyo, Japan
BMW Group Engineering USA, Woodcliff Lake, USA
BMW Technology, Chicago, USA
BMW Group IT Technology Office, Greenville, USA
BMW Group IT DevOps Hub, Rosslyn, South Africa
BMW do Brasil, Araquari, Brazil
BMW Group Technology Office Tel Aviv, Tel Aviv, Israel
BMW Group R&D Center Seoul, Seoul, South Korea

[1] Sales locations only.

BMW Group locations in Europe

→ 13

■ **Production in Europe**

BMW Group plant Berlin
BMW Group plant Dingolfing
BMW Group plant Eisenach
BMW Group plant Landshut
BMW Group plant Leipzig
BMW Group plant Munich
BMW Group plant Regensburg
BMW Group plant Wackersdorf
BMW Group plant Steyr, Austria
BMW Group plant Hams Hall, UK
BMW Group plant Oxford, UK
BMW Group plant Swindon, UK
Rolls-Royce Manufacturing Plant, Goodwood, UK

□ **Partner plants in Europe**

Partner plant, Born, the Netherlands
Partner plant, Graz, Austria
Partner plant, Kaliningrad, Russia

▲ **Research and development network in Europe**

BMW Group Research and Innovation Centre (FIZ), Munich, Germany
BMW Group Autonomous Driving Campus, Unterschleißheim, Germany
BMW Group Designworks, Munich, Germany
BMW Car IT, Munich, Germany
BMW Group Lightweight Construction and Technology Center, Landshut, Germany
BMW Group Diesel Competence Centre, Steyr, Austria
Critical TechWorks S.A., Porto, Portugal

BMW France, S. A. S., Montigny, France
Rolls-Royce Motor Cars Ltd., Goodwood, UK

Sales subsidiaries and Financial Services locations

Purchasing and Supplier Network

Ensuring access to resources in a volatile environment

The international orientation of the Purchasing and Supplier Network provides the BMW Group with good access to global procurement markets. It is responsible for the worldwide procurement and quality assurance of production materials, raw materials, capital goods and services as well as the manufacturing of vehicle components produced in-house. External suppliers are selected systematically on the basis of competitiveness according to the criteria of operating excellence, quality, innovation, flexibility, cost and sustainability.

Sustainability and resource efficiency along the value chain

The BMW Group attaches great importance to compliance with environmental and social standards as well as to the efficient use of resources along the entire value chain.

For these reasons, sustainability criteria based on the BMW Group Sustainability Standard are firmly embedded in its purchasing processes. These criteria also play an essential role in the selection and assessment of suppliers and apply across the entire supply chain. Sustainability management therefore creates greater transparency for both the BMW Group and its suppliers.

The BMW Group is also involved in initiatives aimed at standardising sustainability requirements and establishing verification mechanisms for supply chains in connection with critical raw materials.

Example: cobalt

Since cobalt is a key component for producing electrified vehicles, the BMW Group is working to achieve the greatest possible level of transparency in the supply chain. The Group is in continuous contact with battery cell manufacturers and demands disclosure of the origin of this critical raw material. The BMW Group has also made its information on the subject of cobalt, such as the smelters and countries of origin, publicly available and updates it regularly. The next step will be to restructure the supply chains used to acquire cobalt. From 2020 onwards, the Group plans to purchase cobalt for fifth-generation battery cells directly from mines in Morocco and Australia and make it available to its supply chain partners. The strategy increases transparency regarding the origin of the raw material.

Further information is available in the Sustainable Value Report 2019 online at → www.bmwgroup.com/svr.

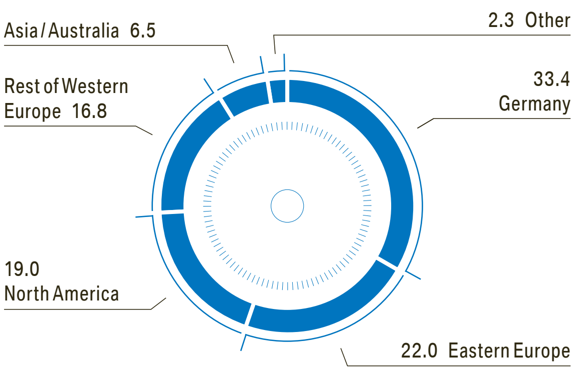
Connecting procurement markets

The BMW Group remains committed to its strategy of maintaining a regional balance with regard to sales volume, production and purchasing volumes, thereby making an important contribution to natural hedging against currency fluctuations. In particular, the proportion of purchase volumes attributable to the Americas region grew in 2019, mainly due to the significant increase in vehicle production in Spartanburg, USA, and the start-up of the vehicle plant in San Luis Potosí, Mexico. Growth in the region will continue in future with the ramping up of production in Mexico.

Regional mix of BMW Group purchase volumes 2019

→ 14

in %, basis: production material



Workforce

→ www.bmwgroup.com/en/responsibility/employees

Workforce at previous year's level

At 31 December 2019, the BMW Group employed a workforce of 133,778 people worldwide. The number of employees was thus at a similar level to the end of the previous year (2018: 134,682 employees; – 0.7 %). During 2019, natural fluctuation was used to leverage competencies to focus even more keenly on the major topics of the future. Specialists and IT experts were hired in future-oriented fields such as artificial intelligence and autonomous driving, electric mobility, smart production and logistics as well as data analysis, software architecture, agile software development and innovative drivetrain systems. The global production network was also further expanded.

BMW Group employees

→ 15

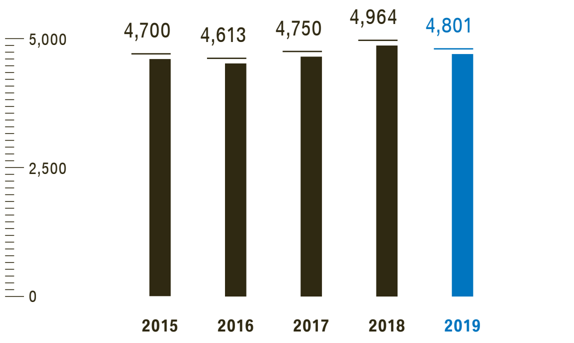
	31.12.2019	31.12.2018	Change in %
Automotive	121,208	121,994	– 0.6
Motorcycles	3,658	3,709	– 1.4
Financial Services	8,798	8,860	– 0.7
Other	114	119	– 4.2
Group	**133,778**	**134,682**	**– 0.7**

Realignment of vocational training

Started in 2018, the realignment of vocational training continued to make good progress with the implementation of various strategic action packages, aimed in particular at bringing about the digital transformation of vocational training based on three pillars: modern and mobile equipment, new digital collaboration and learning platforms, and a broadly based system of talent development specifically tailored to apprentices. In addition to the basic range of skills still needed, emphasis is also being placed on promoting the acquisition of new technical and interdisciplinary expertise across 30 vocations and 17 dual courses of study. The latter were expanded to include the bachelor-degree programmes Industry 4.0 Computer Science, Artificial Intelligence and Production and Automation. The total number of apprentices and participants in the BMW Group's development programmes for young talent remained at a high level during the year under report at 4,801 (2018: 4,964; – 3.3 %).

BMW Group apprentices at 31 December

→ 16



High level of investment in employee qualification

Spending on employee training and development totalled €370 million and therefore remained at a similar level to the previous year (2018: €373 million; – 0.8 %). The BMW Group consistently promotes the principle of lifelong learning. The availability of innovative, requirements-based learning opportunities enables employees to play an active role in shaping the future of the BMW Group. During 2019, the range of training courses on offer for key strategic areas such as electric mobility, robotics and data analytics was therefore expanded, new learning formats introduced in conjunction with the digitalisation initiative, and a greater emphasis placed on improving manager skill sets, in particular those relevant for leadership in the digital age.

Combined Management Report

General Information and Group Profile
Organisation and Business Model
→ Workforce
→ Sustainability

BMW Group remains a highly attractive employer

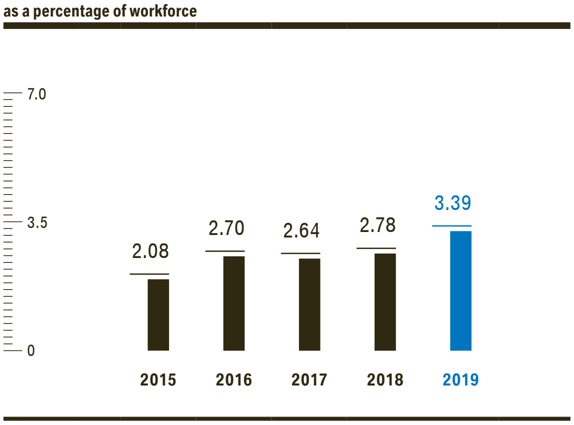
Again in 2019, the BMW Group was ranked among the world's most attractive employers. In the latest "World's Most Attractive Employers" ranking published by the agency Universum, the BMW Group was once again named the most attractive automotive company in the world.

In 2019, BMW Group China was also selected by business students participating in the locally conducted Universum student survey as the most attractive employer in the automotive industry. The renowned Zhaopin "Most Attractive Employer Award" named the BMW Group the most attractive employer overall.

The BMW Group also came out on top again in Trendence's "Young Professional Barometer Germany". It also received the "Most Attractive Employer of the Last 20 Years" award for the most number one rankings over this period. Moreover, the Group matched its previous year's performance in the Universum study "Young Professionals Germany", finishing first, second and third in the categories Business, Engineering and IT respectively. Based on the overall results of studies across all sectors, the BMW Group continued to be one of the world's highest-ranked companies in 2019.

Employee attrition rate at BMW AG*

→ 17



* Number of employees on unlimited employment contracts leaving the Company.

Diversity as a competitive factor

Diversity is a key factor in ensuring the BMW Group's continued competitiveness. The aim is to ensure equal opportunities for all employees and at the same time utilise and promote the diversity of the Group's workforce. In this context, emphasis is placed on the three aspects of gender, cultural background and age/experience. In 2019, the BMW Group again implemented a broad array of measures in its efforts to promote diversity. Further information on this topic is also provided in the Sustainable Value Report 2019.

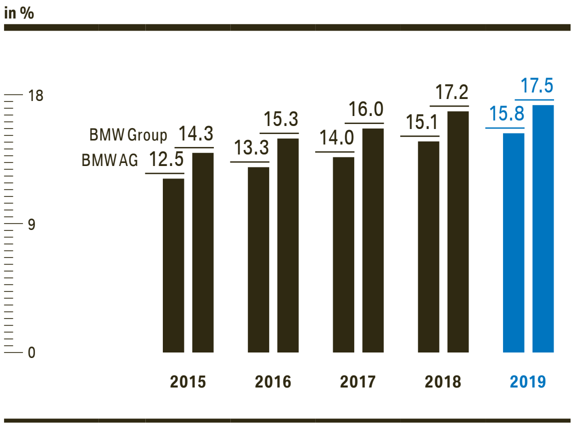
→ www.bmwgroup.com/svr

The percentage of women in the BMW Group workforce as a whole was 19.8 % (BMW AG: 16.3 %), surpassing the internal target range of between 15 and 17 %. The number of women in management functions rose to 17.5 % across the BMW Group (BMW AG: 15.8 %). During the year under report, female representation in the BMW Group's trainee and student development programmes stood at approximately 39 % and 28 % respectively.

At the same time, the workforce is becoming increasingly international. Employees from over 120 countries work together successfully for BMW AG. Moreover, a balanced age structure in the workforce encourages an exchange of ideas and knowledge between generations and plays a key role in reducing the loss of know-how when valuable employees retire.

Proportion of female employees in management functions at BMW AG / BMW Group*

→ 18



*Since 2017 including maternity leave.

Sustainability

→ www.bmwgroup.com/responsibility

The BMW Group sees itself as a pioneer of sustainability, not only within the automotive industry, but across other sectors, too. Long-term thinking and responsible action have long been the cornerstones of the BMW Group's distinct identity and its economic success. As early as 1973, the BMW Group was the first company in the automotive sector to appoint an environment officer. Since 2001, the BMW Group has been committed to the United Nations Environment Programme, the UN Global Compact and the Cleaner Production Declaration. Through its sustainability policy, the BMW Group is supporting the implementation of the UN's Sustainable Development Goals (SDG), which were adopted in September 2015, and is committed to complying with the Paris Climate Convention.

The principles and importance of managing the business on a sustainable basis are emphasised in the BMW Group's corporate strategy, which includes a clear commitment to preserving resources. The BMW Group remains fully committed to ecological and social sustainability along the entire value chain as well as to comprehensive product responsibility. Apart from the reduction of CO_2 emissions, key components of the Group's sustainability strategy include industrial environmental protection, circular economy, sustainability in the supply chain, employee orientation and social commitment.

In order to safeguard its viability going forward, the BMW Group's business model is rigorously based on the principle of sustainability. The Group works continually on technical innovations that contribute to solving global challenges such as climate change and urbanisation. In this endeavour, the BMW Group concentrates on three main topics:

- The development of products and services for sustainable individual mobility
- The efficient use of resources along the entire value chain
- Responsibility towards employees and society in general

Further information on sustainability within the BMW Group is provided in the Sustainable Value Report 2019, which is published online at → www.bmwgroup.com/svr.

The Sustainable Value Report is published together with the Annual Report and drawn up in accordance with the "Comprehensive" option of the standards of the Global Reporting Initiative (GRI). This is the highest level of transparency set out in the GRI standards, in which all relevant information and indicators of the aspects identified as material are reported on. The Sustainable Value Report is drawn up subject to a limited assurance engagement in accordance with ISAE 3000 (International Standard on Assurance Engagements 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information").

Based on the requirements of the German CSR Directive Implementation Act, since the financial year 2017 BMW AG has been required to publish a non-financial declaration at both Company and Group level. The declaration is published jointly for BMW AG and the BMW Group as a separate combined non-financial report within the Sustainable Value Report.

The separate combined non-financial report is available online within the Sustainable Value Report 2019 at → www.bmwgroup.com/svr.

CO_2 fleet emissions

The development of sustainable products and services is an integral part of the BMW Group's business model. The early use of Efficient Dynamics technologies (since 2007) across the entire fleet and the electrification of vehicles, which continued to make good progress in 2019, have enabled CO_2 emissions to be continuously reduced. Together, these two cornerstones are essential for future compliance with statutory CO_2 and fuel consumption limits going forward.

The BMW Group has reduced the CO_2 emissions of its newly sold vehicles in Europe by approximately 40 % between 1995 and 2019. In Europe*, average CO_2 emissions were 127 g CO_2/km (2018: 128 g CO_2/km; – 0.8 %) in the year under report. Based on this figure, the BMW Group's new vehicle fleet* in Europe in 2019 had an average fuel consumption of 5.0 litres of diesel per 100 km or 6.0 litres of petrol per 100 km.

* EU-28

With effect from September 2018, all vehicles in the EU were required to be approved in accordance with the new WLTP testing cycle. However, the calculation of CO_2 fleet emissions by the EU Commission will not be converted to WLTP until 2021. Therefore, for reporting purposes up to and including 2020, WLTP fleet emissions must be translated back to the previously applicable values calculated in accordance with the outgoing New European Driving Cycle (NEDC). Due to the changed test conditions used for WLTP purposes, emission values are higher when translated back to an NEDC basis (NEDC-correlated).

Production

In its efforts to reduce CO_2 emissions generated by production and thus contribute to climate protection, the BMW Group uses energy-efficient equipment powered by renewable energy. In 2019, 87 % (2018: 79 %) of the BMW Group's electricity worldwide was generated from renewable sources or were compensated through appropriate certificates of origin. As from 2020, all the Group's locations worldwide are scheduled to obtain their electricity exclusively from renewable sources.

In 2019, at 2.04 MWh per vehicle* produced, the BMW Group further reduced the amount of energy consumed in the production process compared with the previous year (2018: 2.12 MWh; – 3.8 %).

Through the use of measures to boost energy efficiency and the purchase and in-house generation of electricity from renewable sources at BMW Group manufacturing sites, production-related CO_2 emissions fell by 25.0 % to 0.30 tonnes per vehicle* produced in the year under report compared with the previous year (2018: 0.40 tonnes).

Social engagement

Social engagement is also an integral part of the BMW Group's corporate identity. For many years now, the BMW Group has firmly supported intercultural exchange. In partnership with the UN Alliance of Civilizations, the BMW Group presents the Intercultural Innovation Award for projects the Company views as exemplary in this field. Since 2011, each year it has presented the "BMW Group Award for Social Commitment" to employees who have made an exceptional contribution through their outstanding volunteer work.

The Group addresses current social challenges, primarily in areas where its expertise enables it to make the greatest impact. The main focus here is on problem-solving approaches that are internationally applicable and have a tangible long-term impact by helping people to help themselves. With this aim in mind, the BMW Group works together with the BMW Foundation Herbert Quandt.

BMW Foundation Herbert Quandt

The BMW Foundation Herbert Quandt is an independent corporate foundation whose activities contribute to the BMW Group's social responsibility and mission goals. The foundation endeavours to inspire leaders worldwide to assume and continually develop their social responsibility and political commitment. Leaders are also encouraged to work for a peaceful, just and sustainable future. With its Responsible Leadership programmes, a global network and impact-oriented investments, the BMW Foundation Herbert Quandt supports the sustainability targets of the United Nations' Agenda 2030 → www.bmw-foundation.org.

In 1959, Herbert Quandt secured the independence of BMW AG, thus laying the foundation for the successful development of the BMW Group. In recognition of his entrepreneurial achievements, in 1970 BMW AG established the "BMW Stiftung Herbert Quandt", which has meanwhile been renamed the "BMW Foundation Herbert Quandt" with expanded endowment capital.

Further information on the topics of sustainability and human resources within the BMW Group is available in the Sustainable Value Report 2019, which is published online at → www.bmwgroup.com/svr.

Stakeholder dialogues and materiality analysis as basis for sustainability management

The BMW Group is in continual dialogue with its numerous stakeholders, both in Germany and abroad. Stakeholder feedback provides the BMW Group with a clear picture of how current trends are changing the business environment and provides key input for the strategic decision-making process. In 2019, a total of four dialogue events (BMW Group Dialogues) on corporate responsibility and sustainability were held in Tel Aviv, San Luis Potosí, Seoul and Munich. The events addressed various topics, including product and production responsibility, responsibility for resources, and responsibility for future mobility.

In the course of regular materiality analysis, social challenges are continually monitored and analysed in order to gauge their significance from the point of view of both external and internal stakeholders.

Top rankings in sustainability ratings

The BMW Group again achieved outstanding results in prestigious sustainability ratings in 2019, thereby confirming the Company's view of its leading position as a sustainable enterprise. In the Dow Jones Sustainability Indices (DJSI) rating, the BMW Group is the only German automobile manufacturer to have been included once again in the two indices "Europe" and "World" and the only company in the sector to have been continuously represented since the indices were established. In the CDP rating (formerly the Carbon Disclosure Project), the Group achieved the category Leadership with a rating of A- in the year under report. Furthermore, the Group was again listed in the British FTSE4Good Index in 2019. The BMW Group is also listed in the MSCI, Sustainalytics and ISS-oekom rankings, holding a leading position in each within the industry.

* Efficiency indicator calculated from Scope 1 and Scope 2 CO_2 emissions (market-based method in accordance with GHG Protocol Scope 2 Guidance) of vehicle production, excluding motorcycles (adjusted for CHP losses), divided by the total amount of produced vehicles, including from the joint venture BMW Brilliance Automotive Ltd., Shenyang (China), but excluding vehicles from contract production at Magna Steyr and Nedcar.

Cooperation Agreements and Partnerships

In order to ensure the success of the business in the long term, the BMW Group enters into specific cooperation agreements and partnerships with companies in the automotive industry as well as technology leaders in other sectors. Against a background of rapid technological change, the aim of collaborating with external partners is to combine expertise in order to bring innovations to market within the shortest time possible.

BMW Brilliance Automotive

The BMW Group intends to increase its stake in BMW Brilliance Automotive (BBA) from 50 to 75 %. An agreement to this effect was signed in 2018 with the BMW Group's venture partner, Brilliance China Automotive Holdings Ltd. (CBA). The contractual term of the joint venture, which was due to expire in 2028, is to be extended up to 2040. Following approval by the Annual General Meeting of CBA on 18 January 2019, the closing of the agreement continues to be subject to regulatory approvals.

YOUR NOW

On 28 March 2018, the BMW Group signed an agreement with Daimler AG regarding the merger of certain business units that provide mobility services. Following approval by the relevant antitrust authorities, the transaction was closed on 31 January 2019. The two companies are now pressing ahead as planned to realise their joint vision of fully electric and autonomous on-demand mobility. The new range of mobility services will be easy to access, intuitive to use, and cater to customers' needs. The cooperation comprises the joint ventures REACH NOW (on-demand mobility and multimodal services), CHARGE NOW (battery charging), FREE NOW (ride-hailing), PARK NOW (parking) and SHARE NOW (car-sharing). The YOUR NOW companies were contributed into a holding company with effect from 31 December 2019. Based on this, the BMW Group and the Daimler Group each have an equal share in the holding company.

Under the YOUR NOW umbrella, BMW and Daimler offer innovative solutions for cities and municipalities seeking to make mobility more efficient and sustainable. Further information is provided in → note 2 to the Group Financial Statements.

→ see note 2

Spotlight

The BMW Group has signed an agreement with the Chinese manufacturer Great Wall Motor Company Limited to produce MINI electric vehicles via a 50:50 joint venture based in China. In addition to MINI electric vehicles, the Spotlight Automotive Limited joint venture (Spotlight) will also produce electric vehicles for Great Wall Motor. Apart from production, the joint venture model includes the joint development of battery-electric vehicles. Spotlight was founded on 27 December 2019 following approval by the Chinese authorities.

Alongside the planned increase in the stake in BBA, the BMW Group is expanding its presence in China on a significant scale, thereby underlining its commitment to the region.

HERE

Since the acquisition of the HERE mapping service by BMW AG, Daimler AG and AUDI AG in 2015, the partners have been working on high-precision digital maps that can be linked to real-time vehicle data. These digital maps are key for the next generation of mobility and location-based services, including providing the basis for new assistance systems. As an independent platform, HERE has ensured at all stages that it remains accessible to other partners in the automotive sector and beyond. In December 2019, HERE announced the intention of Mitsubishi Corporation (MC) and Nippon Telegraph and Telephone Corporation of Japan (NTT) to jointly acquire a 30 % ownership stake in the business. Subject to regulatory approvals, the transaction is expected to be closed during the first half of 2020.

MANAGEMENT SYSTEM

The business management system applied by the BMW Group follows a value-based approach that focuses on profitability, consistent growth, value enhancement for capital providers and job security. Capital is considered to be employed profitably when the amount of profit generated sustainably exceeds the cost of equity and debt capital. In this way, the desired degree of corporate autonomy is also secured in the long term.

The BMW Group's internal management system is based on a multilayered structure. Operating management occurs primarily at segment level. In order to manage long-term corporate performance and assess strategic issues, additional performance indicators are taken into account within the management system at Group level. In this context, the value added serves as one of several indicators for the contribution made to enterprise value during the financial year. This approach is made operational at both Group and segment level through key financial and non-financial performance indicators (value drivers). The link between value added and the relevant value drivers is shown in a simplified form below.

BMW Group – value drivers

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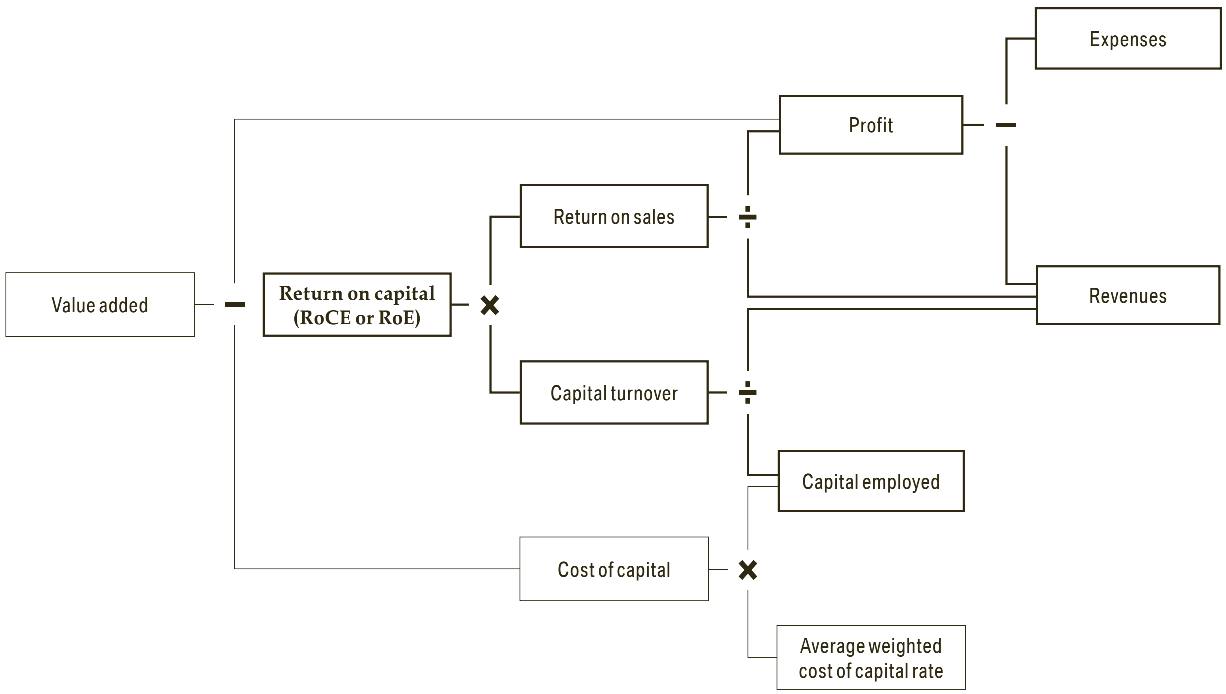


Due to the high level of aggregation, it is impractical to manage the business on the basis of value added. This key indicator therefore only serves for reporting purposes. Relevant value drivers having a significant impact on business performance and therefore on enterprise value are defined for each controlling level. The financial and non-financial value drivers are reflected in the key performance indicators used to manage the business. In the case of project-related decisions, the system follows a project-oriented management logic that is based on value added and profitability performance indicators, thereby providing a fundamental basis for decision-making.

Management of operating performance at segment level

Operating performance at segment level is managed at an aggregated level on the basis of returns on capital. Depending on the business model, the segments are measured on the basis of return on total capital or return on equity. Specifically, return on capital employed (RoCE) is used for the Automotive and Motorcycles segments and return on equity (RoE) for the Financial Services segment. These indicators combine a wide range of relevant economic information, such as profitability (return on sales) and capital efficiency (capital turnover) to provide a measurement of segment performance and the development of enterprise value.

Automotive segment

The most comprehensive key performance indicator used for the Automotive segment is RoCE. This indicator provides information on the profitability of capital employed and the operational business. RoCE is measured on the basis of segment profit before financial result and the average capital employed in the segment. The strategic target for the Automotive segment's RoCE is 26 %.

$$\textbf{RoCE Automotive} = \frac{\textbf{Profit before financial result}}{\textbf{Average capital employed}}$$

Return on capital employed

→ 20

	Profit before financial result in € million		Average capital employed in € million		Return on capital employed in %	
	2019	2018	2019	2018	2019	2018
Automotive	4,499	6,182	15,513	12,420	29.0	49.8

Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that generally do not incur interest (e.g. trade payables and other provisions).

Due to its key importance for the Group as a whole, the Automotive segment is managed on the basis of additional performance indicators which have a significant impact on RoCE and hence on segment performance. These value drivers are the number of vehicle deliveries and the operating return on sales (EBIT margin: segment-related profit/loss before financial result as a percentage of segment revenues) as the key performance indicator for segment profitability. The management system also takes into account average CO_2 emissions for the fleet, which, through their influence on ongoing development costs and due to regulatory requirements, can have a significant long-term impact on Group performance. Fleet emissions correspond to average CO_2 emissions of new cars sold in the EU-28 countries.

By managing the business on the basis of key value drivers, it is possible to gain a better understanding of the causes of changes in the RoCE and to define suitable measures to influence it.

Motorcycles segment

As with the Automotive segment, the Motorcycles segment is managed on the basis of RoCE. Capital employed is determined on the same basis as in the Automotive segment. The strategic RoCE target for the Motorcycles segment is 26 %.

$$\text{RoCE Motorcycles} = \frac{\text{Profit before financial result}}{\text{Average capital employed}}$$

Return on capital employed

→ 21

	Profit before financial result in € million		Average capital employed in € million		Return on capital employed in %	
	2019	2018	2019	2018	2019	2018
Motorcycles	194	175	660	616	29.4	28.4

The principal value drivers are the number of motorcycle deliveries and the operating return on sales (EBIT margin: segment-related profit/loss before financial result as a percentage of segment revenues) as the performance indicator for segment profitability.

Financial Services segment

As is common practice in the banking sector, the Financial Services segment is managed on the basis of return on equity. RoE is defined as segment profit before tax, divided by the average amount of equity capital in the Financial Services segment. The target is a long-term return on capital of at least 14 %.

$$\text{RoE Financial Services} = \frac{\text{Profit before tax}}{\text{Average equity capital}}$$

Return on equity

→ 22

	Profit before tax in € million		Average equity capital in € million		Return on equity in %	
	2019	2018*	2019	2018*	2019	2018
Financial Services	2,272	2,143	15,146	14,522	15.0	14.8

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Strategic management at Group level

Strategic management and quantification of financial implications for long-term corporate planning are performed primarily at Group level. The key performance indicators are Group profit before tax and the size of the Group's workforce at the year-end. Group profit before tax provides a comprehensive measure of the Group's overall performance after consolidation effects and a transparent basis for comparing performance, particularly over time. The size of the Group's workforce is monitored as an additional key non-financial performance indicator.

The information provided by these two key performance indicators is further complemented by pre-tax return on sales and value added. Value added, as a highly aggregated performance indicator, also provides an insight into capital efficiency and the (opportunity) cost of capital required to generate Group profit. A positive value added means that a company is generating more value than the cost of capital.

Value added Group **= earnings amount – cost of capital**

= earnings amount – (cost of capital rate × capital employed)

Value added Group*

→ 23

in € million	Earnings amount 2019	Earnings amount 2018	Cost of capital (equity + debt capital) 2019	Cost of capital (equity + debt capital) 2018	Value added Group 2019	Value added Group 2018
BMW Group	7,369	9,898	7,812	7,279	–443	2,619

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Capital employed comprises the average amount of Group equity employed during the year as a whole, the financial liabilities of the Automotive and Motorcycles segments, and pension provisions. The earnings amount corresponds to Group profit before tax, adjusted for interest expense incurred in conjunction with the pension provision and on the financial liabilities of the Automotive and Motorcycles segments (earnings before interest expense and taxes). The cost of capital is the minimum rate of return expected by capital providers in return for the capital employed. Since capital employed comprises an equity capital (e.g. share capital) and a debt capital element (e.g. bonds), the overall cost of capital rate is determined on the basis of the weighted average rates for equity and debt capital, measured using standard market procedures. The pre-tax average weighted cost of capital for the BMW Group in 2019 was 12 %, unchanged from the previous year.

Value-based project management

Operational business in the Automotive and Motorcycles segments is largely shaped by its life-cycle-dependent project character. Projects have a substantial influence on future business performance. Project decisions are therefore a crucial component of financial management in the BMW Group.

Project decisions are based on calculations derived from expected cash flows of the individual project. Calculations are made for the full term of a project, incorporating future years in which the project is expected to generate cash flows. Project decisions are taken on the basis of net present value and the internal rate of return calculated for the project.

The net present value of a project indicates the extent to which a project will be able to generate a positive contribution to earnings over and above the cost of capital. A project with a positive net present value enhances value added and therefore results in an increase in enterprise value. The internal rate of return of the project corresponds to the average return on capital employed in the project. It is equivalent to the multi-year average RoCE for an individual project. It is therefore consistent with one of the most important of the key performance indicators.

For all project decisions, the project criteria and long-term periodic results impact are measured and incorporated in the long-term Group forecast. This approach enables an analysis of the impact of project decisions on periodic earnings and rates of return for each year during the term of the project. The overall result is a cohesive management model.

REPORT ON ECONOMIC POSITION

Automobile markets down on previous year

BMW Group automobile deliveries nonetheless at new high level

Financial Services segment posts record results

GENERAL AND SECTOR-SPECIFIC ENVIRONMENT

General economic environment

The global economy was impacted by a variety of adverse factors during 2019, and the resulting 2.9 % growth rate was the slowest recorded for years. The economic slowdown was broadly based. Amongst the G7 countries, Japan was the only one to record an increase in economic output. The BRIC countries were also unable to escape the consequences of the slowdown, resulting in lower growth rates across the board.

The 1.2 % growth rate recorded in the eurozone was also down on the previous year. Although major economies in the region continued to expand, the pace of growth in Germany (+ 0.6 %), France (+1.3 %), Italy (+ 0.2 %) and Spain (+ 2.0 %) was significantly lower year-on-year, whereby exports, private consumption and a slight increase in public-sector spending contributed to the positive growth rates. Despite lower industrial production output, the unemployment rate continued to fall and is now at its lowest level since 2008. Against a backdrop of weaker economic performance and easing inflationary pressures, towards the end of the year the European Central Bank (ECB) decided to resume its securities purchase programme and reduce its deposit rate further.

Economic performance in the United Kingdom (UK) was dominated by ongoing uncertainty regarding the terms of Brexit and hence the UK's future relationship with the European Union (EU). Despite a further slight drop in the unemployment rate, private consumer sentiment failed to improve noticeably. Public-sector spending was increased substantially with a view to counteracting the slowing pace of the UK economy. Nevertheless, economic growth dropped for the fifth consecutive year to stand at 1.4 %.

Gross domestic product (GDP) in the USA was up by 2.3 % in 2019, marking the country's tenth successive year of economic growth. Once again, domestic demand provided the momentum for growth. In addition to higher spending by private households, public-sector spending also rose significantly. Consumer sentiment within private households was underpinned by a historically low unemployment rate and rising wages. By contrast, the level of investment by companies and private households fell noticeably. Moreover, exports stagnated and industrial production contracted on a massive scale. Weak economic growth combined with a moderate inflation rate of 1.8 % were the decisive factors behind the US Reserve's decision to cut interest rates sharply during the period under report.

Growth in China came in at 6.1 % in 2019, slightly down on the previous year. Private consumer spending decreased year-on-year. The trade conflict with the USA caused import prices to increase, thereby triggering a rise in the inflation rate, the effect of which was felt most noticeably by private households. Similarly, there was no improvement in the willingness of companies to invest, with volumes even lower than one year earlier. During 2019, however, numerous protective tariffs imposed by the USA on Chinese products exacerbated the factors slowing down the Chinese economy, causing the government to undertake fiscal and monetary measures to prevent the economy from cooling too quickly.

In Japan, GDP grew by 0.7 %, mainly attributable to a moderate year-on-year increase in private consumption. Although the drop in consumer demand due to the value added tax hike was slightly greater than expected, this effect was more than offset by the even more pronounced growth in consumer demand that had occurred prior to the hike. Government spending was increased on a significantly greater scale than one year earlier, thereby boosting the domestic economy. By contrast, exports fell year-on-year in 2019 as a consequence of the trade disputes between the USA and China.

Currency markets

The US dollar/euro exchange rate fluctuated between 1.09 and 1.15 US dollars to the euro during 2019, finishing at an average rate of 1.12 US dollars to the euro for the year.

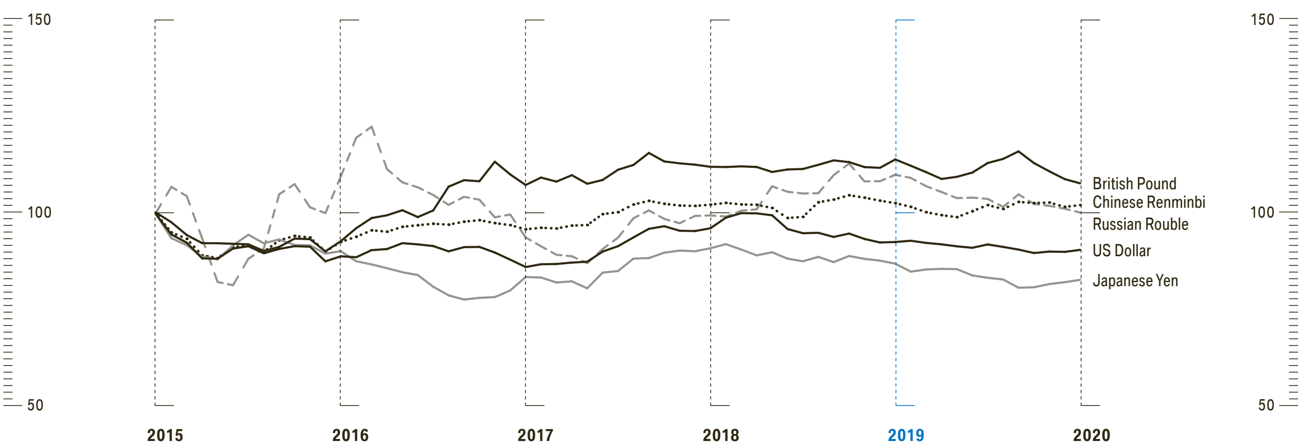
The development of the British pound's exchange rate over the year reflected the uncertainty of capital markets regarding their expectations of an orderly Brexit. As a consequence, the value of the British currency dropped to 0.93 pounds to the euro at one stage, compared to a high of 0.83, ultimately resulting in an average rate of 0.88 pounds to the euro in 2019, nearly unchanged from the previous year.

The Chinese renminbi stabilised year-on-year with an average exchange rate of 7.73 renminbi to the euro over the year. The Japanese yen also appreciated in value with an average exchange rate of 122 yen to the euro during the year under report.

Exchange rates compared to the euro

→ **24**

Index: December 2014 = 100

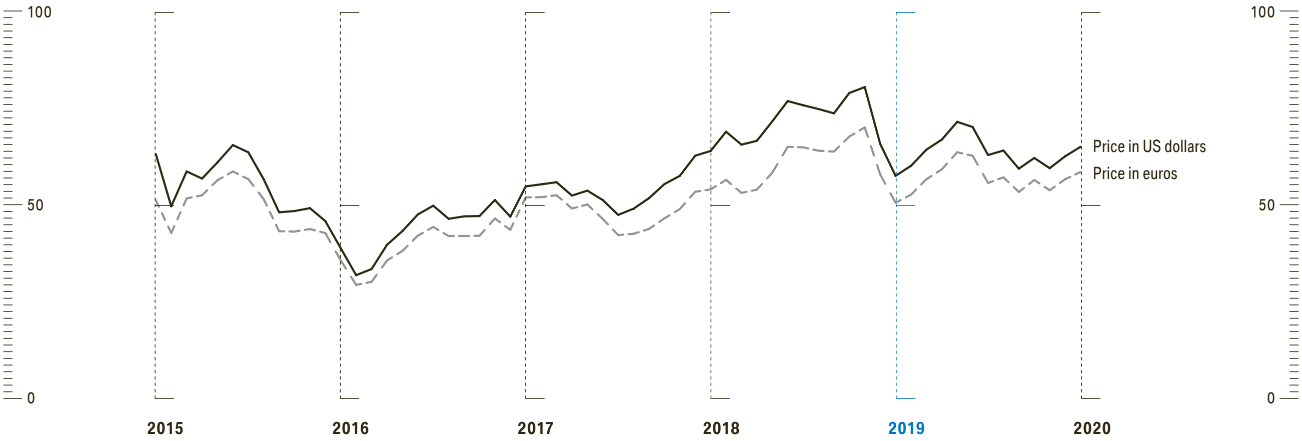


Source: Reuters.

Oil price trend

→ 25

Price per barrel of Brent Crude

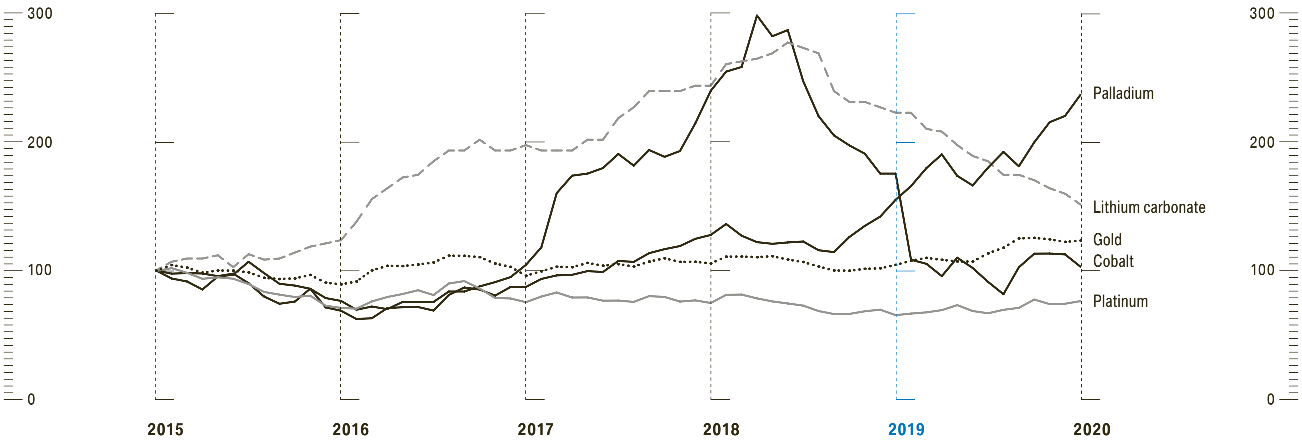


Source: Reuters.

Metals price trend

→ 26

Index: December 2014 = 100



Source: Reuters.

Energy and raw materials prices

Increasing uncertainty regarding the global economy also put pressure on commodity markets in 2019. After substantial rises for steel in the previous year, prices consolidated at a lower level in 2019.

Against this backdrop, prices for precious and non-ferrous metals rose only slightly. Palladium and rhodium, which are mainly used in catalytic converters, were the exception to the general trend and became significantly more expensive during the reporting period.

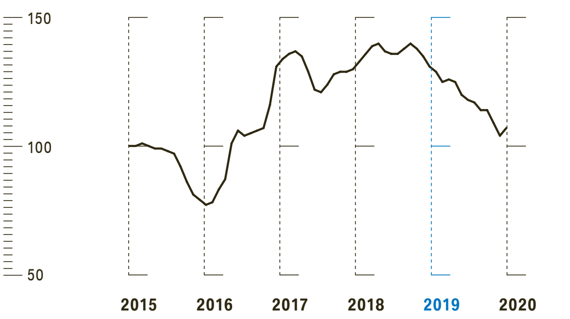
Prices for lithium and cobalt, which are used as raw materials in batteries, were well down in 2019 compared with the high levels of the recent past. Increased supply capacity and significantly lower-than-expected demand for these materials meant that prices remained at a lower level than in previous years.

Despite some risks, oil markets were relatively calm in 2019. The drone attack on oil production facilities in Saudi Arabia caused prices to rise significantly in the short term, but had little impact on price levels in the medium term. Whereas prices in the region of 53 US dollars per barrel were still seen on the market at the beginning of the year, the price of Brent crude oil rose to a peak of 75 US dollars due to prevailing concerns. Overall, the average price per barrel fell sharply from 72 US dollars to 64 US dollars year-on-year. WTI, the benchmark for crude oil in the USA, followed a similar trend, with an average price of around 57 US dollars per barrel for the year as a whole.

Steel price trend

→ 27

Index: January 2015 = 100



Source: Working Group for the Iron and Metal Processing Industry.

International automobile markets

A downward trend was observable on most automobile markets in 2019. Accordingly, registration figures for passenger cars and light commercial vehicles fell worldwide by 2.0 % to a total of 83.5 million vehicles.

International automobile markets

→ 28

	Change in %
Europe	**+1.1**
thereof Germany	+4.9
thereof France	+1.6
thereof Italy	+0.1
thereof Spain	–4.6
thereof UK	+4.0
USA	**–1.2**
China	**–3.9**
Japan	**–0.8**
Total	**–2.0**

International motorcycle markets

Motorcycle markets in the 250 cc plus class generally performed well during 2019. The number of new registrations worldwide increased by 3.1 % year-on-year.

International motorcycle markets

→ 29

	Change in %
Europe	**8.2**
thereof Germany	7.5
thereof France	12.0
thereof Italy	5.5
thereof Spain	14.5
America	**–3.3**
thereof USA	–4.8
thereof Brazil	13.2
Total	**3.1**

International interest rate environment

The trade dispute between the USA and China, increasing trade barriers and growing uncertainty as a result of geopolitical risks all had a negative impact on the global economy in 2019. The major central banks responded to these developments with expansionary monetary policies.

In September, the European Central Bank decided to cut the deposit rate by 0.10 % to – 0.50 % and resume its bond purchase programme. Since November 2019, it has been buying securities at a monthly rate of €20 billion; an end to the purchase programme has not been set.

With the outcome of the UK's EU exit negotiations being uncertain, the Bank of England (BoE) followed a "wait-and-see" approach and left the key interest rate unchanged at 0.75 % in 2019.

During the period under report, the US Federal Reserve (Fed) cut interest rates for the first time since the financial crisis. After three reductions of 0.25 % in each case, at 31 December 2019 the benchmark interest rate was within a range of 1.50 to 1.75 %. After its meeting in October, the Fed signalled that it would not reduce interest rates further in the near future.

In August, the Bank of China (PBOC) announced a reform of its lending rate mechanism, replacing the traditional benchmark interest rate with the market-oriented Loan Prime Rate (LPR). On introduction of the new system, the LPR stood at 4.25 %, 0.10 % lower than the former traditional benchmark rate. During the remainder of the year, the PBOC reduced the LPR to 4.15 % in two steps.

Moderate economic growth, the increase of the value added tax and an inflation rate that continues to be significantly under the 2 % target prompted the Japanese central bank to maintain its highly expansive monetary policies.

OVERALL ASSESSMENT BY MANAGEMENT

Overall assessment of business performance

Despite challenging conditions and volatility on international markets, the BMW Group can look back on an overall satisfactory business performance in 2019. Despite some downward trends in figures in the past financial year, the BMW Group's results of operations, financial position and net assets are all indicative of its solid financial condition. Overall, in view of the various economic challenges arising during the year, business developed in line with management's revised expectations, taking into account the provision recognised in connection with the EU Commission's antitrust proceedings. This assessment also takes into account events after the end of the reporting period. The impact expected from the spread of the coronavirus has been taken into account in the outlook for 2020.

COMPARISON OF FORECASTS FOR 2019 WITH ACTUAL RESULTS IN 2019

The following table shows the development of key performance indicators for the BMW Group as a whole as well as for the Automotive, Motorcycles and Financial Services segments in the financial year 2019 compared to the forecasts made in the Annual Report 2018.

Key figures presented in the report have been rounded in accordance with standard commercial practice. In certain cases, this may mean that values do not add up exactly to the stated total and that percentages cannot be derived exactly from the values shown.

BMW Group comparison of 2019 forecasts with actual outcomes 2019

→ 30

	Forecast for 2019 in 2018 Annual Report	Forecast revision during the year		Actual outcome in 2019
GROUP				
Profit before tax	significant decrease		€ million	7,118 (–26.1 %) significant decrease
Workforce at year-end	in line with last year's level			133,778 (–0.7 %) in line with last year's level
AUTOMOTIVE SEGMENT				
Deliveries to customers[1]	slight increase		units	2,538,367 (+2.2 %) slight increase
Fleet emissions[2]	slight decrease		g CO_2/km	127 (–0.8 %) in line with last year's level
EBIT margin	between 6 and 8	Q1: between 4.5 and 6.5	%	4.9 (–2.3 %pts)
Return on capital employed	significant decrease		%	29.0 (–20.8 %pts) significant decrease
MOTORCYCLES SEGMENT				
Deliveries to customers	solid increase		units	175,162 (+5.8 %) solid increase
EBIT margin	between 8 and 10		%	8.2 (+0.1 %pts)
Return on capital employed	solid increase		%	29.4 (+1.0 %pts) slight increase
FINANCIAL SERVICES SEGMENT				
Return on equity	in line with last year's level		%	15.0 (+0.2 %pts) in line with last year's level

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612 units).
[2] EU-28.

In an ad hoc announcement dated 5 April 2019, the BMW Group reported that the EU Commission had informed it of a "Statement of Objections" in conjunction with ongoing antitrust proceedings. The EU Commission is investigating whether German automobile manufacturers cooperated in technical working groups to restrict competition in the development and rollout of emissions-reduction technologies. The Statement of Objections leads the BMW Group to conclude that it is probable ("more likely than not") that the EU Commission will issue a significant fine. If necessary, the BMW Group will contest the EU Commission's allegations with all the legal means at its disposal.

Irrespective thereof, the fact that a fine is “more likely than not” triggers a requirement to recognise a provision in accordance with International Financial Reporting Standards. Based on information currently available and in accordance with International Financial Reporting Standards, a provision of approximately €1.4 billion was recognised in the first quarter of 2019 to take account of financial impacts that cannot yet be definitively assessed. Group and Automotive segment earnings for the first quarter as well as for the full financial year were impacted accordingly. The BMW Group has examined the objections and gained access to the documents in the EU Commission’s investigation file. In December 2019, the BMW Group submitted a detailed response to the EU Commission, which the latter will now examine before determining the next steps in the proceedings. Consequently, it is not yet possible to assess the ultimate financial impact definitively.

Detailed information on the key performance indicators for the Group is presented as part of the following review of the BMW Group’s results of operations, financial position and net assets. The development of the key performance indicators for the Automotive, Motorcycles and Financial Services segments is described in the relevant sections on each segment.

In December 2019, BMW Group 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 BMW Group relating to disclosures regarding BMW Group’s unit sales of new vehicles. BMW Group is reviewing the matter and cooperating with the SEC’s investigation. Information on contingent liabilities is provided in → note 38 to the Group Financial Statements.

*see Glossary for the definition of deliveries

→ see note 38

The preparation of BMW Group’s retail vehicle delivery data involves estimates and judgments and is subject to other uncertainties, including:

- The vast majority of deliveries of vehicles are carried out by independent dealerships or other third parties, and BMW Group is reliant on such third parties to correctly report relevant data to BMW Group.
- In addition, the definition of deliveries includes any vehicles delivered in the United States or Canada if:
  - the relevant dealers designate such vehicles as service loaner vehicles or demonstrator vehicles (BMW Group provides financial incentives in this regard to such dealers); or
  - such vehicles are company vehicles purchased by dealers or other third parties at auctions or by dealers directly from BMW Group,

  each of which may not correlate to a sale to a consumer or other end user in the relevant reporting period.

See Glossary – Explanation of Key Figures – Deliveries for the definition of deliveries.

Retail vehicle deliveries during a given reporting period do not correlate directly to the revenue that BMW Group recognises in respect of such reporting period.

In connection with reviewing its sales practices and related reporting practices, BMW Group also reviewed prior period retail vehicle delivery data and separately determined that certain vehicle deliveries were not reported in the correct periods. BMW Group has revised the data on those vehicle deliveries that had not been reported in the correct periods as further described below, and is making, and will continue to make in the future, certain adjustments to its policies and procedures in order to improve the reliability and validity of its retail vehicle delivery data, in particular with respect to the timing of the recognition of deliveries.

Specifically, the retail vehicle delivery data presented in this annual report (years 2015 through 2019) have been revised by adjusting the data for BMW Group’s six most significant markets to reflect the above. In the years 2015 through 2019, these six markets (China, USA, Germany, UK, Italy and Japan) represented on average 68.3 % of BMW Group’s total vehicle deliveries. For each of the years 2015 through 2019, these revisions amounted to less than 1 % of BMW Group’s total retail vehicle deliveries. The retail vehicle delivery data for BMW Group’s other markets have not been adjusted, as BMW Group believes the impact to be immaterial.

While BMW Group believes the retail vehicle delivery data presented in this annual report to be materially correct in accordance with BMW Group’s definition of deliveries, challenges and further revisions of such data cannot be ruled out.

Results of operations of the BMW Group

The BMW Group recorded a solid year-on-year increase in revenues for the financial year 2019. Alongside product mix effects, higher revenues from leasing and the sale of products previously leased to customers also had a positive influence in the year under report. Moreover, revenues were positively impacted by currency factors, mainly relating to the exchange rates of the US dollar, Chinese renminbi, Japanese yen and Thai baht. In the previous year, revenues were also negatively impacted by the high level of competition due to the reaction of competitors to the early implementation of WLTP regulations as well as by the unfavourable effect of trade conflicts on selling prices.

BMW Group condensed income statement

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in € million	2019	2018*	Change in %
Revenues	104,210	96,855	7.6
Cost of sales	–86,147	–78,477	–9.8
Gross profit	**18,063**	**18,378**	**–1.7**
Selling and administrative expenses	–9,367	–9,568	2.1
Other operating income and expenses	–1,285	123	–
Profit before financial result	**7,411**	**8,933**	**–17.0**
Financial result	–293	694	–
Profit before tax	**7,118**	**9,627**	**–26.1**
Income taxes	–2,140	–2,530	15.4
Profit from continuing operations	**4,978**	**7,097**	**–29.9**
Profit / loss from discontinued operations	44	–33	–
Net profit	**5,022**	**7,064**	**–28.9**
Earnings per share of common stock in €	7.47	10.60	–29.5
Earnings per share of preferred stock in €	7.49	10.62	–29.5

in %	2019	2018*	Change in %pts
Pre-tax return on sales	6.8	9.9	–3.1
Post-tax return on sales	4.8	7.3	–2.5
Gross profit margin	17.3	19.0	–1.7
Effective tax rate	30.1	26.3	3.8

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Group revenues by region were as follows:

BMW Group revenues by region

→ 32

in %	2019	2018*
Europe	44.4	46.2
Asia	30.6	30.9
Americas	22.7	20.2
Other regions	2.3	2.7
Group	**100.0**	**100.0**

BMW Group cost of sales

→ 33

in € million	2019	2018*	Change in %
Manufacturing costs	48,690	44,558	9.3
Cost of sales relating to financial services business	23,623	22,042	7.2
thereof interest expense relating to financial services business	2,288	2,035	12.4
Research and development expenses	5,952	5,320	11.9
thereof amortisation of capitalised development costs	1,667	1,414	17.9
Service contracts, telematics and roadside assistance	1,641	1,844	–11.0
Warranty expenses	2,566	1,717	49.4
Other cost of sales	3,675	2,996	22.7
Cost of sales	**86,147**	**78,477**	**9.8**

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Group cost of sales increased compared to the previous year. Higher manufacturing costs due to stricter regulatory requirements (especially in connection with the reduction of fleet emissions), negative currency effects, higher raw material prices (especially for palladium and rhodium) as well as higher warranty expenses all had a negative impact on cost of sales.

in € million	2019	2018
Research and development expenses	5,952	5,320
Amortisation	–1,667	–1,414
New expenditure for capitalised development costs	2,134	2,984
Total research and development expenditure	**6,419**	**6,890**

In addition to the higher level of cost of sales incurred for the Financial Services business, there was a year-on-year increase in the area of research and development, where expenses rose to €5,952 million (2018: €5,320 million), mainly in relation to the electrification of vehicles (including the iNEXT), ongoing development work on autonomous driving and digitalisation. In the previous year, capitalised development costs related mainly to investments in new model series such as the X5, the BMW 3 Series and the BMW 8 Series, while in 2019 they related mainly to amounts invested in autonomous driving, the BMW 1 Series and a new generation of electrified vehicles. Furthermore, the higher level of costs capitalised in the previous years referred to above also resulted in increased amortisation on capitalised development costs in 2019.

BMW Group performance indicators relating to research and development expenses

→ 34

in %	2019	2018*	Change in %pts
Research and development expenditure ratio	6.2	7.1	– 0.9
Capitalisation rate	33.2	43.3	– 10.1

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses totalled €6,017 million (2018: €5,113 million).

Selling and administrative expenses amounted to €9,367 million and were therefore slightly down on the previous year (2018: €9,568 million), helped by a decrease in personnel costs that was partially attributable to amendments to pension plans in the USA.

The net amount of other operating income and expenses decreased significantly from a positive amount of €123 million to negative €1,285 million, mainly due to the recognition of a provision of approximately €1.4 billion in connection with the EU Commission antitrust proceedings. Further information is provided in → note 10 to the Group Financial Statements.

→ see note 10

As a result, profit before financial result (EBIT) decreased by €1,522 million to €7,411 million (2018: €8,933 million).

The financial result deteriorated significantly year-on-year by €987 million to a net expense of €293 million. The main negative factor here was a €496 million drop in the result from equity accounted investments, whereby a €179 million increase in the Group's share of earnings of BMW Brilliance Automotive Ltd. was more than offset by the negative at-equity result of €662 million attributable to the YOUR NOW companies. In addition to operating losses, the YOUR NOW at-equity result also included write-downs recorded at separate entity level amounting to €277 million arising in conjunction with the reorientation of the YOUR NOW Group. Further information is provided in → note 2 to the Group Financial Statements.

→ see note 2

The net interest result deteriorated by €331 million, mainly due to the reversal of provisions recorded in 2018 following the conclusion of mutual agreement procedures relating to taxes and customs.

In addition, the higher interest expense arising in connection with the recognition of lease liabilities in accordance with IFRS 16 as well as the higher amount of interest unwound on non-current provisions for statutory and non-statutory warranty obligations had a negative impact on the net interest result.

At a net negative amount of €109 million, other financial result was significantly down on the previous year (2018: net positive amount of €51 million). The one-off revaluation gain of €329 million arising from the pooling of mobility services with the Daimler Group was partially offset by impairment losses totalling €240 million. In the previous year, other financial result also included a revaluation gain of €209 million arising on the takeover of DriveNow. Other financial result was also adversely affected by revaluation losses recognised on interest rate hedges in connection with the refinancing of the Financial Services business.

As forecast most recently in the Quarterly Statement to 30 September 2019, Group profit before tax for the full financial year was significantly down on the previous year and, at €7,118 million (2018: €9,627 million), was therefore in line with revised expectations.

The income tax expense for the year amounted to €2,140 million (2018: €2,530 million). The effective tax rate increased to 30.1 % (2018: 26.3 %), mainly due to the non-deductibility of the expense recorded for the provision relating to EU Commission anti-trust proceedings as well as the non-deductibility of impairment losses relating to the YOUR NOW Group, recognised in other financial result. Tax income received for prior years – mainly due to the successful conclusion of intergovernmental tax treaties covering the topic of transfer pricing – had an offsetting effect.

In the year under report, the workforce size, based on a total of 133,778 employees, remained at a similar level year-on-year and was therefore in line with expectations (2018: 134,682 employees; – 0.7 %).

Financial position of the BMW Group

The consolidated cash flow statements for the Group and the Automotive and Financial Services segments show the sources and applications of cash flows for the financial years 2019 and 2018, classified according to operating, investing and financing activities. Cash and cash equivalents in the cash flow statements correspond to the amounts disclosed in the balance sheet.

Cash flows from operating activities are determined indirectly, starting with Group and segment net profit. By contrast, cash flows from investing and financing activities are based on actual payments and receipts.

BMW Group cash flows

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in € million	2019	2018	Change
Cash inflow (+) / outflow (–) from operating activities	3,662	5,051	–1,389
Cash inflow (+) / outflow (–) from investing activities	–7,284	–7,363	79
Cash inflow (+) / outflow (–) from financing activities	4,790	4,296	494
Effects of exchange rate and changes in composition of Group	–111	–44	–67
Change in cash and cash equivalents	**1,057**	**1,940**	**–883**

The decrease in cash inflow from the Group's operating activities was attributable in particular to higher tax payments, mainly relating to the tax reform in the USA. The decrease was exacerbated by the increase in working capital over the twelve-month period, primarily reflecting the slight increase in inventories held by the Automotive, Motorcycles and Financial Services segments.

Total cash outflow from the Group's investing activities was slightly down on the previous year. Lower cash outflows for investments in property, plant and equipment and intangible assets (€875 million decrease) contrasted with higher net cash outflows for investments in financial assets (€761 million increase), the latter relating primarily to the acquisition of the YOUR NOW companies (cash outflow of €890 million). The higher dividend received from BMW Brilliance Automotive Ltd., Shenyang (€259 million increase), also had a positive impact.

The amount of cash inflow from the Group's financing activities resulted mainly from the higher volume of asset-backed securities financing, while the repayment of loans had an offsetting effect.

Refinancing

A broad range of instruments on international money and capital markets is used to refinance Group operations worldwide. The funds raised are used almost exclusively to finance the BMW Group's Financial Services business.

The overall objective of Group financing is to ensure the solvency of the BMW Group at all times, focusing on three areas:

1. The ability to act through permanent access to strategically important capital markets

2. Autonomy through the diversification of refinancing instruments and investors

3. Focus on value through the optimisation of financing costs

Financing measures undertaken at corporate level ensure access to liquidity for the Group's operating subsidiaries at standard market conditions and consistent credit terms. Funds are acquired in line with a target liability structure, comprising a balanced mix of financing instruments. The use of longer-term instruments to fund the Group's Financial Services business and the maintenance of a sufficiently high liquidity reserve serves to avoid the liquidity risk in the portfolio. This conservative financial approach also helps the Group's rating. Further information is provided in the section Liquidity risks within the "Report on Outlook, Risks and Opportunities".

On account of its good ratings and the high level of acceptance it enjoys on capital markets, the BMW Group was again able to refinance operations at favourable conditions on debt capital markets during the financial year 2019. In addition to bonds, loan notes and private placements, the Group also issued commercial paper. As in previous years, all issues were in high demand, not only from private investors but also from institutional investors in particular. In addition, retail customer and dealership financing receivables as well as rights and obligations from leasing contracts are securitised in the form of asset-backed securities (ABS) financing arrangements. Specific banking instruments, such as customer deposits held by the Group's own banks in Germany and the USA, are also deployed for financing purposes. In addition, loans are also taken from international banks.

In 2019, the BMW Group issued three euro benchmark bonds on the European capital market with a total issue volume of €6.8 billion, as well as bonds on the US capital market with a total issue volume of USD 5.0 billion. Bonds were also issued in British pounds, Canadian dollars, Swiss francs and Norwegian krone for a total amount of €2.0 billion. Private placements totalling €4.4 billion were also issued, including, for the first time, so-called "Panda bonds" for an amount of 9.5 billion Chinese renminbi.

A total of 13 public ABS transactions were executed in 2019, including five in China, two each in Japan, the USA and Germany, and one each in Canada and South Africa with a total volume equivalent to €7.7 billion. Further funds were also raised via new and prolonged ABS conduit transactions in Japan, UK, Germany and Australia with a total volume equivalent to €5.6 billion. Other transactions remain in place in Germany, Switzerland and South Africa, amongst others.

The following table provides an overview of amounts utilised at 31 December 2019 in connection with the BMW Group's money and capital market programmes:

Programme	Programme framework	Amount utilised*
in € billion		
Euro Medium Term Notes	50.0	40.4
Australian Medium Term Notes	1.6	–
Commercial Paper	13.4	2.6

* Measured at exchange rates at the relevant transaction dates.

At 31 December 2019, liquidity remained at a solid level of €17.4 billion.

The BMW Group also has access to a syndicated credit line, which was newly agreed upon in July 2017. The syndicated credit line of €8 billion has a term up to July 2024 and is being made available by a consortium of 44 international banks. The credit line was not being utilised at 31 December 2019.

→ see notes 31, 35 and 39

Further information with respect to financial liabilities is provided in → notes 31, 35 and 39 to the Group Financial Statements.

Net assets of the BMW Group

BMW Group condensed balance sheet at 31 December

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in € million	Group 2019	2018[1]	Change in %	Currency-adjusted change[2] in %	Proportion of balance sheet total in % 2019
ASSETS					
Intangible assets	11,729	10,971	6.9	6.8	5.1
Property, plant and equipment	23,245	19,801	17.4	16.5	10.2
Leased products	42,609	38,259	11.4	9.9	18.7
Investments accounted for using the equity method	3,199	2,624	21.9	22.0	1.4
Other investments	703	739	–4.9	–7.0	0.3
Receivables from sales financing	92,437	87,013	6.2	4.0	40.5
Financial assets	7,325	7,685	–4.7	–5.0	3.2
Deferred and current tax	3,403	3,016	12.8	9.8	1.5
Other assets	12,939	10,596	22.1	20.7	5.7
Inventories	15,891	14,248	11.5	10.2	7.0
Trade receivables	2,518	2,546	–1.1	–1.8	1.1
Cash and cash equivalents	12,036	10,979	9.6	9.1	5.3
Assets held for sale	–	461	–	0.0	0.0
Total assets	**228,034**	**208,938**	**9.1**	**7.6**	**100.0**
EQUITY AND LIABILITIES					
Equity	59,907	57,829	3.6	1.4	26.3
Pension provisions	3,335	2,330	43.1	42.4	1.5
Other provisions	13,209	11,401	15.9	15.0	5.7
Deferred and current tax	1,595	2,931	–45.6	–47.5	0.7
Financial liabilities	116,740	103,597	12.7	11.5	51.2
Trade payables	10,182	9,669	5.3	4.5	4.5
Other liabilities	23,066	21,119	9.2	7.5	10.1
Liabilities in conjunction with assets held for sale	–	62	–	0.0	0.0
Total equity and liabilities	**228,034**	**208,938**	**9.1**	**7.6**	**100.0**

[1] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.
[2] The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year figures.

The balance sheet total of the BMW Group was significantly higher than at the end of the previous financial year. Currency impacts from the British pound, the US dollar, the Canadian dollar and the Thai baht contributed to this increase.

The sharp rise in property, plant and equipment compared to one year earlier was mainly attributable to the recognition of right-of-use assets in accordance with IFRS 16, as a result of which property, plant and equipment increased by €2.8 billion. In addition, substantial amounts were invested to develop the product portfolio.

Leased products went up significantly year-on-year on the back of leasing portfolio growth in various countries, including Germany and the USA.

Inventories also increased significantly compared to the previous year due to the build-up of inventories of higher-value vehicles such as the BMW X5 and X7 models. Higher inventories of raw materials and supplies also contributed to the rise, partly reflecting the higher purchase price of some precious metals, especially palladium.

Receivables from sales financing increased solidly over the twelve-month period, mainly due to larger credit financing volumes in the UK and China. A total of 1,320,656 new credit financing contracts with retail customers were signed during the financial year 2019. Compared to the end of the previous financial year, the contract portfolio with dealers and retail customers under management grew by 4.5 % to 4,064,561 contracts.

Group equity rose slightly by €2,078 million to €59,907 million, increased primarily by the profit of €4,915 million attributable to shareholders of BMW AG and decreased by the dividend payment of €2,303 million. The reduction in the equity ratio reflected the fact that – due to the effects described above – the balance sheet total rose at a faster rate than equity. The adoption of IFRS 16 therefore only had a limited impact on the equity ratio.

BMW Group equity ratio

→ 37

in %	31.12.2019	31.12.2018*	Change in %pts
Group	26.3	27.7	–1.4
Automotive segment	35.5	41.0	–5.5
Financial Services segment	9.9	10.1	–0.2

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements.

Pension provisions increased significantly compared to the end of the financial year 2018, with lower discount rates in Germany and the UK in particular contributing to the rise.

Other provisions increased markedly year-on-year due to the provision recognised in conjunction with ongoing EU Commission antitrust proceedings. Further information is provided in → note 10 to the Group Financial Statements.

→ see note 10

Financial liabilities were significantly higher than at the end of the previous financial year, mainly as a result of new bonds issued. This also includes the 144A bond in the USA and the first Panda bond placed on the Chinese capital market.

Overall, the results of operations, financial position and net assets position of the BMW Group remained stable during the year under report.

Value added statement

The value added statement shows the value of work performed by the BMW Group during the financial year, less the value of work bought in. Depreciation and amortisation, cost of materials, and other expenses are treated as bought-in costs in the value added calculation. The allocation statement applies value added to each of the participants involved in the value added process. The bulk of the net value added benefits employees. The remaining proportion in the Group is retained to finance future operations. The gross value added amount treats depreciation as a component of value added which, in the allocation statement, would be treated as internal financing.

Net valued added by the BMW Group remained at a high level in the financial year 2019.

BMW Group value added statement

→ 38

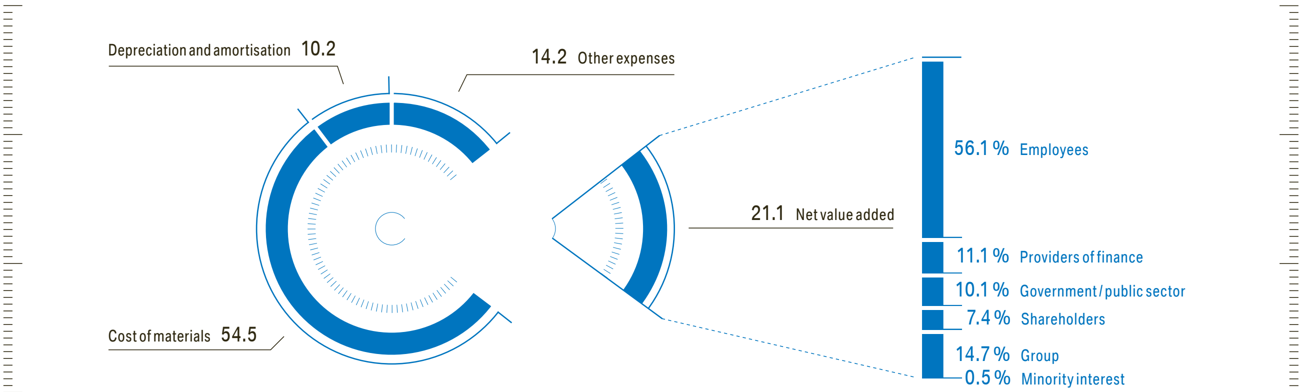
	2019 in € million	2019 in %	2018[1] in € million	2018[1] in %	Change in %
WORK PERFORMED					
Revenues	104,210	99.0	96,855	98.2	7.6
Financial income	–22	0.0	988	1.0	–
Other income	1,031	1.0	774	0.8	33.2
Total output	**105,219**	**100.0**	**98,617**	**100.0**	**6.7**
Cost of materials[2]	57,358	54.5	53,132	53.9	8.0
Other expenses	14,923	14.2	12,342	12.5	20.9
Bought-in costs	**72,281**	**68.7**	**65,474**	**66.4**	**10.4**
Gross value added	**32,938**	**31.3**	**33,143**	**33.6**	**–0.6**
Depreciation and amortisation of total tangible, intangible and investment assets	10,749	10.2	8,601	8.7	25.0
Net value added	**22,189**	**21.1**	**24,542**	**24.9**	**–9.6**
ALLOCATION					
Employees	12,451	56.1	12,479	50.8	–0.2
Providers of finance	2,466	11.1	2,266	9.2	8.8
Government / public sector	2,250	10.1	2,733	11.2	–17.7
Shareholders	1,646	7.4	2,303	9.4	–28.5
Group	3,269	14.7	4,671	19.0	–30.0
Minority interest	107	0.5	90	0.4	18.9
Net value added	**22,189**	**100.0**	**24,542**	**100.0**	**–9.6**

[1] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.
[2] Cost of materials comprises all primary material costs incurred for vehicle production plus ancillary material costs (such as customs duties, insurance premiums and freight).

BMW Group value added 2019

→ 39

in %



Results of operations by segment

BMW Group revenues by segment

→ 40

in € million	2019	2018[1]	Change in %	Currency adjusted change[2] in %
Automotive	91,682	85,846	6.8	5.2
Motorcycles	2,368	2,173	9.0	8.1
Financial Services	29,598	27,705	6.8	4.6
Other Entities	5	6	–16.7	–18.0
Eliminations	–19,443	–18,875	–3.0	0.1
Group	**104,210**	**96,855**	**7.6**	**6.1**

BMW Group profit / loss before tax by segment

→ 41

in € million	2019	2018[1]	Change in %
Automotive	4,467	6,977	–36.0
Motorcycles	187	169	10.7
Financial Services	2,272	2,143	6.0
Other Entities	–96	–45	–
Eliminations	288	383	–24.8
Group	**7,118**	**9,627**	**–26.1**

BMW Group margins by segment

→ 42

in %	2019	2018[1]	Change in %pts
Automotive			
Gross profit margin	14.9	16.2	–1.3
EBIT margin	4.9	7.2	–2.3
Motorcycles			
Gross profit margin	19.3	20.0	–0.7
EBIT margin	8.2	8.1	0.1

[1] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.
[2] The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year figures.

REVIEW OF OPERATIONS

Automotive Segment

Automobile deliveries at record level

The BMW Group delivered a total of 2,538,367[1] BMW, MINI and Rolls-Royce brand automobiles in 2019, thereby setting a new record for the total number of deliveries to customers (2018: 2,483,292[1,2] units; +2.2 %).

Volumes also developed well for each of the Group's brands. The BMW brand achieved a new high to date, with 2,185,793[1] units (2018: 2,114,963[1,2] units; +3.3 %) delivered to customers. MINI remained slightly below the previous year's figure, with 347,474 units delivered worldwide (2018: 364,135[2] units; –4.6 %). Rolls-Royce Motor Cars exceeded the 5,000-unit threshold for the first time, with 5,100 vehicles handed over to customers (2018: 4,194[2] units; +21.6 %). This significant increase also represents a new record for the ultra-luxury marque.

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612 units, 2018: 455,581 units).

As foreseen in the outlook for the financial year 2019, Automotive segment deliveries increased slightly and were therefore in line with expectations.

The ongoing electrification of the product range is also having a significant impact. As targeted, the BMW Group finished the year with half a million electrified vehicles on roads across the globe. The broad range of electrified vehicles on offer is ideally suited to meeting customer needs and constitutes an important aspect of the BMW Group's contribution to effective climate protection.

Fleet carbon dioxide (CO_2) emissions[3] at previous year's level

CO_2 emissions from fleet vehicles delivered in Europe in 2019 amounted to 127 g CO_2/km (2018: 128 g CO_2/km; – 0.8 %) and were therefore at the previous year's level. The original forecast predicted a slight decrease. The lower proportion of diesel-powered vehicles delivered in 2019 meant that no further reduction in fleet CO_2 emissions was achieved compared to the previous year.

[3] EU-28

Deliveries up in Asia and in the Americas, slightly down in Europe

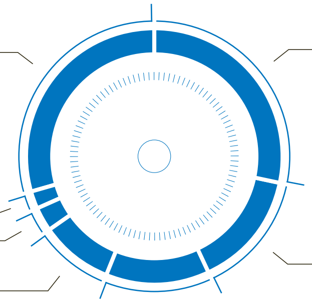
Deliveries of BMW Group automobiles in Asia rose by a solid 6.8 % in 2019. In total, 930,085[1] BMW, MINI and Rolls-Royce brand vehicles (2018: 871,181[1,2] units) were delivered to customers in this region. Figures for China developed very positively, rising to 724,733[1] units (2018: 635,813[1,2] units; +14.0 %).

The BMW Group's performance in Europe was held down by a number of factors, in particular due to the prevalence of political uncertainty in a number of countries. At 1,083,669 units, deliveries of the Group's three brands decreased marginally year-on-year (2018: 1,097,117[2] units; –1.2 %). Contrary to this broader trend, business in Germany developed positively, with a total of 330,507 units delivered, 6.4 % up on the previous year (2018: 310,576[2] units). In the UK, volumes fell slightly year-on-year to 233,780 units (2018: 236,752[2] units; –1.3 %), not least due to uncertainty regarding Brexit.

On the American continent, business conditions were characterised by growing competition within a declining market. With 472,904 units delivered, the BMW Group nevertheless exceeded the previous year's figure (2018: 457,095[2] units; +3.5 %). Sales figures for the Group's three brands in the USA were solidly up year-on-year, with 375,751 units delivered (2018: 355,373[2] units; +5.7 %). The BMW Group also ended 2019 as the leading premium automobile manufacturer in the USA.

BMW Group – key automobile markets 2019
→ 43

as a percentage of deliveries



[2] Delivery figures have been adjusted retrospectively going back to 2015. The basis for the adjustments is a review of sales data in prior periods for the BMW Group's most important markets (China, USA, Germany, UK, Italy and Japan). The retrospective adjustment enables better comparability. Additional information can be found in the section "Comparison of Forecasts for 2019 with Actual Results in 2019".

BMW Group deliveries of vehicles by region and market[1]

→ 44

in 1,000 units	2019	2018	2017	2016	2015
Europe	1,083.7	1,097.1	1,103.2	1,091.9	1,003.1
thereof Germany	330.5	310.6	296.5	298.5	287.4
thereof UK	233.8	236.8	242.4	252.4	232.3
Americas	472.9	457.1	456.1	453.4	503.9
thereof USA	375.8	355.4	358.8	359.5	413.8
Asia[2]	930.1	871.2	847.5	739.4	685.5
thereof China[2]	724.7	635.8	595.0	508.8	465.8
Other markets	51.7	57.9	61.9	67.8	65.3
Total[2]	**2,538.4**	**2,483.3**	**2,468.7**	**2,352.4**	**2,257.9**

[1] Delivery figures have been adjusted retrospectively going back to 2015. The basis for the adjustments is a review of sales data in prior periods for the BMW Group's most important markets (China, USA, Germany, UK, Italy and Japan). The retrospective adjustment enables better comparability. Additional information can be found in the section "Comparison of Forecasts for 2019 with Actual Results in 2019".
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612 units, 2018: 455,581 units, 2017: 385,705 units, 2016: 311,473 units, 2015: 281,357 units).

BMW[2] brand achieves new volume record

BMW brand deliveries rose by 3.3 % to 2,185,793 units in 2019, reaching a new record level for the ninth year in succession (2018: 2,114,963[1] units). The models of the BMW X family, the BMW i3, the new BMW Z4 and the new BMW 8 Series all made positive contributions to the overall growth. Moreover, the X1 and X5 (both from the BMW X family) as well as the BMW Z4 were all global market leaders in their own segments. The BMW i3 continues to perform well as a highly successful model for mobility in metropolitan areas.

At 359,211 units, sales of the BMW 3 Series were slightly down on the previous year (2018: 364,347[1] units; –1.4 %), partially influenced by model changes to the Sedan in March and the Touring in September. Moreover, the new extended-wheelbase version has only been available in China since June 2019. The launch of the new models helped boost deliveries, particularly during the final quarter, resulting in double-digit volume growth. Between October and December 2019, the BMW Group delivered 106,155 units of the BMW 3 Series worldwide, 20.6 % more than in the previous year (2018: 87,987[1] units). Worldwide deliveries of the BMW 5 Series fell to 353,268 units (2018: 381,749[1] units; –7.5 %). The new BMW Z4, which has been available since March 2019, enjoyed strong demand during the period under report (2019: 15,827 units). Sales figures for the new BMW 8 Series also developed very encouragingly and had totalled 12,219 units (2018: 923 units) by the end of the reporting period.

The BMW X family again benefited from strong demand in 2019. Worldwide deliveries of X family vehicles rose to 963,994 units, a significant 22.3 % year-on-year increase (2018: 788,063[1] units). A significant contribution to this growth was made by the highly successful BMW X3 model, deliveries of which rose by more than one-half to 316,883 units (2018: 200,151[1] units; +58.3 %) due to the full availability of the model produced in China. Deliveries of the BMW X2 (91,812 units; 2018: 66,792[1] units; +37.5 %) and the X4 (61,598 units; 2018: 46,894[1] units; +31.4 %) increased by around one-third. At 165,537 units, deliveries of the BMW X5 once again exceeded the previous year's very high level (2018: 155,134[1] units; +6.7 %). The positive resonance identified around the market launch of the new X7, which has been available since March 2019, was also reflected in its subsequent sales performance (2019: 39,924 units; 2018: 15 units).

Deliveries of BMW vehicles by model variant[1,2]

→ 45

in units	2019	2018	Change in %	Proportion of BMW sales volume 2019 in %
BMW 1 Series	173,870	198,548	–12.4	8.0
BMW 2 Series	115,184	153,073	–24.8	5.3
BMW 3 Series	359,211	364,347	–1.4	16.4
BMW 4 Series	74,238	108,376	–31.5	3.4
BMW 5 Series	353,268	381,749	–7.5	16.2
BMW 6 Series	25,181	26,244	–4.1	1.2
BMW 7 Series	50,552	56,208	–10.1	2.3
BMW 8 Series	12,219	923	–	0.6
BMW Z4	15,827	85	–	0.7
BMW X1	266,124	283,709	–6.2	12.2
BMW X2	91,812	66,792	37.5	4.2
BMW X3	316,883	200,151	58.3	14.5
BMW X4	61,598	46,894	31.4	2.8
BMW X5	165,537	155,134	6.7	7.6
BMW X6	22,116	35,368	–37.5	1.0
BMW X7	39,924	15	–	1.8
BMW i	42,249	37,347	13.1	1.9
BMW total	**2,185,793**	**2,114,963**	**3.3**	**100.0**

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612 units, 2018: 455,581 units).
[2] Delivery figures have been adjusted retrospectively going back to 2015. The basis for the adjustments is a review of sales data in prior periods for the BMW Group's most important markets (China, USA, Germany, UK, Italy and Japan). The retrospective adjustment enables better comparability. Additional information can be found in the section "Comparison of Forecasts for 2019 with Actual Results in 2019".

BMW model range significantly expanded

A total of 12 new BMW models, including four M models, were launched during 2019. Two model revisions were also brought to market during the same period. March saw the launch of the seventh-generation BMW 3 Series Sedan, the new BMW 8 Series Convertible, the BMW Z4 Roadster and the BMW X7. In the same month, the BMW 7 Series became available across the dealer organisation following an extensive model revision. In summer, the extended-wheelbase version of the 3 Series Sedan went on sale in China. In autumn, BMW launched successor models for the 3 Series Touring and the 1 Series. The new BMW 8 Series Gran Coupé also became available in autumn 2019.

[3] Fuel consumption and CO_2 emissions information are available on page 70.

BMW M achieves record result[3]

With 136,173 units delivered during the twelve-month period, BMW M GmbH achieved the best result to date in its almost 50-year history (2018: 103,580[2] units; +31.5 %), ensuring it a leading market position among the providers in its competitive field.

The addition of the new X3 M and X4 M as well as the first two M8 models significantly extends the range of vehicles offered by the BMW Group subsidiary. All new models are now immediately available at market launch as competition models with more powerful engines. In addition to the X models (X3 M, X4 M, X5 M and X6 M), the BMW M2 CS and – within the luxury class – the M8 Coupé, M8 Convertible and M8 Gran Coupé all made their débuts during the year under report. 2019 thus saw the launch of the largest number of BMW M models to date.

MINI down on previous year

In 2019, due to external factors, the MINI brand was not quite able to match the high level of deliveries achieved one year earlier. In particular, Brexit-driven uncertainty and intense competition in the small and compact car segment played a significant role. Nevertheless, thanks to its underlying strength in numerous markets, the MINI brand managed to grow its overall share in the highly competitive premium segment.

At 347,474 units, MINI brand deliveries worldwide were slightly down year-on-year (2018: 364,135[1] units; – 4.6 %). The MINI Countryman nearly reached the 100,000 unit mark again (98,845 units; 2018: 99,594[1] units; – 0.8 %). However, partly due to the decisive contribution made by the popular plug-in hybrid model, it nevertheless remained a cornerstone for the MINI brand. The MINI Hatch (3- and 5-door) achieved a volume of 177,560 units (2018: 184,008[1] units; – 3.5 %).

The revised model of the MINI Clubman was also launched during the year under report. The MINI Convertible remains the world's best-selling vehicle of its kind. The John Cooper Works brand also continues to enjoy strong demand.

Deliveries of MINI vehicles by model variant[1]

→ 46

in units	2019	2018	Change in %	Proportion of MINI sales volume 2019 in %
MINI Hatch (3- and 5-door)	177,560	184,008	– 3.5	51.2
MINI Convertible	30,384	32,738	– 7.2	8.7
MINI Clubman	40,685	47,795	– 14.9	11.7
MINI Countryman	98,845	99,594	– 0.8	28.4
MINI total	**347,474**	**364,135**	**– 4.6**	**100.0**

Rolls-Royce looks back on successful year

In 2019, Rolls-Royce Motor Cars surpassed the 5,000 threshold for the first time in over 100 years of corporate history, also setting a new record with 5,100 deliveries worldwide (2018: 4,194[1] units; + 21.6 %). The new Rolls-Royce Cullinan[2], which has been available to customers since the end of 2018, made a major contribution to this performance (2,508 units; 2018: 544[1] units).

One of the key factors for the success of Rolls-Royce Motor Cars is its bespoke range. At Rolls-Royce, the term bespoke refers to equipment configurations with which the vehicles are highly individualised in accordance with customer requirements. The result is the creation of unique vehicles that secure Rolls-Royce Motor Cars an outstanding position in the luxury segment.

The product range also includes Black Badge variants of the Dawn, Ghost, Wraith and Cullinan models. In addition to bespoke equipment options, the Black Badge vehicles also offer more powerful engine performance.

Deliveries of Rolls-Royce vehicles by model variant[1]

→ 47

in units	2019	2018	Change in %
Phantom[2]	604	831	– 27.3
Ghost	662	1,003	– 34.0
Wraith / Dawn	1,326	1,816	– 27.0
Cullinan[2]	2,508	544	–
Rolls-Royce total	**5,100**	**4,194**	**21.6**

[1] Delivery figures have been adjusted retrospectively going back to 2015. The basis for the adjustments is a review of sales data in prior periods for the BMW Group's most important markets (China, USA, Germany, UK, Italy and Japan). The retrospective adjustment enables better comparability. Additional information can be found in the section "Comparison of Forecasts for 2019 with Actual Results in 2019".
[2] Fuel consumption and CO_2 emissions information are available on page 70.

Deliveries of electrified automobiles up on previous year

At the end of the year under report, the BMW Group's vehicle portfolio included 11 all-electric or electrified models in various segments. These models are sold on more than 70 markets around the world, underlining the BMW Group's leading position worldwide in terms of combined deliveries of all-electric and plug-in hybrid vehicles as well as being market leader in Germany.

Worldwide deliveries of electrified BMW and MINI brand vehicles in 2019 totalled 146,160 units (2018: 142,385[1] units; + 2.7 %). The number of BMW plug-in hybrid vehicles delivered was influenced by the 3 Series and X5 model changes as well as by the launch of the X3 in autumn 2019. The total of 86,947 BMW hybrid drive vehicles delivered to customers during the period under report was down on the very high figure achieved one year earlier (2018: 91,759[1] units; – 5.2 %). The new models helped generate a positive trend in the fourth quarter of 2019, as sales of hybrid-drive BMW vehicles during the final three months of the year increased significantly by 16.1 % to 33,250 units (2018: 28,649[1] units). Over the twelve-month period, the BMW i3 recorded a 14.1 % increase in worldwide deliveries to 39,501 units (2018: 34,623[1] units). The electrified MINI Countryman[2] also benefited from strong demand, with 16,964 units delivered to customers during the period under report (2018: 13,279[1] units; + 27.8 %).

Deliveries of electrified models[1]

→ 48

in units	2019	2018	Change in %
BMW i	42,249	37,347	13.1
BMW e	86,947	91,759	– 5.2
MINI Electric	16,964	13,279	27.8
Total	**146,160**	**142,385**	**2.7**

[1] Delivery figures have been adjusted retrospectively going back to 2015. The basis for the adjustments is a review of sales data in prior periods for the BMW Group's most important markets (China, USA, Germany, UK, Italy and Japan). The retrospective adjustment enables better comparability. Additional information can be found in the section "Comparison of Forecasts for 2019 with Actual Results in 2019".

[2] Fuel consumption and CO_2 emissions information are available on page 70.

Greater choice of electrified vehicles[2]

During the current financial year, BMW will launch three further models featuring hybrid technology, namely the BMW X1, the X2 and the BMW 3 Series Touring. Two additional all-electric models will be added with the MINI Cooper SE and the BMW iX3. The BMW Group is consciously focusing on battery electric vehicles (BEV) and plug-in hybrid technologies (PHEV). Flexible platforms are being used to cover varying regional customer requirements, enabling buyers to select the drivetrain system best suited to their mobility requirements.

The BMW Vision iNEXT was showcased in 2019 with the aim of providing a preview of tomorrow's mobility. The vehicle embodies the fusion of electric and autonomous driving as well as next-level connectivity.

Segment revenues at record level, earnings negatively impacted by provision

The Automotive segment recorded a solid year-on-year increase in revenues. Alongside positive currency effects, the main influencing factor was the product mix effect generated by increased deliveries of the X7 and the BMW 8 Series, which were launched in 2019, the X4, the X5, and the Rolls-Royce Cullinan, all of which were available for the full twelve-month period in 2019. Growth in after-sales business due to the increased size of the global vehicle fleet also had a positive impact on revenues. In the previous year, revenues were also negatively impacted by the high level of competition caused by the reaction of competitors to the early implementation of WLTP regulations as well as the tougher market situation triggered by trade conflicts. The rejuvenation of the product portfolio has also helped the segment to achieve higher prices.

Segment cost of sales increased moderately compared to the previous year. This was mainly due to higher manufacturing costs driven by stricter regulatory requirements (especially in relation to the reduction of fleet emissions), negative currency effects and higher raw material prices (particularly for palladium and rhodium). The increase in research and development expenses described above also had a negative impact. Warranty expenses increased mainly as a result of allocations to provisions in light of local changes to legislation as well as additional allocations to provisions in individual markets.

The net amount of other operating income and expenses deteriorated from a positive amount of €134 million to negative €1,359 million year-on-year, mainly due to the provision recognised for the EU Commission's antitrust proceedings referred to above. Further information is provided in → note 10 to the Group Financial Statements.

→ see note 10

The EBIT margin came in at 4.9 % (2018: 7.2 %; – 2.3 percentage points). As forecast in the Quarterly Statement to 30 September 2019 the EBIT margin was within the target range of 4.5 to 6.5 % and therefore in line with revised expectations. In the Annual Report 2018, the segment EBIT margin was forecast to be within the target range of 6 to 8 %.

The Automotive segment's financial result finished at a net negative amount of €32 million, significantly down on the previous year (2018: net positive amount €795 million). The deterioration mainly reflected the negative impact of the result from equity-accounted investments on the one hand and other financial result on the other (the latter excluding the revaluation losses recognised on interest rate hedges), in both cases described above in the analysis of the Group's results of operations. Profit before tax for the year was significantly lower than one year earlier.

The Automotive segment's RoCE in 2019 fell significantly to 29.0 % (2018: 49.8 %; – 20.8 percentage points), mainly due to the lower EBIT. Other factors with a negative impact on RoCE were the increase in capital employed due to the first-time recognition of right-of-use assets in accordance with IFRS 16 and the higher level of capital expenditure, particularly in conjunction with the development of the product portfolio.

The long-term target RoCE of at least 26 % for the Automotive segment was slightly exceeded. As forecast in the outlook for the financial year 2019, RoCE decreased significantly and was therefore in line with expectations.

Free cash flow for the Automotive segment was as follows:

Free cash flow Automotive segment

→ 49

in € million	2019	2018	Change
Cash inflow (+) / outflow (–) from operating activities	9,690	9,352	338
Cash inflow (+) / outflow (–) from investing activities	– 7,165	– 6,769	– 396
Adjustment for net investment in marketable securities and investment funds	42	130	– 88
Free cash flow Automotive segment	**2,567**	**2,713**	**– 146**

The change in working capital included in the cash inflow from operating activities resulted mainly from the higher level of inventories and was offset by a decrease in trade payables. Following the adoption of IFRS 16, lease payments are included in cash flows from financing activities, giving rise to a positive effect of €470 million. The increase in cash outflow from investing activities mainly reflected the changes described in the Group Cash Flow Statement with respect to investments in property, plant and equipment and intangible assets, financial assets and dividends received. The liquidation of a Group company in the previous financial year also had a negative effect.

In the Automotive segment, net financial assets comprised the following:

Net financial assets Automotive segment

→ 50

in € million	2019	2018	Change
Cash and cash equivalents	9,077	8,631	446
Marketable securities and investment funds	4,470	4,321	149
Intragroup net financial assets	7,784	7,694	90
Financial assets	**21,331**	**20,646**	**685**
Less: external financial liabilities*	–3,754	–1,158	–2,596
Net financial assets Automotive segment	**17,577**	**19,488**	**–1,911**

* Excluding derivative financial instruments.

The increase in external financial liabilities was mainly attributable to the recognition of lease liabilities according to IFRS 16 amounting to €2.8 billion. Further information is provided in → note 6 to the Group Financial Statements.

→ see note 6

BMW Group fuel consumption and CO_2 emissions information

→ 51

Model	Fuel consumption in l / 100 km (combined)	CO_2 emissions in g / km (combined)	Electric power consumption in kWh / 100 km (combined)
BMW GROUP ELECTRIFIED MODELS			
BMW iX3	0	0	< 20[1]
BMW X1 xDrive25e	1.9	43	13.8
BMW X2 xDrive25e	2.1 – 1.9	47 – 43	14.2 – 13.7[2]
BMW 330e Touring	2.1 – 1.7	48 – 39	19.4 – 15.7[2]
BMW 330e xDrive Touring	2.5 – 2.0	56 – 46	22.3 – 17.8[2]
MINI Cooper SE Countryman ALL4	2.1 – 1.9	47 – 43	13.9 – 13.5
MINI Cooper SE	0	0	16.8 – 14.8
BMW			
BMW X3 M	10.5	239	
BMW X4 M	10.6 – 10.5	240 – 239	
BMW X5 M	13	296	
BMW X6 M Competition	12.7	289	
BMW M8 Competition Coupé	10.6	242	
BMW M8 Competition Convertible	10.8	246	
BMW M8 Competition Gran Coupé	10.7	244	
BMW M2 CS	10.4 – 9.6	238 – 219	
ROLLS-ROYCE			
Cullinan	14.5	330 – 328	

[1] Provisionary data based on WLTP.
[2] Provisionary data.

Motorcycles Segment

Solid increase in motorcycle deliveries

With the delivery of 175,162 units in 2019, the Motorcycles segment exceeded the previous year's figure by 5.8 %, marking a new record for the ninth consecutive year (2018: 165,566 units).

As anticipated in the outlook for the financial year 2019, the Motorcycles segment achieved a solid increase in deliveries and was therefore in line with expectations.

Deliveries up in nearly all markets

The number of motorcycles sold in Europe rose by 7.0 % to 104,994 units (2018: 98,144 units). Deliveries in Germany increased by 10.4 % to 26,292 units (2018: 23,824 units). Growth rates in Italy (15,580 units, 2018: 14,110 units; +10.4 %) and Spain (12,607 units, 2018: 11,124 units; +13.3 %) were also up on a double-digit scale year-on-year. In France, motorcycle deliveries grew slightly by 4.1 % to 17,300 units (2018: 16,615 units). The only year-on-year decline occurred in the USA, where – within a declining market – BMW Motorrad saw deliveries fall slightly to 13,379 units (2018: 13,842 units; – 3.3 %). A particularly sharp rise of 36.7 % was recorded for Brazil, where, for the first time, more than 10,000 BMW motorcycles were sold in a single year (10,064 units; 2018: 7,361 units).

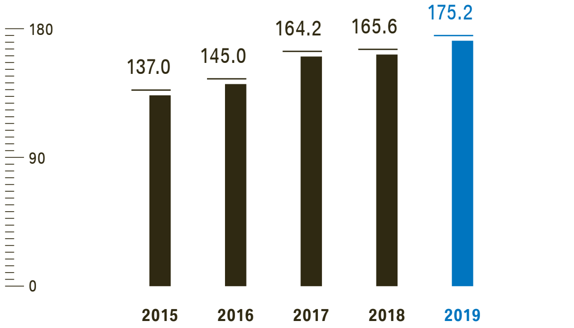
Model range further rejuvenated

BMW Motorrad introduced four new and two revised models during the period under report. In February 2019, it launched three new models – the F 850 GS Adventure (Adventure segment) and the C 400 X and the C 400 GT (Urban Mobility segment). These were followed by the revised R 1250 R (Roadster segment) in April and the new S 1000 RR (Sport segment) in July. The revised version of the R 1250 RS (Sport segment) has been available to customers since September.

Numerous other new models and concept studies were also presented during the year under report. The Concept R18 was unveiled at the Concorso d'Eleganza Villa d'Este – a new interpretation of BMW Motorrad classics. The special limited edition of the R nine T/5 model was presented during the BMW Motorrad Days event. At the International Motorcycle Fair in Milan (EICMA), customers had the opportunity to familiarise themselves with the new models F 900 R (Roadster segment), F 900 XR and S 1000 XR (Adventure segment) and the Concept Study R18/2, a modern interpretation of a dynamic, high-performance cruiser.

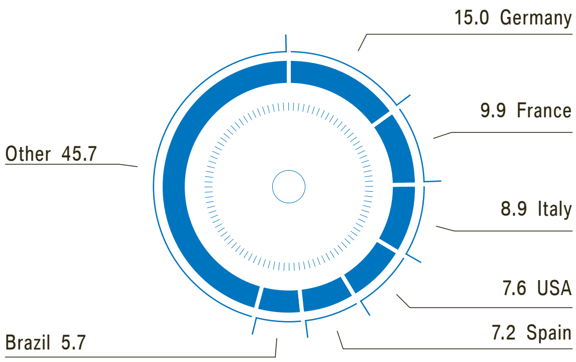
BMW Group deliveries of motorcycles
→ 52

in 1,000 units



BMW Group – key motorcycle markets 2019
→ 53

as a percentage of sales volume



Strong segment performance

The Motorcycles segment also recorded solid year-on-year revenue growth. In addition to the higher number of units delivered, product mix and currency effects also had a positive impact on the performance in 2019.

The segment EBIT margin edged up to 8.2 % (2018: 8.1 %; + 0.1 percentage points) and therefore within the range of 8 to 10 % forecast in the Annual Report 2018.

Profit before tax for the twelve-month period was significantly higher than one year earlier.

The return on capital employed (RoCE) for the Motorcycles segment in 2019 increased slightly to 29.4 % (2018: 28.4 %; +1.0 percentage points), mainly due to the higher level of EBIT. In the most recent outlook provided in the Quarterly Statement to 30 September 2019, a solid increase was still being forecast. The deviation in this case was due to the higher amount of capital employed. The long-term target RoCE of 26 % for the Motorcycles segment continued to be surpassed.

Financial Services Segment

Successful financial year for the Financial Services segment

The Financial Services segment performed strongly in 2019 within a challenging, volatile environment. Segment profit before tax rose by 6.0 % to a record level of €2,272 million (2018[1]: €2,143 million).

In balance sheet terms, business volume grew by 7.3 % to stand at €142,834 million (2018[1]: €133,147 million). The contract portfolio under management at 31 December 2019 comprised 5,973,682 contracts, therefore growing slightly by 4.7 % year-on-year (2018: 5,708,032 contracts).

More than two million new contracts concluded

Thanks to its strong performance, the Financial Services segment surpassed the threshold of two million new customer contracts in a single year for the first time. In total, 2,003,782 credit financing and leasing contracts were concluded with retail customers during the period under report, a solid 5.0 % year-on-year increase (2018: 1,908,640 contracts). The biggest growth markets were China and the USA. While the number of new contracts grew slightly by 3.4 % in the credit financing line of business, the corresponding increase for leasing business was 8.2 %. Overall, leasing accounted for 34.1 % and credit financing for 65.9 % of new business.

In the pre-owned financing and leasing business for BMW and MINI brand vehicles, 398,144 new contracts were signed during the twelve-month period (2018: 396,610 contracts; + 0.4 %).

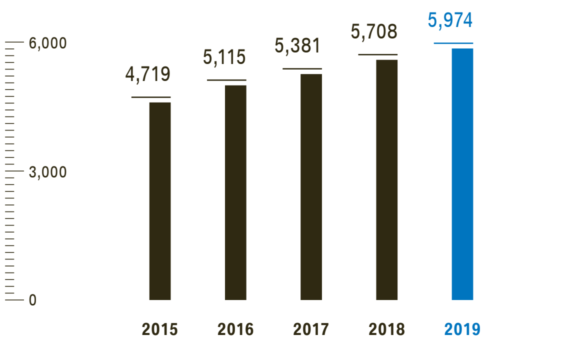
The total volume of new credit financing and leasing contracts concluded with retail customers amounted to €61,353 million, representing a solid year-on-year increase (2018: €55,817 million; + 9.9 %). Adjusted for currency factors, the increase was 7.9 %.

The proportion of new BMW Group vehicles either leased or financed by the Financial Services segment in the financial year 2019 amounted to 52.2 %[2], 2.1 percentage points up on the previous year (2018: 50.1 %), mainly due to growth in China and the USA.

The total portfolio of financing and leasing contracts with retail customers again developed positively in 2019, growing 4.8 % year-on-year. In total, 5,486,319 contracts were in place with retail customers at 31 December 2019 (2018: 5,235,207 contracts). The China region continued to record the fastest growth rate of all regions, significantly enlarging its contract portfolio by 19.8 % compared to one year earlier. The Europe/Middle East/Africa region (+ 5.6 %) and the EU Bank[3] (+ 4.0 %) grew year-on-year, while the total contract portfolio in the Americas region (+ 0.7 %) hovered around the previous year's level. The Asia/Pacific region saw a slight decrease in the volume of its contract portfolio (– 2.5 %).

Contract portfolio of Financial Services segment
→ 54

in 1,000 units



[1] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements.
In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

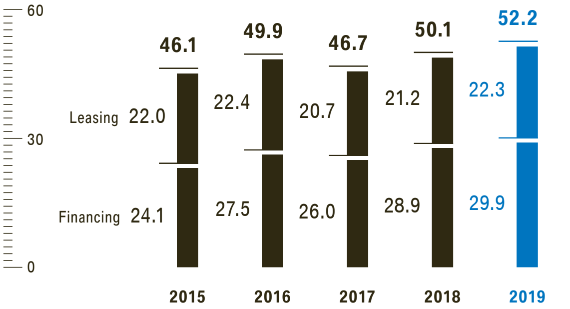
[2] The calculation only includes automobile markets in which the Financial Services segment is represented by a consolidated entity.

[3] With effect from the beginning of the fourth quarter of 2019, the EU Bank comprises BMW Bank GmbH and its branches in Italy, Spain and Portugal. The former subsidiary in France was transferred for organisational purposes to the Europe/Middle East/Africa region in conjunction with strategic realignments.

BMW Group new vehicles financed or leased by Financial Services segment[1,2]

→ 55

in %

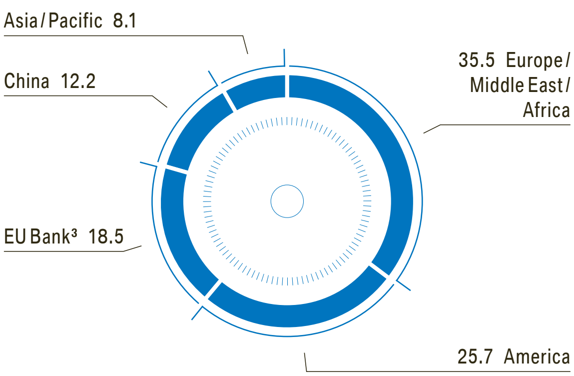


[1] Until 2015 excluding Rolls-Royce.
[2] Delivery figures have been adjusted retrospectively going back to 2015, as described in the section "Comparison of forecasts for 2019 with actual outcomes in 2019".

Contract portfolio retail customer financing of Financial Services segment 2019

→ 56

in % per region



[3] With effect from the beginning of the fourth quarter of 2019, the EU Bank comprises BMW Bank GmbH and its branches in Italy, Spain and Portugal. The former subsidiary in France was transferred for organisational purposes to the Europe / Middle East / Africa region in conjunction with strategic realignments.

Slight growth in fleet business

The BMW Group is one of Europe's foremost leasing and full-service providers. Under the brand name Alphabet, the Financial Services segment's fleet management business offers leasing and financing arrangements as well as specific services to commercial customers. The number of fleet contracts rose by 2.5 % during the financial year 2019. Included in the total contract portfolio with retail customers referred to above, the segment was thus managing a portfolio of 717,353 fleet contracts at the end of the reporting period (2018: 700,080 contracts).

Dealership financing slightly up on previous year

The total volume of dealership financing continued growing during the financial year 2019 to stand at €21,227 million at the end of the reporting period (2018: €20,438 million; + 3.9 %).

Financial Services segment posts record earnings

The Financial Services segment achieved a solid increase in revenues during the period under report on the back of portfolio growth, higher revenues from the sale of returned leasing vehicles, and favourable currency factors.

Cost of sales relating to Financial Services business increased by €1,849 million (2018: €24,089 million). Consistent with the development of revenues, the main factors for the increase were expenses associated with the sale of returned leasing vehicles as well as risk provisioning expenses driven by portfolio growth.

Profit before tax in the Financial Services segment rose by 6.0 %, representing a solid year-on-year increase.

As predicted in the Annual Report 2018, the 15.0 % return on equity generated by the Financial Services segment in 2019 was at a similar level to the previous year (2018: 14.8 %; + 0.2 percentage points) and exceeded the RoE target of at least 14 %.

Net cash inflows and outflows for the Financial Services segment were as follows:

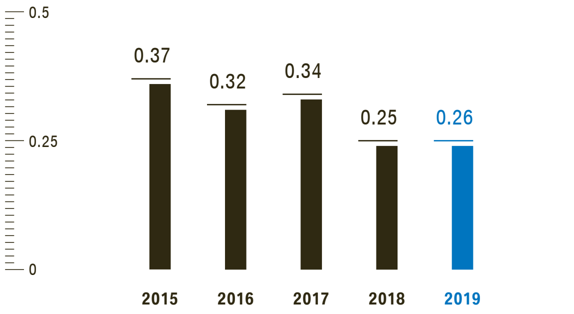
Net cash flows for the Financial Services segment
→ 57

in € million	2019	2018	Change
Cash inflow (+) / outflow (–) from operating activities	–5,345	–6,790	1,445
Cash inflow (+) / outflow (–) from investing activities	129	130	–1
Cash inflow (+) / outflow (–) from financing activities	5,300	6,793	–1,493
Net	**84**	**133**	**–49**

The decrease in cash outflow from the Financial Services segment's operating activities was mainly due to the higher profit before tax and the lower increase in receivables from sales financing compared to the previous year. Cash inflow from financing activities was mainly driven by the increase in asset-backed securities financing and the repayment of loans.

Development of credit loss ratio
→ 58

in %



Risk profile

Despite ongoing political and economic uncertainties, such as Brexit and trade disputes, the risk profile across the Financial Services segment's total portfolio remained stable at a low level.

The risk profile of the segment's credit financing portfolio also remained stable at a low level. The credit loss ratio on the total credit portfolio amounted to 0.26 % at 31 December 2019 and was therefore nearly unchanged compared to one year earlier (2018: 0.25 %). This figure comprises a credit loss ratio for leasing business of 0.15 % (2018: 0.14 %) and a credit loss ratio for financing business with retail customers of 0.41 % (2018: 0.38 %).

Further information on the risk situation is provided in the section Risks and Opportunities.

Other Entities Segment / Eliminations

Profit before tax recorded for the Other Entities segment and eliminations fell by €146 million. The significant drop was due in particular to revaluation losses (included in other financial result) arising on interest rate and currency hedges in connection with the refinancing of the Financial Services business. In addition, a sharp rise in the number of new operating lease contracts had a negative impact due to the elimination of margins relating to the leased products concerned.

COMMENTS ON FINANCIAL STATEMENTS OF BMW AG

Bayerische Motoren Werke Aktiengesellschaft (BMW AG), based in Munich, Germany, is the parent Company of the BMW Group. The comments on the BMW Group and Automotive segment provided in earlier sections apply to BMW AG, unless presented differently in the following section. The Financial Statements of BMW AG are drawn up in accordance with the provisions of the German Commercial Code (HGB) and the relevant supplementary provisions contained in the German Stock Corporation Act (AktG).

On 10 March 2020, the Financial Statements of BMW AG were drawn up by the Board of Management. Based on current developments regarding the spread of coronavirus, the Board of Management on 16 March 2020 adjusted the original outlook for the BMW Group, the assumptions regarding the development of the global economy and the economic risks and opportunities for the financial year 2020 in the Combined Management Report, as well as the statement regarding the Events after the end of the reporting period. On the same day, the Financial Statements of BMW AG were drawn up anew by the Board of Management.

The key financial performance indicator for BMW AG is the dividend payout ratio (unappropriated profit of BMW AG in accordance with HGB in relation to the net profit for the year of BMW Group in accordance with IFRS). The key non-financial performance indicators are essentially identical and concurrent with those of the BMW Group. These are described in detail in the Report on Economic Position section of the Combined Management Report.

Differences in accounting treatments based on HGB (used for the Company Financial Statements) and IFRS (used for the Group Financial Statements) are mainly to be found in connection with the capitalisation of intangible assets, the creation of valuation units, the recognition and measurement of financial instruments and provisions as well as the recognition of deferred tax assets. Differences also arise in the presentation of assets and liabilities and of items in the income statement.

Business environment and review of operations

The general and sector-specific environment of BMW AG is essentially the same as that of the BMW Group and is described in the Report on Economic Position section of the Combined Management Report.

BMW AG develops, manufactures and sells automobiles and motorcycles as well as spare parts and accessories manufactured in-house, by foreign subsidiaries and by external suppliers, and performs services related to these products. Sales activities are carried out primarily through branches, subsidiaries, independent dealerships and importers. In the financial year 2019, BMW AG increased automobile deliveries by 35,898 units to 2,555,795 units. This figure includes 534,638 units relating to series sets supplied to the joint venture BMW Brilliance Automotive Ltd., Shenyang, an increase of 44,056 units over the previous year.

At 31 December 2019, BMW AG employed a workforce of 88,303 people (31 December 2018: 89,842 people).

Results of operations

BMW AG Income Statement

→ 59

in € million	2019	2018
Revenues	84,691	78,355
Cost of sales	–70,178	–63,841
Gross profit	**14,513**	**14,514**
Selling expenses	–3,979	–4,078
Administrative expenses	–2,776	–2,803
Research and development expenses	–5,528	–5,859
Other operating income*	1,295	2,184
Other operating expenses*	–2,526	–1,158
Result on investments	1,858	2,344
Financial result	39	–1,452
Income taxes	–767	–872
Profit after income tax	**2,129**	**2,820**
Other taxes	–22	–19
Net profit	**2,107**	**2,801**
Transfer to revenue reserves	–461	–498
Unappropriated profit available for distribution	**1,646**	**2,303**

* Separate presentation of other operating income and expenses from the financial year 2019. Prior year's figures will be presented analogously.

Revenues increased by €6,336 million year-on-year, primarily reflecting growth in the volume of deliveries to customers. In geographical terms, the increase related mainly to China and the USA. Revenues totalled €84,691 million (2018: €78,355 million), of which Group internal revenues accounted for €57,412 million (2018: €58,707 million) or 67.8% (2018: 74.9%).

Cost of sales increased by 9.9% to €70,178 million, mostly due to the higher number of deliveries and the rise in cost of materials. Gross profit decreased by €1 million to €14,513 million.

Selling and administrative expenses were slightly lower than in the previous year.

Research and development expenses related mainly to new vehicle models (including the new 1 Series, the 2 Series Gran Coupé and the X6), expenditure on the development of reference architectures, powertrain systems and automated driving, as well as higher expenditure on vehicle electrification. Compared to the previous year, research and development expenses decreased by 5.6 %.

Other operating income fell to €1,295 million (2018: €2,184 million), whereby the change was mainly attributable to a positive prior-year effect resulting from the change in method for measuring provisions for statutory and non-statutory warranties and product guarantees.

Other operating expenses totalling €2,526 million (2018: €1,158 million) were impacted mainly by the recognition of the provision recognised in connection with ongoing EU Commission antitrust proceedings.

Income from profit transfer agreements with Group companies, reported in the line item Result on investments, decreased year-on-year. By contrast, financial result improved by €1,491 million, mainly due to higher income from designated plan assets offset against pension obligations. The lower impairment loss of €30 million (2018: €119 million) recognised on the investment in SGL Carbon SE, Wiesbaden, also had the effect of keeping down the deterioration in earnings for the year.

The expense for income taxes relates primarily to current tax for the financial year 2019.

After deducting the expense for taxes, the Company reports a net profit of €2,107 million, compared to €2,801 million in the previous year.

Subject to the shareholders' approval of the appropriation of results at the Annual General Meeting, the unappropriated profit available for distribution amounts to €1,646 million (2018: €2,303 million). As a percentage of Group net profit, the dividend corresponds to a payout ratio of 32.8 % (2018: 32.0 %).

Financial and net assets position

BMW AG Balance Sheet at 31 December

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in € million	2019	2018
ASSETS		
Intangible assets	405	252
Property, plant and equipment	12,473	11,976
Investments	3,762	3,559
Tangible, intangible and investment assets	**16,640**	**15,787**
Inventories	5,994	4,811
Trade receivables	964	947
Receivables from subsidiaries	16,698	8,570
Other receivables and other assets	3,513	3,595
Marketable securities	4,109	4,080
Cash and cash equivalents	6,757	6,542
Current assets	**38,035**	**28,545**
Prepaid expenses	**58**	**535**
Surplus of pension and similar plan assets over liabilities	**1,086**	**668**
Total assets	**55,819**	**45,535**
EQUITY AND LIABILITIES		
Subscribed capital	659	658
Capital reserves	2,210	2,177
Revenue reserves	10,564	10,103
Unappropriated profit available for distribution	1,646	2,303
Equity	**15,079**	**15,241**
Registered profit-sharing certificates	**28**	**28**
Pension provisions	205	214
Other provisions	8,784	7,824
Provisions	**8,989**	**8,038**
Liabilities to banks	511	545
Trade payables	5,751	5,560
Liabilities to subsidiaries	21,777	12,670
Other liabilities	187	285
Liabilities	**28,226**	**19,060**
Deferred income	**3,497**	**3,168**
Total equity and liabilities	**55,819**	**45,535**

Capital expenditure on intangible assets and property, plant and equipment in the year under report totalled €3,233 million (2018: €2,975 million), up by 8.7% compared to the previous year. Depreciation and amortisation amounted to €2,573 million (2018: €2,470 million).

The carrying amount of investments rose to €3,762 million (2018: €3,559 million), mainly due to additions to investments in subsidiaries amounting to €257 million. The impairment loss recognised on the investment in SGL Carbon SE, Wiesbaden, amounting to €30 million (2018: €119 million) had an offsetting effect.

Inventories increased to €5,994 million (2018: €4,811 million), mainly due to the build-up of raw materials, supplies and goods for resale and the first-time inclusion in inventories of prepayments on orders.

Receivables from subsidiaries, most of which relate to intragroup financing receivables, increased to €16,698 million (2018: €8,570 million), primarily due to the change in the exercise of the option to offset receivables from and payables to subsidiaries with effect from the financial year 2019.

The decrease in other receivables and other assets to €3,513 million (2018: €3,595 million) was mainly attributable to lower receivables from companies with which an investment relationship exists. The increase in tax receivables had an offsetting effect.

As a result of the lower unappropriated profit compared with the dividend paid for the previous financial year, equity decreased by €162 million to €15,079 million. The equity ratio fell from 33.5 % to 27.0 %, mainly due to the higher balance sheet total.

In order to secure pension obligations, cash funds totalling €497 million were transferred to BMW Trust e.V., Munich, in conjunction with a Contractual Trust Arrangement (CTA), to be invested in plan assets. Plan assets are offset against the related guaranteed obligations. The resulting surplus of assets over liabilities is reported in the BMW AG balance sheet on the line item Surplus of pension and similar plan assets over liabilities.

Provisions for pensions went down from €214 million to €205 million, after offsetting pension plan assets against pension obligations.

Other provisions increased year-on-year, mainly due to the provision recognised in connection with EU Commission antitrust proceedings.

Liabilities to banks decreased by €34 million, mainly as a result of the repayment of project-related loans.

Liabilities to subsidiaries amounting to €21,777 million (2018: €12,670 million) comprised mainly financial liabilities. In addition to higher intragroup financing liabilities, the increase was primarily due to the change in the exercise of the option to offset receivables from and payables to subsidiaries with effect from the financial year 2019.

Deferred income increased by €329 million to €3,497 million and included mainly amounts for services still to be performed relating to service and maintenance contracts.

Liquidity within the BMW Group is ensured by means of a liquidity concept applied uniformly across the Group. This involves concentrating a significant part of the Group's liquidity at the level of BMW AG. An important instrument in this context is the cash pool based at BMW AG. The liquidity position reported by BMW AG therefore reflects the global activities of BMW AG and other Group companies.

Cash and cash equivalents increased by €215 million to €6,757 million, mainly as a result of net positive cash inflows from operating activities. Investments in long-lived assets and the payment of the dividend for the previous financial year had an offsetting effect.

Risks and opportunities

BMW AG's performance is essentially dependent on the same set of risks and opportunities that affect the BMW Group and which are described in detail in the Report on Outlook, Risks and Opportunities section of the Combined Management Report. As a general rule, BMW AG participates in the risks entered into by Group companies in proportion to the respective shareholding percentage. At the same time, the result in investments has a significant impact on the earnings of BMW AG.

BMW AG is integrated in the Group-wide risk management system and internal control system of the BMW Group. Further information is provided in the section Internal Control System Relevant for Accounting and Financial Reporting Processes within the Combined Management Report.

Outlook

For the financial year 2020, BMW AG forecasts a dividend payout ratio (unappropriated profit of BMW AG in accordance with HGB in relation to the BMW Group net profit for the year in accordance with IFRS) within a range of between 30 and 40 % (2019: 32.8 %).

Due to its significance in the Group and its close ties with Group companies, expectations for BMW AG with respect to its non-financial performance indicators correspond largely to the BMW Group's outlook. This is described in detail in the Report on Outlook, Risks and Opportunities section of the Combined Management Report.

Events after the end of the reporting period

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of coronavirus. Since 11 March the WHO has characterised the spread of the coronavirus as a pandemic.

The continuing spread of the coronavirus and the impact on the business development of BMW AG is being continually monitored. Based on current developments, BMW AG expects that the increasing spread of the coronavirus and the necessary containment measures will have a negative impact on BMW AG vehicle deliveries in all key sales markets. Risks also exist for upstream and downstream processes, for example, through possible bottlenecks due to supply shortages.

Current assessments and assumptions for the financial year 2020, to the extent already known to BMW AG, have been taken into account and described in the outlook report. Apart from these assessments, no further significant negative effects are known or can be estimated at the present time. However, further negative effects could arise in the course of the year.

No other events have occurred since the end of the financial year that could have a major impact on the results of operations, financial position and net assets of BMW AG.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich branch, has issued an unqualified audit opinion on the financial statements of BMW AG, of which the balance sheet and the income statement are presented here. The BMW AG financial statements for the financial year 2019 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. These financial statements are available on the homepage of the BMW Group under → www.bmwgroup.com/ir.

REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

Economic development significantly slowed by spread of coronavirus

Automobile markets in decline as consequence worldwide

BMW Group outlook for 2020 significantly impacted by coronavirus

OUTLOOK

The report on outlook, risks and opportunities describes the expected development of the BMW Group in 2020, including the significant risks and opportunities, from a Group management perspective. In line with the Group's internal management system, the outlook covers a period of one year. Risks and opportunities are managed on the basis of a two-year assessment. The report on risks and opportunities therefore addresses a period of two years.

The report on outlook, risks and opportunities contains forward-looking statements that are based on the BMW Group's expectations and assessments and which can be influenced by unforeseeable events. As a result, actual outcomes can deviate either positively or negatively from the expectations described below – for example on account of political and economic developments. Further information is provided in the section Risks and Opportunities.

Its continuous forecasting process ensures the BMW Group's ability to exploit opportunities quickly and systematically as they arise and react in a similar way to unexpected risks. The principal risks and opportunities are described in detail in the section Risks and Opportunities. The matters discussed therein are relevant for all of the BMW Group's key performance indicators and could result in variances between the outlook and actual outcomes.

Assumptions used in the outlook

The following outlook relates to a forecast period of one year and is based on the composition of the BMW Group during that time. The outlook takes account of all information available at the time of reporting and any which could have an effect on the overall performance of the Group. The expectations contained in the outlook are based on the BMW Group's forecasts for 2020 and reflect its most recent status. The basis for the preparation of and the principal assumptions used in the forecasts – which consider the consensual opinions of leading organisations, such as economic research institutes and banks – are set out below. The BMW Group's outlook is drawn up on the basis of these assumptions.

The high degree of uncertainty surrounding the global spread and resulting consequences of coronavirus makes it difficult to provide an accurate forecast of the BMW Group's business performance for the financial year 2020. Based on the latest developments, the BMW Group expects the spread of coronavirus and the required containment measures to have a negative impact on delivery volumes in all major markets over the year 2020 as a whole. This assessment is based on the assumption that deliveries across all markets will return to normal after a few weeks. Any potential longer-term effects on deliveries due to the spread of coronavirus and the associated volatility on financial markets cannot be assessed at present and are therefore not included in the outlook.

In the UK, in addition to the consequences of coronavirus, uncertainties relating to EU exit negotiations on a trade agreement are having the effect of impairing the reliability of forecasts drawn up by businesses. Irrespective of these matters, the BMW Group is working on the basis that an agreement between the EU and UK will be finalised by 31 December 2020. Furthermore, the BMW Group anticipates that trade tensions between the USA and China will continue to be a source of uncertainty, but that the current tariffs will not see a further increase. The Group also assumes that trade between the EU and the USA will not be subject to additional tariffs.

From the beginning of the financial year 2020, the key performance indicator for the workforce size will be based solely on the number of core and temporary employees. This change is in line with the reorganisation of internal management, which focuses on these employee groups. Employee groups such as apprentices, students gaining work experience and doctoral candidates primarily serve to secure the next generation of employees and promote the training of young people, and are therefore excluded from an internal management perspective. For this reason, they will no longer be included in the key performance indicator for the workforce size.

Economic outlook

The global economy will be significantly impacted by the knock-on consequences of coronavirus. Despite the fact that wide-ranging monetary and fiscal policy measures have already been initiated in many countries, global growth is likely to be significantly lower than in the previous year. Although the provisional agreement in the trade dispute between the USA and China as well as the reduced level of concern regarding a potentially disorderly withdrawal of the UK from the EU gave rise to some optimism at the beginning of the year, the positive impact in these two areas is likely to be far outweighed by the knock-on consequences of coronavirus. At present, it is not possible to provide an exact assessment of the situation. Further information on political and global economic risks is also provided in the section Risks and Opportunities.

GDP in the eurozone is likely to grow significantly more sluggishly in 2020 than the predicted rate of 1.0 %. The growth rate in Germany is likely to be even slower. Similarly, prospects for the economies of other member states in the eurozone are also on the gloomy side. France and Spain will grow only marginally at most, while Italy, the first country in Europe to be affected by coronavirus, is likely to go in recession.

In the UK, apart from the impact of coronavirus, economic performance in 2020 will also depend on the progress of negotiations with the EU regarding a free trade agreement. Overall, GDP growth in 2020 is likely to be significantly below the most recently predicted level of 1.0 %.

In the USA, growth is expected to continue slowing down in 2020. The spread of coronavirus and the resulting containment measures are likely to reduce economic momentum to a level considerably lower than the most recently predicted 1.7 %, despite developments on the labour and property markets remaining positive. The US Federal Reserve has already responded to the spread of coronavirus with interest rate cuts and will likely adopt further measures to support the economy.

Even without the impact of coronavirus, the ongoing normalisation of the Chinese economy would have caused the country's growth rate to continue falling in 2020. However, the extent of the slowdown will now be much greater and certainly be below the most recently predicted rate of 5.6 %.

Rather than growing slightly, the Japanese economy is likely to contract due to coronavirus, particularly in view of the fact that the value added tax hike in October 2019 is bound to exert downward pressure on private consumption for some time to come. As an export-oriented country, Japan is likely to be hit harder by a decline in world trade than China, for example.

Currency markets

Currencies of particular importance for the international operations of the BMW Group are the Chinese renminbi, the British pound, the Japanese yen and the US dollar. All of these major currencies are again expected to be subject to a high degree of fluctuation in 2020.

The US dollar could benefit from its function as a "safe haven" in 2020 due to the spread of coronavirus. Overall, therefore, the US dollar is more likely to move sideways against the euro.

In the case of the Chinese renminbi, the close economic links between the USA and China suggest that the currencies of these two countries will develop relatively synchronously. The renminbi is likely to depreciate marginally against the euro in 2020.

The value of the British pound is currently being largely determined by the progress of the Brexit negotiations. Accordingly, the most likely scenario is a volatile sideways movement of the pound against the euro.

The Japanese central bank's highly expansionary monetary policy is unlikely to change in 2020. The euro/yen exchange rate is therefore likely to follow a sideways trend.

The currencies of numerous emerging economies could come under further downward pressure against the US dollar and the euro, particularly in countries such as Russia, Brazil and India.

International automobile markets

According to the original forecasts, new registrations worldwide were expected to decrease slightly in 2020 (83.1 million units; – 0.5 %). However, due to the worldwide spread of coronavirus, new registrations are now expected to drop significantly.

International motorcycle markets

Prior to the outbreak of coronavirus, the BMW Group had predicted that the global motorcycle markets in the 250 cc plus class would grow slightly in 2020. For instance, the upward trend seen on major European markets such as France and Spain was expected to continue. In Germany and Italy, the markets were forecast to remain stable. By contrast, the USA was predicted to see a further slight decline in motorcycle registrations in 2020, whereas Brazil was expected to see a slight increase. However, due to the spread of coronavirus, global motorcycle markets in the 250 cc plus class are now expected to decline slightly year-on-year.

International interest rate environment

Protectionism and the ongoing trade dispute between the USA and China are casting a shadow over global growth prospects for 2020. The new coronavirus, which is spreading worldwide, poses an additional risk for the global economy. Various central banks and governments have already taken action to counteract the economic impact of the virus with a raft of monetary policy measures.

In view of the developments regarding coronavirus, the US Federal Reserve lowered its benchmark interest rates by 0.5 percentage points on 3 March 2020 and by 1 percentage point on 15 March 2020. In connection with the latest developments, further reductions appear to be likely over the course of the year.

Further central banks are expected to take measures to mitigate the negative impact on the global economy and to ensure liquidity on the markets.

Apart from the consequences of the spread of coronavirus and other global developments, the progress of negotiations on a trade agreement between the EU and the UK are likely to have a considerable impact on the UK economy. The Bank of England is also expected to adopt measures to counter the negative economic impact of coronavirus and to stabilise the economy.

The economic consequences of the coronavirus and the trade war with the USA are likely to continue having an adverse impact on the Chinese economy in 2020. A mixture of reforms as well as monetary and fiscal policy measures is intended to counteract any sharp slowdown in economic growth.

Despite the government's economic measures against the negative effects of the tax increase, the economy in Japan is likely to be impacted negatively by the coronavirus. It is expected that the Japanese central bank will continue its extremely low interest rate policies, in order to reach the target of 2 % price stability.

Expected consequences for the BMW Group

Future developments on international automobile markets also have a direct impact on the BMW Group. Challenges in the competitive environment will have a significant effect on sales volumes in some countries. Due to its global business model, the BMW Group is well placed at all times to capitalise on any opportunities that present themselves, even at short notice. Coordination between the Group's sales and production networks also enables it to balance out the impact of unforeseeable developments in the various regions. Investments in markets important for the future also form a basis for further growth, while simultaneously strengthening the global presence of the BMW Group.

In view of the increasingly unpredictable consequences of economic and political conditions around the world, actual economic growth in some regions may deviate from expected trends and outcomes. Areas affected in this context include trade and customs policies, security and potential additional international trade conflicts.

Direct effects of coronavirus on the BMW Group

Prior to the outbreak of coronavirus, the BMW Group's original forecast for the Automotive segment envisaged a slight increase in deliveries to customers and an EBIT margin of between 6 and 8 %. Group profit before tax was expected to increase significantly.

The spread of coronavirus has slowed down the growth of the BMW Group's deliveries in China. In light of the sharp increase in corona infections in other regions of the world, currently particularly in Europe and North America, the BMW Group now expects worldwide deliveries to customers to be significantly down on the previous year.

Due to the lower volume of deliveries in China compared to the original forecast, the necessary containment measures and a similar trend already emerging in other regions of the world, including Europe and North America, earnings of the Automotive segment are likely to be negatively impacted, particularly in the first half of the year. The negative effect on the EBIT margin of the Automotive segment over the full twelve-month period is currently expected to be in the region of four percentage points. Based on the latest forecast, the EBIT margin for the Automotive segment is therefore expected to be within the range of 2 and 4 %.

In the Financial Services segment, the number of new contracts is expected to decrease and the risk provisioning expense to increase. As a result, the return on equity is forecast to drop slightly year-on-year.

Taking into account the effects described above, Group profit before tax is expected to be significantly lower than in 2019.

Furthermore, risks also exist for upstream processes, including possible bottlenecks due to supply shortages.

The BMW Group continues to observe developments closely and is ready to take all necessary measures.

Outlook for the BMW Group
Overall assessment by Group management

Within a volatile environment, now overshadowed by the global spread of coronavirus, business is expected to develop negatively during the financial year 2020. While numerous new automobile and motorcycle models as well as individual mobility-related services will generate additional momentum, the various factors described above are likely to have a major offsetting impact. Research and development expenses will remain at a high level in connection with future-oriented projects. In light of the impact of the global spread of coronavirus, profit before tax during the period covered by the outlook is likely to decrease significantly.

For the same reason, Automotive segment deliveries to customers are likely to be well down on the previous year. At the same time, fleet carbon dioxide emissions are forecast to drop considerably. Influenced by the negative factors described above, the Automotive segment's EBIT margin in 2020 is expected to lie within a target range of 2 and 4 %. The latest prediction is that the RoCE in this segment is likely to be significantly lower than one year earlier. The RoE in the Financial Services segment is expected to decrease slightly, mainly due to the higher risk provisioning expense.

The Motorcycles segment is now expected to record a slight decrease of deliveries to customers, down on the previous forecast of a solid increase. The EBIT margin is expected to lie within a target range of 6 and 8 %, while the RoCE is likely to be slightly under the previous year's level.

The targets are to be achieved with a workforce size which – based on the new method of calculation described above – will be at a similar level to the previous year (workforce size at the end of 2019 based on the new definition: 126,016 employees; workforce size based on the previous definition: 133,778 employees).

The prevailing high level of uncertainty – particularly in connection with the further spread of coronavirus, economic and political developments such as the negotiations between the EU and the UK on a trade agreement by 31 December 2020, as well as international trade and customs policies – may cause economic developments in many regions to deviate markedly from expected trends and outcomes. Any such deviations could have a significant impact on the business performance of the BMW Group.

Furthermore, the actual business performance of the BMW Group may also differ from current expectations as a result of the risks and opportunities described below in the Report on Risks and Opportunities.

BMW Group key performance indicators

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		2019 reported	2019 adjusted	2020 Outlook[1]
GROUP				
Profit before tax	€ million	7,118	–	significant decrease
Workforce at year-end		133,778	126,016	in line with last year's level
AUTOMOTIVE SEGMENT				
Deliveries to customers[2]	units	2,538,367	–	significant decrease
Fleet emissions[3]	g CO_2 / km	127	–	significant decrease
EBIT margin	%	4.9	–	between 2 and 4
Return on capital employed	%	29.0	–	significant decrease
MOTORCYCLES SEGMENT				
Deliveries to customers	units	175,162	–	slight decrease
EBIT margin	%	8.2	–	between 6 and 8
Return on capital employed	%	29.4	–	slight decrease
FINANCIAL SERVICES SEGMENT				
Return on equity	%	15.0	–	slight decrease

[1] Based on adjusted figures.
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612 units).
[3] EU-28.

RISKS AND OPPORTUNITIES

As a worldwide-leading provider of premium cars, motorcycles and mobility services, as well as related financial services, the BMW Group is exposed to numerous uncertainties and change. Making full use of the opportunities arising out of change is a fundamental basis of the Group's corporate success. In order to achieve growth, profitability, efficiency and continued sustainable activities going forward, the BMW Group must consciously assume risks.

Management of opportunities and risks is essential for the Group to react appropriately to changes in political, economic, technical or legal conditions. Opportunities and risks which are likely to materialise are taken into account in the Outlook Report. The following sections focus on potential future developments or events, which could result in a positive (opportunity) or a negative (risk) deviation from the BMW Group's outlook. The earnings impact of risks and opportunities is assessed separately without offsetting. Opportunities and risks are assessed with respect to a medium-term period of two years.

As part of the risk management process, all individual and cumulative risks that represent a threat to the success of the business are monitored and managed. Any risks capable of posing a threat to the going-concern status of the BMW Group are strictly avoided. Where no specific reference is made, opportunities and risks relate to the Automotive segment. The scope of entities consolidated in the Report on Risks and Opportunities corresponds to the scope of consolidated entities included in the BMW Group Financial Statements.

Risk management system

The objective of the risk management system, and the main function of risk reporting, is to identify, measure and, where possible, actively manage internal or external risks that could threaten the attainment of the Group's corporate targets. According to Group-wide rules, every employee and manager has a duty to report risks through the relevant reporting channels. The key elements of a good risk culture are rooted in the core values of the BMW Group, its risk management manual and in the principles of its risk management strategy.

The risk management system is organised formally as a decentralised, Company-wide network and is steered by a centralised risk management function. Every BMW Group division is represented within the risk management organisation by Network Representatives.

Risk management in the BMW Group

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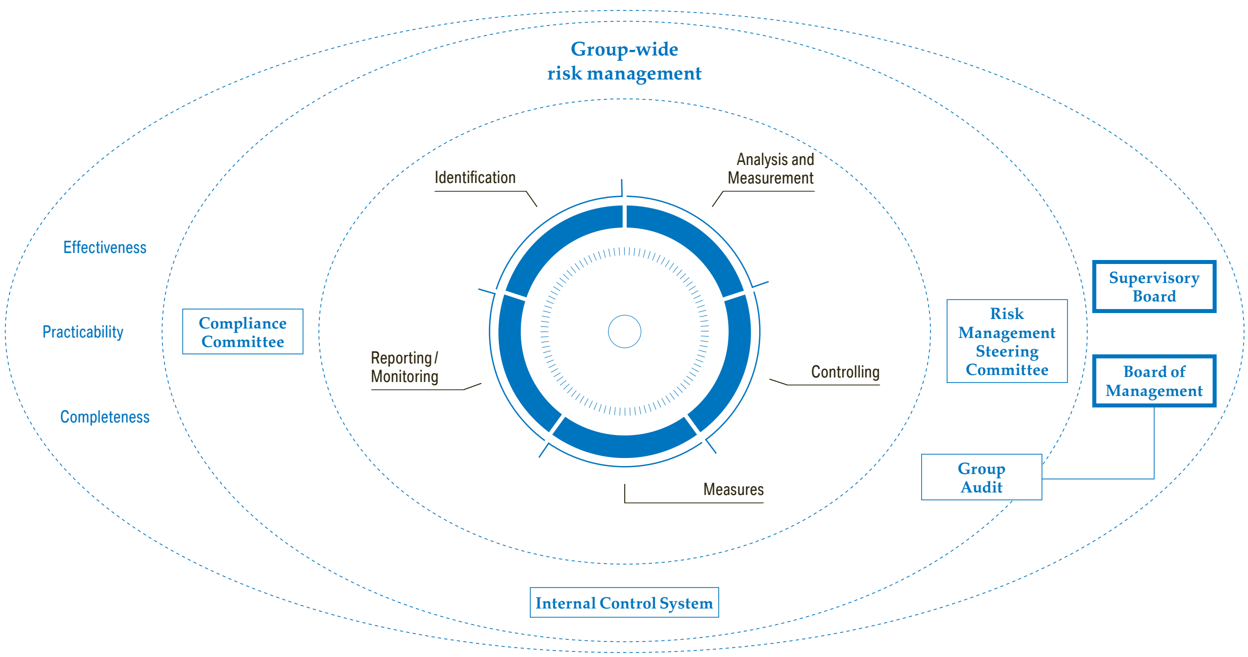

This formal structure reinforces the network's visibility and underlines the importance of risk management within the BMW Group. Responsibilities and tasks of the centralised risk management function and the Network Representatives are clearly documented and accepted. In view of the dynamic growth of business and the increasingly volatile environment in which it operates, the BMW Group's Corporate Audit reviews its risk management system for effectiveness and appropriateness on an annual basis.

Other functions such as compliance (see the section Corporate Governance) and the internal control system (see the section Internal Control System) form key interfaces with the risk management system. As an independent part of the organisation, Group Internal Audit also ensures the appropriateness and effectiveness of these functions.

During 2019, the risk management system was further enhanced by focusing on the concept of simulation-based risk aggregation and by looking at risks not only from the perspective of areas of responsibility, but also from a process-oriented perspective, with a view to improving the informative value of risk-bearing capacity and in order to gain a better insight into the chains of effects between individual risks. For this purpose, individual risks from different areas of responsibility were allocated to the relevant process steps and dependencies between individual risks mapped out.

Risk management process

The risk management process covers the entire Group and comprises the early identification of risks, detailed analysis and risk assessment, the coordinated use of relevant management tools as well as monitoring and evaluation of measures taken.

Significant risks reported from within the network are firstly presented for review to the Risk Management Steering Committee, chaired by Group Controlling. After review, the risks are reported to the Board of Management and the Supervisory Board. All risks are assessed using a loss distribution approach, thereby enabling better comparability of risks for both internal and external reporting purposes. Risks are classified according to the extent of their average earnings impact, taking into account the probability of occurrence (risk amount) or the risk-bearing capacity (potential worst-case earnings impact).

Risk assessment for the BMW Group is performed in conjunction with the calculation of risk-bearing capacity. For this purpose, risks measured on a worst-case basis are aggregated using a value-at-risk model (99 % confidence level) with correlation effects taken into account, and compared with the asset cushion. The risk-bearing capacity is regularly monitored by means of an integrated limit system for individual risk categories.

The risk management system is regularly examined by Group Internal Audit. The incorporation of new insights and requirements ensures continual improvement to the system. Training programmes and information events are regularly conducted across the BMW Group, particularly within the risk management network. These measures are essential ways of preparing those involved in the process for new or additional demands.

Alongside comprehensive risk management, sustainable business practice also constitutes a core strategic principle for the BMW Group. Sustainability-related risks are therefore also integrated in the Group-wide risk network. In accordance with the CSR Directive Implementation Act, risks that can have an impact on the non-financial aspects referred to in the law were reviewed as part of the reporting process. Significant risks in this context are defined as risks from business activities, business relationships and products/services of the BMW Group that are highly likely to have a serious adverse impact. No significant risks were identified during the review. The Group's Non-Financial Declaration is provided in the Sustainable Value Report 2019, which is available on the Internet at → www.bmwgroup.com/svr.

In the Financial Services segment risk management also addresses regulatory requirements, such as Basel III. Internal methods to identify, measure, manage and monitor risks within the Financial Services segment comply with national and international standards. Risk management within the Financial Services business is built on the prevailing risk culture, the defined risk strategy, the internal capital adequacy assessment process framework and a set of rules comprising principles and guidelines. The risk management process is ensured in organisational terms by means of a clear division between front- and back-office activities and a comprehensive internal control system. The main tool used to manage risks within the Financial Services segment is ensuring the segment's risk-bearing capacity. Risks – in the sense of unexpected losses – must be covered at all times. This is achieved by means of risk-covering assets (asset cushions) in the form of equity capital derived from the entity's risk appetite. Unexpected losses are measured according to various value-at-risk models, which are validated at regular intervals. Risks are also aggregated after taking account of correlation effects. In addition to assessing the Group's ability to bear risk, stress scenarios are also examined. The segment's risk-bearing capacity is also regularly monitored by means of an integrated limit system for the various risk categories.

Risk measurement

Based on their significance with respect to the results of operations, financial position and net assets of the BMW Group, risks are classified as high, medium or low. The impact of risks is measured and reported net of risk mitigation measures that are already taking effect (net basis).

In the following sections, "earnings impact" is used consistently to cover the overall impact on results of operations, financial position and net assets.

The potential earnings impact arising on the occurrence of a risk, measured on the basis of a worst-case scenario over the two-year assessment period, is classified as follows:

Class	Potential earnings impact in a worst case scenario
Low	> €0 – 500 million
Medium	> €500 – 2,000 million
High	> €2,000 million

The risk amount, which indicates the significance of risks for the BMW Group, corresponds to the average earnings impact, taking into account probability of occurrence and risk mitigation measures that are already taking effect.

The following criteria apply for the purposes of classifying the risk amount:

Class	Risk amount
Low	> €0 – 50 million
Medium	> €50 – 400 million
High	> €400 million

Opportunities management system and opportunity identification

A dynamic market environment also gives rise to opportunities. The BMW Group continually monitors macroeconomic trends as well as developments within the sector and overall environment. This includes external regulations, suppliers, customers and competitors. Identifying opportunities is an integral part of the strategic planning process of the BMW Group. The Group's product and service portfolio is continually reviewed on the basis of these analyses. This results, for example, in new product projects being presented to the Board of Management for consideration. Probable measures aimed at increasing profitability are already incorporated in the outlook.

Continuous monitoring of major business processes and strict cost controls are essential for ensuring strong profitability and return on capital employed. In order to be able to compete successfully in the long term and at the same time help advance the move towards climate neutrality that is being demanded by politicians and society alike, it is the BMW Group's policy to design flexible platforms for rear- and front-wheel drive vehicles, enabling it to produce different drivetrain systems on the back of a single architecture and therefore optimise plant structures.

The implementation of identified opportunities is undertaken on a decentralised basis within the relevant functions. The significance of opportunities for the BMW Group is classified on a qualitative basis in the categories "significant" and "insignificant".

Risks and opportunities

The following table provides an overview of all risks and opportunities and indicates their significance for the BMW Group. Overall, no risks which could threaten the continued existence of the BMW Group were identified either at the balance sheet date or at the date on which the Group Financial Statements were drawn up.

	Risks		Opportunities	
	Classification of risk amount	Change compared to prior year	Classification	Change compared to prior year
RISKS AND OPPORTUNITIES				
Macroeconomic risks and opportunities	High	Stable	Insignificant	Stable
Strategic and sector risks and opportunities				
Changes in legislation and regulatory requirements	High	Stable	Insignificant	Stable
Market developments	High	Stable	Insignificant	Stable
Risks and opportunities relating to operations				
Production and technology	High	Increased	Insignificant	Stable
Purchasing	Medium	Decreased	Insignificant	Stable
Sales network	Low	Stable	Insignificant	Stable
Information, data protection and IT	High	Stable	Insignificant	Stable
Financial risks and opportunities				
Foreign currencies	Medium	Decreased	Significant	Stable
Raw materials	Medium	Stable	Significant	Stable
Liquidity	Low	Stable	–	–
Pension obligations	High	Stable	Significant	Stable
Risks and opportunities relating to the provision of financial services				
Credit risk	Medium	Stable	Insignificant	Decreased
Residual value	High	Stable	Significant	Stable
Interest rate changes	Medium	Stable	Significant	Stable
Operational risks	Medium	Stable	–	–
Legal risks	Medium	Stable	–	–

Macroeconomic risks and opportunities

Economic conditions influence business performance and hence the results of operations, financial position and net assets of the BMW Group. Unforeseen disruptions in global economic relations can have highly unpredictable effects. Economic risks can result in lower purchasing power in the countries and regions affected and cause reduced demand for the products and services offered by the BMW Group, while at the same time having a negative impact on production. Macroeconomic risks could – due to sales volume fluctuations – have a high earnings impact over the two-year assessment period. Overall, the risk amounts attached to macroeconomic risks are classified as high.

In view of the political events of recent years, global economic developments continue to be subject to a high degree of uncertainty, in particular with respect to potential barriers to global trade. A reorientation of US economic policy, changes within the EU and possible economic agendas by parties within the EU that are critical of globalisation and could therefore jeopardise stability could lead to more restrictive trade practices in the coming years.

A possible introduction of further trade barriers, including anti-dumping customs duties and duties aimed at protecting national security by the US administration, could have a significantly adverse impact on the BMW Group's operations through less favourable conditions for importing vehicles. Moreover, countermeasures by the USA's trading partners could slow down global economic growth and have a sustained adverse impact on the export of vehicles produced in the USA. The BMW Group's "production follows the market" strategy involves local production both in the USA and with other important trade partners. Local production reduces the existing risk of trade barriers. Nevertheless, any increase in trade barriers would have an adverse impact on the BMW Group.

The withdrawal of the UK from the EU could have a long-term adverse impact on the BMW Group, particularly as a result of increased trade barriers in the form of customs duties in relation to the European single market. Any such trade barriers could have a negative impact on volumes and costs both for vehicles and components produced in the EU for the UK as well as those produced in the UK for the European market. In extreme cases, this could result in production losses due to delays in customs clearance. In addition, it cannot be ruled out that Brexit could lead to reduced customer spending in the wake of weaker economic performance, particularly in the UK, but also in parts of the EU. In the short and medium term, uncertainty regarding the outcome of the negotiations with the EU on a trade agreement by 31 December 2020 is likely to exacerbate these factors and cause further unfavourable currency effects. A possible further economic downturn in countries of the EU could also potentially reduce growth prospects for the BMW Group. European integration with a unified economic and currency area is an important pillar of economic stability in Europe.

The transition in China from an investment-driven to a consumer-driven economy is associated with slower growth rates and, potentially, greater instability in the short to medium term on financial markets. If the Chinese economy were to grow at a significantly slower pace than expected, the consequence would be not only a decline in automobile sales, but also, potentially, lower demand for raw materials, which would have a negative impact above all on emerging economies such as Brazil, Russia or South Africa. A drop in raw material prices could result for the BMW Group in lower demand from these countries, while at the same time bringing down raw material procurement costs for the BMW Group. Turmoil on the Chinese property, stock and banking markets as well as the pursuit of overly restrictive monetary policies by the US Federal Reserve could pose considerable risks for global financial market stability, such as increased currency fluctuations and unfavourable consequences for emerging markets in particular.

Furthermore, increasing political unrest, military conflicts, terrorist activities, natural disasters or pandemics could have a lasting negative impact on the global economy and international capital markets.

The enormous uncertainty currently regarding the global spread and impact of the coronavirus makes it difficult to make an accurate forecast of vehicle deliveries. If the sales situation across all markets does not normalise after a few weeks, further effects on the BMW Group's vehicle deliveries to customers as well as on upstream and downstream processes may materialise that cannot be assessed in terms of either their duration or negative impact. The Group is observing the situation closely and is taking appropriate measures.

Should the global economy develop significantly better than presented in the outlook, opportunities could arise for the BMW Group's revenues and earnings. Significantly stronger GDP growth in China, demand-oriented reforms within the eurozone, the intensification of trade relations between the EU and the UK, de-escalation of the trade dispute between the USA and its trading partners or more robust consumer spending in emerging markets due to rising raw material prices could result in significantly stronger sales volume growth, reduced competitive pressures and corresponding improvement in pricing. The planned expansion of production capacities will enable emerging opportunities to be exploited. Macroeconomic opportunities that could generate a sustainable impact on earnings are currently classified by the BMW Group as insignificant.

Strategic and sector risks and opportunities

Changes in legislation and regulatory requirements

The sudden introduction of more stringent legislation and regulations, particularly with regard to emissions, safety and consumer protection as well as regional vehicle-related purchase and usage taxes, represents a significant risk for the automobile industry. Country- and sector-specific trade barriers may also change at short notice. A sudden tightening of regulations in any of these areas may necessitate significantly higher investments and ongoing expenses or influence customer behaviour. If the risk of market disruptions as a result of unforeseeable short-term changes in legislation and regulations were to materialise, this could have a high negative impact on earnings over the two-year assessment period and beyond. The risk amount attached to these risks is classified as high.

At present, the BMW Group can observe a continuous trend towards more stringent vehicle emissions regulations, particularly in relation to conventional drivetrain systems. The BMW Group is addressing this risk on the one hand through its ongoing systematic development of highly efficient combustion engines, with the aim of further reducing fuel consumption and emissions. At the same time, it is pressing ahead with its plan for electrified vehicles across all brands and model series. A main focus area of the BMW Group is the systematic electrification of all brands and model series. By the end of 2021, the BMW Group aims to have more than one million electrified vehicles on the roads.

Further risks can result from the tightening of existing import and export regulations. These lead primarily to additional expenses, but can also restrict imports and exports of vehicles or parts.

An established regulatory framework for innovative mobility solutions as well as government incentives are important prerequisites for introducing product innovations, such as automated driving, and for scaling up the range of electric mobility offerings. In the case of BMW Group electrified vehicles, a faster expansion of charging infrastructure could increase acceptance and help boost sales of planned or recently introduced product innovations compared to forecast. This includes implementation of the 360° ELECTRIC portfolio in the field of electric mobility and collaboration with Toyota on hydrogen fuel cell technology.

The BMW Group's earnings could also be positively affected in the short to medium term by changes in trade policies. A possible reduction in tariff barriers, import restrictions or direct excise duties could lower the cost of materials or enable products and services to be offered to customers at lower prices. Further opportunities for the earnings performance of the BMW Group from changes in legislation and regulatory requirements compared to the outlook are classified as insignificant.

Market development

In addition to economic factors and sector-specific political conditions, increasingly fierce competition among established manufacturers and the emergence of new competitors could also have effects which are difficult to predict. Unforeseen consumer preferences and changes in brand perceptions can give rise to opportunities and risks. If market risks were to materialise, they could have a high earnings impact over the two-year assessment period. The risk amount is classified as high.

A potential further intensification in competition could put pressure on sales volumes, selling prices and margins. For instance, the planned introduction of the RDE II standard could result in market distortions – similar to those which arose on the conversion to the new WLTP test procedure in 2018 – even though the BMW Group is compliant with the new requirements. Changes in customer behaviour can also be brought about by changes in attitudes, values, environmental factors and fuel or energy prices. The BMW Group's flexible sales and production processes enable risks to be reduced and newly arising opportunities in market and product segments to be taken.

Local restrictions affecting product usage in specific sectors may limit BMW Group sales in individual markets. In some urban areas, for instance, local measures have been, or are being, introduced, including entry restrictions, congestion charges or, in some situations, highly restrictive registration rules. These may impact local demand for the BMW Group vehicles affected and hence have a negative impact on sales, margins and, possibly, the residual values of these vehicles. The BMW Group is addressing this risk, for example, by broadening its range of electrified vehicles.

New opportunities are being sought to create added value for customers, and thereby to realise significant opportunities with respect to sales growth and pricing. Further development of the product and mobility portfolio and expansion in growth regions offer the most important medium- to long-term growth opportunities for the BMW Group. Continued growth depends above all on the ability to develop innovative products and services and bring them to market. If the negative impact of the current competitive situation is reduced more quickly than expected, additional opportunities will arise for the BMW Group. Compared to the assumptions made in the outlook, the BMW Group expects these opportunities to have no significant earnings impact over the two-year assessment period.

Risks and opportunities relating to operations

Risks and opportunities relating to production and technologies

Risks relating to production processes and technology fields can lead to unplanned interruptions in production or additional costs due to vehicle recall actions. If risks arising from production processes and technologies were to materialise, they could have a high earnings impact over the two-year assessment period. The corresponding risk amounts are classified as high. During the process of expanding the division-based perspective by a process-oriented perspective, the individual risks were combined to create an overall view of the development and production process. As a result, the risk assessment was increased compared to the previous year.

Potential causes of production downtimes include fire, machine and tooling breakdowns, IT malfunctions, temporary disruption in utility supply or transportation and logistical disruptions. All production units have a variety of measures in place to deal with potential production interruptions and downtimes, some of which are integrated into the planning process and can be implemented operationally with a high degree of flexibility. These measures are highly relevant in terms of both the amount of damage and the probability of occurrence of risks. Examples include the interchangeability of production facilities, preventive maintenance of production facilities, the maintenance of adequate safety stock levels and the management of spare parts across the plant network.

Risk is also reduced through flexible working hour models and working time accounts as well as the ability to build individual vehicle models or engine types with a high degree of flexibility – either additionally or alternatively – at other sites, depending on requirements. The focus is on ensuring that customers can take delivery of their vehicle, both on time and in the premium quality expected.

Technical fire protection systems, rapid response by on-site fire brigades and appropriate employee training represent the three key strategies for preventing or reducing potential damage from fires. Furthermore, policies are in place with insurance companies of high credit standing for fire-related events that lead to significant production interruptions at the Group's or at suppliers' premises. Measures undertaken in conjunction with the latest challenges posed by Brexit include appropriate increases in levels of safety stocks, enhancing flexibility along the supply chain and establishing specific IT solutions to handle related financial and logistics processing issues. In addition, in order to counter the risk of limited availability of products, particularly at the start of production for new vehicle projects, appropriate quality management processes are in place to monitor and secure their success.

Targeted cyberattacks could cause damage to production facilities, resulting in long downtimes and, consequently, substantial losses. This threat is being countered by the rollout of new detection, analysis and response measures.

Vehicles may be damaged or destroyed due to natural hazards or other risks during transport from production plants to the sales regions. As a consequence of the growing number of major claims, deductible amounts included in transport insurance policies have already risen significantly. In fact, as more and more insurance companies withdraw from this market segment, there is a risk that it could become economically unviable to take out insurance, as a result of which the BMW Group would be required to bear the losses itself.

The BMW Group recognises appropriate provisions for statutory and non-statutory warranty obligations. It cannot be ruled out, however, that additional costs could arise in connection with vehicle recall actions that are either not covered or not fully covered by provisions. Despite thorough quality assurance processes, such risks can always arise if materials and/or processing procedures used prove insufficient, in some cases years after the launch of a product. Further information on risks relating to provisions for statutory and non-statutory warranty obligations is provided in → note 33 of the Group Financial Statements.

→ see note 33

The BMW Group sees opportunities in production processes and technology fields primarily through the competitive edge gained from mastering new and complex technologies. Digitalisation within the production area is being driven by technological and IT innovations. Lean processes will remain the basis for efficient production systems in the future. Digital solutions invariably offer added value if they add to the efficiency of serial processes. A good example of this in the field of production logistics is the use of smart transport robots, which help optimise processes relating to parts handling and order picking.

Given the long lead times in developing new products and processes, additional opportunities are not expected to have a significant impact on earnings during the outlook period.

Risks and opportunities relating to purchasing

Purchasing risks relate primarily to supply risks caused by the failure of a supplier as well as to threats to BMW Group-relevant know-how within the supplier network. Production problems at the level of suppliers could lead to consequences from increased expenditure for the BMW Group to production interruptions and a corresponding reduction in sales volume. The increasing complexity of the supplier network, especially at the level of lower tier suppliers, whose operations can only be influenced indirectly by the BMW Group, is a further potential cause of downtimes at supplier locations. Moreover, the increased threat of cyberattacks along the value chain affects supply security maintenance and the protection of BMW Group-relevant know-how. In order to ensure a uniform level of information security for all parties concerned along the value chain, the BMW Group impresses on suppliers the importance of obtaining appropriate IT security certification. The BMW Group employs a comprehensive set of monitoring and proactive control measures to ensure that supply industry participants are able to rise to the current challenges facing them.

If purchasing risks were to materialise, they could have a high earnings impact over the two-year assessment period. The level of risk attached to purchasing risks is classified as medium. Through an intensified implementation of measures regarding fire protection and protection from cyberattacks at the level of suppliers, the risk has decreased compared to the previous year.

Close cooperation between carmakers and suppliers in the development and production of vehicles and the provision of services generates economic benefits, but also raises levels of dependency. Potential reasons for the failure of individual suppliers include in particular IT-related risks, non-compliance with sustainability or quality standards, insufficient financial strength of a supplier, the occurrence of natural hazards, fires and insufficient supply of raw materials.

As part of supplier preselection, the BMW Group checks for compliance with the sustainability standards for the supplier network. This includes consideration of and compliance with internationally recognised human rights and applicable labour and social standards.

In addition, the technical and financial capabilities of suppliers are monitored, especially where modular-based production is concerned. Supplier sites are assessed for exposure to natural hazards, such as floods or earthquakes, in order to identify supply risks regarding parts and materials at an early stage and implement appropriate precautions. Fire risks at series suppliers are evaluated by means of questionnaires, compliance with a defined set of criteria and selective site inspections. The risks associated with the supply of raw materials are countered by reducing the use of raw materials or substituting them with alternative raw materials.

By monitoring and developing global supplier markets, the BMW Group continuously strives to optimise its competitiveness by working together with the world's best product and service providers.

Within the Purchasing and Supplier Network, opportunities arise above all in the area of global sourcing and associated efficiency improvements. Making good use of suppliers' innovations is an important prerequisite for developing future-oriented mobility products and services. Similarly, favourable location-specific cost factors, in particular those arising in connection with local supplier structures in close proximity to new and existing BMW Group production plants as well as the introduction of innovative production technologies, could lead to lower cost of materials for the BMW Group. One goal of the BMW Group is to have battery cells manufactured in Europe. A key prerequisite for this is the further development of battery cell technology and expertise of the processes for cell production. Contracts have been concluded with various suppliers as part of the electrification strategy. Integration of previously unidentified innovations from the supplier market in the Group's product range could provide a further source of opportunities. The BMW Group offers innovative suppliers numerous possibilities for creating specific contractual arrangements which are attractive for those developing innovative solutions. Compared to the assumptions made in the outlook, the BMW Group does not expect such additional opportunities to have a significant earnings impact over the two-year assessment period.

Risks and opportunities relating to the sales network
In order to sell its products and services, the BMW Group employs a global sales network, comprising primarily independent dealerships, branches, subsidiaries and importers. In addition, a pilot project for direct sales will be launched in South Africa in 2020. Any threat to the continued activities of parts of the sales network would entail risks for the BMW Group. The occurrence of sales and marketing risks is associated with a low earnings impact over the two-year assessment period. The risk amount is classified as low.

New developments in the field of digital communication and connectivity in particular offer new opportunities for the BMW Group's brands. Based on data from the vehicle, customers can elect to use a specified service, at which stage they will be required to consent to the transfer of the relevant telematics data. Service providers that are requested to perform the work receive the necessary data via the BMW Group's secure back-end. This information provides the basis for customised, data-based and innovative service options. Additional opportunities could arise if new sales channels contribute to greater brand reach to customer groups than currently envisaged in the outlook. Compared to the assumptions made in the outlook, the BMW Group expects these opportunities to have no significant earnings impact over the two-year assessment period.

Information, data protection and IT
Increasing digitalisation across all areas of business places considerable demands on the confidentiality, integrity and availability of electronically processed data and the associated use of information technology (IT). In addition to the increased threat of cybercrime, regulations covering the handling of personal data are becoming more stringent, for example as a result of the EU General Data Protection Regulation. If risks relating to information security, data protection and IT were to materialise, they could have a high earnings impact over the two-year assessment period. Despite extensive security measures and constant efforts to ensure compliance with applicable data protection legislation, the risks in this area are classified as high.

In addition to cyberattacks and direct physical intervention, lack of knowledge or misconduct on the part of employees may also represent a danger to the confidentiality, integrity and availability of information, data and systems. Direct consequences include expenditure required to limit the immediate damage and to restore systems promptly. Negative impacts on revenue due to the non-availability of products and services or disruptions in the production of components or vehicles are also possible. A further indirect result could be reputational damage.

Great importance is attached to the protection of the confidentiality, integrity and availability of business information as well as employee and customer data, for instance as a result of unauthorised access or misuse. Data security is an integral component of all business processes and is aligned with the International Standard ISO/IEC 27001. As part of risk management, information security, data protection and IT risks are systematically documented, allocated appropriate measures by the departments concerned and continuously monitored with regard to threat level and risk mitigation. Regular analyses and controls as well as rigorous security management ensure an appropriate level of security. Despite continuous testing and preventative security measures, it is impossible to eliminate risks completely in this area. All employees are required to treat with care information such as confidential business, customer and employee data, to use information systems securely and to handle risks with transparency. Group-wide requirements are documented in a comprehensive set of principles, guidelines and instructions, such as, for example, the Privacy Corporate Rules for handling personal data. Regular communication and awareness-raising measures create a high level of security and risk awareness. With regard to cooperation agreements and business partnerships, the BMW Group protects its intellectual property as well as customer and employee data through clear instructions on information security and data protection and the use of information technology. Information pertaining to key areas of expertise as well as sensitive personal data are subject to particularly stringent security measures. Technical data protection incorporates industry-wide standards and good practices. Responsibility for information security and data protection lies for each Group entity with the Board of Management or relevant management team.

With the advance of digitalisation, the BMW Group is improving the customer experience in its existing lines of business. At the same time, new business segments are emerging, which have only become feasible as a result of innovation in the area of information technology. The development and provision of digital services for customers, increased vehicle connectivity and automated driving solutions are opening up new opportunities. Via BMW ConnectedDrive and BMW CarData, the range of services and apps on offer to customers is constantly being expanded and updated. Since March 2019, the BMW Intelligent Personal Assistant enables customers to access functions and information by voice interaction with an intelligent, digital character. The BMW Group expects these opportunities to have no significant earnings impact over the assessment period as compared to the assumptions made in the outlook.

Financial risks and risks relating to the use of financial instruments

Currency risks and opportunities

As an internationally operating enterprise, the BMW Group conducts business in a variety of currencies, thus giving rise to currency risks and opportunities. A substantial portion of Group revenues, purchasing and funding occur outside the eurozone (particularly in China and the USA). Regularly updated cash-flow-at-risk models and scenario analyses are used to measure currency risks and opportunities. If currency risks were to materialise, they could be associated with a medium earnings impact over the two-year assessment period. The risk amount attached to currency risks is classified as medium. Significant opportunities can arise if currency developments are favourable for the BMW Group.

Operational currency management is based on the results of currency risk analyses. The BMW Group manages currency risks at both strategic (medium and long term) and operational level (short and medium term). Medium- and long-term measures include increasing production volumes and purchase volumes in foreign currency regions (natural hedging). Currency risks are managed in the short to medium term and for operational purposes by means of hedging on financial markets. The principal objective is to increase planning reliability for the BMW Group. Hedging transactions are entered into only with financial partners of good credit standing. Opportunities are also secured through the use of options during specific market phases.

Risks and opportunities relating to raw material prices

As a large-scale manufacturing company, the BMW Group is exposed to purchase price risks, particularly in relation to raw materials used in vehicle production. The analysis of raw material price risk is based on planned purchases of raw materials and components containing those raw materials. If risks relating to raw materials prices were to materialise, they could have a medium earnings impact over the two-year assessment period. The risk amount is classified as medium. Significant opportunities could arise if raw materials prices developed favourably for the BMW Group.

Changes in commodity prices are monitored on the basis of a well-defined management process. The principal objective is to increase planning reliability for the BMW Group. Price fluctuations for precious metals (platinum, palladium, rhodium), non-ferrous metals (aluminium, copper, lead, nickel) and, to some extent, for steel and steel ingredients (iron ore, coking coal) and energy (gas, electricity) are hedged using financial derivatives and supply contracts with fixed pricing arrangements.

Liquidity risks
The major part of the Financial Services segment's credit financing and leasing business is refinanced on capital markets. Liquidity risks can arise in the form of rising refinancing costs or from restricted access to funds as a consequence of the general market situation. If liquidity risks were to materialise, they would be likely to have a low earnings impact over the two-year assessment period. The risk amount associated with liquidity risk, including the risk of the BMW Group's rating being downgraded, is classified as low.

Based on the experience of the financial crisis, a liquidity concept has been drawn up, which is rigorously adhered to and continuously developed. Use of the "matched funding principle" to finance the Financial Services segment's operations generally eliminates liquidity risks. Solvency is assured at all times throughout the BMW Group by maintaining a liquidity reserve and by the broad diversification of refinancing sources. Regular measurement and monitoring ensure that cash inflows and outflows for the various maturities and currencies offset each other. This approach is incorporated in the BMW Group's liquidity concept. The liquidity position is monitored continuously and managed through Group-wide planning of financial requirements and funding. A diversified refinancing strategy reduces dependency on any specific type of instrument. Moreover, the BMW Group's solid financial and earnings position results in high credit ratings from internationally recognised rating agencies.

Further information on risks in conjunction with financial instruments is provided in → note 39 to the Group Financial Statements.

→ see note 39

Risks and opportunities relating to pension obligations
Pension obligations are influenced in particular by fluctuations of market yields on corporate bonds, as well as by other economic and demographic parameters. Opportunities and risks arise depending on changes in these parameters. If risks relating to pension obligations materialised, they could have a high earnings impact over the two-year assessment period. Despite the high level of external funding, the risk amounts relating to pension obligations are classified as high. Within a favourable capital market environment, the return generated by growth-oriented pension assets may exceed expectations and reduce the deficit of the relevant pension plans. This could have a significantly favourable impact on the net asset position of the BMW Group.

Future pension payments are discounted on the basis of market yields on high-quality corporate bonds. These yields are subject to market fluctuation and therefore influence the level of pension obligations. Changes in other parameters, such as rises in inflation and longer life expectancy, also impact pension obligations and payments.

Regulatory requirements can influence the amount of pension obligations. The BMW Group's pension obligations are mainly held in external pension funds or trust arrangements and the related assets legally separated from those of the Group. The amount of funds required to finance pension payments out of operations in the future is substantially reduced by the fact that the Group's pension obligations are mainly settled out of pension fund assets. The pension assets of the BMW Group comprise interest-bearing securities, equities, real estate and other investment classes. Assets held by pension funds and trust arrangements are monitored continuously and managed on a risk-and-return basis. Diversification of investments also helps to mitigate risk. In order to reduce fluctuations in pension funding shortfalls, investments are structured to match the timing of pension payments and the expected development of pension obligations. Remeasurements on the liability and fund asset sides are recognised net of deferred taxes in other comprehensive income and hence directly in equity (within revenue reserves).

→ see note 32

Further information on risks in conjunction with pension provisions is provided in → note 32 of the Group Financial Statements.

Risks and opportunities relating to the Financial Services segment
The categories of risk relating to financial services comprise credit and counterparty risk, residual value risk, interest rate risk, operational risks and liquidity risk. Evaluation of liquidity risk for the Financial Services segment is included in the liquidity risk category for the Group as a whole.

The segment's total risk exposure was covered at all times during the 2019 financial year by the available risk-covering assets. As a result, the Financial Services segment's risk-bearing capacity was assured at all times.

Credit and counterparty risks and opportunities relating to the Financial Services segment
Credit and counterparty default risk arises within the Financial Services segment if a contractual partner (e.g. a customer or dealer) either becomes unable or only partially able to fulfil its contractual obligations, so that lower income is generated or losses incurred. If credit and counterparty risks were to materialise, they could have a medium earnings impact over the two-year assessment period. The risk amount is classified as medium. The BMW Group classifies potential opportunities in this area as insignificant.

Initial and continuous creditworthiness testing is an important aspect of the BMW Group's credit risk management. For this reason, every borrower's creditworthiness is tested for all credit financing and leasing contracts entered into by the BMW Group. Opportunities may arise if the managed portfolio performs better over time than estimated when the credits were granted. Intensive management of purchasing processes and collateral assessment as well as favourable macroeconomic developments could boost these opportunities. In the case of retail customer financing, creditworthiness is assessed using validated scoring systems integrated into the purchasing process. In the area of dealership financing, creditworthiness is assessed by means of ongoing credit monitoring and an internal rating system that takes account not only of the material credit standing of the borrower, but also of qualitative factors such as past reliability in business relations. Changes in the creditworthiness of customers arising during the credit term are covered by risk provisioning procedures. The credit risk of the individual customers is quantified on a monthly basis and, depending on the outcome, taken into account within the risk provisioning system. Macroeconomic developments are currently subject to a higher degree of volatility. If developments are more favourable than assumed in the outlook, credit losses may be reduced, leading to a positive earnings impact.

Residual value risks and opportunities relating to the Financial Services segment
Risks and opportunities arise in conjunction with leasing contracts if the market value of a leased vehicle at the end of the contractual term of a lease differs from the residual value estimated at the inception of the lease and factored into the lease payments. A residual value risk exists if the expected market value of the vehicle at the end of the contractual term is lower than its estimated residual value at the date the contract is entered into. If residual value risks were to materialise, they could have a high earnings impact from the Group's perspective over the two-year assessment period. A high earnings impact would then arise for the affected Financial Services and Automotive segments. The risk amount is classified as high for the Group as a whole. Opportunities can arise out of a positive deviation between the actual market value and the original residual value forecast. The BMW Group classifies potential residual value opportunities as significant.

Each vehicle's estimated residual value is calculated on the basis of historical external and internal data. This estimation provides the expected market value of the vehicle at the end of the contractual period. Developments on pre-owned car markets represents an important factor for the BMW Group. In 2019, the electrification of vehicles also played a major role in the public debate. Prices in pre-owned vehicle markets in the premium segment remained within the normal range. As part of the management of residual value risks, the net present value of risk costs is calculated at contract inception. Market developments are observed throughout the contractual period and the risk assessment updated.

Interest rate risks and opportunities relating to the Financial Services segment
Interest rate risks in the Financial Services segment relate to potential losses caused by changes in market interest rates. These can arise when fixed interest rate periods do not match for assets and liabilities recognised in the balance sheet. If interest rate risks were to materialise, they could have a medium earnings impact over the two-year assessment period. The risk amount is classified as medium. Favourable interest rate developments compared to the outlook represent opportunities which the BMW Group classifies as significant. Interest rate risks in the Financial Services business are managed by matching maturities for refinancing and by employing interest-rate derivatives. If the relevant recognition criteria are fulfilled, derivatives used by the BMW Group are accounted for as hedging instruments. Further information on risks in conjunction with financial instruments is provided in → note 39 to the Group Financial Statements.

→ see note 39

Operational risks relating to the Financial Services segment

Operational risks are defined in the Financial Services segment as the risk of losses arising as a consequence of unsuitability or failure of internal procedures (process risks), people (personnel-related risks), systems (infrastructure and IT risks) and external events (external risks). The recording and measurement of risk scenarios, loss events and countermeasures in the operational risk management system provide the basis for a systematic analysis and management of potential or materialised operational risks. Annual self-assessments are also carried out. If operational risks were to materialise, they would be likely to have a low earnings impact over the two-year assessment period. The risk amount is classified as medium.

Legal risks

The BMW Group is exposed to various legal risks, not least as a result of its global operations. Legal risks may result from non-compliance with laws or other legal requirements or from legal disputes with business partners or other market participants. If legal risks were to materialise, they could have a high earnings impact over the two-year assessment period. The risk amount attached to significant identified legal risks is classified as medium. However, it cannot be ruled out that new legal risks, as yet unforeseen, could materialise that could have a high earnings impact for the BMW Group.

The increasing globalisation of the BMW Group's operations and of business interdependencies in general, combined with the variety and complexity of legal provisions, including, increasingly, import and export regulations, give rise to an increased risk of non-compliance with applicable law. A Compliance Management System is in place at BMW Group to ensure that the representative bodies, managers and staff across the globe consistently act in a lawful manner. In 2019 the system was further enhanced, particularly with a focus on the characteristics of the roles and responsibilities in the Group-wide Compliance Management as well as the monitoring of compliance trainings and additional preventative activities. Further information on the BMW Group's Compliance Management System can be found in the section Corporate Governance.

Like all entities with international operations, the BMW Group is confronted with legal disputes, alleged claims (particularly relating to warranties and product liability or rights infringements) and proceedings initiated by government agencies. Any of these could, amongst other consequences, have an adverse impact on the Group's reputation. Such proceedings are typical for the sector or may result as a consequence of realigning product or purchasing strategies to changed market conditions. Particularly in the US market, class action lawsuits and product liability risks can have substantial financial consequences and cause damage to the Group's public image. More rigorous application or interpretation of existing regulations could result in a greater number of recalls. The high quality of the Group's products, which is ensured by regular quality audits and ongoing improvement measures, helps reduce this risk.

Compared with the risk situation presented in the Group Management Report 2018, the assessment of legal risks in conjunction with antitrust allegations made against five German car manufacturers has become more concrete following receipt of the Statement of Objections from the EU Commission. The EU Commission alleges that the manufacturers colluded with the aim of restricting innovation and competition with regard to certain exhaust treatment systems for diesel- and petrol-driven passenger vehicles. The current investigations are solely concerned with possible infringements of competition law. The EU Commission is not alleging that the BMW Group conducted a deliberate and unlawful manipulation of the emissions control system. The Statement of Objections leads the BMW Group to believe that it is probable ("more likely than not") that the Commission will issue a significant fine. The BMW Group will contest the Commission's allegations with all legal means at its disposal if necessary. A provision of approximately €1.4 billion was recognised in accordance with International Financial Reporting Standards for negative financial impacts that cannot yet be definitively assessed.

The BMW Group has reviewed the objections and the case information from the EU Commission. In December 2019 the BMW Group submitted a detailed reply to the objections of the Commission. The EU Commission will examine the response and, on the basis of that, determine the next procedural steps. Therefore, the financial impacts cannot yet be definitively assessed.

The BMW Group recognises appropriate levels of provision for lawsuits. In addition, a part of these risks is insured where this makes business sense. Any additional risks from legal proceedings are reported as other contingent liabilities. It cannot be ruled out, however, that damages could arise that are either not covered or not fully covered by insurance policies or provisions or reported as contingent liabilities. In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), the required information is not provided if the BMW Group concludes that disclosure of the information could seriously prejudice the outcome of the relevant legal proceedings. Further information on contingent liabilities is provided in → note 38 to the Group Financial Statements.

→ see note 38

Overall assessment of the risk and opportunities situation

The assessment of overall risk situation is based on a consolidated view of all significant individual risks. The overall risk situation for the BMW Group remains unchanged compared to the previous year. Similarly, there has also been no significant change in the opportunities situation.

In addition to the risk categories described above, unforeseen events could have a negative impact on business operations and hence on the BMW Group's results of operations, financial position and net assets as well as on its reputation. A comprehensive risk management system is in place to ensure that the BMW Group successfully manages these risks.

Management of the BMW Group does not see any threat to the BMW Group's status as a going concern. As in the previous year, identified risks are considered to be manageable. Were they to materialise, however, they could – like the opportunities – have an impact on the underlying key performance indicators, which could therefore result in deviations from the outlook. The BMW Group's financial position is stable, with liquidity requirements currently covered by available liquidity and credit lines.

INTERNAL CONTROL SYSTEM* RELEVANT FOR ACCOUNTING AND FINANCIAL REPORTING PROCESSES

* Disclosures pursuant to § 289 and § 315 HGB.

The internal control system relevant for accounting and financial reporting processes has the task of ensuring that accounting and financial reporting by the BMW Group is both accurate and reliable. Internationally recognised standards for internal control systems have been taken into account in the design of the components of the BMW Group's internal control system. The system comprises:

- Group-wide mandatory accounting guidelines,
- controls integrated into processes and IT systems,
- organisational measures incorporating the principle of the separation of duties, and
- process-independent monitoring measures.

The internal control system is subject to continuous improvement, with system effectiveness assessed regularly on the basis of centralised and decentralised process analyses, analyses of data within the various financial systems and audit procedures. The principal features of the internal control system, as far as they relate to individual entity and Group accounting and financial reporting processes, are described below.

Guidelines for recognising, measuring and allocating items to accounts are available to all employees via the intranet. New accounting standards are assessed for their impact on the BMW Group's accounting and financial reporting. Accounting guidelines and processes are reviewed continuously and revised at least once a year or more frequently, if necessary.

Controls are integrated into accounting and financial reporting processes at both individual entity and Group level, taking account of the principle of the separation of duties. Important accounting-related IT systems incorporate controls which, among others, prevent business transactions from being recorded incorrectly and ensure that business transactions are recorded completely and in good time and measured properly in accordance with applicable requirements. Controls are also in place to test the appropriateness of consolidation procedures.

As part of the ongoing development of IT systems for accounting and financial reporting processes, whether at individual entity or Group level, such controls are adapted to take account of new requirements and opportunities arising with advances in information technology. In addition, the BMW Group uses data analysis tools to identify and subsequently eliminate any control weaknesses.

Responsibilities for ensuring the effectiveness of the internal control system in relation to individual entity and Group accounting and financial reporting processes are clearly defined and allocated to the relevant line and process managers. These report annually on their assessment of the effectiveness of the internal control system for accounting and financial reporting. The assessment also includes the results of internal and external audits as well as of ongoing data analysis. In this context, the Group's units confirm the effectiveness of the internal control system for accounting and financial reporting. The results of the assessment are gathered and documented with the aid of appropriate tools. Weaknesses in the control system are eliminated, taking into account their potential impact on accounting processes. The Board of Management and Audit Committee are briefed annually on the assessment of the effectiveness of the internal control system for accounting and financial reporting. The Board of Management and, where appropriate, the Supervisory Board are informed immediately in the event of any significant changes in the effectiveness of the internal control system.

DISCLOSURES RELEVANT FOR TAKEOVERS* AND EXPLANATORY COMMENTS

*Disclosures pursuant to § 289a and § 315a HGB.

Composition of subscribed capital

The subscribed capital (share capital) of BMW AG amounted to €658,862,500 at 31 December 2019 (2018: €658,122,100) and, in accordance with Article 4 no. 1 of the Articles of Incorporation is sub-divided into 601,995,196 shares of common stock (91.37 %) (2018: 601,995,196; 91.47 %) and 56,867,304 shares of non-voting preferred stock (8.63 %) (2018: 56,126,904; 8.53 %), each with a par value of €1. The Company's shares are issued to bearer.

The rights and duties of shareholders derive from the German Stock Corporation Act (AktG) in conjunction with the Company's Articles of Incorporation, the full text of which is available at → www.bmwgroup.com. The right of shareholders to have their shares evidenced is excluded in accordance with the Articles of Incorporation. The voting power attached to each share corresponds to its par value. Each €1 of par value of share capital represented in a vote entitles the holder to one vote (Article 18 no. 1 of the Articles of Incorporation).

The Company's shares of preferred stock are shares within the meaning of § 139 ff. AktG, which carry a cumulative preferential right in terms of the allocation of profit and for which voting rights are excluded. These shares confer voting rights only in exceptional cases stipulated by law, in particular when the preference amount has not been paid or has not been fully paid in one year and the arrears are not paid in the subsequent year alongside the full preference amount due for that year. With the exception of voting rights, holders of shares of preferred stock are entitled to the same rights as holders of shares of common stock. Article 24 of the Articles of Incorporation confers preferential treatment to the non-voting shares of preferred stock with regard to the appropriation of the Company's unappropriated profit. Accordingly, the unappropriated profit is required to be appropriated in the following order:

(a) subsequent payment of any arrears on dividends on non-voting shares of preferred stock in the order of accruement

(b) payment of an additional dividend of €0.02 per €1 par value on non-voting preferred shares

(c) uniform payment of any other dividends on shares of common and preferred stock, provided the shareholders do not resolve otherwise at the Annual General Meeting

Restrictions affecting voting rights or the transfer of shares

As well as shares of common stock, the Company has also issued non-voting shares of preferred stock. Further information can be found in the section "Composition of subscribed capital".

When the Company issues non-voting shares of preferred stock to employees in conjunction with its Employee Share Programme, these shares are generally subject to a Company-imposed blocking period of four years, calculated from the beginning of the calendar year in which the shares are issued.

Contractual holding period arrangements also apply to shares of common stock acquired by Board of Management members and certain senior department heads in conjunction with the share-based remuneration programmes (Compensation Report of the Corporate Governance section; → note 41 to the Group Financial Statements).

→ see note 41

Direct or indirect investments in capital exceeding 10% of voting rights

Based on the information available to the Company, the following direct or indirect holdings exceeding 10 % of the voting rights at the end of the reporting period were held at the stated reporting date:[1]

in %	Direct share of voting rights	Indirect share of voting rights
Stefan Quandt, Germany	0.2	25.6[2]
AQTON SE, Bad Homburg v. d. Höhe, Germany	9.0	16.6[3]
AQTON Verwaltung GmbH, Bad Homburg v. d. Höhe, Germany		16.6[4]
AQTON GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe, Germany	16.6	
Susanne Klatten, Germany	0.2	20.7[5]
Susanne Klatten Beteiligungs GmbH, Bad Homburg v. d. Höhe, Germany	20.7	

[1] Based on voluntary notifications provided by the listed shareholders as at 31 December 2018.
[2] Controlled entities, of which 3 % or more are attributed: AQTON SE, AQTON Verwaltung GmbH, AQTON GmbH & Co. KG für Automobilwerte.
[3] Controlled entities, of which 3 % or more are attributed: AQTON Verwaltung GmbH, AQTON GmbH & Co. KG für Automobilwerte.
[4] Controlled entities, of which 3 % or more are attributed: AQTON GmbH & Co. KG für Automobilwerte.
[5] Controlled entities, of which 3 % or more are attributed: Susanne Klatten Beteiligungs GmbH.

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

Shares with special rights which confer control rights

There are no shares with special rights which confer control rights.

Control of voting rights when employees participate in capital and do not exercise their control rights directly

Like all other shareholders, employees exercise their control rights pertaining to shares they have acquired in conjunction with the Employee Share Programme and/or the share-based remuneration programme directly on the basis of relevant legal provisions and the Company's Articles of Incorporation.

Statutory regulations and Articles of Incorporation provisions with regard to the appointment and removal of members of the Board of Management and changes to the Articles of Incorporation

The appointment or removal of members of the Board of Management is based on the rules contained in § 84 f. AktG in conjunction with § 31 of the German Co-Determination Act (MitbestG).

Amendments to the Articles of Incorporation must comply with § 179 ff. AktG. Amendments must be decided upon by the shareholders at the Annual General Meeting (§ 119 (1) no. 5, § 179 (1) AktG). The Supervisory Board is authorised to approve amendments to the Articles of Incorporation which only affect its wording (Article 14 no. 3 of the Articles of Incorporation). Resolutions are passed at the Annual General Meeting by simple majority of votes exercised unless otherwise explicitly required by binding provisions of law or, when a majority of share capital is required, by simple majority of shares represented in the vote (Article 20 no. 1 of the Articles of Incorporation).

Authorisations of the Board of Management in particular with respect to the issuing or buying back of shares

The Board of Management is authorised to buy back shares and sell repurchased shares in situations specified in § 71 AktG, for example to avert serious and imminent damage to the Company and/or to offer shares to persons employed or previously employed by BMW AG or one of its affiliated companies.

In accordance with Article 4 no. 5 of the Articles of Incorporation, the Board of Management is authorised, with the approval of the Supervisory Board, to increase for cash contributions BMW AG's share capital during the period until 15 May 2024 by up to €4,259,600 for the purposes of an Employee Share Programme by issuing new non-voting shares of preferred stock, which carry the same rights as existing non-voting preferred stock (Authorised Capital 2019). Subscription rights of existing shareholders are excluded. No conditional capital is in place at the reporting date.

Significant agreements of the Company taking effect in the event of a change in control following a takeover bid

BMW AG is party to the following major agreements, which contain provisions that would apply in the event of a change in control or the acquisition of control as a result of a takeover bid:

— An agreement concluded with an international consortium of banks relating to a syndicated credit line, which was not being utilised at the balance sheet date, entitles the lending banks to give extraordinary notice to terminate the credit line, such that all outstanding amounts, including interest, would fall due immediately if one or more parties jointly acquire direct or indirect control of BMW AG. The term control is defined as the acquisition of more than 50 % of the share capital of BMW AG, the right to receive more than 50 % of the dividend or the right to direct the affairs of the Company or appoint the majority of members of the Supervisory Board.

— A cooperation agreement concluded with Peugeot SA relating to small (1- to 1.6-litre) petrol engines entitles each of the cooperation partners to give extraordinary notification of termination in the event of a competitor acquiring control over the other contractual party and if any concerns of the other contractual party regarding the impact of the change of control on the cooperation arrangements are not resolved during the subsequent discussion process.

— BMW AG acts as guarantor for all obligations arising from the joint venture agreement relating to BMW Brilliance Automotive Ltd. in China. This agreement grants an extraordinary right of termination to either joint venture partner in the event that – either directly or indirectly – more than 25 % of the shares of the other party are acquired by a third party or the other party is merged with another legal entity. The termination of the joint venture agreement may result in the sale of the shares to the other joint venture partner or in the liquidation of the joint venture entity.

— Framework agreements are in place with financial institutions and banks (ISDA Master Agreements) with respect to trading activities with derivative financial instruments. These agreements include an extraordinary right of termination which triggers actions in the event that the creditworthiness of the party involved is significantly weaker following a direct or indirect acquisition of beneficially owned equity capital that confers the power to elect a majority of the Supervisory Board of a contractual party or any other ownership interest that enables the acquirer to exercise control over a contractual party or which constitutes a merger or a transfer of net assets.

— Financing agreements in place with the European Investment Bank (EIB) entitle the EIB to request early repayment of the loans in the event of an imminent or actual change in control of BMW AG, if the EIB has reason to assume – after the change in control has taken place or 30 days after it has made a request to discuss the situation – that the change in control could have a significantly adverse impact, or if the borrower refuses to hold any such discussions. A change in control of BMW AG arises if one or more individuals take over or lose control of BMW AG, with control being defined in the above-mentioned financing agreements as (i) holding or having control over more than 50 % of the voting rights, (ii) the right to appoint the majority of the members of the Board of Management or Supervisory Board, (iii) the right to receive more than 50 % of dividends payable or (iv) any other comparable controlling influence over BMW AG.

— BMW AG and Daimler AG have entered into a Joint Venture Agreement relating to mobility services in the areas of car sharing, ride hailing, parking, charging and multimodality, which entitles both Daimler AG and BMW AG (hereafter principals) to initiate a bidding procedure in the event that (i) the other principal receives notice in accordance with § 33 of the German Securities Trading Act (WpHG) that – including shares attributed pursuant to § 34 WpHG – a shareholding of more than 50 % has been attained or, in accordance with § 20 AktG of the German Stock Corporation Act (AktG) that a shareholding of more than 50 % has been attained or (ii) a shareholder or a third party – including shares attributed pursuant to § 30 WpHG – holds more than 50 % of the voting rights or shares in the other principal, or (iii) the other principal has concluded a control agreement as dependent company. The outcome of such a bidding procedure is that the joint venture will go to the principal making the highest bid.

- Several supply and development contracts between BMW AG and various industrial customers, all relating to the sale of components for drivetrain systems, grant an extraordinary right of termination to the relevant industrial customer in specified cases of a change in control at BMW AG (for example BMW AG merges with a third party or is taken over by a third party; an automobile manufacturer acquires more than 50 % of the voting rights or share capital of BMW AG).

- BMW AG is party to the shareholder agreement relating to There Holding B.V., which is the majority shareholder of the HERE Group. In accordance with the shareholder agreement, each contractual party is required to offer its directly or indirectly held shares in There Holding B.V. for sale to the other shareholders in the event of a change in control. A change in control of BMW AG arises if a person or entity takes over or loses control of BMW AG, with control defined as (i) holding or having control over more than 50 % of the voting rights, (ii) the possibility to control more than 50 % of voting rights exercisable at Annual General Meetings on all or nearly all matters, or (iii) the right to determine the majority of members of the Board of Management or the Supervisory Board. Furthermore, a change in control occurs if competitors of the HERE Group or certain potential competitors of the HERE Group from the technology sector acquire at least 25 % of BMW AG. If none of the other shareholders acquire these shares, the other shareholders are entitled to resolve that There Holding B.V. be dissolved.

- The development collaboration agreement between BMW AG, Intel Corporation and Mobileye Vision Technologies Ltd., relating to the development of technologies used in highly and fully automated vehicles, may be terminated by any of the contractual parties if a competitor of one of the parties acquires and subsequently holds at least 30 % of the voting shares of one of the contractual parties.

- The development collaboration agreement between BMW AG, FCA US LLC and FCA Italy S.p.A., relating to the development of technologies used in automated vehicles, may be terminated by any of the contractual parties if certain competitors in the technology sector acquire and subsequently hold at least 30 % of the voting shares of the other contractual party.

- The collaboration agreement between BMW AG and Mercedes-Benz AG relating to the development of technologies for second-generation automated driving (from 2024) may be terminated by either party if a third party – directly or indirectly – acquires at least 30 % of the voting rights in one of the contractual parties (§ 29 (2) and § 30 of the German Securities Acquisition and Takeover Act (WpÜG)).

- BMW AG has agreed with Great Wall Motor Company Limited to establish the joint venture Spotlight Automotive Ltd. in China. The agreement grants an extraordinary right of termination to either joint venture partner in the event that – either directly or indirectly – more than 25 % of the shares of the other party are acquired by a third party or the other party is merged with another legal entity. The termination of the joint venture agreement may result in the sale of the shares to the other joint venture partner or in the liquidation of the joint venture entity.

Compensation agreements with members of the Board of Management or with employees in the event of a takeover bid

BMW AG has not concluded any compensation agreements with members of the Board of Management or with employees for situations involving a takeover offer.

GROUP FINANCIAL STATEMENTS

BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

Income Statement for Group and Segments

→ 63

in € million	Note	Group 2019	Group 2018[1]	Automotive (unaudited supplementary information) 2019	Automotive (unaudited supplementary information) 2018	Motorcycles (unaudited supplementary information) 2019	Motorcycles (unaudited supplementary information) 2018
Revenues	7	104,210	96,855	91,682	85,846	2,368	2,173
Cost of sales	8	–86,147	–78,477	–78,062	–71,918	–1,911	–1,738
Gross profit		18,063	18,378	13,620	13,928	457	435
Selling and administrative expenses	9	–9,367	–9,568	–7,762	–7,880	–264	–263
Other operating income	10	1,031	774	976	810	2	4
Other operating expenses	10	–2,316	–651	–2,335	–676	–1	–1
Profit / loss before financial result		7,411	8,933	4,499	6,182	194	175
Result from equity accounted investments	24	136	632	136	632	–	–
Interest and similar income	11	179	397	420	567	1	–
Interest and similar expenses	11	–499	–386	–737	–533	–8	–6
Other financial result	12	–109	51	149	129	–	–
Financial result		–293	694	–32	795	–7	–6
Profit / loss before tax		7,118	9,627	4,467	6,977	187	169
Income taxes	13	–2,140	–2,530	–1,354	–1,853	–56	–45
Profit / loss from continuing operations		4,978	7,097	3,113	5,124	131	124
Profit / loss from discontinued operations		44	–33	44	–33	–	–
Net profit / loss		5,022	7,064	3,157	5,091	131	124
Attributable to minority interest		107	90	30	30	–	–
Attributable to shareholders of BMW AG	31	4,915	6,974	3,127	5,061	131	124
Basic earnings per share of common stock in €	14	7.47	10.60				
Basic earnings per share of preferred stock in €	14	7.49	10.62				
Dilutive effects		–	–				
Diluted earnings per share of common stock in €	14	7.47	10.60				
Diluted earnings per share of preferred stock in €	14	7.49	10.62				

[1] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Statement of Comprehensive Income for Group

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in € million	Note	2019	2018[2]
Net profit		5,022	7,064
Remeasurement of the net defined benefit liability for pension plans	32	–1,254	935
Deferred taxes		387	–217
Items not expected to be reclassified to the income statement in the future		–867	718
Marketable securities (at fair value through other comprehensive income)		42	–30
Derivative financial instruments		–706	–1,381
Costs of hedging		125	–620
Other comprehensive income from equity accounted investments		–3	–157
Deferred taxes		171	674
Currency translation foreign operations		544	192
Items that can be reclassified to the income statement in the future		173	–1,322
Other comprehensive income for the period after tax	19	–694	–604
Total comprehensive income		4,328	6,460
Total comprehensive income attributable to minority interests		107	90
Total comprehensive income attributable to shareholders of BMW AG	31	4,221	6,370

[2] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements.

Financial Services (unaudited supplementary information) 2019	Financial Services (unaudited supplementary information) 2018[1]	Other Entities (unaudited supplementary information) 2019	Other Entities (unaudited supplementary information) 2018	Eliminations (unaudited supplementary information) 2019	Eliminations (unaudited supplementary information) 2018[1]	
29,598	27,705	5	6	–19,443	–18,875	Revenues
–25,938	–24,089	–	–	19,764	19,268	Cost of sales
3,660	**3,616**	**5**	**6**	**321**	**393**	**Gross profit**
–1,341	–1,362	–24	–79	24	16	Selling and administrative expenses
73	42	173	126	–193	–208	Other operating income
–80	–124	–125	–80	225	230	Other operating expenses
2,312	**2,172**	**29**	**–27**	**377**	**431**	**Profit / loss before financial result**
–	–	–	–	–	–	Result from equity accounted investments
4	12	1,515	1,178	–1,761	–1,360	Interest and similar income
–7	–14	–1,419	–1,145	1,672	1,312	Interest and similar expenses
–37	–27	–221	–51	–	–	Other financial result
–40	**–29**	**–125**	**–18**	**–89**	**–48**	**Financial result**
2,272	**2,143**	**–96**	**–45**	**288**	**383**	**Profit / loss before tax**
–672	–502	29	–36	–87	–94	Income taxes
1,600	**1,641**	**–67**	**–81**	**201**	**289**	**Profit / loss from continuing operations**
–	–	–	–	–	–	Profit / loss from discontinued operations
1,600	**1,641**	**–67**	**–81**	**201**	**289**	**Net profit / loss**
77	60	–	–	–	–	Attributable to minority interest
1,523	**1,581**	**–67**	**–81**	**201**	**289**	**Attributable to shareholders of BMW AG**
						Basic earnings per share of common stock in €
						Basic earnings per share of preferred stock in €
						Dilutive effects
						Diluted earnings per share of common stock in €
						Diluted earnings per share of preferred stock in €

BMW GROUP BALANCE SHEET AT 31 DECEMBER 2019

		Group			Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)	
in € million	Note	2019	1.1.2019[1]	31.12.2018[2]	2019	2018	2019	2018
ASSETS								
Intangible assets	21	11,729	10,971	10,971	11,212	10,472	127	95
Property, plant and equipment	22	23,245	22,163	19,801	22,749	19,372	407	399
Leased products	23	42,609	38,259	38,259	–	–	–	–
Investments accounted for using the equity method	24	3,199	2,624	2,624	3,199	2,624	–	–
Other investments		703	739	739	5,144	4,843	–	–
Receivables from sales financing	25	51,030	48,313	48,313	–	–	–	–
Financial assets	26	1,370	1,010	1,010	131	216	–	–
Deferred tax	13	2,194	1,640	1,638	3,451	3,043	–	–
Other assets	28	1,325	847	847	2,203	4,633	36	33
Non-current assets		**137,404**	**126,566**	**124,202**	**48,089**	**45,203**	**570**	**527**
Inventories	29	15,891	14,248	14,248	14,404	13,071	679	568
Trade receivables	30	2,518	2,546	2,546	2,228	2,287	186	167
Receivables from sales financing	25	41,407	38,700	38,700	–	–	–	–
Financial assets	26	5,955	6,675	6,675	4,772	4,988	–	–
Current tax	27	1,209	1,378	1,378	1,000	618	–	–
Other assets	28	11,614	9,749	9,749	33,492	21,859	1	2
Cash and cash equivalents		12,036	10,979	10,979	9,077	8,631	11	12
Assets held for sale		–	463	461	–	461	–	–
Current assets		**90,630**	**84,738**	**84,736**	**64,973**	**51,915**	**877**	**749**
Total assets		**228,034**	**211,304**	**208,938**	**113,062**	**97,118**	**1,447**	**1,276**
EQUITY AND LIABILITIES								
Subscribed capital	31	659	658	658				
Capital reserves	31	2,161	2,118	2,118				
Revenue reserves	31	57,667	55,830	55,862				
Accumulated other equity	31	–1,163	–1,338	–1,338				
Equity attributable to shareholders of BMW AG	31	**59,324**	**57,268**	**57,300**				
Minority interest		583	529	529				
Equity		**59,907**	**57,797**	**57,829**	**40,174**	**39,778**	**–**	**–**
Pension provisions	32	3,335	2,330	2,330	2,820	2,089	96	64
Other provisions	33	5,788	5,530	5,530	5,605	5,354	81	70
Deferred tax	13	632	1,762	1,773	543	1,016	–	–
Financial liabilities	35	70,647	66,744	64,772	2,680	1,017	–	–
Other liabilities	36	5,100	5,293	5,293	7,929	7,558	569	506
Non-current provisions and liabilities		**85,502**	**81,659**	**79,698**	**19,577**	**17,034**	**746**	**640**
Other provisions	33	7,421	5,871	5,871	6,962	5,433	105	101
Current tax	34	963	1,158	1,158	704	933	–	–
Financial liabilities	35	46,093	39,260	38,825	1,929	879	–	–
Trade payables	37	10,182	9,669	9,669	8,814	8,360	413	348
Other liabilities	36	17,966	15,826	15,826	34,902	24,639	183	187
Liabilities in conjunction with assets held for sale		–	64	62	–	62	–	–
Current provisions and liabilities		**82,625**	**71,848**	**71,411**	**53,311**	**40,306**	**701**	**636**
Total equity and liabilities		**228,034**	**211,304**	**208,938**	**113,062**	**97,118**	**1,447**	**1,276**

[1] The figures to 1 January 2019 have been adjusted, based on the first-time application of IFRS 16, see note 6 to the Group Financial Statements.
[2] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2019	2018[2]	2019	2018	2019	2018[2]	
						ASSETS
389	403	1	1	–	–	Intangible assets
89	30	–	–	–	–	Property, plant and equipment
50,348	46,114	–	–	–7,739	–7,855	Leased products
–	–	–	–	–	–	Investments accounted for using the equity method
1	1	6,847	6,660	–11,289	–10,765	Other investments
51,079	48,333	–	–	–49	–20	Receivables from sales financing
139	138	1,168	695	–68	–39	Financial assets
512	485	84	28	–1,853	–1,918	Deferred tax
3,351	2,835	38,919	33,956	–43,184	–40,610	Other assets
105,908	**98,339**	**47,019**	**41,340**	**–64,182**	**–61,207**	**Non-current assets**
808	609	–	–	–	–	Inventories
103	91	1	1	–	–	Trade receivables
41,407	38,700	–	–	–	–	Receivables from sales financing
1,009	1,325	187	460	–13	–98	Financial assets
84	91	125	669	–	–	Current tax
5,106	5,081	64,692	48,775	–91,677	–65,968	Other assets
2,075	1,985	873	351	–	–	Cash and cash equivalents
–	–	–	–	–	–	Assets held for sale
50,592	**47,882**	**65,878**	**50,256**	**–91,690**	**–66,066**	**Current assets**
156,500	**146,221**	**112,897**	**91,596**	**–155,872**	**–127,273**	**Total assets**
						EQUITY AND LIABILITIES
						Subscribed capital
						Capital reserves
						Revenue reserves
						Accumulated other equity
						Equity attributable to shareholders of BMW AG
						Minority interest
15,545	**14,806**	**21,972**	**20,683**	**–17,784**	**–17,438**	**Equity**
47	49	372	128	–	–	Pension provisions
102	106	–	–	–	–	Other provisions
3,804	4,576	34	22	–3,749	–3,841	Deferred tax
18,170	19,170	49,865	44,624	–68	–39	Financial liabilities
39,639	36,333	102	1,168	–43,139	–40,272	Other liabilities
61,762	**60,234**	**50,373**	**45,942**	**–46,956**	**–44,152**	**Non-current provisions and liabilities**
299	328	55	9	–	–	Other provisions
184	208	75	17	–	–	Current tax
26,938	25,705	17,239	12,339	–13	–98	Financial liabilities
943	950	12	11	–	–	Trade payables
50,829	43,990	23,171	12,595	–91,119	–65,585	Other liabilities
–	–	–	–	–	–	Liabilities in conjunction with assets held for sale
79,193	**71,181**	**40,552**	**24,971**	**–91,132**	**–65,683**	**Current provisions and liabilities**
156,500	**146,221**	**112,897**	**91,596**	**–155,872**	**–127,273**	**Total equity and liabilities**

BMW GROUP CASH FLOW STATEMENT

	Group	
in € million	2019	2018[1]
Net profit	5,022	7,064
Profit / loss from discontinued operations	–44	33
Current tax expense	3,316	2,218
Income taxes paid	–3,389	–1,972
Interest received[2]	91	170
Other interest and similar income / expenses[2]	51	–199
Depreciation and amortisation of tangible, intangible and investment assets	6,017	5,113
Other non-cash income and expense items	–200	111
Result from equity accounted investments	–136	–632
Gain / loss on disposal of tangible and intangible assets and marketable securities	4	–34
Change in deferred taxes	–1,176	312
Change in leased products	–3,825	–1,642
Change in receivables from sales financing	–3,560	–5,724
Changes in working capital	–1,117	–619
Change in inventories	–1,560	–403
Change in trade receivables	14	112
Change in trade payables	429	–328
Change in provisions	1,512	–88
Change in other operating assets and liabilities	1,096	940
Cash inflow / outflow from operating activities	**3,662**	**5,051**
Total investment in intangible assets and property, plant and equipment	–6,902	–7,777
Proceeds from subsidies for intangible assets and property, plant and equipment	50	21
Proceeds from the disposal of intangible assets and property, plant and equipment	32	107
Expenditure for investment assets	–1,598	–164
Acquisitions of subsidiaries and other business units	–	–209
Proceeds from the disposal of investment assets and other business units[3]	1,087	623
Investments in marketable securities and investment funds	–775	–3,725
Proceeds from the sale of marketable securities and investment funds	822	3,761
Cash inflow / outflow from investing activities	**–7,284**	**–7,363**
Payments into equity	33	25
Payment of dividend for the previous year	–2,366	–2,630
Intragroup financing and equity transactions	–	–
Interest paid[2]	–199	–136
Proceeds from non-current financial liabilities[4]	150,517	30,762
Repayment of non-current financial liabilities[4]	–143,500	–22,564
Change in other financial liabilities	305	–1,161
Cash inflow / outflow from financing activities	**4,790**	**4,296**
Effect of exchange rate on cash and cash equivalents	**–28**	**–19**
Effect of changes in composition of Group on cash and cash equivalents	**–83**	**–25**
Change in cash and cash equivalents	**1,057**	**1,940**
Cash and cash equivalents as at 1 January	10,979	9,039
Cash and cash equivalents as at 31 December	**12,036**	**10,979**

[1] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.
[2] With the exception of interest from lease liabilities, interest relating to financial services business is classified as revenues / cost of sales.
[3] Includes dividends received from investment assets amounting to €643 million (2018: €384 million).
[4] Gross cash flows presented, which were presented as net amounts in the prior year.

Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)		
2019	2018[1]	2019	2018[1]	
3,157	5,091	1,600	1,641	Net profit
–44	33	–	–	Profit / loss from discontinued operations
1,638	1,886	1,602	308	Current tax expense
–1,984	–1,751	–345	–299	Income taxes paid
91	170	–	–	Interest received[2]
61	–165	3	1	Other interest and similar income / expenses[2]
5,853	4,982	54	34	Depreciation and amortisation of tangible, intangible and investment assets
–262	83	23	33	Other non-cash income and expense items
–136	–632	–	–	Result from equity accounted investments
3	–35	–	1	Gain / loss on disposal of tangible and intangible assets and marketable securities
–284	–71	–930	24	Change in deferred taxes
–	–	–3,600	–1,732	Change in leased products
–	–	–3,589	–5,726	Change in receivables from sales financing
–831	–758	–222	130	Changes in working capital
–1,255	–390	–193	–39	Change in inventories
43	59	–11	60	Change in trade receivables
381	–427	–18	109	Change in trade payables
1,745	332	–59	–7	Change in provisions
683	187	118	–1,198	Change in other operating assets and liabilities
9,690	**9,352**	**–5,345**	**–6,790**	**Cash inflow / outflow from operating activities**
–6,734	–7,618	–19	–13	Total investment in intangible assets and property, plant and equipment
50	18	2	3	Proceeds from subsidies for intangible assets and property, plant and equipment
31	105	1	2	Proceeds from the disposal of intangible assets and property, plant and equipment
–1,557	–145	–	–	Expenditure for investment assets
–	–209	–	–	Acquisitions of subsidiaries and other business units
1,087	1,210	57	2	Proceeds from the disposal of investment assets and other business units[3]
–507	–3,692	–268	–63	Investments in marketable securities and investment funds
465	3,562	356	199	Proceeds from the sale of marketable securities and investment funds
–7,165	**–6,769**	**129**	**130**	**Cash inflow / outflow from investing activities**
33	25	–	–	Payments into equity
–2,366	–2,630	–	–	Payment of dividend for the previous year
877	2,099	5,491	5,097	Intragroup financing and equity transactions
–197	–136	–1	–	Interest paid[2]
173	1	132,408	12,940	Proceeds from non-current financial liabilities[4]
–605	–410	–133,089	–12,071	Repayment of non-current financial liabilities[4]
–	–2	491	827	Change in other financial liabilities
–2,085	**–1,053**	**5,300**	**6,793**	**Cash inflow / outflow from financing activities**
–22	**–31**	**6**	**–4**	**Effect of exchange rate on cash and cash equivalents**
28	**–25**	**–**	**–**	**Effect of changes in composition of Group on cash and cash equivalents**
446	**1,474**	**90**	**129**	**Change in cash and cash equivalents**
8,631	7,157	1,985	1,856	Cash and cash equivalents as at 1 January
9,077	**8,631**	**2,075**	**1,985**	**Cash and cash equivalents as at 31 December**

The reconciliation of liabilities from financing activities is presented in note 35.

BMW GROUP
STATEMENT OF CHANGES IN EQUITY

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
31 December 2018 (as originally reported)	31	**658**	**2,118**	**56,121**
Effects of accounting policy change*		–	–	–259
31 December 2018 (as adjusted due to accounting policy change)		**658**	**2,118**	**55,862**
Effects from the first-time application of IFRS 16		–	–	–32
1 January 2019 (adjusted according to IFRS 16)		**658**	**2,118**	**55,830**
Net profit		–	–	4,915
Other comprehensive income for the period after tax		–	–	–867
Comprehensive income at 31 December 2019		**–**	**–**	**4,048**
Dividend payments		–	–	–2,303
Subscribed share capital increase out of Authorised Capital		1	–	–
Premium arising on capital increase relating to preferred stock		–	43	–
Other changes		–	–	92
31 December 2019	31	**659**	**2,161**	**57,667**

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2018 (as originally reported)	31	**658**	**2,084**	**50,993**
Effects of accounting policy change*		–	–	–116
1 January 2018 (as adjusted due to accounting policy change)		**658**	**2,084**	**50,877**
Net profit*		–	–	6,974
Other comprehensive income for the period after tax		–	–	718
Comprehensive income at 31 December 2018*		**–**	**–**	**7,692**
Dividend payments		–	–	–2,630
Subscribed share capital increase out of Authorised Capital		–	–	–
Premium arising on capital increase relating to preferred stock		–	34	–
Other changes		–	–	–77
31 December 2018*	31	**658**	**2,118**	**55,862**

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements.

Accumulated other equity							
Translation differences	Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total	
–1,326	**–1**	**558**	**–569**	**57,559**	**529**	**58,088**	**31 December 2018 (as originally reported)**
–	–	–	–	–259	–	–259	Effects of accounting policy change*
–1,326	**–1**	**558**	**–569**	**57,300**	**529**	**57,829**	**31 December 2018 (as adjusted due to accounting policy change)**
–	–	–	–	–32	–	–32	Effects from the first-time application of IFRS 16
–1,326	**–1**	**558**	**–569**	**57,268**	**529**	**57,797**	**1 January 2019 (adjusted according to IFRS 16)**
–	–	–	–	4,915	107	**5,022**	Net profit
566	30	–551	128	–694	–	**–694**	Other comprehensive income for the period after tax
566	**30**	**–551**	**128**	**4,221**	**107**	**4,328**	**Comprehensive income at 31 December 2019**
–	–	–	–	–2,303	–63	**–2,366**	Dividend payments
–	–	–	–	1	–	**1**	Subscribed share capital increase out of Authorised Capital
–	–	–	–	43	–	**43**	Premium arising on capital increase relating to preferred stock
–	–	8	–6	94	10	**104**	Other changes
–760	**29**	**15**	**–447**	**59,324**	**583**	**59,907**	**31 December 2019**

Accumulated other equity							
Translation differences	Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total	
–1,494	**11**	**1,515**	**5**	**53,772**	**436**	**54,208**	**1 January 2018 (as originally reported)**
–	–	–	–	–116	–	–116	Effects of accounting policy change*
–1,494	**11**	**1,515**	**5**	**53,656**	**436**	**54,092**	**1 January 2018 (as adjusted due to accounting policy change)**
–	–	–	–	6,974	90	**7,064**	Net profit*
168	–12	–906	–572	–604	–	**–604**	Other comprehensive income for the period after tax
168	**–12**	**–906**	**–572**	**6,370**	**90**	**6,460**	**Comprehensive income at 31 December 2018***
–	–	–	–	–2,630	–	**–2,630**	Dividend payments
–	–	–	–	–	–	**–**	Subscribed share capital increase out of Authorised Capital
–	–	–	–	34	–	**34**	Premium arising on capital increase relating to preferred stock
–	–	–51	–2	–130	3	**–127**	Other changes
–1,326	**–1**	**558**	**–569**	**57,300**	**529**	**57,829**	**31 December 2018***

NOTES TO THE GROUP FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND POLICIES

01
Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW Group Financial Statements or Group Financial Statements) at 31 December 2019 were drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 e (1) of the German Commercial Code (HGB). The Group Financial Statements and Combined Management Report will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. Bayerische Motoren Werke Aktiengesellschaft, which has its seat at Petuelring 130, Munich, is registered in the Commercial Register of the District Court of Munich under the number HRB 42243.

The Group currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise.

Key figures presented in the report have been rounded in accordance with standard commercial practise. In certain cases, this may mean that values do not add up exactly to the stated total and that percentages cannot be derived from the values shown.

The income statement for the BMW Group and segments is presented using the cost of sales method.

In order to provide a better insight into the results of operations, financial position and net assets of the BMW Group, and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include an income statement and a balance sheet for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by a statement of cash flows for the Automotive and Financial Services segments. Inter-segment transactions relate primarily to internal sales of products, the provision of funds for Group companies and the related interest. A description of the nature of the business and the major operating activities of the BMW Group's segments is provided in → note 45 ("Explanatory notes to segment information").

→ see note 45

On 10 March 2020, the Board of Management granted approval for publication of the Group Financial Statements. Based on current developments regarding the spread of the coronavirus, the Board of Management on 16 March 2020 adjusted the original outlook for the BMW Group, the assumptions regarding the development of the global economy and the economic risks and opportunities for the financial year 2020 in the Combined Management Report, as well as the statement regarding the Events after the end of the reporting period and once again gave approval for the publication of the Group Financial Statements.

The presentation of selected items (such as the reclassification of vehicles held for sale in the financial services business) has been changed in the financial year 2019. The items affected are not significant overall. The changes in presentation are explained in the notes relating to the relevant balance sheet and income statement line items. Prior year figures have been adjusted accordingly.

02
Group reporting entity and consolidation principles

The BMW Group Financial Statements include BMW AG and all material subsidiaries over which BMW AG – either directly or indirectly – exercises control. This also includes 56 structured entities, consisting of asset-backed securities entities and special-purpose funds.

In relation to fully consolidated companies, the following changes took place in the Group reporting entity in the financial year 2019:

	Germany	Foreign	Total
Included at 31 December 2018	23	194	**217**
Included for the first time in 2019	–	16	**16**
No longer included in 2019	2	24	**26**
Included at 31 December 2019	**21**	**186**	**207**

All consolidated subsidiaries have the same year-end as BMW AG with the exception of BMW India Private Ltd. and BMW India Financial Services Private Ltd., whose year-ends are 31 March in accordance with local legal requirements.

When assessing whether an investment gives rise to a controlled entity, an associated company, a joint operation or a joint venture, the BMW Group considers contractual arrangements and other circumstances, as well as the structure and legal form of the entity. Discretionary decisions may also be required.

If indications exist of a change in the judgement of (joint) control, the BMW Group undertakes a new assessment.

An entity is deemed to be controlled if BMW AG – either directly or indirectly – has power over it, is exposed or has rights to variable returns from it and has the ability to influence those returns.

An entity is classified as an associated company if BMW AG – either directly or indirectly – has the ability to exercise significant influence over the entity's operating and financial policies. As a general rule, the Group is assumed to have significant influence if it holds 20 % or more of the entity's voting power.

Joint operations and joint ventures are forms of joint arrangements. Such an arrangement exists when a BMW Group entity jointly carries out activities with a third party on the basis of a contractual agreement.

In the case of a joint operation, the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Assets, liabilities, revenues and expenses of a joint operation are recognised proportionately in the Group Financial Statements on the basis of the BMW Group entity's rights and obligations (proportionate consolidation).

The following three major arrangements are accounted for as joint operations:

- The BMW Group is party to a cooperation with Toyota Motor Corporation, Toyota City, which developed a sports car.
- The BMW Group and Daimler AG are working together on a long-term strategic cooperation in the field of highly automated driving systems.
- The BMW Group has also signed an agreement with the Chinese automobile manufacturer Great Wall Motor Company Limited (Great Wall) for the joint development and production of electric vehicles in China. Vehicle development and production will be carried out by the jointly controlled company Spotlight Automotive Limited (Spotlight). Spotlight was founded on 27 December 2019 following approval by the Chinese authorities. The BMW Group and Great Wall each hold 50 % of the joint operation's equity. In addition to electric MINI vehicles, Spotlight will also develop and produce electric vehicles for Great Wall. At 31 December 2019, the joint development and production arrangements with Spotlight are included in the Group Financial Statements on a proportionate basis.

In the case of a joint venture, the parties which have joint control only have rights to the net assets of the arrangement.

Associated companies and joint ventures are accounted for using the equity method, with measurement on initial recognition based on acquisition cost.

On 28 March 2018, the BMW Group signed an agreement with the Daimler Group regarding the merger of certain business units that provide mobility services. Following approval by the relevant antitrust authorities, the transaction was closed on 31 January 2019. Existing on-demand mobility offerings in the areas of car sharing, ride-hailing, parking, charging and multimodality have been combined with future strategic expansion in mind. As a result of the business combination, following the final signing of contracts, the BMW Group and the Daimler Group each held equal shares in Car2Go Deutschland GmbH, Berlin (ShareNow), Blitz 18-353 GmbH, Munich (FreeNow), Parkmobile Group Holding B.V., Amsterdam (ParkNow), Digital Charging Solutions GmbH, Berlin (ChargeNow) and Moovel Group GmbH, Berlin (ReachNow). The joint ventures are combined under the name YOUR NOW.

As a result of the merger, the investments in the companies previously held by the BMW Group were remeasured to their fair value. DriveNow GmbH & Co. KG, Munich, including its subsidiaries and DriveNow Verwaltungs GmbH, Munich (DriveNow), are part of the agreement. These entities were contributed in kind to Car2Go Deutschland GmbH, Berlin, on a fully realised profit basis, in return for shares in that company. Up to 31 January 2019, DriveNow was accounted for as a discontinued operation. Profit after tax amounted to €44 million and resulted primarily from the contribution of DriveNow to Car2Go Deutschland GmbH. This amount is reported in the income statement as part of the result from discontinued operations. The remaining BMW companies included in the agreement were not previously fully consolidated on the grounds of immateriality. The transaction gave rise to a preliminary positive impact of €329 million which is included in the result on investments. This amount comprises sale proceeds of €232 million and revaluation gains of €97 million arising on the remaining shares. The transaction resulted in a total cash outflow of €890 million, comprising an inflow of €295 million and an outflow of €1,185 million. The items described above relating to YOUR NOW also have an impact on the Group's and Automotive segment's cash flows from investing activities.

Since 1 February 2019, the joint ventures are accounted for in the BMW Group Financial Statements using the equity method. The BMW Group's share of the loss recorded for the YOUR NOW companies during the financial year 2019 amounted to €662 million. This figure includes impairment losses totalling €277 million. Revised business expectations gave rise to an indication of impairment, thereby triggering an impairment test. As part of this process, impairment losses totalling €240 million were recognised in the BMW Group Financial Statements on the carrying amount of individual YOUR NOW companies. These impairment losses are included in the line item "Result on investments". The amounts recognised as impairment losses partly reflect decisions taken at the level of ShareNow and ReachNow not to serve certain markets in the future. In this context, the result from equity accounted investment also includes expenses arising from the recognition of provisions and impairment losses.

The work on opening balance sheets at the merger date and the calculation of the final purchase prices have not yet been finalised. For this reason, the final purchase prices cannot yet be determined definitively. Similarly, purchase price allocations have not yet been finalised.

The YOUR NOW companies were contributed into a holding company with effect from 31 December 2019. As a result of the contribution, the BMW Group and the Daimler Group each held equal shares in Blitz 18-353 GmbH (renamed YOUR NOW Holding GmbH in January 2020), Munich. The contribution was accounted for as an exchange transaction without economic substance and executed on the basis of carrying amounts.

The other changes to the Group reporting entity do not have a material impact on the results of operations, financial position and net assets of the Group.

03
Foreign currency translation and measurement

The financial statements of consolidated companies which are presented in a foreign currency are translated using the modified closing rate method. Under this method, assets and liabilities are translated at the closing exchange rate, whilst income and expenses are translated at the average exchange rate. Differences arising on foreign currency translation are presented in "Accumulated other equity".

In the single entity accounts of BMW AG and its subsidiaries, foreign currency receivables and payables are measured on initial recognition using the exchange rate prevailing at the date of first-time recognition. At the end of the reporting period, foreign currency receivables and payables are measured using the closing exchange rate. The resulting unrealised gains and losses, as well as realised gains and losses arising on settlement, are recognised in the income statement. Non-monetary balance sheet items denominated in foreign currencies are rolled forward on the basis of historical exchange rates.

The exchange rates of currencies which have a material impact on the Group Financial Statements were as follows:

	Closing rate		Average rate	
1 Euro =	31.12.2019	31.12.2018	2019	2018
British Pound	0.85	0.89	0.88	0.88
Chinese Renminbi	7.82	7.87	7.73	7.81
Japanese Yen	121.81	125.77	122.06	130.36
Korean Won	1,297.79	1,271.07	1,304.68	1,298.78
Russian Rubel	69.60	79.72	72.43	74.07
Thai Baht	33.40	37.01	34.76	38.15
US-Dollar	1.12	1.14	1.12	1.18

Argentina has fulfilled the definition of a hyperinflationary economy since 1 July 2018. For this reason, IAS 29 (Financial Reporting in Hyperinflationary Economies) is being applied for the BMW subsidiary in Argentina. The price indices published by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) are used to adjust non-monetary assets and liabilities and items in the income statement. The resulting effects are not material for the BMW Group.

04
Accounting policies, assumptions, judgements and estimations

Revenues from contracts with customers include in particular revenues from the sale of products (primarily new and pre-owned vehicles and related products) as well as revenues from services. Revenue is recognised when control is transferred to the dealership or retail customer. In the case of sales of products, this is usually at the point in time when the risks and rewards of ownership are transferred. Revenues are stated net of settlement discount, bonuses and rebates as well as interest and residual value subsidies. The consideration arising from these sales usually falls due for payment immediately or within 30 days. In exceptional cases, a longer payment period may also be agreed. In the case of services, control is transferred over time. Consideration for the rendering of services to customers usually falls due for payment at the beginning of a contract and is therefore deferred as a contract liability. The deferred amount is released over the service period and recognised as revenues in the income statement. As a rule, amounts are released on the basis of the expected expense trend, as this best reflects the performance of the service. If the sale of products includes a determinable amount for services (multiple-component contracts), the related revenues are deferred and recognised as income in the same way. Variable consideration components, such as bonuses, are measured at the expected value, and, in the case of multiple-component contracts allocated to all performance obligations unless directly attributable to the sale of a vehicle.

Revenues from the sale of products, for which repurchase arrangements or rights of return are in place, are not recognised immediately in full. Instead, revenues are either recognised proportionately, or the difference between the sales and repurchase price is recognised in instalments over the term of the contract depending on the nature of the agreement. In the case of vehicles sold to a dealership that are expected to be repurchased in a subsequent period as part of leasing operations, revenues are not recognised at Group level at the time of the sale of the vehicle. Instead, assets and liabilities relating to the right of return vehicles are recognised.

Revenues from leases of own-manufactured vehicles are recognised at Group level in accordance with the requirements for manufacturer or dealer lessors. In the case of operating leases, revenues from lease payments are recognised on a straight-line basis over the lease term. In the case of finance leases, revenues are recognised at the lease commencement date at the amount of the fair value of the leased asset and reduced by any unguaranteed residual value of vehicles that are expected to be returned to the Group at the end of the lease term. Similarly, cost of sales is reduced for unguaranteed residual values. In addition, initial direct costs are recognised as cost of sales at the lease commencement date.

Revenues also include interest income from financial services. Interest income arising on finance leases as well as on retail customer and dealership financing is recognised using the effective interest method and reported as interest income on credit financing within revenues.

Public sector grants are not recognised until there is reasonable assurance that the conditions attaching to them have been complied with and the grants will be received. The resulting income is recognised in cost of sales over the periods in which the costs occur that they are intended to compensate.

Earnings per share are calculated as follows: Basic earnings per share are calculated for common and preferred stock by dividing the net profit for the year after minority interests and attributable to each category of stock, by the average number of outstanding shares. Net profit for the year is accordingly allocated to the different categories of stock. The portion of the net profit that is not being distributed is allocated to each category of stock based on the number of outstanding shares. Profits available for distribution are determined directly on the basis of the dividend resolutions passed for common and preferred stock. Diluted earnings per share are calculated and separately disclosed in accordance with IAS 33.

Intangible assets are measured at acquisition or manufacturing cost. Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives of between three and 20 years. Impairment losses are recognised where necessary. Intangible assets with indefinite useful lives are tested annually for impairment. Internally generated intangible assets mainly comprise development costs for vehicle, module and architecture projects.

Development costs are **capitalised** if all of the criteria specified by IAS 38 are met. They are measured on the basis of direct costs and directly attributable overhead costs. Project-related capitalised development costs are amortised on a straight-line basis following the start of production over the estimated product life cycle (usually eight to twelve years).

Goodwill arises on first-time consolidation of an acquired business when the cost of acquisition exceeds the Group's share of the net fair value of the assets, liabilities and contingent liabilities identified during the acquisition.

If there is any indication of **impairment of intangible assets,** or if an annual impairment test is required (i.e. intangible assets with an indefinite useful life, intangible assets during the development phase and goodwill), an impairment test is performed. Each individual asset is tested separately unless the cash flows generated by the asset are not sufficiently independent from the cash flows generated by other assets or other groups of assets. In this case, impairment is tested at the level of a cash-generating unit.

For the purpose of the impairment test, the carrying amount of an asset (or a cash-generating unit) is compared with the recoverable amount. The first step of the impairment test is to determine the value in use. If the value in use is lower than the carrying amount, the next step is to determine the fair value less costs to sell and compare the amount so determined with the asset's carrying amount. If the fair value is lower than the carrying amount, an impairment loss is recognised, reducing the carrying amount to the higher of the asset's value in use or fair value less costs to sell.

If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed up to the level of the recoverable amount, but no higher than the amortised acquisition or manufacturing cost. Impairment losses on goodwill are not reversed.

As part of the process of assessing recoverability, it is generally necessary to apply estimations and assumptions – in particular regarding future cash inflows and outflows and the length of the forecast period – which could differ from actual amounts. Actual amounts may differ from the assumptions and estimations used if business conditions develop differently to expectations.

The BMW Group determines the value in use on the basis of a present value computation. Cash flows used for this calculation are derived from long-term forecasts approved by management. These long-term forecasts are based on detailed forecasts drawn up at an operational level, covering a planning period of six years. For the purposes of calculating cash flows beyond the planning period, a residual value is assumed which does not take growth into account. Forecasting assumptions are continually adjusted to current information and regularly compared with external sources. The assumptions used take account in particular of expectations of the profitability of the product portfolio, future market share development, macroeconomic developments (such as currency, interest rate and raw materials prices) as well as the legal environment and past experience.

Amounts are discounted on the basis of a market-related cost of capital rate. Impairment tests are performed for accounting and financial reporting purposes for the Automotive and Motorcycles cash-generating units using a risk-adjusted pre-tax cost of capital (WACC) that is updated annually. In the case of the Financial Services cash-generating unit, a pre-tax cost of equity capital is used, as is customary in the sector. The following discount factors were applied:

in %	2019	2018
Automotive	10.9	12.0
Motorcycles	10.9	12.0
Financial Services	11.5	13.4

The risk-adjusted discount rate, calculated using a CAPM model, also takes into account specific peer-group information relating to beta-factors, capital structure data and borrowing costs. In conjunction with the impairment tests for cash-generating units, sensitivity analyses are performed for the main assumptions in order to rule out that possible changes to the assumptions used to determine the recoverable amount would result in the requirement to recognise an impairment loss.

In order to determine a target internal rate of return, risk-adjusted cost of capital rates are averaged for the recent past. For the purposes of long-term product and investment decisions, the following target internal rates of return are used:

in %	2019	2018
Automotive	12.0	12.0
Motorcycles	12.0	12.0
Financial Services	13.4	13.4

All items of **property, plant and equipment** are measured at acquisition or manufacturing cost less accumulated depreciation and accumulated impairment losses. The cost of internally constructed plant and equipment comprises all costs which are directly attributable to the manufacturing process as well as an appropriate proportion of production-related overheads. This includes production-related depreciation and amortisation as well as an appropriate proportion of administrative and social costs. Financing costs are not included in acquisition or manufacturing cost unless they are directly attributable to the asset. The carrying amount of items of depreciable property, plant and equipment is written down according to scheduled usage-based depreciation – as a general rule on a straight-line basis – over the useful lives of the assets. Depreciation is recorded as an expense in the income statement.

The following useful lives are applied throughout the BMW Group:

in years	
Factory and office buildings, residential buildings, fixed installations in buildings and outside facilities	8 to 50
Plant and machinery	3 to 21
Other equipment, factory and office equipment	2 to 25

For machinery used in multiple-shift operations, depreciation rates are increased to account for the additional utilisation. If there is any indication of impairment of property, plant and equipment, an impairment test is performed as described above for intangible assets.

In the case of **leased items of property, plant and equipment,** a right-of-use asset and a liability for the outstanding lease payments are recognised with effect from the date on which the leased asset becomes available for use by the BMW Group. The acquisition cost for the right-of-use asset is calculated as the sum of the present value of the future lease payments, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee and the estimated costs of dismantling, removing or restoring the leased asset. Lease incentives granted by the lessor are deducted. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the leased asset and the expected lease term. If ownership of the leased asset is automatically transferred at the end of the lease term or the exercise of a purchase option is reflected in the lease payments, the right-of-use asset is amortised on a straight-line basis over the expected useful life of the leased asset. Right-of-use assets are reported in the balance sheet within the relevant line items for property, plant and equipment. The amortisation expense on right-of-use assets is reported in the income statement in cost of sales as well as in selling and administrative expenses.

The lease liability is measured on initial recognition at the present value of the future lease payments. Subsequent to initial recognition, the carrying amount of the lease liability is increased to reflect interest on the lease liability and reduced, without income statement impact, by the lease payments made. Lease liabilities are reported within financial liabilities, while interest expense is reported as part of net interest result. In the cash flow statement, both the repayment portion and the interest portion of lease payments are shown as cash outflows from financing activities.

The lease payments to be taken into account to measure the right-of-use asset and the lease liability comprise fixed payments, variable lease payments that depend on an index or an interest rate as well as amounts expected to be payable under residual value guarantees. If it is reasonably certain that a purchase or lease extension option will be exercised, the relevant payments are also included. Payments for periods for which the lessee has an option to terminate a lease unilaterally are only included in the lease payments if it is reasonably certain that the termination option will not be exercised. For the purposes of assessing options, the BMW Group takes account of all facts and circumstances that create an economic incentive to exercise or not to exercise the option.

IFRS 16 requires that lease payments are discounted as a general rule using the interest rate implicit in the lease. However, since the interest rate in leases entered into by the BMW Group cannot readily be determined, amounts are discounted on the basis of the incremental borrowing rate, comprising the risk-free interest rate in the relevant currency for matching maturities plus a premium for the credit risk. Specific risks attached to an asset are generally not taken into account, given that collateral received in the context of alternative financing arrangements is not relevant within the BMW Group.

Determining which items are to be counted as lease payments – including the issue of the lease term underlying those payments – and which discount rate to apply involves using estimates and assumptions that may differ from actual outcomes.

As lessee, the BMW Group makes use of the application exemptions available for short-term leases and leases of low-value assets.

Group products recognised by BMW Group entities as **leased products** under operating leases are measured at manufacturing cost, including any initial direct costs. All other leased products are measured at acquisition cost. All leased products are depreciated over the period of the lease using the straight-line method down to their expected residual value. Where the recoverable amount of a lease exceeds the asset's carrying amount, changes in residual value expectations are recognised by adjusting scheduled depreciation prospectively over the remaining term of the lease. If the recoverable amount is lower than the asset's carrying amount, an impairment loss is recognised for the shortfall. A test is carried out at each balance sheet date to determine whether an impairment loss recognised in prior years no longer exists or has decreased. In such cases, the carrying amount of the asset is increased to the recoverable amount, at a maximum up to the amount of the asset's amortised cost.

Assumptions and estimations are required regarding future residual values, since these represent a significant part of future cash inflows. Relevant factors to be considered include the trend in market prices and demand on the pre-owned vehicle market. The assumptions are based on internally available historical data and current market data as well as on forecasts of external institutions. Furthermore, assumptions are regularly validated by comparison with external data.

Investments accounted for using the equity method are measured – provided no impairment has been recognised – at cost of investment adjusted for the Group's share of earnings and changes in equity capital. If there is any indication that an investment is impaired, an impairment test is performed on the basis of a discounted cash flow method. An indication exists, for example, in the event of a serious shortfall compared to budget, the loss of an active market or if funds are required to avoid insolvency.

The Group's **financial assets** include in particular other investments, receivables from sales financing, marketable securities and investment funds, derivative financial assets, trade receivables and cash and cash equivalents. As a general rule, non-derivative financial assets are accounted for on the settlement date.

Depending on the business model and the structure of contractual cash flows, financial assets are classified as measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. The category "at fair value through other comprehensive income" at the BMW Group comprises mainly marketable securities and investment funds used for liquidity management purposes. Selected marketable securities and investment funds, money market funds within cash and cash equivalents as well as convertible bonds are recognised at fair value through profit or loss, as their contractual cash flows do not solely represent payments of principal and interest. The BMW Group does not make use of the option to measure equity instruments at fair value through other comprehensive income or debt instruments at fair value through profit or loss.

The market values of financial instruments measured at fair value are determined on the basis of market information available at the balance sheet date, such as quoted prices or using appropriate measurement methods, in particular the discounted cash flow method.

Items reported under **other investments** within the scope of IFRS 9 are measured at fair value through profit or loss. Investments in subsidiaries, joint arrangements and associated companies that are not material to the BMW Group and which do not fall within the scope of IFRS 9 are also included in other investments.

Receivables from sales financing are measured at amortised cost using the effective interest rate method. This also includes receivables from vehicle finance leases which are measured at an amount equal to the net investment in the lease.

With the exception of receivables from operating leases and trade receivables, the BMW Group applies the general approach described in IFRS 9 to determine **impairment** of financial assets. Under the general approach, loss allowances are measured on initial recognition on the basis of the expected 12-month credit loss (stage 1). If the credit loss risk at the end of the reporting period has increased significantly since initial recognition, the impairment allowance is measured on the basis of lifetime expected credit losses (stage 2 – general approach). The BMW Group applies the simplified approach described in IFRS 9 to operating lease and trade receivables, whereby the amount of the loss allowance is measured subsequent to the initial recognition of the receivable on the basis of lifetime expected credit losses (stage 2 – simplified approach). For the purposes of allocating an item to stage 2, it is irrelevant whether the credit risk of the assets concerned has increased significantly since initial recognition. In the case of credit-impaired assets which had not been credit-impaired at the time they were acquired or originated, an impairment allowance is recognised at an amount equal to lifetime expected credit losses (stage 3). This is the case regardless of whether the general or simplified approach is applied. As a general rule, the BMW Group assumes that a receivable is in default if it is more than 90 days overdue or if there are objective indications of insolvency. Credit-impaired assets are identified as such on the basis of this definition of default. In the case of stage 3 assets, interest income is calculated on the asset's carrying amount less any impairment loss. Loss allowances on receivables from sales financing are determined primarily on the basis of past experience with credit losses, current data on overdue receivables, rating classes and scoring information. Forward-looking information (for instance forecasts of key performance indicators) is also taken into account if, based on past experience, such indicators show a substantive correlation to actual credit losses.

The measurement of the change in default risk is based on a comparison of the default risk at the date of initial recognition and at the end of the reporting period. The default risk at the end of each reporting period is determined on the basis of credit checks, current key performance indicators and any overdue payments. Loss allowances on trade receivables are determined primarily on the basis of information relating to overdue amounts. In the case of marketable securities and investment funds, the BMW Group usually applies the option not to allocate financial assets with a low default risk to different stages. Accordingly, assets with an investment grade rating are always allocated to stage 1. The loss allowance on these assets is calculated using the input factors available on the market, such as ratings and default probabilities.

The BMW Group writes off financial assets when it has no reasonable expectation of recovering the amounts concerned. This may be the case, for instance, if the debtor is deemed not to have sufficient assets or other sources of income to service the debt.

Derivative financial instruments are used within the BMW Group for hedging purposes in order to reduce currency, interest rate, fair value and market price risks. Derivative financial instruments are recognised as of the trade date, measured at their fair value. Fair values are determined on the basis of valuation models. Observable market price, tenor and currency basis spreads are taken into account in the measurement of derivative financial instruments. Furthermore, the Group's own credit risk and that of counterparties is taken into account on the basis of credit default swap values for market contracts with matching terms.

The BMW Group applies the option to recognise the credit risks arising from the fair values of a group of derivative financial assets and liabilities on the basis of their total net amount. Portfolio-based valuation adjustments (credit valuation adjustments and debit valuation adjustments) to the individual derivative financial assets and financial liabilities are allocated using the relative fair value approach (net method).

Where hedge accounting is applied, changes in fair value of derivate financial instruments are presented as part of other financial result in the income statement or within other comprehensive income as a component of accumulated other equity, depending on whether the hedging relationship is classified as a fair value hedge or a cash flow hedge. Fair value hedges are mainly used to hedge interest rate risks relating to bonds, other financial liabilities and receivables from sales financing. For selected fixed-interest assets, part of the interest rate risk is hedged on a portfolio basis in accordance with IAS 39. In this case, swaps are used as the hedging instrument. Hedge relationships are terminated and redesignated on a monthly basis at the end of each reporting period, thereby taking account of the constantly changing content of each portfolio. The currency basis is not designated as part of the hedging relationship in the case of interest rate hedges accounted for as fair value hedges. Accordingly, changes in the market value of such instruments are recorded as costs of hedging within accumulated other equity. Amounts accumulated in equity are reclassified to other financial result within income statement over the term of the hedging relationship. Ineffectiveness of hedging relationships is also recognised in other financial result.

The time values of option transactions and the interest component – including the currency basis – of forward currency contracts are not designated as part of the hedging relationship in the case of currency hedges accounted for as cash flow hedges. Changes in the market value of such components are recorded as costs of hedging on a separate line within accumulated other equity. Amounts recorded in accumulated other equity from currency hedges are reclassified to cost of sales when the related hedged item is recognised in profit or loss. Ineffectiveness is recognised directly in cost of sales.

In the case of raw materials hedges that are accounted for as cash flow hedges, the hedging instruments are designated in full as part of the hedging relationship. As an exception to this general rule, the interest component of raw materials derivative instruments redesignated in conjunction with the first-time application IFRS 9 was not designated as part of the hedging relationship. Changes in the fair value of this component are recorded as costs of hedging on a separate line within accumulated other equity. Amounts recorded in accumulated other equity are included in the carrying amount of inventories on initial recognition.

Deferred income taxes are recognised for all temporary differences between the tax and accounting bases of assets and liabilities, including differences arising on consolidation procedures, as well as on unused tax losses and unused tax credits. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

The recoverability of deferred tax assets is assessed at each balance sheet date on the basis of planned taxable income in future financial years. If with a probability of more than 50 percent future tax benefits will not be realised, either in part or in total, a valuation allowance is recognised on the deferred tax assets. The calculation of deferred tax assets requires assumptions to be made with regard to the level of future taxable income and the timing of recovery of deferred tax assets. These assumptions take account of forecast operating results and the impact on earnings of the reversal of taxable temporary differences. Since future business developments cannot be predicted with certainty and to some extent cannot be influenced by the BMW Group, the measurement of deferred tax assets is subject to uncertainty.

Deferred tax liabilities on taxable temporary differences arising from investments in subsidiaries, branches and associated companies and interests in joint arrangements are not recognised if the Group is able to control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future. This is particularly the case if it is intended that profits will not be distributed, but rather will be used to maintain the substance and expand the volume of business of the entities concerned.

Current income taxes are calculated within the BMW Group on the basis of tax legislation applicable in the relevant countries. To the extent that judgement was necessary to determine the treatment and amount of tax items presented in the financial statements, there is in principle a possibility that local tax authorities may take a different position.

As a general rule, each income tax treatment is considered independently when accounting for **uncertainties in income taxes**. If it is not considered probable that an income tax treatment will be accepted by the local tax authorities, the BMW Group uses the most likely amount of the tax treatment when determining taxable profit and the tax base.

Inventories of raw materials, supplies and goods for resale are stated at the lower of average acquisition cost and net realisable value.

Work in progress and finished goods, as well as vehicles held for sale in the financial services business, are stated at the lower of manufacturing cost and net realisable value. Manufacturing cost comprises all costs which are directly attributable to the manufacturing process as well as an appropriate proportion of production-related overheads. This includes production-related depreciation and amortisation and an appropriate proportion of administrative and social costs. Financing costs are not included in the acquisition or manufacturing cost of inventories.

Cash and cash equivalents comprise mainly cash on hand and cash at bank with an original term of up to three months. With the exception of money market funds, cash and cash equivalents are measured at amortised cost.

Financial liabilities, with the exception of lease liabilities, are measured on first-time recognition at their fair value. For these purposes, transaction costs are taken into account except in the case of financial liabilities allocated to the category "measured at fair value through profit or loss". Subsequent to initial recognition, liabilities are – with the exception of derivative financial instruments – measured at amortised cost using the effective interest method.

Provisions for pensions are measured using the projected unit credit method. Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future expected increases in pensions and salaries. The calculation is based on independent actuarial valuations which take into account the relevant biometric factors.

In the case of funded plans, the pension obligation is offset against plan assets measured at their fair value. If the plan assets exceed the pension obligation, the surplus is tested for recoverability. In the event that the BMW Group has a right of reimbursement or a right to reduce future contributions, it reports an asset (within Other financial assets), measured on the basis of the present value of the future economic benefits attached to the plan assets. For funded plans, in cases where the obligation exceeds plan assets, a liability is recognised under pension provisions.

The calculation of the amount of the provision requires assumptions to be made with regard to discount rates, salary trends, employee fluctuation and the life expectancy of employees. Discount rates are determined by reference to market yields at the end of the reporting period on high quality fixed-interest corporate bonds. The salary trend relates to the expected future rate of salary increase which is estimated annually based on inflation and the career development of employees within the Group.

Net interest expense on the net defined benefit liability and net interest income on net defined benefit assets are presented separately within the financial result. All other costs relating to allocations to pension provisions are allocated to costs by function in the income statement.

Past service cost arises where a BMW Group company introduces a defined benefit plan or changes the benefits payable under an existing plan. This cost is recognised immediately in the income statement. Similarly, gains and losses arising on the settlement of a defined benefit plan are recognised immediately in the income statement.

Remeasurement of the net liability can result from changes in the present value of the defined benefit obligation, the fair value of the plan assets or the asset ceiling. Remeasurement can result, amongst others, from changes in financial and demographic parameters, as well as changes following the portfolio development. Remeasurements are recognised immediately in other comprehensive income and hence directly in equity (within revenue reserves).

Other provisions are recognised when the BMW Group has a present legal or constructive obligation towards a third party arising from past events, the settlement of which is probable, and when the amount of the obligation can be reliably estimated. Provisions with a remaining period of more than one year are measured at their net present value.

The measurement of provisions for **statutory and non-statutory warranty obligations (statutory, contractual and voluntary)** involves estimations. In addition to manufacturer warranties prescribed by law, the BMW Group offers various further standard (assurance-type) warranties depending on the product and sales market. No provisions are recognised for additionally offered service packages that are treated as separate performance obligations.

Provisions for statutory and non-statutory warranties are recognised at the point in time when control over the goods is transferred to the dealership or retail customer or when it is decided to introduce new warranty measures. With respect to the level of the provision, estimations are made in particular based on past experience of damage claims and processes. Future potential repair costs and price increases per product and market are also taken into account. Provisions for warranties for all companies of the BMW Group are adjusted regularly to take account of new information, with the impact of any changes recognised in the income statement. Further information is provided in → note 33. Similar estimates are also made in conjunction with the measurement of expected reimbursement claims.

→ see note 33

The recognition and measurements of provisions for **litigation and liability risks** necessitates making assumptions in order to determine the probability of liability, the amount of claim and the duration of the legal dispute. The assumptions made, especially the assumption about the outcome of legal proceedings, are subject to a high degree of uncertainty. The appropriateness of assumptions is regularly reviewed, based on assessments undertaken both by management and external experts, such as lawyers. If new developments arise in the future that result in a different assessment, provisions are adjusted accordingly.

If the recognition and measurement criteria relevant for provisions are not fulfilled and the outflow of resources on fulfilment is not unlikely, the potential obligation is disclosed as a **contingent liability**.

Related party disclosures comprise information on associated companies, joint ventures and non-consolidated subsidiaries as well as individuals which have the ability to exercise a controlling or significant influence over the financial and operating policies of the BMW Group. This includes all persons in key positions of the Company, as well as close members of their families or intermediary entities. In the case of the BMW Group, this also applies to members of the Board of Management and the Supervisory Board. Details relating to these individuals and entities are provided in → note 40 and in the list of investments disclosed in → note 46.

→ see notes 40 and 46

Share-based remuneration programmes which are expected to be settled in shares are measured at their fair value at grant date. The related expense is recognised as personnel expense in the income statement over the vesting period and offset against capital reserves. Share-based remuneration 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 is recognised as personnel expense in the income statement over the vesting period and presented in the balance sheet as a provision.

The share-based remuneration programme for Board of Management members and senior heads of department entitles 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 share-based remuneration programmes for Board of Management members and senior heads of department are accounted for as cash-settled, share-based remuneration programmes. Further information on share-based remuneration programmes is provided in → note 41.

→ see note 41

05
Financial reporting rules

Standards and Revised Standards significant for the BMW Group applied for the first time in the financial year 2019:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU
IFRS 16	Leases	13.1.2016	1.1.2019	1.1.2019
IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7)	26.9.2019	1.1.2020	1.1.2020
IFRIC 23	Uncertainty Over Income Tax Treatments	7.6.2017	1.1.2019	1.1.2019

Changes due to the new accounting standard IFRS 16 are described in → note 6.

→ see note 6

The amendments to IFRS 9, IAS 39 and IFRS 7 provide relief with regard to the expected impact of the interest rate benchmark reform on hedge accounting and are being applied early by the BMW Group. The amendments provide temporary relief from applying specific hedge accounting requirements in the case of hedging relationships directly affected by the interest rate benchmark reform. Accordingly, hedge accounting requirements must be applied as if the benchmark interest rate, on which the hedged cash flows and cash flows from the hedging instrument are based, were not changed by the benchmark interest rate reform. Consequently, the amendments to IFRS 9 and IAS 39 ensure that hedge accounting is not required to be discontinued specifically as a result of the benchmark interest rate reform. The relief is applied to all BMW Group hedging relationships affected by the uncertainties arising from the benchmark interest rate reform.

IFRIC 23 clarifies the accounting for uncertainties regarding income tax issues and transactions. Due to accounting practises previously followed, based on the consistent application of IAS 12, the BMW Group is not affected by IFRIC 23.

Other accounting rules required to be applied for the first time in the financial year 2019 did not have any significant impact on the BMW Group Financial Statements.

Other financial reporting standards issued by the IASB and not yet applied are not expected to have any significant impact on the BMW Group Financial Statements. With the exception of the benchmark interest rate reform, the BMW Group has not applied any other new accounting rules before their mandatory date.

06
Changes in accounting policy for leases

(a) First-time application of IFRS 16 – Accounting for leases as lessee

Up to 31 December 2018, the accounting treatment of a lease was determined in accordance with IAS 17 on the basis of the extent to which the risks and rewards attached to the leased item were transferred to the lessee. Leased items of property, plant and equipment whose economic ownership was attributed to the BMW Group (finance leases) were measured on initial recognition at their fair value or, if lower, at the net present value of minimum lease payments. The assets were depreciated using the straight-line method over their estimated useful lives or, if shorter, over the contractual lease period. Obligations for future lease payments were recognised at their net present value in other financial liabilities. In the case of leases that did not transfer substantially all the risks and rewards incidental to ownership from the Group to the lessee (operating leases), lease payments were previously recognised in the income statement on a straight-line basis over the lease term.

The new Standard IFRS 16 (Leases) requires a new approach to accounting for leases by lessees. In principle, every lease is now required to be accounted for at the level of the lessee as a financing transaction, reflecting the fact that the distinction between operating and finance leases has been eliminated.

The new Standard has been applied with effect from 1 January 2019 using the modified retrospective method. On transition to the new Standard, the BMW Group applied the following practical expedients permitted for lessees by IFRS 16:

- no reassessment was made at the date of initial application as to whether or not existing contracts constituted a lease based on IFRS 16. Instead, the previous assessment made under IAS 17 and IFRIC 4 was retained.

- An impairment review of individual right-of-use assets was not performed. Instead, the assessment of the existence of onerous leases in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) is used as a practical expedient. No provisions for onerous leases were recognised at 31 December 2018.

- Leases expiring no later than 31 December 2019 are accounted for as short-term leases regardless of the original lease term.

- Initial direct costs were not taken into account when measuring right-of-use assets at the time of initial application.

- Current information is taken into account when determining the lease term if the contract contains options to extend or terminate the lease.

At the date of initial application, the balance sheet total increased by €2,407 million as a result of leases previously classified as operating leases. The reclassification resulted in a slight decline in the equity ratio. For a small number of real estate contracts, the carrying amount of right-of-use assets has been determined as if IFRS 16 had been applied from the commencement of the lease. After offsetting deferred tax effects amounting to €13 million, this resulted in a reduction of approximately €32 million in Group revenue reserves at 1 January 2019. The BMW Group's profit before financial result for the financial year 2019 benefited from a positive effect of €27 million. Furthermore, cash flows from operating activities increased and cash flows from financing activities decreased by €494 million.

Starting with financial obligations for operating leases at 31 December 2018, lease liabilities can be reconciled to the opening balance at 1 January 2019 as follows:

Reconciliation of opening balance

→ 65

in € million	
Financial obligations for operating leases at 31 December 2018	2,694
Application of practical expedients for leases of low-value assets and short-term leases	– 102
Change in assessment of leases	69
Other	4
Gross lease liabilities for former operating leases at 1 January 2019	2,665
Discounting impact	– 258
Lease liabilities for former operating leases at 1 January 2019	2,407
Present value of finance lease liabilities at 31 December 2018	105
Total lease liabilities at 1 January 2019	2,512

Lease liabilities were discounted using a weighted average incremental interest rate of 1.94 % at 1 January 2019.

(b) Changes in methods used to account for leases as lessor

In conjunction with the adoption of IFRS 16, the methods used to account for leases as a **lessor** have also been reviewed, resulting in a change of accounting policy as described below with effect from the financial year 2019. The change in accounting policy has been applied retrospectively in accordance with IAS 8, with comparative figures adjusted. In this context, the opening balance sheet at 1 January 2018 and figures for the financial year 2018 have been adjusted.

As a result of the revised definition of initial direct costs contained in IFRS 16, the BMW Group has changed the timing of income statement recognition for volume-dependent bonuses relating to Financial Services segment sales promotions. Rather than being spread over the term of the underlying lease, these costs are now recognised as an expense in full in the period in which the entitlement to the bonus arises. This resulted in a retrospective decrease in Group revenue reserves at 1 January 2018 of €101 million, after offset of deferred tax amounting to €44 million (31 December 2018: reduction of revenue reserves of €113 million, after offset of deferred tax amounting to €49 million).

The BMW Group is also required to account for finance leases concluded with retail customers via the Financial Services segment in accordance with the requirements applicable to manufacturers or dealers. For this reason, revenues and cost of sales arising on the sale of vehicles which will subsequently be leased to customers under finance lease arrangements are now recognised at a later date. Revenues and cost of sales relating to vehicle sales are no longer recognised at the time of sale, but rather at the commencement of the lease. Revenues are recognised on the basis of the leased asset's fair value, reduced by any unguaranteed residual value of vehicles that are expected to be returned to the Group. Similarly, cost of sales is reduced for unguaranteed residual values. In addition, initial direct costs incurred by the Financial Services segment are recognised at Group level as cost of sales. Overall, this resulted in a retrospective decrease in Group revenue reserves at 1 January 2018 of €15 million, after offset of deferred tax amounting to €4 million (31 December 2018: decrease of revenue reserves of €146 million, after offset of deferred tax amounting to €44 million). The adoption of these requirements did not have any significant impact on the accounting in the Automotive and Financial Services segments.

The tables below show the impact of accounting policy changes on the balance sheets at 1 January 2018 and 31 December 2018, as well as on the income statement, statement of comprehensive income and cash flow statement for the financial year 2018.

BMW Group change in presentation of balance sheet at 1 January 2018

→ 66

in € million	As originally reported	Impact of accounting policy changes	As amended
ASSETS			
Total non-current assets	**122,090**	**–105**	**121,985**
thereof receivables from sales financing	48,475	–18	48,457
thereof deferred tax	1,965	6	1,971
thereof other assets	1,630	–93	1,537
Total current assets	**73,496**	**–34**	**73,462**
thereof current tax	1,566	11	1,577
thereof other assets	7,485	–45	7,440
Total assets	**195,586**	**–139**	**195,447**
EQUITY AND LIABILITIES			
Total equity	**54,208**	**–116**	**54,092**
thereof equity attributable to shareholders of BMW AG	53,772	–116	53,656
thereof revenue reserves	50,993	–116	50,877
Total non-current provisions and liabilities	**69,616**	**–31**	**69,585**
thereof other provisions	5,632	–	5,632
thereof deferred tax	2,166	–31	2,135
thereof other liabilities	5,045	–	5,045
Total current provisions and liabilities	**71,762**	**8**	**71,770**
thereof other provisions	6,367	–	6,367
thereof other liabilities	13,443	8	13,451
Total equity and liabilities	**195,586**	**–139**	**195,447**

BMW Group change in presentation of balance sheet at 31 December 2018

→ 67

in € million	As originally reported	Impact of accounting policy changes	As amended
ASSETS			
Total non-current assets	**125,442**	**–80**	**125,362**
thereof receivables from sales financing	48,109	–20	48,089
thereof deferred tax	1,590	48	1,638
thereof other assets	2,026	–108	1,918
Total current assets	**83,538**	**479**	**84,017**
thereof current tax	1,366	12	1,378
thereof other assets	9,790	467	10,257
Total assets	**208,980**	**399**	**209,379**
EQUITY AND LIABILITIES			
Total equity	**58,088**	**–259**	**57,829**
thereof equity attributable to shareholders of BMW AG	57,559	–259	57,300
thereof revenue reserves	56,121	–259	55,862
Total non-current provisions and liabilities	**79,983**	**–48**	**79,935**
thereof other provisions	5,776	–9	5,767
thereof deferred tax	1,806	–33	1,773
thereof other liabilities	5,299	–6	5,293
Total current provisions and liabilities	**70,909**	**706**	**71,615**
thereof other provisions	6,078	–3	6,075
thereof other liabilities	15,117	709	15,826
Total equity and liabilities	**208,980**	**399**	**209,379**

BMW Group change in presentation of income statement for the period from 1 January to 31 December 2018

→ 68

in € million	As originally reported	Impact of accounting policy changes	As amended
Revenues	97,480	–165	97,315
Cost of sales	–78,924	–13	–78,937
Gross profit	18,556	–178	18,378
Selling and administrative expenses	–9,558	–10	–9,568
Profit / loss before financial result	9,121	–188	8,933
Profit / loss before tax	9,815	–188	9,627
Income taxes	–2,575	45	–2,530
Net profit / loss	7,207	–143	7,064
Attributable to shareholders of BMW AG	7,117	–143	6,974
Basic earnings per share of common stock in €	10.82	–0.22	10.60
Basic earnings per share of preferred stock in €	10.84	–0.22	10.62
Diluted earnings per share of common stock in €	10.82	–0.22	10.60
Diluted earnings per share of preferred stock in €	10.84	–0.22	10.62

BMW Group change in presentation of statement of comprehensive income for the period from 1 January to 31 December 2018

→ 69

in € million	As originally reported	Impact of accounting policy changes	As amended
Net profit	7,207	–143	7,064
Total comprehensive income	6,603	–143	6,460
Total comprehensive income attributable to shareholders of BMW AG	6,513	–143	6,370

BMW Group change in presentation of cash flow statement for the period from 1 January to 31 December 2018

→ 70

in € million	As originally reported	Impact of accounting policy changes	As amended
Cash inflow/outflow from operating activities	**5,051**	**–**	**5,051**
thereof net profit	7,207	–143	7,064
thereof change in deferred taxes	355	–45	310
thereof change in receivables from sales financing	–5,670	20	–5,650
thereof change in provisions	–82	–12	–94
thereof change in other operating assets and liabilities	697	180	877

NOTES TO THE INCOME STATEMENT

07
Revenues

Revenues by activity comprise the following:

in € million	2019	2018*
Sales of products and related goods	73,433	68,029
Sales of products previously leased to customers	11,020	10,163
Income from lease instalments	10,746	9,995
Interest income on loan financing and finance leases	3,996	3,728
Revenues from service contracts, telematics and roadside assistance	2,820	2,784
Other income	2,195	2,156
Revenues	**104,210**	**96,855**

* Prior year's figures adjusted.

Revenues recognised from contracts with customers in accordance with IFRS 15 totalled €89,610 million (2018: €81,871 million).

An analysis of revenues by segment is shown in the explanatory comments on segment information provided in → note 45. Revenues from the sale of products and related goods are generated primarily in the Automotive segment and, to a lesser extent, in the Motorcycles segment. Revenues from sales of products previously leased to customers, income from lease instalments and interest income on loan financing and finance leases are allocated to the Financial Services segment. Other income relates mainly to the Automotive segment and the Financial Services segment.

→ see note 45

The major part of revenues expected to arise from the Group's order book at the end of the reporting period relates to the sale of vehicles. Revenues resulting from those sales will be recognised in the short term. The services included in vehicle sale contracts that will be recognised as revenues in subsequent years represent only an insignificant portion of expected revenues. Accordingly, use has been made of the practical expedient contained in IFRS 15, permitting an entity not to disclose information on a quantitative basis due to the short-term nature of items and the lack of informational value of such disclosures.

Interest income on loan financing and finance leases includes interest calculated on the basis of the effective interest method totalling €3,687 million (2018: €3,423 million). This interest income is not reported separately in the income statement as it is not significant compared to total Group revenues.

→ see note 6

Comparative figures for the previous financial year have been adjusted to reflect the change in accounting policy for manufacturer lessors (see → note 6) and the change in the presentation of amortisation of initial direct costs for finance leases and receivables originated. These were previously recorded as cost of sales and are now reported as reductions of revenues (amount adjusted for the financial year 2018: €460 million).

08
Cost of sales

Cost of sales comprises:

in € million	2019	2018*
Manufacturing costs	48,690	44,558
Cost of sales relating to financial services business	23,623	22,042
thereof: interest expense relating to financial services business	2,288	2,035
Research and development expenses	5,952	5,320
Expenses for service contracts, telematics and roadside assistance	1,641	1,844
Warranty expenditure	2,566	1,717
Other cost of sales	3,675	2,996
Cost of sales	**86,147**	**78,477**

* Prior year's figures adjusted.

Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to €105 million (2018: €88 million).

Expenses for impairment losses on receivables from sales financing recognised in the income statement for the financial year 2019 amounted to €219 million (2018: €142 million). Because the impairments are of minor importance compared to total Group cost of sales, a separate disclosure has not been provided in the income statement.

Comparative figures for the previous financial year have been adjusted to reflect the change in accounting policy for volume-dependent bonuses and for manufacturer lessors (see → note 6) as well as the change in the presentation of amortisation of initial direct costs for finance leases and receivables originated. These were previously recorded as cost of sales and are now reported as reductions of revenues (amount adjusted for the financial year 2018: €460 million).

→ see note 6

Research and development expenditure was as follows:

in € million	2019	2018
Research and development expenses	5,952	5,320
Amortisation	–1,667	–1,414
New expenditure for capitalised development costs	2,134	2,984
Total research and development expenditure	**6,419**	**6,890**

09
Selling and administrative expenses

Selling and administrative expenses relate mainly to expenses for marketing, personnel and IT.

in € million	2019	2018*
Selling expenses	5,656	5,848
Administrative expenses	3,711	3,720
Total selling and administrative expenses	**9,367**	**9,568**

* Prior year's figures adjusted.

The previous year's figure has been adjusted due to the change in accounting policy for volume-dependent bonuses (see → note 6).

→ see note 6

10
Other operating income and expenses

Other operating income and expenses comprise the following items:

in € million	2019	2018
Exchange gains	148	185
Income from the reversal of provisions	433	216
Income from the reversal of impairment losses and write-downs	8	15
Gains on the disposal of assets	41	96
Sundry operating income	401	262
Other operating income	**1,031**	**774**
Exchange losses	–181	–135
Expense for additions to provisions	–1,732	–193
Expense for impairment losses and write-downs	–173	–48
Sundry operating expenses	–230	–275
Other operating expenses	**–2,316**	**–651**
Other operating income and expenses	**–1,285**	**123**

Income from the reversal of and expenses for the recognition of impairment allowances and write-downs relate mainly to impairment allowances on receivables.

Impairment losses recognised on receivables from contracts with customers amounted to €48 million (2018: €47 million).

The expense for additions to provisions includes litigation and other legal risks. Income from the reversal of provisions includes income arising on the reassessment of risks from legal disputes.

In an ad hoc announcement dated 5 April 2019, the BMW Group reported that the EU Commission had informed it of a "Statement of Objections" in conjunction with ongoing antitrust proceedings. The EU Commission alleges that the manufacturers colluded with the aim of restricting innovation and competition with regard to certain exhaust treatment systems for diesel- and petrol-driven passenger vehicles. The allegation concerns selective catalytic reduction (SCR) systems and the use of petrol particulate filters (OPF). The Commission's preliminary view is that the conduct objected to may be in breach of EU competition rules. The Statement of Objections leads the BMW Group to conclude that it is probable ("more likely than not") that the EU Commission will issue a significant fine. The resulting requirement to recognise a provision increased other operating expenses by approximately €1.4 billion in 2019.

The BMW Group has examined the objections and gained access to the documents in the EU Commission's investigation file. In December 2019, the BMW Group submitted a detailed response to the EU Commission, which the latter will now examine before determining the next steps in the proceedings. Consequently, it is not yet possible to assess the ultimate financial impact definitively.

11 Net interest result

in € million	2019	2018
Other interest and similar income	179	397
thereof from subsidiaries:	9	8
Interest and similar income	**179**	**397**
Expense relating to interest impact on other long-term provisions	–226	–91
Net interest expense on the net defined benefit liability for pension plans	–41	–62
Other interest and similar expenses	–232	–233
thereof subsidiaries:	–4	–2
Interest and similar expenses	**–499**	**–386**
Net interest result	**–320**	**11**

12 Other financial result

in € million	2019	2018
Income from investments in subsidiaries and participations	387	278
thereof from subsidiaries:	13	9
Expenses from investments in subsidiaries and participations	–307	–122
Result on investments	**80**	**156**
Income (+) and expenses (–) from financial instruments	–189	–105
Sundry other financial result	**–189**	**–105**
Other financial result	**–109**	**51**

The result on investments includes revaluation effects relating to YOUR NOW. Further information is provided in → note 2 to the Group Financial Statements. The figure reported for the previous year included a positive valuation effect relating to the DriveNow companies amounting to €209 million.

→ see note 2

Sundry other financial result comprises mainly income and expenses arising on the measurement of stand-alone derivatives and fair value hedge relationships, as well as income and expenses from the measurement and sale of marketable securities and shares in investment funds.

13 Income taxes

Taxes on income of the BMW Group comprise the following:

in € million	2019	2018*
Current tax expense	3,316	2,218
Deferred tax expense (+) / deferred tax income (–)	–1,176	312
thereof relating to temporary differences	–1,439	596
thereof relating to tax loss carryforwards and tax credits	263	–284
Income taxes	**2,140**	**2,530**

* Prior year's figures adjusted.

The previous year's figures have been adjusted due to the change in accounting policy for volume-dependent bonuses and for manufacturer lessors (see → note 6).

→ see note 6

The tax expense was reduced by €30 million (2018: €41 million) as a result of utilising tax loss carryforwards, for which deferred tax assets had not previously been recognised and in conjunction with previously unrecognised tax credits and temporary differences.

The tax expense resulting from the change in the valuation allowance on deferred tax assets relating to tax losses available for carryforward and temporary differences amounted to €7 million (2018: €24 million).

Deferred taxes are determined on the basis of tax rates which are currently applicable or expected to apply in the relevant national jurisdictions when the amounts are recovered. After taking account of an average municipal trade tax multiplier rate (Hebesatz) of 428.0 (2018: 428.0), the underlying income tax rate for Germany was as follows:

in %	2019	2018
Corporate tax rate	15.0	15.0
Solidarity surcharge	5.5	5.5
Corporate tax rate including solidarity surcharge	15.8	15.8
Municipal trade tax rate	15.0	15.0
German income tax rate	**30.8**	**30.8**

Deferred taxes for non-German entities are calculated on the basis of the relevant country-specific tax rates. These ranged in the financial year 2019 between 9.0 % and 40.0 % (2018: between 9.0 % and 45.0 %).

The difference between the expected tax expense based on the underlying tax rate for Germany and actual tax expense is explained in the following **reconciliation**:

in € million	2019	2018*
Profit before tax	7,118	9,627
Tax rate applicable in Germany	30.8 %	30.8 %
Expected tax expense	**2,192**	**2,965**
Variances due to different tax rates	–373	–436
Tax increases (+) / tax reductions (–) due to:		
Tax-exempt income	–314	–173
Non-deductible expenses	909	314
Equity accounted	5	–158
Tax expense (+) / benefits (–) for prior years	–162	–16
Effects from tax rate changes	–17	90
Other variances	–100	–56
Actual tax expense	**2,140**	**2,530**
Effective tax rate	30.1 %	26.3 %

* Prior year's figures adjusted.

Tax increases as a result of non-deductible expenses and tax reductions due to tax-exempt income increased compared to one year earlier. The tax increases were due to provisions and impairment losses on investments that are non-deductible for tax purposes as well as to non-deductible withholding tax.

Tax income relating to prior years resulted primarily from adjustments to income tax receivables and provisions for prior years, which were largely attributable to the successful conclusion of intergovernmental tax treaties covering the topic of transfer pricing.

Other variances include various reconciling items.

The allocation of deferred tax assets and liabilities to **balance sheet line items** at 31 December is shown in the following table:

in € million	Deferred tax assets 2019	Deferred tax assets 2018*	Deferred tax liabilities 2019	Deferred tax liabilities 2018*
Intangible assets	17	22	3,186	3,077
Property, plant and equipment	53	171	780	359
Leased products	324	489	4,085	5,175
Other investments	3	3	22	20
Sundry other assets	1,125	1,185	3,454	3,254
Tax loss carryforwards	306	578	–	–
Capital Losses	329	313	–	–
Provisions	6,239	5,323	42	29
Liabilities	3,544	2,570	647	620
Eliminations	3,883	3,226	1,539	983
	15,823	**13,880**	**13,755**	**13,517**
Valuation allowances on tax loss carryforwards	–177	–185	–	–
Valuation allowances on capital losses	–329	–313	–	–
Netting	–13,123	–11,744	–13,123	–11,744
Deferred taxes	**2,194**	**1,638**	**632**	**1,773**
Net	1,562	–	–	135

* Prior year's figures adjusted.

Tax **loss carryforwards** – all relating to foreign operations – amounted to €954 million (2018: €2,045 million). This includes one tax loss carryforward amounting to €519 million (2018: €542 million), on which a valuation allowance of €177 million (2018: €185 million) was recognised on the related deferred tax asset. The decrease in tax losses available for carryforward was mainly attributable to tax reform in the USA. For entities with tax losses available for carryforward, a net surplus of deferred tax assets over deferred tax liabilities is reported amounting to €292 million (2018: €234 million). Deferred tax assets are recognised on the basis of management's assessment that there is material evidence that the entities will generate future taxable profits, against which deductible temporary differences can be offset. It is expected for instance that tax-allowable start-up losses incurred for the plant opened in 2019 in San Luis Potosí, Mexico, can be utilised against future planned income.

Tax loss carryforwards amounting to €553 million (2018: €1,551 million) can be used indefinitely, while €401 million (2018: €494 million) expire after more than 3 years.

Capital losses available for carryforward in the United Kingdom which do not relate to ongoing operations increased to €1,938 million (2018: €1,841 million) due to currency factors. As in previous years, deferred tax assets recognised on these tax losses – amounting to €329 million (2018: €313 million) – were fully written down since they can only be utilised against future capital gains.

The deferred tax amount reported in the position **eliminations** relates mostly to the balance sheet line item **Leased products**.

Deferred tax assets and deferred tax liabilities are **netted** for each relevant tax entity if they relate to the same tax authorities.

Deferred taxes recognised directly in **equity** amounted to €2,015 million (2018: €1,457 million).

in € million	2019	2018[1]
Deferred taxes at 1 January (assets (–) / liabilities (+))[2]	122	164
Deferred tax expense (+) / income (–) recognised through income statement	–1,176	312
Change in deferred taxes recognised directly in equity	–558	–457
thereof relating to fair value gains and losses on financial instruments and marketable securities recognised directly in equity	–170	–677
thereof relating to the remeasurements of net liabilities for defined benefit pension plans	–376	222
thereof from currency translation	–12	–2
Exchange rate impact and other changes	50	116
Deferred taxes at 31 December (assets (–) / liabilities (+))	**–1,562**	**135**

[1] Prior year's figures adjusted.
[2] The figures to 1 January 2019 have been adjusted, based on the first-time application of IFRS 16, see note 6.

Taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures amount to €21,215 million (2018: €17,051 million). No deferred taxes are recognised on these taxable temporary differences because the BMW Group is able to determine the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, in particular in view of the fact that there is no intention to distribute the profits, but rather to use them to maintain their substance and reinvest in the companies concerned. No computation was made of the potential impact of income taxes on the grounds of proportionality. Deferred tax liabilities on expected dividends amount to €64 million and relate primarily to dividends from foreign subsidiaries and joint ventures.

The tax returns of BMW Group entities are checked regularly by German and foreign tax authorities. Taking account of numerous factors – including interpretations, commentaries and legal decisions relating to the various tax jurisdictions as well as past experience – adequate provision has been made, to the extent identifiable and probable, for potential future tax obligations.

14 Earnings per share

		2019	2018[1]
Net profit attributable to the shareholders of BMW AG	€ million	4,914.5	6,974.4
Profit attributable to common stock	€ million	4,494.4	6,383.6
Profit attributable to preferred stock	€ million	420.1	590.8
Average number of common stock shares in circulation	number	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	56,122,857	55,605,380
Basic / diluted earnings per share of common stock	€	7.47	10.60
Basic / diluted earnings per share of preferred stock	€	7.49	10.62
Dividend per share of common stock	€	2.50[2]	3.50
Dividend per share of preferred stock	€	2.52[2]	3.52

[1] Prior year's figures adjusted.
[2] Proposal by management.

Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years. As in the previous year, diluted earnings per share correspond to basic earnings per share.

Basic/diluted earnings per share from continuing operations amounted to €7.40 per share of common stock and €7.42 per share of preferred stock.

The previous year's figures have been adjusted due to the change in accounting policy for volume-dependent bonuses and for manufacturer lessors (see → note 6).

→ see note 6

15
Personnel expenses

The income statement includes personnel expenses as follows:

in € million	2019	2018
Wages and salaries	10,370	10,249
Pension and welfare expenses	1,133	1,387
Social insurance expenses	948	843
Personnel expenses	**12,451**	**12,479**

Personnel expenses include €72 million (2018: €45 million) of costs relating to workforce measures. The total pension expense for defined contribution plans of the BMW Group amounted to €148 million (2018: €122 million). Employer contributions paid to state pension insurance schemes totalled €667 million (2018: €645 million).

The average number of employees during the year was:

	2019	2018
Employees	125,893	123,337
Apprentices and students gaining work experience	7,389	8,228
Average number of employees	**133,282**	**131,565**

The number of employees at the end of the reporting period is disclosed in the Combined Management Report.

16
Leases

(a) As lessee

In terms of accounting for leases as a lessee, the following amounts are included in the income statement for the financial year 2019:

in € million	2019
Expenses for leases of low-value assets and short-term leases	–94
Expenses relating to variable lease payments not included in the measurement of lease liabilities	–3
Interest expenses arising on the measurement of lease liabilities	–54

Most of the expenses for leases for low-value assets and short-term leases relate to low-value assets.

The BMW Group is party to leases at the end of the reporting period which have not yet commenced. These leases could give rise to future cash outflows amounting to €42 million.

Total cash outflows for leases in 2019 amount to €591 million.

→ see notes 4, 6, 20, 22 and 35

Information on right-of-use assets and lease liabilities and further explanatory comments are provided in → note 4 (Accounting policies, assumptions, judgments and estimates), note 6 (Changes in accounting policy for leases), note 20 (Analysis of changes in Group tangible, intangible and investment assets in 2019), note 22 (Property, plant and equipment (including right-of-use assets arising from leases) and note 35 (Financial liabilities).

(b) As lessor

in € million	2019
Income from variable lease payments for operating leases	171
Income from variable lease payments for finance leases	19
Financial income on the net investment in finance leases	885
Selling profit or loss on the sale of vehicles previously leased to retail customers under finance leases	1,389

Variable lease payments are based on distance driven. The agreements have, in part, extension and purchase options.

17
Fee expense for the Group auditor

The fee expense pursuant to § 314 (1) no. 9 HGB recognised in the financial year 2019 for the Group auditor and the PwC network of audit firms amounted to €19 million (2018: €24 million, KPMG International) and consists of the following:

in € million	PwC International (2018: KPMG International)		thereof: PwC GmbH (2018: KPMG AG)	
	2019	2018	2019	2018
Audit of financial statements	14	17	4	5
Other attestation services	1	3	1	2
Tax advisory services	1	2	–	–
Other services	3	2	2	–
Fee expense	**19**	**24**	**7**	**7**

Services provided during the financial year 2019 by the Group auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich branch, on behalf of BMW AG and subsidiaries under its control relate 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 Group Financial Statements and the separate financial statements of BMW AG and its subsidiaries, and, in accordance with current requirements, all work related thereto, including the review of the Interim Group Financial Statements.

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

Other services mainly include consulting services relating to production processes.

18
Government grants and government assistance

Income from asset-related and performance-related grants, amounting to €41 million (2018: €29 million) and €199 million (2018: €83 million) respectively, was recognised in the income statement in 2019.

These amounts relate mainly to public sector grants aimed at the promotion of regional structures as well as to subsidies received for plant expansions.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

19
Disclosures relating to the statement of comprehensive income

Other comprehensive income for the period after tax comprises the following:

in € million	2019	2018
Remeasurement of the net defined benefit liability for pension plans	–1,254	935
Deferred taxes	387	–217
Items not expected to be reclassified to the income statement in the future	**–867**	**718**
Marketable securities (at fair value through other comprehensive income)	**42**	**–30**
thereof gains / losses arising in the period under report	59	–1
thereof reclassifications to the income statement	–17	–29
Derivative financial instruments	**–706**	**–1,381**
thereof gains / losses arising in the period under report	–229	–333
thereof reclassifications to the income statement	–477	–1,048
Costs of hedging	**125**	**–620**
thereof gains / losses arising in the period under report	–611	–973
thereof reclassifications to the income statement	736	353
Other comprehensive income from equity accounted investments	**–3**	**–157**
Deferred taxes	**171**	**674**
Currency translation foreign operations	**544**	**192**
Items that can be reclassified to the income statement in the future	**173**	**–1,322**
Other comprehensive income for the period after tax	**–694**	**–604**

Deferred taxes on components of other comprehensive income are as follows:

	2019			2018		
in € million	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	–1,254	387	–867	935	–217	718
Marketable securities (at fair value through other comprehensive income)	42	–12	30	–30	18	–12
Derivative financial instruments	–706	211	–495	–1,381	436	–945
Costs of hedging	125	–34	91	–620	187	–433
Other comprehensive income from equity accounted investments	–3	6	3	–157	33	–124
Currency translation foreign operations	544	–	544	192	–	192
Other comprehensive income	**–1,252**	**558**	**–694**	**–1,061**	**457**	**–604**

Other comprehensive income relating to equity accounted investments is reported in the Group Statement of Changes in Equity within currency translation differences with a positive amount of €22 million (2018: negative amount of €24 million), within derivative financial instruments with a negative amount of €56 million (2018: positive amount of €39 million) and costs of hedging with a positive amount of €37 million (2018: negative amount of €139 million).

NOTES TO THE BALANCE SHEET

20
Analysis of changes in Group tangible, intangible and investment assets 2019

	Acquisition and manufacturing cost					
in € million	1.1.2019	Translation differences	Additions	Reclassifications	Disposals	31.12.2019
Development costs	14,990	–	2,134	–	1,733	**15,391**
Goodwill	385	–	–	–	–	**385**
Other intangible assets	1,798	11	448	–	182	**2,075**
Intangible assets	**17,173**	**11**	**2,582**	**–**	**1,915**	**17,851**
Land, titles to land, buildings, including buildings on third party land	14,023	115	1,013	397	99	**15,449**
thereof right-of-use assets from leases	2,387	22	751	–8	45	3,107
Plant and machinery	38,190	224	2,581	1,253	2,187	**40,061**
thereof right-of-use assets from leases	1	–	75	6	–	82
Other facilities, factory and office equipment	3,061	23	311	63	286	**3,172**
thereof right-of-use assets from leases	71	1	33	1	2	104
Advance payments made and construction in progress	2,392	18	1,297	–1,713	3	**1,991**
Property, plant and equipment	**57,666**	**380**	**5,202**	**–**	**2,575**	**60,673**
Leased products	**45,851**	**619**	**20,513**	**–**	**17,041**	**49,942**
Investments accounted for using the equity method	**2,624**	**–**	**2,876**	**–**	**2,061**	**3,439**
Investments in non-consolidated subsidiaries	444	2	139	–	293	**292**
Participations	938	4	86	–	28	**1,000**
Non-current marketable securities	28	–	–	–	28	**–**
Other investments	**1,410**	**6**	**225**	**–**	**349**	**1,292**

[1] Including €71 million recognised through the income statement.
[2] Carrying amounts at 1.1.2019 (from the first-time application of IFRS 16).
[3] Including assets under construction of €1,555 million.

Depreciation and amortisation							Carrying amount		
1.1.2019	Translation differences	Current year	Reclassi-fications	Value adjustments[1]	Disposals	31.12.2019	31.12.2019	31.12.2018	
5,014	–	1,667	–	–	1,733	**4,948**	**10,443**	9,976	Development costs
5	–	–	–	–	–	**5**	**380**	380	Goodwill
1,183	4	148	–	–	166	**1,169**	**906**	615	Other intangible assets
6,202	**4**	**1,815**	**–**	**–**	**1,899**	**6,122**	**11,729**	**10,971**	**Intangible assets**
5,310	44	794	2	–	46	**6,104**	**9,345**	6,420	Land, titles to land, buildings, including buildings on third party land
–	1	430	–	–	5	426	2,681	2,387[2]	thereof right-of-use assets from leases
28,111	158	3,086	–6	–	2,172	**29,177**	**10,884**	10,078	Plant and machinery
–	–	6	–	–	–	6	76	1[2]	thereof right-of-use assets from leases
2,082	14	322	4	–	275	**2,147**	**1,025**	908	Other facilities, factory and office equipment
–	–	31	–	–	–	31	73	71[2]	thereof right-of-use assets from leases
–	–	–	–	–	–	**–**	**1,991**[3]	2,395	Advance payments made and construction in progress
35,503	**216**	**4,202**	**–**	**–**	**2,493**	**37,428**	**23,245**	**19,801**	**Property, plant and equipment**
7,592	**95**	**4,732**	**–**	**–**	**5,086**	**7,333**	**42,609**	**38,259**	**Leased products**
–	**–**	**–**	**–**	**240**	**–**	**240**	**3,199**	**2,624**	**Investments accounted for using the equity method**
191	–	–	–	–322	–219	**88**	**204**	253	Investments in non-consolidated subsidiaries
480	–1	–	–	11	–11	**501**	**499**	458	Participations
–	–	–	–	–	–	**–**	**–**	28	Non-current marketable securities
671	**–1**	**–**	**–**	**–311**	**–230**	**589**	**703**	**739**	**Other investments**

Analysis of changes in Group tangible, intangible and investment assets 2018

	Acquisition and manufacturing cost					
in € million	1.1.2018	Translation differences	Additions	Reclassi-fications	Disposals	31.12.2018
Development costs	12,965	–	2,984	–	959	**14,990**
Goodwill	385	–	–	–	–	**385**
Other intangible assets	1,750	12	161	–	125	**1,798**
Intangible assets	**15,100**	**12**	**3,145**	**–**	**1,084**	**17,173**
Land, titles to land, buildings, including buildings on third party land	11,088	75	277	372	82	**11,730**
Plant and machinery	36,833	201	2,888	1,119	2,852	**38,189**
Other facilities, factory and office equipment	2,799	20	294	60	183	**2,990**
Advance payments made and construction in progress	2,525	18	1,409	–1,551	6	**2,395**
Property, plant and equipment	**53,245**	**314**	**4,868**	**–**	**3,123**	**55,304**
Leased products[2]	**43,634**	**735**	**18,580**	**–**	**17,098**	**45,851**
Investments accounted for using the equity method	**2,769**	**–**	**547**	**–**	**692**	**2,624**
Investments in non-consolidated subsidiaries	438	3	8	–	5	**444**
Participations	820	9	115	–	6	**938**
Non-current marketable securities	28	–	–	–	–	**28**
Other investments	**1,286**	**12**	**123**	**–**	**11**	**1,410**

[1] Including €74 million recognised through the income statement.
[2] Prior year's figures adjusted due to the change in the presentation of vehicles coming out of leases, as well as initial direct costs.
[3] Including assets under construction of €2,017 million.

Depreciation and amortisation							Carrying amount		
1.1.2018	Translation differences	Current year	Reclassi-fications	Value adjustments[1]	Disposals	31.12.2018	31.12.2018	31.12.2017	
4,556	–	1,414	–	–	956	**5,014**	**9,976**	8,409	Development costs
5	–	–	–	–	–	**5**	**380**	380	Goodwill
1,075	5	195	–	–	92	**1,183**	**615**	675	Other intangible assets
5,636	**5**	**1,609**	**–**	**–**	**1,048**	**6,202**	**10,971**	**9,464**	**Intangible assets**
4,966	29	348	–	–	33	**5,310**	**6,420**	6,122	Land, titles to land, buildings, including buildings on third party land
27,838	154	2,886	–	–	2,767	**28,111**	**10,078**	8,995	Plant and machinery
1,970	17	270	–	–	175	**2,082**	**908**	829	Other facilities, factory and office equipment
–	–	–	–	–	–	**–**	**2,395**[3]	2,525	Advance payments made and construction in progress
34,774	**200**	**3,504**	**–**	**–**	**2,975**	**35,503**	**19,801**	**18,471**	**Property, plant and equipment**
7,697	**114**	**3,488**	**–**	**–**	**3,707**	**7,592**	**38,259**	**36,257**	**Leased products**[2]
–	**–**	**–**	**–**	**–**	**–**	**–**	**2,624**	**2,769**	**Investments accounted for using the equity method**
189	2	–	–	–	–	**191**	**253**	249	Investments in non-consolidated subsidiaries
408	–1	–	–	73	–	**480**	**458**	412	Participations
–1	–	–	–	1	–	**–**	**28**	29	Non-current marketable securities
596	**1**	**–**	**–**	**74**	**–**	**671**	**739**	**690**	**Other investments**

21
Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle, module and architecture projects as well as subsidies for tool costs, licences, purchased development projects, software and purchased customer lists.

Other intangible assets include a brand-name right amounting to €43 million (2018: €41 million) which is allocated to the Automotive segment and is not subject to scheduled amortisation since its useful life is deemed to be indefinite. The asset is subject to a limited right of ownership. The €2 million increase in the carrying amount is entirely due to currency factors. Intangible assets also include goodwill of €33 million (2018: €33 million) allocated to the Automotive cash-generating unit (CGU) and goodwill of €347 million (2018: €347 million) allocated to the Financial Services CGU.

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on intangible assets in 2019.

As in the previous year, no financing costs were recognised as a cost component of intangible assets in 2019.

22
Property, plant and equipment (including right-of-use assets arising from leases)

No impairment losses were recognised in 2019, as in the previous year.

As in the previous year, no financing costs were recognised as a cost component of property, plant and equipment in 2019.

Right-of-use assets arising from leases of land and buildings relate primarily to logistics and office premises and, to a lesser extent, to selling and production premises. In order to secure these premises and, in the interests of flexibility, the property rental agreements concerned often contain extension and termination options.

23
Leased products

Minimum lease payments of non-cancellable operating leases amounting to €20,894 million (2018: €18,880 million) fall due as follows:

in € million	31.12.2019	31.12.2018
within one year	9,804	8,980
between one and two years	6,489	–
between two and three years	3,278	–
between three and four years	1,073	–
between four and five years	225	–
between one and five years	–	9,863
later than five years	25	37
Minimum lease payments	**20,894**	**18,880**

Impairment losses amounting to €198 million (2018: €235 million) were recognised on leased products in 2019 as a consequence of changes in residual value expectations. Income from the reversal of impairment losses amounted to €74 million (2018: €92 million).

The carrying amount of leased products was adjusted due to changes in presentation of initial direct costs (previously reported as other assets) and vehicles coming out of leases (now reported as part of inventories) (adjustment effect at 31 December 2018: decrease of €313 million).

24
Investments accounted for using the equity method

Investments accounted for using the equity method comprise the joint venture BMW Brilliance Automotive Ltd. (BMW Brilliance), the YOUR NOW companies, the joint venture IONITY Holding GmbH & Co. KG (IONITY) and the interest in the associated company THERE Holding B.V. (THERE).

BMW Brilliance produces BMW brand models for the Chinese market and also has engine manufacturing facilities, which supply the joint venture's two plants with petrol engines.

The BMW Group intends to increase its stake in the BMW Brilliance joint venture from 50 % to 75 %. On 11 October 2018, the BMW Group signed an agreement with its joint venture partner, a wholly owned subsidiary of Brilliance China Automotive Holdings Ltd. (CBA), to acquire an additional 25 % shareholding in BMW Brilliance. The two partners agreed on a purchase price of an equivalent of €3.6 billion. The contractual term of the joint venture, which would currently expire in 2028, is to be extended to 2040 as part of the agreement. The prerequisite for the extension is the acquisition of the additional shares as agreed. The agreement was approved at the CBA shareholders' meeting on 18 January 2019 and remains subject to the approval of the relevant authorities. The transaction is scheduled to be closed in 2022. The closing will result in BMW Brilliance being fully consolidated in the BMW Group Financial Statements and is expected to result in the recognition of a significant valuation gain in the financial year in which the transaction closes.

With effect from 31 January 2019, the BMW Group completed the merger of several mobility services companies under the name YOUR NOW. Further information is provided in → note 2 to the Group Financial Statements.

→ see note 2

Together with Daimler AG, Stuttgart (Daimler AG), the Ford Motor Company and the Volkswagen Group, the BMW Group operates the joint venture IONITY Holding GmbH & Co. KG, whereby each of the parties has an equal shareholding. IONITY's business model envisages the construction and operation of high-performance charging stations for battery electric vehicles in Europe.

Together with Audi AG, Daimler AG and other companies, the BMW Group holds shares in THERE. HERE International B.V. (HERE) is an associated company of THERE. HERE's digital maps are laying the foundations for the next generation of mobility and location-based services, providing the basis for new assistance systems and, ultimately, fully automated driving.

Capital increases were made at the level of THERE in January 2019, with BMW AG participating with an amount of €69 million. Since then, BMW AG's stake in THERE amounts to 29.7 %.

In December 2019, it was announced that Mitsubishi Corporation (MC) and Nippon Telegraph and Telephone Corporation (NTT) will jointly acquire a 30 % stake in HERE. The transaction is subject to the approval of the antitrust authorities and is expected to be closed during the first half of 2020.

Financial information relating to equity accounted investments is summarised in the following tables:

in € million	BMW Brilliance 2019	BMW Brilliance 2018	THERE 2019	THERE 2018	YOUR NOW 2019	YOUR NOW 2018	DriveNow 2019	DriveNow 2018	IONITY 2019	IONITY 2018
DISCLOSURES RELATING TO THE BALANCE SHEET										
Non-current assets	**7,248**	6,714	**1,131**	1,763	**1,643**	–	**–**	–	**175**	48
Current assets	**7,381**	6,570	**467**	2	**1,116**	–	**–**	–	**70**	110
thereof cash and cash equivalents	2,937	2,937	1	2	818	–	–	–	50	102
Equity	**5,293**	5,926	**1,597**	1,764	**2,106**	–	**–**	–	**205**	149
Non-current financial liabilities	**87**	71	**–**	–	**112**	–	**–**	–	**–**	–
Non-current provisions and liabilities	**1,271**	1,193	**–**	–	**184**	–	**–**	–	**5**	3
Current provisions and liabilities	**7,978**	6,094	**1**	1	**469**	–	**–**	–	**30**	6
thereof current financial liabilities	887	81	–	–	39	–	–	–	–	–
RECONCILIATION OF AGGREGATED FINANCIAL INFORMATION										
Assets	**14,629**	13,284	**1,598**	1,765	**2,759**	–	**–**	–	**245**	158
Provisions and liabilities	**9,337**	7,358	**1**	1	**653**	–	**–**	–	**40**	9
Net assets	**5,292**	5,926	**1,597**	1,764	**2,106**	–	**–**	–	**205**	149
Group's interest in net assets	**2,646**	2,963	**475**	522	**987**	–	**–**	–	**51**	37
Eliminations	**–960**	–898	**–**	–	**–**	–	**–**	–	**–**	–
Carrying amount	**1,686**	2,065	**475**	522	**987**	–	**–**	–	**51**	37

in € million	BMW Brilliance 2019	BMW Brilliance 2018	THERE 2019	THERE 2018	YOUR NOW 2019	YOUR NOW 2018	DriveNow 2019	DriveNow 2018	IONITY 2019	IONITY 2018
DISCLOSURES RELATING TO THE INCOME STATEMENT										
Revenues	**21,910**	17,766	**–**	–	**424**	–	**–**	14	**1**	–
Scheduled depreciation	**651**	636	**–**	–	**150**	–	**–**	–	**–**	1
Profit / loss before financial result	**2,374**	1,922	**–1**	–1	**–1,349**	–	**–**	–6	**–29**	–18
Interest income	**84**	62	**–**	–	**–**	–	**–**	–	**–**	–
Interest expense	**5**	–	**–**	–	**23**	–	**–**	–	**1**	–
Income taxes	**654**	535	**–**	–	**28**	–	**–**	–	**5**	3
Profit / loss after tax	**1,947**	1,561	**–383**	–337	**–1,805**	–	**–**	–6	**–24**	–15
thereof from continuing operations	1,947	1,561	–383	–337	–1,805	–	–	–	–24	–
Other comprehensive income	**–14**	–250	**1**	–7	**–**	–	**–**	–	**–**	–
Total comprehensive income	**1,933**	1,311	**–382**	–344	**–1,805**	–	**–**	–6	**–24**	–15
Group dividend income*	**1,284**	384	**–**	–	**–**	–	**–**	–	**–**	–

* Including dividends received in the amount of €643 million (2018: €384 million).

25
Receivables from sales financing

Receivables from sales financing comprise the following:

in € million	31.12.2019	31.12.2018*
Credit financing for retail customers and dealerships	71,104	66,959
Finance lease receivables	21,333	20,054
Receivables from sales financing	**92,437**	**87,013**

* Prior year's figures adjusted.

→ see note 6

The figures for the previous financial year have been restated for the change in accounting policy for manufacturer lessors (see → note 6), as well as for the change in the presentation of initial direct costs previously reported within other assets (adjustment effect at December 31, 2018: increase of €700 million) and of residual value risk provisions, previously reported within other provisions (adjustment effect at 31 December 2018: decrease of €441 million).

Impairment allowances on receivables from sales financing in accordance with IFRS 9, which only arise within the Financial Services segment, developed as follows:

in € million	Stage 1	Stage 2 General	Stage 2 Simplified	Stage 3	Total
Impairment allowances at 1 January 2019	363	175	12	482	1,032
Reclassification to Stage 1	2	–13	–	–1	–12
Reclassification to Stage 2	–17	107	–	–16	74
Reclassification to Stage 3	–6	–24	–1	175	144
Derecognition and origination of receivables	17	–26	1	–15	–23
Write-off of receivables	–2	–17	–	–133	–152
Changes in risk parameters	–40	31	–	1	–8
Other changes	44	–24	–	24	44
Impairment allowances at 31 December 2019	**361**	**209**	**12**	**517**	**1,099**

in € million	Stage 1	Stage 2 General	Stage 2 Simplified	Stage 3	Total
Impairment allowances at 1 January 2018	365	192	12	450	1,019
Reclassification to Stage 1	3	–20	–	–4	–21
Reclassification to Stage 2	–7	79	–	–21	51
Reclassification to Stage 3	–4	–23	–1	138	110
Derecognition and origination of receivables	59	–10	1	–17	33
Write-off of receivables	–3	–20	–1	–105	–129
Changes in risk parameters	4	1	–1	26	30
Other changes	–54	–24	2	15	–61
Impairment allowances at 31 December 2018	**363**	**175**	**12**	**482**	**1,032**

Impairment allowances include €74 million (2018: €113 million) on credit-impaired receivables relating to finance leases.

The estimated fair value of vehicles held as collateral for credit-impaired receivables at the end of the reporting period totalled €541 million (2018: €506 million). The carrying amount of assets held as collateral and reclaimed as a result of payment default amounted to €39 million (2018: €42 million).

Finance leases are analysed as follows:

in € million	31.12.2019	31.12.2018
Gross investment in finance leases		
due within one year	6,991	6,811
due between one and two years	6,811	–
due between two and three years	5,462	–
due between three and four years	3,775	–
due between four and five years	529	–
due between one and five years	–	15,480
due later than five years	32	24
	23,600	22,315
Net investment in finance leases		
due within one year	6,256	6,123
due between one and two years	6,225	–
due between two and three years	4,968	–
due between three and four years	3,421	–
due between four and five years	433	–
due between one and five years	–	13,908
due later than five years	30	23
	21,333	20,054
Unrealised interest income	2,267	2,261

The carrying amount of the net investment in finance leases remained largely unchanged over the reporting period.

26
Financial assets

Financial assets comprise:

in € million	31.12.2019	31.12.2018
Marketable securities and investment funds	5,391	5,316
Derivative instruments	1,620	1,977
Loans to third parties	54	20
Credit card receivables	–	244
Other	260	128
Financial assets	7,325	7,685
thereof non-current	1,370	1,010
thereof current	5,955	6,675

In June 2019, the Financial Services segment sold a credit card portfolio based in the USA and amounting to €216 million for strategic reasons.

Allowances for impairment and credit risk

The carrying amounts of receivables relating to the credit card business comprises the following:

in € million	31.12.2019	31.12.2018
Gross carrying amount	–	262
Allowance for impairment	–	–18
Net carrying amount	–	244

27
Income tax assets

→ see note 6

Income tax assets totalling €1,209 million (2018: €1,378 million, adjusted see → note 6) include claims amounting to €186 million (2018: €222 million), which are expected to be settled after more than one year. Claims may be settled earlier than this depending on the timing of the underlying proceedings.

28
Other assets

Other assets comprise:

in € million	31.12.2019	31.12.2018*
Return right assets for future leased products	4,807	3,779
Receivables from companies in which an investment is held	2,641	1,916
Other taxes	1,935	1,747
Expected reimbursement claims	1,086	933
Collateral assets	413	293
Prepaid expenses	396	460
Receivables from subsidiaries	308	295
Sundry other assets	1,353	1,173
Other assets	12,939	10,596
thereof non-current	1,325	847
thereof current	11,614	9,749

* Prior year's figures adjusted.

From the financial year 2019 onward, certain advance payments to suppliers for raw materials, supplies and finished goods amounting to €536 million, which were previously reported within other assets (line item Prepaid expenses) have now been reclassified to inventories. The previous year's figures have been adjusted accordingly (adjustment effect at 31 December 2018: decrease of €609 million). Furthermore, the comparative figures for the previous financial year have been adjusted to reflect the change in accounting policy for volume-dependent bonuses and for manufacturer lessors (see → note 6) as well as the change in the presentation of deferred initial direct costs for operating and finance leases and receivables originated. These items are now reported within leased products and receivables from sales financing (adjustment effect at 31 December 2018: decrease of €939 million).

→ see note 6

Collateral assets comprise mainly customary collateral (banking deposits) in connection with the sale of receivables.

29
Inventories

Inventories comprise the following:

in € million	31.12.2019	31.12.2018*
Finished goods and goods for resale	11,491	10,548
Work in progress, unbilled contracts	1,286	1,208
Raw materials and supplies	1,674	1,247
Vehicles held for sale in the financial services business	808	609
Advance payments to suppliers	632	636
Inventories	**15,891**	**14,248**

* Prior year's figures adjusted.

Out of the total amount of recognised for inventories at 31 December 2019, inventories measured at net realisable value amounted to €973 million (2018: €680 million). Write-downs to net realisable value in the financial year 2019 amounted to €126 million (2018: €54 million), while reversals of write-downs amounted to €22 million (2018: €22 million).

The expense recorded in conjunction with inventories during the financial year 2019 amounted to €62,633 million (2018: €58,079 million). At 31 December 2019, the carrying amounts of inventories expected to be realised after more than twelve months amount to €445 million (2018: €452 million).

From the financial year 2019 onward, certain advance payments to suppliers for raw materials, supplies and finished goods amounting to €536 million, which were previously reported within other assets, have been reclassified to inventories. The previous year's figures have been adjusted accordingly (adjustment effect at 31 December 2018: increase of €609 million).

In addition, the previous year's figures have been adjusted due to the change in the presentation of vehicles coming out of leases that were previously reported within leased products (adjustment effect at 31 December 2018: increase of €592 million).

30
Trade receivables

Trade receivables comprise the following:

in € million	31.12.2019	31.12.2018
Gross carrying amount	2,590	2,600
Allowances for impairment of stage 2 – simplified procedure	–26	–20
Allowances for impairment of stage 3	–46	–34
Net carrying amount	**2,518**	**2,546**

Impairment allowances on trade receivables in accordance with IFRS 9 developed as follows:

in € million	2019	2018
Balance at 1 January	54	60
Allocated (+)	30	21
Reversed (–)	–7	–26
Utilised	–7	–1
Exchange rate impact and other changes	2	–
Balance at 31 December	**72**	**54**

In the case of trade receivables, collateral is generally held in the form of vehicle documents and bank guarantees so that the risk of bad debt loss is very limited.

Expenses for impairment losses and income from the reversal of impairment losses is not significant and is therefore not reported separately in the income statement.

31
Equity

Number of shares issued

	Preferred stock		Common stock	
	2019	2018	2019	2018
Shares issued / in circulation at 1 January	56,126,904	55,605,404	601,995,196	601,995,196
Shares issued in conjunction with Employee Share Programme	744,447	521,524	–	–
Less: shares repurchased and re-issued	4,047	24	–	–
Shares issued / in circulation at 31 December	56,867,304	56,126,904	601,995,196	601,995,196

All Company stock is issued to bearer and each share has a par value of €1.00. Preferred stock, to which no voting rights are attached, bear an additional dividend of €0.02 per share.

In 2019, a total of 744,447 shares of preferred stock was sold to employees at a reduced price of €46.10 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 2020.

Issued share capital increased by €0.7 million as a result of the issue to employees of 740,400 new shares of non-voting preferred stock. BMW AG is authorised up to 15 May 2024 to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million. At the end of the reporting period, 4.3 million of these amounting to nominal €4.3 million remained available for issue.

In addition, 4,047 previously issued shares of preferred stock were acquired and re-issued to employees in conjunction with the Employee Share Programme.

Capital reserves

Capital reserves include premiums arising from the issue of shares and totalled €2,161 million (2018: €2,118 million). The change amounting to €43 million related to the share capital increase in conjunction with the issue of shares of preferred stock to employees.

Revenue reserves

Revenue reserves comprise the non-distributed earnings of companies consolidated in the Group Financial Statements. In addition, remeasurements of the net defined benefit obligation for pension plans are also presented in revenue reserves.

It is proposed that the unappropriated profit of BMW AG for the financial year 2019 amounting to €1,646 million be utilised as follows:

- Distribution of a dividend of €2.52 per share of preferred stock (€141 million)
- Distribution of a dividend of €2.50 per share of common stock (€1,505 million)

The proposed distribution was not recognised as a liability in the Group Financial Statements.

Accumulated other equity

Accumulated other equity comprises amounts recognised directly in equity resulting from the translation of the financial statements of foreign subsidiaries, changes in the fair value of derivative financial instruments and marketable securities, costs of hedging recognised directly in equity as well the related deferred taxes.

Further information regarding the transition effects recognised directly in equity on the initial application of IFRS 16 is provided in → note 6.

→ see note 6

Capital management disclosures

The BMW Group's objectives with regard to capital management are to safeguard over the long-term the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The capital structure is managed in order to meet needs arising from changes in economic conditions and the risks of the underlying assets.

The BMW Group is not subject to any unified external minimum equity capital requirements. Within the Financial Services segment, however, there are a number of individual entities which are subject to equity capital requirements of relevant regulatory banking authorities.

In order to manage its capital structure, the BMW Group uses various instruments, including the amount of dividends paid to shareholders and share buybacks. Moreover, the BMW Group actively manages debt capital, carrying out funding activities with a target debt structure in mind. A key aspect in the selection of financial instruments is the objective to achieve matching maturities for the Group's financing requirements. In order to reduce non-systematic risk, the BMW Group uses a variety of financial instruments available on the world's capital markets to achieve diversification.

The capital structure at the end of the reporting period was as follows:

in € million	31.12.2019	31.12.2018*
Equity attributable to shareholders of BMW AG	59,324	57,300
Proportion of total capital	33.7 %	35.6 %
Non-current financial liabilities	70,647	64,772
Current financial liabilities	46,093	38,825
Total financial liabilities	116,740	103,597
Proportion of total capital	66.3 %	64.4 %
Total capital	**176,064**	**160,897**

* Prior year's figures adjusted.

Equity attributable to shareholders of BMW AG increased during the financial year by 3.5 % primarily reflecting the increase in revenue reserves.

The previous year's figures have been adjusted due to the change in accounting policy for volume-dependent bonuses and for manufacturer lessors (see → note 6).

→ see note 6

32
Pension provisions

In the case of defined benefit plans, the BMW Group is required to pay the benefits it has granted to present and past employees. Defined benefit plans may be covered by provisions or pension assets. In Germany, pension entitlements are mostly covered by assets transferred to BMW Trust e.V., Munich, in conjunction with a Contractual Trust Arrangement (CTA). Funded plans also exist in the UK, the USA, Switzerland, Belgium and Japan. In the meantime, most of the defined benefit plans have been closed to new entrants.

The assumptions stated below, which depend on the economic situation in the relevant country, are used to measure the defined benefit obligation of each pension plan. In Germany, the so-called "pension entitlement trend" (Festbetragstrend) remained at 2.0 %. The following weighted average values have been used for Germany, the UK and other countries:

	Germany		United Kingdom		Other	
in %	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Discount rate	1.00	1.91	1.92	2.69	2.42	3.66
Pension level trend	1.38	1.62	2.15	2.25	–	–
Weighted duration of all pension obligations in years	21.3	20.2	19.2	19.0	16.0	17.2

The following mortality tables are applied in countries, in which the BMW Group has significant defined benefit plans:

Germany	Mortality Table 2018 G issued by Prof. K. Heubeck (with invalidity rates reduced by 70 %)
United Kingdom	S2PA tables and S2PA light tables with weightings

Based on the measurement principles contained in IAS 19, the following balance sheet **carrying amounts** apply to the Group's pension plans:

	Germany		United Kingdom		Other		Total	
in € million	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Present value of defined benefit obligations	14,022	11,542	9,503	8,277	1,127	1,428	24,652	21,247
Fair value of plan assets	11,320	9,721	9,137	8,167	883	1,049	21,340	18,937
Effect of limiting net defined benefit asset to asset ceiling	–	–	–	–	2	3	2	3
Carrying amounts at 31 December	**2,702**	**1,821**	**366**	**110**	**246**	**382**	**3,314**	**2,313**
thereof pension provision	2,702	1,823	371	125	262	382	3,335	2,330
thereof assets	–	–2	–5	–15	–16	–	–21	–17

The most significant of the BMW Group's pension plans are described below.

Germany
Both employer- and employee-funded benefit plans exist in Germany. Benefits paid in conjunction with these plans comprise old-age retirement pensions as well as invalidity and surviving dependents' benefits. The increase to current pension payments for inflation is carried out in accordance with § 16 of the Company Pensions Act (Betriebsrentengesetz).

The defined benefit plans have been closed to new entrants since 2014. Defined contribution plans with a minimum rate of return, comprising employer- and employee-funded components, continue to exist. The fact that the plan involves a minimum rate of return means that the defined contribution entitlements are classified in accordance with IAS 19 as defined benefit plans. In the case of defined benefit plans involving the payment of a pension, the amount of benefits to be paid is determined by multiplying a fixed amount by the number of years of service.

The assets of the German pension plans are invested by BMW Trust e.V., Munich, in accordance with a CTA. The representative bodies of this entity are the Board of Directors and the Members' General Meeting. BMW Trust e.V., Munich, currently has seven members and three members of the Board of Directors elected by the Members' General Meeting. The Board of Directors is responsible for investments, drawing up and deciding on investment guidelines as well as monitoring compliance with those guidelines. The members of the association can be employees, employee representatives, senior executives and members of the Board of Management of BMW AG. An ordinary Members' General Meeting takes place once every calendar year, and deals with a range of matters, including receiving and approving the association's annual report, ratifying the activities of the Board of Directors and adopting changes to the association's statutes.

United Kingdom
Defined benefit plans exist in the United Kingdom which are closed for all plan participants. Vested benefits remain in place. New benefits are covered by contributions made to a defined contribution plan.

The defined benefit pension plans are administered by BMW Pension Trustees Limited, Farnborough, and BMW (UK) Trustees Limited, Farnborough, both trustee companies which act independently of the BMW Group. BMW (UK) Trustees Limited, Farnborough, is represented by ten trustees and BMW Pension Trustees Limited, Farnborough, by five trustees. A minimum of one third of the trustees must be elected by plan participants. The trustees represent the interests of plan participants and decide on investment strategies. Funding contributions to the funds are determined in agreement with the BMW Group.

The **change in the net defined benefit liability for pension plans** can be derived as follows:

in € million	Defined benefit obligation	Plan assets	Total	Effect of limitation of the net defined benefit asset to the asset ceiling	Net defined benefit liability
1 January 2019	21,247	–18,937	**2,310**	3	**2,313**
EXPENSE/INCOME					
Current service cost	473	–	**473**	–	**473**
Interest expense (+)/income (–)	485	–444	**41**	–	**41**
Past service cost	–191	–	**–191**	–	**–191**
Gains (–) or losses (+) arising from settlements	–3	–	**–3**	–	**–3**
REMEASUREMENTS					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	–2,002	**–2,002**	–	**–2,002**
Gains (–) or losses (+) arising from changes in financial assumptions	3,201	–	**3,201**	–	**3,201**
Gains (–) or losses (+) arising from changes in demographic assumptions	–3	–	**–3**	–	**–3**
Gains (–) or losses (+) arising from experience adjustments	–4	–	**–4**	–	**–4**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	–1	**–1**
Transfers to fund	–	–527	**–527**	–	**–527**
Employee contributions	78	–78	**–**	–	**–**
Pensions and other benefits paid	–1,104	1,103	**–1**	–	**–1**
Translation differences and other changes	473	–455	**18**	–	**18**
31 December 2019	**24,652**	**–21,340**	**3,312**	**2**	**3,314**
thereof pension provision					**3,335**
thereof assets					**–21**

in € million	Defined benefit obligation	Plan assets	Total	Effect of limitation of the net defined benefit asset to the asset ceiling	Net defined benefit liability
1 January 2018	22,710	–19,477	**3,233**	3	**3,236**
EXPENSE/INCOME					
Current service cost	508	–	**508**	–	**508**
Interest expense (+)/income (–)	475	–413	**62**	–	**62**
Past service cost	59	–	**59**	–	**59**
Gains (–) or losses (+) arising from settlements	–	–10	**–10**	–	**–10**
REMEASUREMENTS					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	999	**999**	–	**999**
Gains (–) or losses (+) arising from changes in financial assumptions	–1,274	–	**–1,274**	–	**–1,274**
Gains (–) or losses (+) arising from changes in demographic assumptions	–416	–	**–416**	–	**–416**
Gains (–) or losses (+) arising from experience adjustments	–264	–	**–264**	–	**–264**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	–	**–**
Transfers to fund	–	–658	**–658**	–	**–658**
Employee contributions	73	–73	**–**	–	**–**
Pensions and other benefits paid	–632	689	**57**	–	**57**
Translation differences and other changes	8	6	**14**	–	**14**
31 December 2018	**21,247**	**–18,937**	**2,310**	**3**	**2,313**
thereof pension provision					**2,330**
thereof assets					**–17**

Since 1 July 2019, future entitlements relating to former members of two defined benefit plans in the USA are being accounted for via a defined contribution plan. Past service cost resulted mainly from the complete closure of the defined benefit plans.

Depending on the cash flow profile and risk structure of the pension obligations involved, plan assets relating to defined benefit plans are invested in a diversified portfolio.

Plan assets in Germany, the UK and other countries comprised the following:

in € million	Germany		United Kingdom		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
COMPONENTS OF PLAN ASSETS								
Equity instruments	2,031	1,565	584	407	91	172	2,705	2,144
Debt instruments	6,513	5,604	6,648	5,774	592	552	13,754	11,930
thereof investment grade	4,275	3,402	5,891	5,224	585	518	10,752	9,144
thereof mixed funds (funds without a rating)	–	–	–	–	–	–	–	–
thereof non-investment grade	2,238	2,202	757	550	7	34	3,002	2,786
Real estate funds	–	–	–	–	19	93	19	93
Money market funds	–	–	74	221	29	47	103	268
Absolute return funds	–	–	–	–	–	–	–	–
Other	109	–	–	–	15	15	124	15
Total with quoted market price	**8,653**	**7,169**	**7,306**	**6,402**	**746**	**879**	**16,705**	**14,450**
Debt instruments	911	1,009	256	270	1	1	1,168	1,280
thereof investment grade	316	307	–	–	–	–	316	307
thereof mixed funds (funds without a rating)	595	702	256	216	–	–	851	918
thereof non-investment grade	–	–	–	54	1	1	1	55
Real estate	394	325	716	678	–	36	1,110	1,039
Cash and cash equivalents	20	12	–	–	1	1	21	13
Absolute return funds	632	669	640	605	31	65	1,303	1,339
Other	710	537	219	212	104	67	1,033	816
Total without quoted market price	**2,667**	**2,552**	**1,831**	**1,765**	**137**	**170**	**4,635**	**4,487**
31 December	**11,320**	**9,721**	**9,137**	**8,167**	**883**	**1,049**	**21,340**	**18,937**

The expected change arising from benefit payments out of plan assets – which does not have an income statement impact – is predicted to exceed employer contributions to plan assets in the coming year by €65 million. Plan assets of the BMW Group include own transferable financial instruments amounting to €8 million (2018: €5 million).

The BMW Group is exposed to **risks** arising both from defined benefit plans and defined contribution plans with a minimum return guarantee. The discount rates used to calculate pension obligations are subject to market fluctuation and therefore influence the level of the obligations. Furthermore, changes in other actuarial parameters, such as expected rates of inflation, also have an impact on pension obligations. In order to reduce currency exposures, a substantial portion of plan assets is either invested in the same currency as the underlying plan or hedged by means of currency derivatives. As part of the internal reporting procedures and for internal management purposes, financial risks relating to the pension plans are reported using a value-at-risk approach by reference to the pension deficit. The investment strategy is also subject to regular review together with external consultants, with the aim of ensuring that investments are structured to match the timing of pension payments and the expected development of pension obligations. In this way, fluctuations in pension funding shortfalls are reduced.

The defined benefit obligation relates to current employees, pensioners and former employees with vested benefits as follows:

in %	Germany 31.12.2019	Germany 31.12.2018	United Kingdom 31.12.2019	United Kingdom 31.12.2018	Other 31.12.2019	Other 31.12.2018
Current employees	67.6	65.9	–	–	64.3	77.3
Pensioners	27.4	29.3	45.5	48.5	29.0	18.8
Former employees with vested benefits	5.0	4.8	54.5	51.5	6.8	3.9
Defined benefit obligation	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

The sensitivity analysis provided below shows the extent to which changes in individual factors – independently of each other – could influence the defined benefit obligation at the end of the reporting period.

It is only possible to aggregate sensitivities to a limited extent. Since the change in obligation follows a non-linear pattern, estimates made on the basis of the specified sensitivities are only possible with this restriction. The calculation of sensitivities using ranges other than those specified could result in a disproportional change in the defined benefit obligation.

		Change in defined benefit obligation			
		31.12.2019		31.12.2018	
		in € million	in %	in € million	in %
	increase of 0.75 %	–3,352	–13.6	–2,652	–12.5
Discount rate	decrease of 0.75 %	4,290	17.4	3,334	15.7
	increase of 0.25 %	905	3.7	597	2.8
Pension level trend	decrease of 0.25 %	–810	–3.3	–567	–2.7
	increase of 1 year	1,155	4.7	770	3.6
Average life expectancy	decrease of 1 year	–1,097	–4.4	–779	–3.7
	increase of 0.25 %	200	0.8	156	0.7
Pension entitlement trend	decrease of 0.25 %	–192	–0.8	–147	–0.7

In the UK, the sensitivity analysis for the pension level trend also takes account of restrictions due to caps and floors.

33
Other provisions

Other provisions changed during the year as follows:

in € million	1.1.2019*	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2019	thereof due within one year
Statutory and non-statutory warranty obligations, product guarantees	5,147	69	2,831	168	–2,561	–104	5,550	1,617
Obligations for personnel and social expenses	2,819	6	1,448	3	–1,713	–67	2,496	1,495
Other obligations	2,087	–7	2,341	10	–440	–698	3,293	2,489
Other obligations for ongoing operational expenses	1,348	25	912	–	–377	–38	1,870	1,820
Other provisions	**11,401**	**93**	**7,532**	**181**	**–5,091**	**–907**	**13,209**	**7,421**

* Prior year's figures adjusted.

Depending on when claims occur, it is possible that the BMW Group may be called upon to fulfil the warranty or guarantee obligations over the whole period of the warranty or guarantee. Expected reimbursement claims at 31 December 2019 amounted to €1,086 million (2018: €933 million) and are disclosed within other assets (see → note 28).

→ see note 28

Provisions for obligations for personnel and social expenses comprise mainly performance-related remuneration components, early retirement part-time working arrangements and employee long-service awards.

The provisions for other obligations cover numerous identifiable specific risks and uncertain obligations, in particular for litigation and liability risks, including the provision recognised for the ongoing EU Commission's antitrust proceedings. Further information is provided in → note 10.

→ see note 10

Other obligations for ongoing operational expenses include in particular expected payments for bonuses and other price deductions.

→ see note 6

The figures for the previous financial year have been restated for the change in accounting policy for manufacturer lessors (see → note 6), as well as for the changes in the presentation of residual value risk provisions for finance leases and vehicle financing, which were previously reported in other provisions and have now been reclassified to receivables from sales financing (adjustment effect at 31 December 2018: decrease of €441 million).

34
Income tax liabilities

Current income tax liabilities totalling €963 million (2018: €1,158 million) include €89 million (2018: €96 million) which are expected to be settled after more than twelve months. Liabilities may be settled earlier than this depending on the timing of the underlying proceedings.

35
Financial liabilities

Financial liabilities of the BMW Group comprise the following:

	31.12.2019			
in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	14,077	35,801	12,287	**62,165**
Asset-backed financing transactions	7,952	11,597	–	**19,549**
Liabilities from customer deposits (banking)	11,216	3,414	27	**14,657**
Liabilities to banks	7,903	2,204	1,329	**11,436**
Lease liabilities	544	1,363	988	**2,895**
Commercial paper	2,615	–	–	**2,615**
Derivative instruments	1,149	886	61	**2,096**
Other	637	271	419	**1,327**
Financial liabilities	**46,093**	**55,536**	**15,111**	**116,740**

	31.12.2018			
in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	9,762	32,592	10,992	**53,346**
Asset-backed financing transactions	5,732	11,603	–	**17,335**
Liabilities from customer deposits (banking)	10,961	3,289	109	**14,359**
Liabilities to banks	8,678	3,293	1,225	**13,196**
Lease liabilities	9	49	47	**105**
Commercial paper	2,480	–	–	**2,480**
Derivative instruments	646	915	114	**1,675**
Other	557	110	434	**1,101**
Financial liabilities	**38,825**	**51,851**	**12,921**	**103,597**

Planned future cash outflows from variable lease payments, which are not taken into account in the measurement of lease liabilities, are expected to amount to €56 million.

Similarly, potential future cash outflows amounting to €1,393 million (undiscounted) have not been taken into account in the measurement of lease liabilities as it is not reasonably certain that the leases will be renewed (or not terminated). These cash outflows relate to periods of up to 59 years.

Liabilities related to financing activities can be reconciled as follows:

in € million	1.1.2019	Cash inflows / outflows	Changes due to the acquisition or disposal of companies	Changes due to exchange rate factors	Changes in fair values	Other changes	31.12.2019
Bonds	53,346	7,342	–	618	859	–	**62,165**
Asset-backed financing transactions	17,335	1,869	–	345	–	–	**19,549**
Liabilities from customer deposits (banking)	14,359	202	–	96	–	–	**14,657**
Liabilities to banks	13,196	–1,754	–	–43	44	–7	**11,436**
Lease liabilities	105	–440	–	6	–	3,224	**2,895**
Commercial paper	2,480	134	–	1	–	–	**2,615**
Financial liabilities towards companies in which an investment is held	529	–233	–	–	–	–	**296**
Other (excluding interest payable)	626	202	–	36	–	–	**864**
Liabilities relating to financing activities	**101,976**	**7,322**	**–**	**1,059**	**903**	**3,217**	**114,477**

in € million	1.1.2018	Cash inflows / outflows	Changes due to the acquisition or disposal of companies	Changes due to exchange rate factors	Changes in fair values	Other changes	31.12.2018
Bonds	44,880	7,784	–	707	–33	8	**53,346**
Asset-backed financing transactions	16,855	288	–	192	–	–	**17,335**
Liabilities from customer deposits (banking)	13,572	557	–	227	–	3	**14,359**
Liabilities to banks	12,658	679	–	–141	–	–	**13,196**
Lease liabilities	114	–9	–	–	–	–	**105**
Commercial paper	4,461	–2,021	–	40	–	–	**2,480**
Financial liabilities towards companies in which an investment is held	739	–210	–	–	–	–	**529**
Other (excluding interest payable)	604	–31	–	38	–	15	**626**
Liabilities relating to financing activities	**93,883**	**7,037**	**–**	**1,063**	**–33**	**26**	**101,976**

Bonds comprise:

Issuer	Interest	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in years)	Weighted average nominal interest rate (in %)
BMW Finance N.V.	variable	EUR 5,000 million	1.9	0.0
	variable	SEK 1,500 million	4.0	0.7
	variable	USD 700 million	2.4	2.5
	variable	NOK 500 million	3.0	2.4
	fixed	EUR 25,900 million	6.3	0.8
	fixed	JPY 19,100 million	5.8	0.4
	fixed	CNY 11,500 million	2.3	3.8
	fixed	HKD 2,166 million	4.8	2.3
	fixed	USD 2,050 million	5.3	2.5
	fixed	SEK 1,750 million	5.0	1.8
	fixed	NOK 1,500 million	3.8	1.9
	fixed	GBP 1,150 million	5.8	1.5
	fixed	AUD 290 million	6.9	3.3
	fixed	RON 240 million	1.0	4.0
BMW US Capital, LLC	variable	USD 3,658 million	2.7	2.0
	fixed	USD 13,655 million	6.2	3.0
	fixed	EUR 2,500 million	7.6	1.0
	fixed	AUD 30 million	5.0	3.0
BMW Canada Inc.	variable	CAD 200 million	2.0	2.0
	fixed	CAD 2,400 million	3.4	2.2
Other	variable	GBP 940 million	1.4	1.0
	variable	SEK 500 million	3.0	0.8
	fixed	KRW 120,000 million	3.0	2.6
	fixed	CNY 6,000 million	3.0	4.8
	fixed	INR 4,000 million	3.0	8.1
	fixed	GBP 1,450 million	4.3	1.5
	fixed	NOK 1,000 million	10.0	3.3
	fixed	CHF 600 million	6.8	0.5

The following details apply to commercial paper:

Issuer	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in days)	Weighted average nominal interest rate (in %)
BMW US Capital, LLC	USD 2,587 million	22	1.7
BMW Finance N.V.	EUR 300 million	31	– 0.4
BMW India Financial Services Private Ltd.	INR 1,100 million	297	6.8

36
Other liabilities

Other liabilities comprise the following items:

in Mio. €	31.12.2019	31.12.2018*
Refund liabilities for future leased products	6,103	5,021
Contract liabilities	5,038	4,976
Deferred income	3,635	3,112
Bonuses and sales aides	2,971	2,940
Other taxes	1,265	945
Deposits received	815	850
Other advanced payments received for orders	585	297
Payables to other companies in which an investment is held	519	781
Payables to subsidiaries	192	92
Social security	109	102
Sundry	1,834	2,003
Other liabilities	**23,066**	**21,119**

* Prior year's figures adjusted.

Contract liabilities relate to obligations for service and repair work as well as telematics services and roadside assistance agreed to be part of the sale of a vehicle (in some cases multi-component arrangements). An amount of €2,255 million (2018: €2,134 million) was released from contract liabilities in the financial year and recognised as revenues from contracts with customers.

Deferred income includes down payments received on leases with customers as well as deferred grants. Grants comprise mainly public sector funds to promote regional structures and which have been invested in the production plants in Brazil, Mexico, Leipzig and Berlin. The grants are partly subject to holding periods for the assets concerned of up to five years and/or minimum employment figures. Grant income is recognised in the income statement over the useful lives of the assets to which it relates.

The previous year's figures have been adjusted for the change in accounting policy for manufacturer lessors (see → note 6).

→ see note 6

37
Trade payables

As in the previous year, trade payables are due within one year.

OTHER DISCLOSURES

38
Contingent liabilities and other financial commitments

Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	31.12.2019	31.12.2018
Investment subsidies	284	275
Litigation	139	125
Guarantees	46	14
Other	618	351
Contingent liabilities	**1,087**	**765**

Other contingent liabilities comprise mainly risks relating to taxes and customs duties.

The BMW Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of the Group Financial Statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. A part of the risks is covered by insurance.

→ see note 10

The European Commission is currently conducting an investigation in connection with antitrust allegations against five German car manufacturers. The BMW Group has provided for the potential outcome of the investigation in the form of a provision measured on the basis of the Statement of Objections, at the best possible estimate (see also → note 10). In connection with these allegations, numerous class action lawsuits have been brought in the USA and Canada as well as several private lawsuits in South Korea. The class action lawsuits in the USA were initially dismissed on the basis of the lack of conclusiveness. The applicants resubmitted their claims in mid-2019 in an amended form. A decision on the five manufacturers' renewed claims for the dismissal of the class action lawsuits is still pending. Class action lawsuits in Canada and private lawsuits in South Korea are at an early stage. Further civil lawsuits based on the allegations are possible. In addition, the Chinese State Administration for Market Regulation (SAMR) opened antitrust proceedings against BMW AG in March 2019. These proceedings are still at an early stage. Possible risks for the BMW Group can neither be foreseen in detail nor quantified at present. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

Regulatory authorities have ordered the BMW Group to recall various vehicle models in conjunction with airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within warranty provisions. In addition to the risks already covered by warranty provisions, it cannot be ruled out that further BMW Group vehicles will be affected by future recall actions. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

In September 2019, the Japan Fair Trade Commission conducted a search at BMW Japan Corp. in connection with its market practises in relation to distributors. These investigations are ongoing. Possible risks for the BMW Group can neither be foreseen in detail nor quantified at present. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

BMW Group has been notified that the U.S. Securities and Exchange Commission ("SEC") is conducting an investigation related to vehicle sales practices and reporting of delivery figures. The potential risks for BMW Group related to the SEC's investigation cannot be quantified at the present time. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

Other financial obligations

In addition to liabilities, provisions and contingent liabilities, the following commitments exist for the BMW Group at the end of the reporting period:

in € million	31.12.2019	31.12.2018
Purchase commitments for property, plant and equipment	3,128	3,486
Purchase commitments for intangible assets	2,146	1,554

39
Financial instruments

The carrying amounts of financial instruments are assigned to IFRS 9 categories in the following table.

in € million	31.12.2019			
	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Not assigned to an IFRS 9 category
ASSETS				
Other investments	–	–	461	242
Receivables from sales financing	70,625	–	–	21,812
Financial assets				
Derivative instruments				
Cash flow hedges	–	–	–	326
Fair value hedges	–	–	–	1,244
Other derivative instruments	–	–	50	–
Marketable securities and investment funds	444	3,889	1,058	–
Loans to third parties	40	–	14	–
Credit card receivables	–	–	–	–
Other	260	–	–	–
Cash and cash equivalents	11,574	–	462	–
Trade receivables	2,518	–	–	–
Other assets				
Receivables from subsidiaries	308	–	–	–
Receivables from companies in which an investment is held	2,641	–	–	–
Collateral assets	413	–	–	–
Remaining other assets	1,519	–	–	8,058
Total	**90,342**	**3,889**	**2,045**	**31,682**
LIABILITIES				
Financial liabilities				
Bonds	62,165	–	–	–
Liabilities to banks	11,436	–	–	–
Liabilities from customer deposits (banking)	14,657	–	–	–
Commercial paper	2,615	–	–	–
Asset-backed financing transactions	19,549	–	–	–
Derivative instruments				
Cash flow hedges	–	–	–	805
Fair value hedges	–	–	–	271
Other derivative instruments	–	–	1,020	–
Lease liabilities	–	–	–	2,895
Other	1,327	–	–	–
Trade payables	10,182	–	–	–
Other liabilities				
Payables to subsidiaries	192	–	–	–
Payables to other companies in which an investment is held	519	–	–	–
Remaining other liabilities	4,749	–	–	17,606
Total	**127,391**	**–**	**1,020**	**21,577**

in € million	31.12.2018* At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss
ASSETS			
Other investments	–	–	429
Receivables from sales financing	87,013	–	–
Financial assets			
Derivative instruments			
Cash flow hedges	–	–	840
Fair value hedges	–	–	654
Other derivative instruments	–	–	483
Marketable securities and investment funds	675	3,671	970
Loans to third parties	17	–	3
Credit card receivables	244	–	–
Other	128	–	–
Cash and cash equivalents	10,094	–	885
Trade receivables	2,546	–	–
Other assets			
Receivables from subsidiaries	295	–	–
Receivables from companies in which an investment is held	1,916	–	–
Collateral assets	293	–	–
Remaining other assets	1,444	–	–
Total	**104,665**	**3,671**	**4,264**
LIABILITIES			
Financial liabilities			
Bonds	53,346	–	–
Liabilities to banks	13,196	–	–
Liabilities from customer deposits (banking)	14,359	–	–
Commercial paper	2,480	–	–
Asset-backed financing transactions	17,335	–	–
Derivative instruments			
Cash flow hedges	–	–	697
Fair value hedges	–	–	556
Other derivative instruments	–	–	422
Lease liabilities	105	–	–
Other	1,101	–	–
Trade payables	9,669	–	–
Other liabilities			
Payables to subsidiaries	92	–	–
Payables to other companies in which an investment is held	781	–	–
Remaining other liabilities	5,665	–	–
Total	**118,129**	**–**	**1,675**

* Prior year's figures adjusted – see note 25. The carrying amounts of cash flow hedges and fair value hedges are categorised as at fair value through profit or loss for the sake of clarity. Receivables from sales financing are shown including finance and operating leases.

The following table shows the fair values and carrying amounts of financial assets and liabilities that are measured at cost or amortised cost and whose carrying amounts differ from their fair value. Due to their predominantly short-term nature, the fair value of other financial assets and liabilities measured at amortised cost corresponds to the carrying amount. For this reason, these items are not disclosed separately.

	31.12.2019		31.12.2018	
in € million	Fair value	Carrying amount	Fair value	Carrying amount*
Receivables from sales financing	73,699	70,625	90,445	87,013
Marketable securities and investment funds	446	444	680	675
Bonds	62,757	62,165	53,831	53,346
Asset-backed financing transactions	19,659	19,549	17,443	17,335
Liabilities from customer deposits (banking)	14,739	14,657	14,374	14,359
Liabilities to banks	12,071	11,436	13,277	13,196

* Prior year's figures adjusted – see note 25.

With effect from the financial year 2019, the fair value and carrying amounts of receivables from sales financing do not include receivables relating to finance and operating leases. The fair value of these receivables amounts to €22,741 million (carrying amount: €21,812 million) at the balance sheet date.

At 31 December 2019, financial assets and liabilities measured at fair value in accordance with IFRS 9 are classified in the following table on the basis of their measurement levels in accordance with IFRS 13. Where the fair value was required for a financial instrument for disclosure purposes, the discounted cash flow method was used, taking account of the BMW Group's own default risk. The fair values of these items are allocated to Level 2 in accordance with IFRS 13.

	31.12.2019		
	Level hierarchy in accordance with IFRS 13		
in € million	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral assets	4,582	365	–
Other investments	106	–	355
Cash equivalents	–	462	–
Loans to third parties	–	–	14
Derivative instruments (assets)			
Interest rate risks	–	1,274	–
Currency risks	–	74	–
Raw material market price risks	–	267	–
Other risks	–	–	5
Derivative instruments (liabilities)			
Interest rate risks	–	1,155	–
Currency risks	–	723	–
Raw material market price risks	–	218	–

in € million	31.12.2018 Level hierarchy in accordance with IFRS 13 Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral assets	4,641	–	–
Other investments	164	–	265
Cash equivalents	–	885	–
Loans to third parties	–	–	3
Derivative instruments (assets)			
Interest rate risks	–	1,069	–
Currency risks	–	713	–
Raw material market price risks	–	191	–
Other risks	–	–	4
Derivative instruments (liabilities)			
Interest rate risks	–	923	–
Currency risks	–	409	–
Raw material market price risks	–	343	–

Any transfers between fair value hierarchy levels are made at the end of the relevant reporting period.

With effect from 30 June 2019, marketable securities amounting to €187 million were transferred from Level 1 to Level 2 in view of the fact that their fair value is determined on the basis of observable market data.

Financial instruments recognised at fair value for which no market price is available are allocated to Level 3. Fair values are determined in accordance with the following table:

in € million	31.12.2019 Fair value	Valuation method	Input Parameter
Unquoted equity instruments	355	Market-based approach	Financial ratios
		Milestone analysis (quantitative and qualitative factors)	Technical company-specific ratios
			Liquidity-specific ratios
Convertible bonds	14	Market-based approach	Financial ratios
		Milestone analysis (quantitative and qualitative factors)	Technical company-specific ratios
			Liquidity-specific ratios
Options on unquoted equity instruments	5	Market-based approach	Financial ratios
		Milestone analysis (quantitative and qualitative factors)	Technical company-specific ratios
			Liquidity-specific ratios
			Exercise price

Financial instruments allocated to Level 3 relate mainly to investments in a private equity fund. For valuation purposes, the investment advisor provides the external fund manager with relevant, investment-specific information on an ongoing basis (at least quarterly). The latter subsequently assesses the underlying individual companies in accordance with the guidelines for international private equity and venture capital valuations (IPEV).

As part of the process of analysing valuations, the external fund manager reviews the investment-specific milestones, including an analysis of key financial, technical and liquidity-specific performance indicators. Based on this analysis, it is considered whether the price set at the most recent financing round is acceptable as a reasonable market valuation, in particular for early-stage or growth-phase investments. Key performance indicators used for the purpose of milestone analysis are highly dependent on the business model underlying the investment; typical technical key performance indicators relate to licenses and patents held, the stage of technology development such as evidence of feasibility and prototypes, market entries, customer and user growth and appointments to key management positions. Key financial performance indicators used are revenues, EBITDA and the corresponding growth rate and/or development of specific contribution margins. Key liquidity-specific performance indicators are cash on hand, cash burn rates and prospects for future financing rounds.

A detailed listing and quantification of potential sensitivities is not considered meaningful in view of the valuation methodology applied. A change of +/–10 % in the relevant input parameter (price of the last financing round) would normally also give rise to a similar change of +/–10 % in the valuation. Similarly, a significant reduction in growth rates or margins could result in impairment and therefore to a lower valuation of an investment.

The balance sheet carrying amount of Level 3 financial instruments developed as follows:

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Financial Instruments Level 3
1 January 2019	265	3	4	272
Additions	90	14	–	104
Disposals	–38	–3	–	–41
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	–
Gains (+)/losses (–) recognised in the income statement	33	–	1	34
Currency translation differences	5	–	–	5
31 December 2019	**355**	**14**	**5**	**374**

Gains and losses recognised in the income statement in the financial year 2019 included unrealised gains and losses totalling a net positive amount of €32 million.

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Financial Instruments Level 3
1 January 2018	111	2	2	115
Additions	103	3	–	106
Disposals	–4	–2	–	–6
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	–
Gains (+)/losses (–) recognised in the income statement	45	–	2	47
Currency translation differences	10	–	–	10
31 December 2018	**265**	**3**	**4**	**272**

Offsetting of financial instruments

Derivative financial instruments of the BMW Group are subject to legally enforceable master netting agreements or similar contracts. However, receivables and payables relating to derivative financial instruments are not netted due to non-fulfilment of the stipulated criteria. Offsetting would have the following impact on the carrying amounts of derivatives:

in € million	31.12.2019 Reported on assets side	31.12.2019 Reported on equity and liabilities side	31.12.2018 Reported on assets side	31.12.2018 Reported on equity and liabilities side
Balance sheet amounts as reported	1,620	2,096	1,977	1,675
Gross amount of derivatives which can be offset in case of insolvency	–833	–833	–913	–913
Net amount after offsetting	787	1,263	1,064	762

Non-derivative financial assets and liabilities are only offset if a legally enforceable right currently exists and it is actually intended to offset the relevant amounts. No financial assets and liabilities have been netted in the BMW Group due to the fact that the necessary requirements for netting have not been met.

Gains and losses on financial instruments

The following table shows the net gains and losses arising on financial instruments in accordance with IFRS 9:

in € million	2019	2018
Financial instruments measured at fair value through profit or loss	–1,012	–150
Financial assets measured at amortised cost	160	203
Financial liabilities measured at amortised cost	296	155

Net gains and losses of financial instruments measured at fair value through profit or loss mainly include gains and losses arising on the fair value measurement of stand-alone derivatives, on marketable securities and shares in investment funds, and on other investments.

Net gains and losses arising on financial assets measured at amortised cost mainly include exchange rate gains and losses as well as expenses and income relating to impairment losses. Net gains and losses arising on financial liabilities measured at amortised cost mainly include exchange rate gains and losses.

Interest income arising on financial assets measured at amortised cost mainly relates to the interest income earned on credit financing and reported within revenues. Interest expense for financial liabilities measured at amortised cost amounted to €1.9 billion (2018: €1.8 billion).

→ see note 19

Net gains and losses arising on financial instruments measured at fair value through other comprehensive income relate to marketable securities and shares in investment funds and are disclosed in → note 19. Interest income arising on financial assets measured at fair value through other comprehensive income amounted to €49 million (2018: €58 million) and interest expense to €41 million (2018: €47 million).

Credit risk

The BMW Group is exposed to counterparty credit risks if contractual partners, for example a retail customer or a dealership, are unable or only partially able to meet their contractual obligations. Information on the management of credit risk for receivables from financial services is provided in the Combined Management Report (see section Report on Outlook, Risks and Opportunities).

Notwithstanding the existence of collateral accepted, the carrying amount of financial assets (with the exception of derivative financial instruments) generally represents the maximum credit risk. In addition, the credit risk is increased by additional unutilised loan commitments in the dealership financing line of business. Total credit risk at the end of the reporting period amounted to €31,943 million (2018: €29,403 million).

In the case of all relationships underlying non-derivative financial instruments, in order to minimise the credit risk and depending on the nature and amount of exposure, collateral is required, credit information and references obtained or historical data based on the existing business relationship, in particular payment behaviour, reviewed.

In the case of trade receivables, customers are regularly assessed with regard to their credit risk. Depending on contractual status, necessary measures, such as dunning procedures, are initiated in good time.

The credit risk relating to cash deposits and derivative financial instruments is minimised by the fact that the Group only enters into such contracts with parties of first-class credit standing.

Within the financial services business, items financed for retail customers and dealerships (such as vehicles, facilities and property) serve as first-ranking collateral with a recoverable value. Security is also put up by customers in the form of collateral asset pledges, asset assignment and first-ranking mortgages, supplemented where appropriate by warranties and guarantees. Items previously held as collateral that are subsequently acquired relate mainly to vehicles. As a rule, these assets can be converted into cash at short notice through the dealership organisation. Creditworthiness testing is an important aspect of the BMW Group's credit risk management. Every borrower's creditworthiness is tested for all credit financing and lease contracts entered into by the BMW Group. In the case of retail customer financing, creditworthiness is assessed using validated scoring systems integrated into the acquisition process. In the area of dealership financing, creditworthiness is assessed by means of ongoing credit monitoring and an internal rating system that takes account not only of the material credit standing of the borrower, but also of qualitative factors such as past reliability in business relations.

The credit risk on trade receivables is assessed mainly on the basis of information relating to overdue amounts. The gross carrying amounts of these receivables are allocated in accordance with IFRS 9 to overdue ranges used for management purposes as follows:

in € million	31.12.2019	31.12.2018
Not overdue	1,947	2,066
1 – 30 days overdue	369	375
31 – 60 days overdue	89	34
61 – 90 days overdue	40	29
More than 90 days overdue	145	96
Total	**2,590**	**2,600**

Receivables from sales financing are allocated to internally defined rating categories based on credit risk. The classification into creditworthiness levels is based on default probabilities. The related gross carrying amounts in accordance with IFRS 9 are allocated as follows:

in € million	31.12.2019 Stage 1	Stage 2 General	Stage 2 Simplified	Stage 3	Total	Expected credit loss
Gross carrying amount of financial assets with good credit ratings	85,399	696	378	–	86,473	272
Gross carrying amount of financial assets with medium credit ratings	4,102	1,167	22	–	5,291	199
Gross carrying amount of financial assets with poor credit ratings	38	704	16	1,014	1,772	628
Total	**89,539**	**2,567**	**416**	**1,014**	**93,536**	**1,099**

in € million	31.12.2018 Stage 1	Stage 2 General	Stage 2 Simplified	Stage 3	Total*	Expected credit loss
Gross carrying amount of financial assets with good credit ratings	79,805	753	421	–	**80,979**	269
Gross carrying amount of financial assets with medium credit ratings	4,393	1,062	52	–	**5,507**	189
Gross carrying amount of financial assets with poor credit ratings	187	607	37	990	**1,821**	592
Total	**84,385**	**2,422**	**510**	**990**	**88,307**	**1,050**

* Prior year's figures adjusted.

Further disclosures relating to credit risk – in particular with regard to the amounts of impairment losses recognised – are provided in the explanatory notes to the relevant categories of receivables in → notes 25, 26 and 30.

→ see notes 25, 26 and 30

Liquidity risk

The following table shows the maturity structure of expected contractual cash flows (undiscounted) for financial liabilities:

in € million	31.12.2019 Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
NON-DERIVATIVE FINANCIAL LIABILITIES				
Bonds	14,977	37,477	12,595	**65,049**
Asset-backed financing transactions	8,255	12,090	–	**20,345**
Liabilities to banks	8,751	2,317	1,378	**12,446**
Liabilities from customer deposits (banking)	11,277	3,505	27	**14,809**
Trade payables	10,182	–	–	**10,182**
Commercial paper	2,618	–	–	**2,618**
Other financial liabilities	750	1,958	1,686	**4,394**
DERIVATIVE FINANCIAL LIABILITIES				
With gross settlement	1,524	758	–26	**2,256**
Cash outflows	33,826	18,485	598	**52,909**
Cash inflows	–32,302	–17,727	–624	**–50,653**
With net settlement	374	338	23	**735**
Cash outflows	374	338	23	**735**
Total financial liabilities	**58,708**	**58,443**	**15,683**	**132,834**

in € million	31.12.2018 Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
NON-DERIVATIVE FINANCIAL LIABILITIES				
Bonds	10,789	34,196	11,546	**56,531**
Asset-backed financing transactions	6,942	11,710	–	**18,652**
Liabilities to banks	9,848	3,804	900	**14,552**
Liabilities from customer deposits (banking)	11,010	3,368	107	**14,485**
Trade payables	9,669	–	–	**9,669**
Commercial paper	2,478	–	–	**2,478**
Other financial liabilities	20	318	454	**792**
DERIVATIVE FINANCIAL LIABILITIES				
With gross settlement	731	665	–	**1,396**
Cash outflows	19,218	11,639	213	**31,070**
Cash inflows	–18,487	–10,974	–213	**–29,674**
With net settlement	245	515	81	**841**
Cash outflows	245	515	81	**841**
Total financial liabilities	**51,732**	**54,576**	**13,088**	**119,396**

The cash flows from non-derivative liabilities comprise principal repayments and the related interest. The amounts disclosed for derivative instruments comprise only cash flows relating to derivatives that have a negative fair value at the balance sheet date. In the case of derivatives with a negative fair value, an overall positive cash flow can arise due to the various yield curves used. At 31 December 2019 credit commitments available at short notice to dealerships which had not been called upon at the end of the reporting period amounted to €10,776 million (2018: €9,010 million).

Solvency is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling cash flow forecast. The resulting funding requirements are covered by a variety of instruments placed on the world's financial markets, with the aim to minimise risk by matching maturities with financing requirements and in alignment with a dynamic target debt structure.

As a further reduction of risk, a syndicated credit line totalling €8 billion (2018: €8 billion) from a consortium of international banks is available to the BMW Group. Intragroup cash flow fluctuations are balanced out by the use of daily cash pooling arrangements.

Further information is provided in the Combined Management Report.

Market risks
The principal market risks to which the BMW Group is exposed are currency risk, interest rate risk and raw materials market price risk.

Protection against such risks is provided in the first instance though natural hedging which arises when the values of non-derivative financial instruments have matching maturities and amounts (netting). Derivative financial instruments are used to reduce the risk remaining after netting.

Currency, interest rate and raw materials market price risks of the BMW Group are managed at a corporate level.

Further information is provided in the "Report on Outlook, Risks and Opportunities" section of the Combined Management Report.

Currency risk
As an enterprise with worldwide operations, the BMW Group conducts business in a variety of currencies, from which currency risks arise. In order to hedge currency risks, the BMW Group holds, as at 31 December 2019, derivative financial instruments mostly in the form of forward currency contracts and currency swaps.

As part of the implementation of the risk management strategy, the extent to which risk exposures should be hedged is decided at regular intervals. The economic relationship between the hedged item and the hedging instrument is based essentially on the fact that they are denominated in the same currency and have the same maturities.

The BMW Group measures currency risk using a cash-flow-at-risk model. The analysis of currency risk is based on forecast foreign currency transactions which could result in exposures to surpluses of foreign currency cash inflows and cash outflows. At the end of the reporting period, the overall currency exposure – in each case for the following year and determined by aggregating the individual currency exposures based on their absolute amount – was as follows:

in € million	31.12.2019	31.12.2018
Currency exposure	33,950	28,407

This exposure is compared to all hedges that are in place. The net cash flow surplus represents an uncovered risk position. The cash-flow-at-risk approach involves showing the impact of potential exchange rate fluctuations on operating cash flows on the basis of probability distributions. Volatilities and correlations serve as the main input factors to determine the relevant probability distributions.

The potential negative impact on earnings is calculated at the reporting date for each currency for the following financial year on the basis of current market prices and exposures with a confidence level of 95 %. The risk mitigating effect of correlations between the various currencies is taken into account when the risks are aggregated.

The following table shows the potential negative impact for the BMW Group for the following year resulting from unfavourable changes in exchange rates, measured on the basis of the cash-flow-at-risk approach.

in € million	31.12.2019	31.12.2018
Cash flow at risk	487	431

Interest rate risk

Interest rate risks arise when funds are borrowed and invested with differing fixed-rate periods or differing terms. At the BMW Group, all items subject to, or bearing, interest are exposed to interest rate risk and can therefore affect both the assets and liabilities side of the balance sheet.

The fair value of the Group's interest rate portfolios was as follows at the end of the reporting period:

in € million	31.12.2019	31.12.2018
Fair values of interest rate portfolios	55,697	60,356

Interest rate risk is managed through the use of interest rate derivatives. As part of the implementation of the risk management strategy, interest rate risks are monitored and managed at regular intervals. The interest rate contracts used for hedging purposes comprise mainly swaps, which, if hedge accounting is applied, are accounted for as fair value hedges. The economic relationship between the hedged item and the hedging instrument is based on the fact that the main parameters of the hedged item and the related hedging instrument, such as start date, term and currency, are the same.

For selected fixed-interest assets, part of the interest rate risk is hedged on a portfolio basis. In this case, swaps are used as the hedging instrument. Hedge relationships are terminated and redesignated on a monthly basis at the end of each reporting period, thereby taking account of the constantly changing content of each portfolio.

As a result of the ongoing reform and replacement of specific benchmark interest rates, uncertainty arises regarding the timing and exact nature of those changes. Overall, a considerable number of contracts within the BMW Group are directly affected by the reform of benchmark interest rates. Hedging relationships within the BMW Group are based primarily on USD LIBOR and GBP LIBOR reference interest rates, whereby those rates are designated as the hedged risk in fair value hedges. In the case of these hedging relationships, uncertainty arises with respect to the identifiability of the designated benchmark interest rates.

The transition to the newly created and/or revised benchmark interest rates is being managed and monitored within the framework of a multidisciplinary project, the scope of which is likely to cover changes to systems, processes, risk and valuation models, as well as dealing with the related impact at an accounting and financial reporting level. The uncertainty arising from interest rate benchmark reform is expected to persist most likely until the end of 2021.

The BMW Group applies a value-at-risk approach throughout the Group for internal reporting purposes and to manage interest rate risk. This approach is based on a historical simulation in which the potential future fair value losses of the interest rate portfolios are compared across the Group with expected amounts on the basis of a holding period of 250 days and a confidence level of 99.98 %. The risk mitigating effect of correlations between the various portfolios is taken into account when the risks are aggregated.

The following table shows for interest-rate-sensitive exposures of the BMW Group the potential fair value fluctuation compared with the expected value, measured on the basis of the value-at-risk approach:

in € million	31.12.2019	31.12.2018
Value at risk	1,094	1,123

Raw materials price risk

The BMW Group is exposed to market price risks on raw materials. In order to hedge these risks, the Group mainly used forward commodity contracts. As part of the implementation of the risk management strategy, the extent to which risk exposures should be hedged is decided at regular intervals and the corresponding hedging ratio defined.

The economic relationship between the hedged item and the hedging instrument is based essentially on the fact that they have the same basis and term. The BMW Group designates only the commodity price index-linked raw material surcharge as a hedged item. Other price components contained in the contract are not designated as being part of the hedge relationship as no effective hedging instruments exist for these components.

The starting point for analysing raw materials price risk is to identify planned purchases of raw materials or components containing raw materials, the so-called "exposure". At each reporting date, the exposure for the following financial year amounted to:

in € million	31.12.2019	31.12.2018
Raw material price exposures	4,382	4,174

This exposure is compared to all hedges that are in place. The net cash flow surplus represents an uncovered risk position. The cash-flow-at-risk approach involves showing the impact of potential raw materials market price fluctuations on operating cash flows on the basis of probability distributions. Volatilities and correlations serve as input factors to assess the relevant probability distributions.

The potential negative impact on earnings is calculated at the reporting date for each raw materials category for the following financial year on the basis of current market prices and exposure with a confidence level of 95 %. The risk mitigating effect of correlations between the various categories of raw materials is taken into account when the risks are aggregated.

The following table shows the potential negative impact for the BMW Group resulting from fluctuations in prices across all categories of raw materials, measured on the basis of the cash-flow-at-risk approach. The risk at each reporting date for the following financial year was as follows:

in € million	31.12.2019	31.12.2018
Cash flow at risk	419	327

Disclosures on hedging measures

The following disclosures on hedging measures include derivatives of fully consolidated companies that have been designated as a hedging instrument. The amounts shown in the table are stated before deferred taxes and take account of additional effects arising from the application of the modified closing rate method.

The nominal amounts of hedging instruments were as follows:

	31.12.2019		
in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years
Currency risks	14,823	9,020	–
Interest rate risks	6,672	29,691	12,938
Raw material price risks	1,651	1,920	–
Nominal amounts of hedging intruments	**23,146**	**40,631**	**12,938**

	31.12.2018		
in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years
Currency risks	17,159	9,097	–
Interest rate risks	4,619	24,295	12,027
Raw material price risks	1,526	2,109	32
Nominal amounts of hedging intruments	**23,304**	**35,501**	**12,059**

The following table shows the average hedging rates of hedging transactions used by the BMW Group.

	Average hedging rates	
Currency risks	31.12.2019	31.12.2018
EUR / CNY	8.26	8.26
EUR / USD	1.16	1.17
EUR / GBP	0.87	0.79
EUR / KRW	1,328.59	1,288.91
EUR / JPY	124.92	125.29

	Average hedging rates	
Raw material price risks	31.12.2019	31.12.2018
Aluminium (EUR / t)	1,833	1,797
Lead (EUR / t)	1,815	1,784
Copper (EUR / t)	5,173	5,279
Palladium (EUR / oz)	1,022	745
Platinum (EUR / oz)	916	945

Information on average interest hedge rates is not provided, since interest rate derivatives designated as hedging instruments are used exclusively to hedge items in fair value hedges. The hedge rates therefore correspond in each case to current market interest rate level. Most of the hedges used in this context relate to variable yield curves relating to the euro, US dollar and British pound currency areas.

The following tables provides information on the nominal amounts, carrying amounts and fair value changes of contracts designated as hedging instruments:

in € million	31.12.2019			
		Carrying Amounts		
	Nominal amounts	Assets	Liabilities	Change in fair value of designated components
Cash Flow Hedges				
Currency risks	23,843	60	590	–479
Raw material price risks	3,571	266	215	250
Fair Value Hedges				
Interest rate risks	59,999	1,244	271	758

in € million	31.12.2018			
		Carrying Amounts		
	Nominal amounts	Assets	Liabilities	Change in fair value of designated components
Cash Flow Hedges				
Currency risks	26,256	651	363	121
Raw material price risks	3,667	189	334	–453
Fair Value Hedges				
Interest rate risks	52,580	654	556	27

The following tables show key information on hedged items for each risk category as well as the balances of designated components within accumulated other equity:

in € million	31.12.2019				
	Carrying Amounts			Balances in accumulated other equity	
	Assets	Liabilities	Change in value of hedged items	Continuing hedge relationships	Terminated hedge relationships
Cash Flow Hedges					
Currency risks	–	–	479	–23	–
Raw material price risks	–	–	–250	1	–
Fair Value Hedges					
Interest rate risks	8,631	58,723	–759	–	–

in € million	31.12.2018				
	Carrying Amounts			Balances in accumulated other equity	
	Assets	Liabilities	Change in value of hedged items	Continuing hedge relationships	Terminated hedge relationships
Cash Flow Hedges					
Currency risks	–	–	–119	941	–1
Raw material price risks	–	–	453	–262	–
Fair Value Hedges					
Interest rate risks	8,930	49,846	–33	–	–

The accumulated amount of hedge-related fair value adjustments is €8 million for assets (2018: €15 million) and €1,012 million (2018: €243 million) for liabilities.

Hedge relationships give rise to the following effects:

in € million	2019 Change of designated components in other comprehensive income	2019 Change in costs of hedging in other comprehensive income	2019 Hedge ineffectiveness recognised in income statement
Cash Flow Hedges			
Currency risks	–961	117	–
Raw material price risks	264	–7	–
Fair Value Hedges			
Interest rate risks	–	9	–1

in € million	2018 Change of designated components in other comprehensive income	2018 Change in costs of hedging in other comprehensive income	2018 Hedge ineffectiveness recognised in income statement
Cash Flow Hedges			
Currency risks	–931	–614	–
Raw material price risks	–497	12	–
Fair Value Hedges			
Interest rate risks	–	–19	–6

Designated components and costs of hedging within accumulated other equity changed as follows:

in € million	Currency risks: Designated component	Currency risks: Costs of hedging	Interest rate risk: Costs of hedging	Raw material price risk: Designated component	Raw material price risk: Costs of hedging
Opening balance at 1 January 2019	940	–614	–13	–262	12
Change in fair value during the reporting period	–480	–622	13	250	–1
Reclassification to profit or loss					
for continuing hedge relationships	–491	716	–4	–	–
for terminated hedge relationships	9	23	–	5	–
Reclassification to acquisition costs for inventories	–	–	–	8	–6
Closing balance at 31 December 2019	**–22**	**–497**	**–4**	**1**	**5**

in € million	Currency risks: Designated component	Currency risks: Costs of hedging	Interest rate risk: Costs of hedging	Raw material price risk: Designated component	Raw material price risk: Costs of hedging
Opening balance at 1 January 2018	1,875	–	6	235	–
Change in fair value during the reporting period	120	–966	–20	–453	14
Reclassification to profit or loss					
for continuing hedge relationships	–987	319	1	–	–
for terminated hedge relationships	–68	33	–	7	–
Reclassification to acquisition costs for inventories	–	–	–	–51	–2
Closing balance at 31 December 2018	**940**	**–614**	**–13**	**–262**	**12**

The nominal amount of hedging instruments directly affected by the reform of benchmark interest rates is €11,269 million (of which USD LIBOR €8,949 million, GBP LIBOR €1,907 million).

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Related party relationships

Transactions of Group entities with related parties were carried out without exception in the normal course of business with each of the parties concerned and at market conditions.

A significant proportion of the BMW Group's transactions with related parties relates to the joint venture BMW Brilliance Automotive Ltd.

	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
in € million	2019	2018	2019	2018	2019	2018	2019	2018
BMW Brilliance Automotive Ltd.	9,227	7,691	107	99	2,639	1,829	496	772

Business relationships of the BMW Group with other associated companies and joint ventures as well as with non-consolidated subsidiaries are small in scale.

Stefan Quandt, Germany, is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Boards of DELTON Health AG, Bad Homburg v.d.H., and DELTON Technology SE, Bad Homburg v.d.H., as well as the sole shareholder of DELTON Logistics S.à r.l., Grevenmacher, which via its subsidiaries, performed logistic-related services for the BMW Group during the financial year 2019. In addition, the Delton companies held by Stefan Quandt acquired vehicles from the BMW Group by way of leasing.

Stefan Quandt, Germany, is also the indirect majority shareholder of SOLARWATT GmbH, Dresden. Cooperation arrangements are in place between the BMW Group and SOLARWATT GmbH, Dresden, within the field of electric mobility. The focus of this cooperation is on the provision of complete photovoltaic solutions for rooftop systems and carports to BMW i customers. In 2019 SOLARWATT GmbH, Dresden, acquired vehicles from the BMW Group by way of leasing.

Susanne Klatten, Germany, is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairwoman of the Supervisory Board of ALTANA AG, Wesel. In 2019, ALTANA AG, Wesel, acquired vehicles from the BMW Group, mainly by way of leasing.

Susanne Klatten, Germany, is also the sole shareholder and Chairwoman of the Supervisory Board of UnternehmerTUM GmbH, Garching. In 2019, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, mainly in the form of consultancy and workshop services.

In addition, Susanne Klatten, Germany, and Stefan Quandt, Germany, are indirectly sole shareholders of Entrust Datacard Corp., Shakopee, Minnesota. Stefan Quandt is also a member of the supervisory board of this entity. In 2019, Entrust Datacard Corp., Shakopee, Minnesota, acquired vehicles from the BMW Group by way of leasing.

Seen from the perspective of BMW Group entities, the volume of transactions with the above-mentioned entities was as follows:

in € thousand	Supplies and services performed 2019	Supplies and services performed 2018	Supplies and services received 2019	Supplies and services received 2018	Receivables at 31 December 2019	Receivables at 31 December 2018	Payables at 31 December 2019	Payables at 31 December 2018
DELTON Health AG (formerly DELTON AG)	2,065	3,536	–	23,386	20	34	–	–
DELTON Logistics S.à r.l.	1,473	–	21,596	–	14	–	1,871	2,235
DELTON Technology SE	6	–	–	–	–	–	–	–
SOLARWATT GmbH	453	358	–	1	8	4	–	–
ALTANA AG	2,529	2,322	462	401	355	341	65	5
UnternehmerTUM GmbH	104	58	2,651	1,527	27	–	693	367
EnviroChemie GmbH	28	–	107	–	–	–	–	–
Entrust Datacard Corp.	153	103	–	–	10	2	–	–

Apart from vehicle sales, service loaners, leasing and financing contracts at customary conditions, companies of the BMW Group concluded no further transactions with members of the Board of Management or Supervisory Board of BMW AG. This also applies to close members of the families of those persons.

BMW Trust e.V., Munich, administers assets on a trustee basis to secure obligations relating to pensions in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity has no assets of its own. It had no income or expenses during the period under report. BMW AG bears expenses on an immaterial scale and performs services for BMW Trust e.V., Munich.

For disclosures relating to the compensation of key management personnel, please see → note 43 and the Compensation Report.

→ see note 43

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Share-based remuneration

The BMW Group provides three share-based programmes: one for eligible employees, one for senior heads of department and one for members of the Board of Management.

Employee Share Programme

In connection with the Employee Share Programme, non-voting shares of preferred stock in BMW AG were granted in 2019 to qualifying employees at favourable conditions (see → note 31 for the number and price of issued shares). Participants in the programme were entitled in 2019 to acquire packages of 10, 17 or 25 shares of preferred stock (2018: 7, 12 or 17) with a discount in each case of €13.00 (2018: €20.00) per share compared to the market price (average closing price in Xetra trading in the period from 5 November to 8 November 2019: €59.10). The programme was open to employees who have been in an employment relationship with BMW AG or by a wholly-owned BMW AG subsidiary in Germany, provided that the management of the subsidiary concerned has decided to participate in the programme. At the date of the announcement of the programme, there was a requirement for the employment relationship to have existed without interruption for at least one year and for it to continue until the transfer of the shares of preferred stock. Shares of preferred stock acquired in conjunction with the Employee Share Programme are subject to a vesting period of four years, starting from 1 January of the year in which the shares were acquired. In the financial year under report, 744,447 (2018: 521,524) shares of preferred stock were acquired by employees. This figure includes 740,400 (2018: 521,500) shares out of Authorised Capital 2019, with the remainder bought back via the stock exchange. Every year the Board of Management of BMW AG decides whether the programme is to be continued.

→ see note 31

In the financial year 2019, the BMW Group recorded a personnel expense of €10 million (2018: €10 million) for the Employee Share Programme, corresponding to the difference between the market price and the reduced price of the shares of preferred stock purchased by employees.

Programme for senior heads of department and members of the Board of Management

The share-based remuneration programme for qualifying senior heads of department, introduced with effect for financial years beginning after 1 January 2012, is closely based on the programme for Board of Management members and is aimed at rewarding a long-term, entrepreneurial approach to running the business on a sustainable basis. Under the terms of the programme, participants give a commitment to invest an amount equivalent to 20 % of their earnings-related bonus in shares of BMW common stock and to hold the shares so acquired for a minimum of four years. With effect from 1 July 2019, the share-based compensation programme was revised and the investment requirement increased to 26 % of the earnings-related bonus. In return for the investment requirement, BMW AG pays 100 % of the investment amount as a net subsidy. Once the four-year holding period requirement has been fulfilled, the participants receive – for each three common stock shares held and at the Company's option – one additional share of common stock or the cash equivalent, to be decided at BMW AG's discretion.

For financial years beginning after 1 January 2011, BMW AG has added a share-based remuneration component to the existing compensation system for Board of Management members.

Members of the Board receive a cash compensation (investment component) for the specific purpose of investment – after tax and deductions – in shares of common stock of BMW AG. For financial years from 2018 onwards, the investment component corresponds to 45 % of the gross bonus. The investment component is paid after the end of the Annual General Meeting, at which the separate financial statements of BMW AG for the relevant financial year are presented. The shares of common stock are purchased immediately after the investment component has been paid out. Shares of common stock purchased in this way by Board members are required to be held for a period of four years. At the end of the holding period, Board members receive from BMW AG, for every three shares of common stock held, either one additional share of common stock or the cash equivalent, to be decided at BMW AG's discretion. In the event of death or invalidity, special rules apply for early payment of share-based remuneration components based on the target amounts. Insofar the service contract is prematurely terminated and the Company has an extraordinary right of termination, or if the Board member resigns without the Company's agreement, entitlements to amounts as yet unpaid relating to share-based remuneration are forfeited.

The members of the Board of Management in office at the end of the reporting period hold 36,921 shares of BMW common stock based on holding requirements arising from share-based remuneration for the financial years 2015 to 2018 (2018: 65,960).

The share-based remuneration component is measured at its fair value at each balance sheet date between grant and settlement date, and on the settlement date. The amounts are recognised as personnel expense on a straight-line basis over the vesting period and reported in the balance sheet as a provision.

The cash-settlement obligation for the share-based remuneration component is measured at its fair value at the balance sheet date (based on the closing price of BMW AG common stock in Xetra trading at 31 December 2019).

The total carrying amount of the provision for the share-based remuneration component of current and former Board of Management members and senior heads of department at 31 December 2019 was €5,851,703 million (2018: €4,745,518 million).

The total expense recognised in 2019 for the share-based remuneration component of current and former Board of Management members and senior heads of department was €1,979,477 million (2018: €609,890 million).

The fair value of the programmes for Board of Management members and senior heads of department at the date of grant of the share-based remuneration components was €1,374,798 (2018: €1,919,680 million), based on a total of 19,983 shares (2018: 22,245 shares) of BMW AG common stock or a corresponding cash-based settlement measured at the relevant market share price prevailing on the grant date.

Further details on the remuneration of the Management Board are provided in the Compensation Report, which is part of the Combined Management Report.

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Declaration with respect to the Corporate Governance Code

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft have issued the prescribed Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act. It is included in the Corporate Governance Statement, which is available on the BMW Group website at → www.bmwgroup.com/ir.

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Compensation of members of the Board of Management and Supervisory Board

The total compensation of the current members of the Board of Management and the Supervisory Board of BMW AG expensed for the financial year 2019 in accordance with IFRS comprised the following:

in € million	2019	2018
Compensation to members of the Board of Management	**30.0**	28.8
Fixed remuneration	8.1	8.2
Variable remuneration	20.9	20.3
thereof Performance Cash Plan	8.3	5.3
Share-based remuneration component	1.0	0.3
Allocation to pension provisions	**2.9**	3.4
Benefits in conjunction with the termination of board activity	**7.1**	3.9
Compensation to members of the Supervisory Board	**5.6**	5.6
Fixed compensation and attendance fees	2.0	2.0
Variable compensation	3.6	3.6
Total expense	**45.6**	**41.7**
thereof due within one year	**28.6**	30.7

Since the financial year 2018, variable cash compensation has been supplemented by a multi-year and future-oriented Performance Cash Plan (PCP). The PCP evaluation period comprises three years, the grant year and the two subsequent years. The PCP bonus is paid out after the end of the three-year evaluation period.

The total remuneration of former members of the Board of Management and their dependants amounted to €16.0 million (2018: €9.2 million).

Pension obligations to current members of the Board of Management are covered by provisions amounting to €14.6 million (2018: €19.7 million), determined in accordance with IAS 19. Pension obligations to former members of the Board of Management and their surviving dependants, also determined in accordance with IAS 19, amounted to €113.1 million (2018: €91.0 million).

The compensation arrangements applicable for members of the Supervisory Board for the financial year 2019 do not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components. Apart from vehicle sales, service loaners, vehicle lease and financing contracts at customary conditions, no advances or loans were granted to members of the Board of Management and the Supervisory Board of BMW AG or its subsidiaries, nor were any contingent liabilities entered into on their behalf.

Further details about the remuneration of current members of the Board of Management and the Supervisory Board can be found in the Compensation Report, which is part of the Combined Management Report.

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Events after the end of the reporting period

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of coronavirus. Since 11 March the WHO has characterised the spread of the coronavirus as a pandemic.

The continuing spread of the coronavirus and the impact on the business development of the BMW Group is being continually monitored. Based on current developments, the BMW Group expects that the increasing spread of the coronavirus and the necessary containment measures will have a negative impact on BMW Group vehicle deliveries in all key sales markets. Risks also exist for upstream and downstream processes, for example, through possible bottlenecks due to supply shortages. For the Financial Services segment, risk provisioning expense is expected to increase.

Current assessments and assumptions for the financial year 2020, to the extent already known to the BMW Group, have been taken into account and described in the outlook report. Apart from these assessments, no further significant negative effects are known or can be estimated at the present time. However, further negative effects could arise in the course of the year.

No other events have occurred since the end of the financial year that could have a major impact on the results of operations, financial position and net assets of BMW AG and the BMW Group.

SEGMENT INFORMATION

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Explanatory notes to segment information

Information on reportable segments

For the purposes of presenting segment information, the activities of the BMW Group are divided into operating segments in accordance with IFRS 8. The segmentation follows the internal management and reporting system and takes account of the organisational structure of the BMW Group based on the various products and services of the reportable segments.

The activities of the BMW Group are broken down into the operating segments Automotive, Motorcycles, Financial Services and Other Entities.

Within the Automotive segment the BMW Group develops, manufactures, assembles and sells automobiles and off-road vehicles, under the brands BMW, MINI and Rolls-Royce as well as spare parts, accessories and mobility services. BMW and MINI brand products are sold in Germany through branches of BMW AG and by independent, authorised dealerships. Sales outside Germany are handled primarily by subsidiary companies and by independent import companies in some markets. Rolls-Royce brand vehicles are sold in the USA as well as in China, Korea, Italy, Russia and Thailand via subsidiary companies and elsewhere by independent, authorised dealerships.

Activities relating to the development, manufacture, assembly and sale of motorcycles as well as spare parts and accessories are reported in the Motorcycles segment.

Automobile leasing, fleet business, multi-brand business, retail and dealership financing, customer deposit business and insurance activities are the main activities allocated to the Financial Services segment.

Holding and Group financing companies are reported in the Other Entities segment. This segment also includes the operating companies BMW (UK) Investments Ltd. and Bavaria Lloyd Reisebüro GmbH, which are not allocated to one of the other segments.

Internal management and reporting

Segment information is prepared as a general rule in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. Exceptions to this general principle include the treatment of inter-segment warranties, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business. In addition, intragroup repurchase agreements between the Automotive and Financial Services segments pursuant to IFRS 15, impairment allowances on intragroup receivables and changes in the value of consolidated other investments pursuant to IFRS 9 are also excluded. Intragroup leasing arrangements are not reflected in the internal management and reporting system on a IFRS 16 basis and therefore, in accordance with IFRS 8, do not give rise to any changes in the presentation of segment information. Inter-segment receivables and payables, provisions, income, expenses and profits are eliminated upon consolidation. Inter-segment revenues are based on market prices. Centralised functions are included in the segments concerned. Expenses for centralised administrative functions allocated to the Financial Services segment are not settled in cash.

The role of "chief operating decision maker" with respect to resource allocation and performance assessment of the reportable segment is embodied in the full Board of Management. For this purpose, different measures of segment performance as well as segment assets are taken into account in the operating segments.

The Automotive and Motorcycles segments are managed on the basis of return on capital employed (RoCE). The relevant measure of segment results used is therefore profit before financial result. Capital employed is the corresponding measure of segment assets used to determine how to allocate resources and comprises all current and non-current operational assets after deduction of liabilities used operationally which are generally not subject to interest (e.g. trade payables).

The success of the Financial Services segment is measured on the basis of return on equity (RoE). Profit before tax therefore represents the relevant measure of segment earnings. The measure of segment assets in the Financial Services segment corresponds to net assets, defined as total assets less total liabilities.

The success of the Other Entities segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Other Entities segment is total assets less asset-side income tax items and intragroup investments.

Segment information by operating segment is as follows:

in € million	Automotive 2019	Automotive 2018*	Motorcycles 2019	Motorcycles 2018	Financial Services 2019	Financial Services 2018*
SEGMENT INFORMATION BY OPERATING SEGMENT						
External revenues	73,624	68,252	2,374	2,176	28,210	26,425
Inter-segment revenues	18,058	17,594	–6	–3	1,388	1,280
Total revenues	**91,682**	**85,846**	**2,368**	**2,173**	**29,598**	**27,705**
Segment result	4,499	6,182	194	175	2,272	2,143
Result from equity accounted investments	136	632	–	–	–	–
Capital expenditure on non-current assets	7,607	7,853	149	147	27,544	24,767
Depreciation and amortisation on non-current assets	5,853	4,982	110	97	11,142	10,122

in € million	Automotive 31.12.2019	Automotive 31.12.2018	Motorcycles 31.12.2019	Motorcycles 31.12.2018	Financial Services 31.12.2019	Financial Services 31.12.2018*
Segment assets	16,193	13,836	712	618	15,545	14,806
Investments accounted for using the equity method	3,199	2,624	–	–	–	–

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

SEGMENT INFORMATION BY OPERATING SEGMENT

	Other Entities		Reconciliation to Group figures		Group	
	2019	2018	2019	2018*	2019	2018*
External revenues	2	2	–	–	104,210	96,855
Inter-segment revenues	3	4	–19,443	–18,875	–	–
Total revenues	**5**	**6**	**–19,443**	**–18,875**	**104,210**	**96,855**
Segment result	–96	–45	249	1,172	7,118	9,627
Result from equity accounted investments	–	–	–	–	136	632
Capital expenditure on non-current assets	–	–	–7,003	–6,174	28,297	26,593
Depreciation and amortisation on non-current assets	–	–	–6,356	–6,600	10,749	8,601

	Other Entities		Reconciliation to Group figures		Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018*	31.12.2019	31.12.2018*
Segment assets	106,038	84,512	89,546	95,166	228,034	208,938
Investments accounted for using the equity method	–	–	–	–	3,199	2,624

Write-downs on inventories to their net realisable value amounting to €126 million (2018: €54 million) were recognised by the Automotive segment in the financial year 2019. The reversal of impairment losses increased the segment result of the Automotive segment by €22 million (2018: €22 million).

The result of the Financial Services segment was negatively impacted by impairment losses totalling €254 million (2018: €302 million) recognised on leased products. Income from the reversal of impairment losses on leased products amounted to €95 million (2018: €118 million).

The Other Entities' segment result includes interest and similar income amounting to €1,515 million (2018: €1,178 million) and interest and similar expenses amounting to €1,419 million (2018: €1,145 million).

The information disclosed for capital expenditure and depreciation and amortisation relates to non-current property, plant and equipment, intangible assets and leased products.

The total of the segment figures can be reconciled to the corresponding Group figures as follows:

in € million	2019	2018*
Reconciliation of segment result		
Total for reportable segments	6,869	8,455
Financial result of Automotive segment	–32	795
Financial result of Motorcycles segment	–7	–6
Elimination of inter-segment items	288	383
Group profit before tax from continuing operations	**7,118**	**9,627**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	35,300	32,767
Elimination of inter-segment items	–7,003	–6,174
Total Group capital expenditure on non-current assets	**28,297**	**26,593**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	17,105	15,201
Elimination of inter-segment items	–6,356	–6,600
Total Group depreciation and amortisation on non-current assets	**10,749**	**8,601**

in € million	31.12.2019	31.12.2018*
Reconciliation of segment assets		
Total for reportable segments	138,488	113,772
Non-operating assets – Automotive	58,612	48,639
Liabilities of Automotive segment not subject to interest	38,257	34,643
Non-operating assets – Motorcycles	47	45
Liabilities of Motorcycles segment not subject to interest	688	613
Total liabilities – Financial Services segment	140,955	131,415
Non-operating assets – Other Entities segment	6,859	7,084
Elimination of inter-segment items	–155,872	–127,273
Total Group assets	**228,034**	**208,938**

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

The reconciliation of segment figures to the corresponding total Group figures shows the elimination of inter-segment items. Revenues with other segments result mainly from the sale of vehicles, for which the Financial Services segment has concluded a financing or lease contract. Eliminations of inter-segment items in the reconciliation to the Group profit before tax, capital expenditure and depreciation and amortisation mainly result from the sale of vehicles in the Automotive segment, which are subsequently accounted for as leased vehicles in the Financial Services segment.

In the reconciliation of segment assets to Group assets, eliminations relate mainly to intragroup financing balances.

In the information by region, external sales are based on the location of the customer. The information disclosed for non-current assets relates to property, plant and equipment, intangible assets and leased products. Eliminations disclosed for non-current assets relate to leased products.

Information by region in € million	External revenues		Non-current assets	
	2019	2018*	2019	2018*
Germany	13,428	13,556	39,237	34,856
China	20,564	18,959	199	90
USA	19,720	15,979	22,470	21,297
Rest of Europe	32,805	31,154	17,373	15,284
Rest of Asia	11,344	10,975	1,756	1,565
Rest of the Americas	3,904	3,591	3,834	3,406
Other regions	2,445	2,641	453	388
Eliminations	–	–	–7,739	–7,855
Group	**104,210**	**96,855**	**77,583**	**69,031**

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

LIST OF INVESTMENTS AT 31 DECEMBER 2019

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List of investments at 31 December 2019

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 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.

Affiliated companies (subsidiaries) of BMW AG at 31 December 2019

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Companies	Equity in € million	Profit / loss in € million	Capital investment in %
DOMESTIC[1, 12]			
BMW Beteiligungs GmbH & Co. KG, Munich[6]	4,594	– 6	100
BMW INTEC Beteiligungs GmbH, Munich[3, 6]	3,558	–	100
BMW Bank GmbH, Munich[3]	1,988	–	100
BMW Finanz Verwaltungs GmbH, Munich	327	1	100
BMW Verwaltungs GmbH, Munich[3, 6]	153	–1	100
Parkhaus Oberwiesenfeld GmbH, Munich	–	–	100
BMW High Power Charging Beteiligungs GmbH, Munich[4, 6]	–	–	100
Alphabet Fuhrparkmanagement GmbH, Munich[4]	–	–	100
Alphabet International GmbH, Munich[4, 5, 6]	–	–	100
BMW Hams Hall Motoren GmbH, Munich[4, 5, 6]	–	–	100
BMW Vertriebszentren Verwaltungs GmbH, Munich	–	–	100
BMW Fahrzeugtechnik GmbH, Eisenach[3, 5, 6]	–	–	100
BMW Anlagen Verwaltungs GmbH, Munich[3, 6]	–	–	100
Bavaria Wirtschaftsagentur GmbH, Munich[3, 5, 6]	–	–	100
Rolls-Royce Motor Cars GmbH, Munich[4, 5, 6]	–	–	100
BAVARIA-LLOYD Reisebüro GmbH, Munich	–	–	51
BMW M GmbH Gesellschaft für individuelle Automobile, Munich[3, 5, 6]	–	–	100
BMW Vermögensverwaltungs GmbH, Munich	–	–	100
Bürohaus Petuelring GmbH, Munich	–	–	100
LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Munich	–	–	100
FOREIGN[2]			
Europe[12]			
BMW Holding B.V., The Hague	21,702	3,941	100
BMW International Holding B.V., Rijswijk[10]	9,111	1,141	100
BMW Österreich Holding GmbH, Steyr	3,106	791	100
BMW (UK) Holdings Ltd., Farnborough	1,431	589	100
BMW International Investment B.V., The Hague	1,246	7	100
BMW España Finance S.L., Madrid	1,125	55	100
BMW Financial Services (GB) Ltd., Farnborough	1,085	219	100
BMW (Schweiz) AG, Dielsdorf	1,020	95	100
BMW Motoren GmbH, Steyr	968	193	100
BMW (UK) Manufacturing Ltd., Farnborough	578	97	100
BMW Finance S.N.C., Guyancourt	495	44	100
BMW Italia S.p.A., San Donato Milanese	380	43	100

BMW (UK) Ltd., Farnborough	373	90	100
BMW Russland Trading OOO, Moscow	291	189	100
BMW i Ventures SCS SICAV-RAIF, Senningerberg	288	20	100
ALPHABET (GB) Ltd., Farnborough	277	58	100
Rolls-Royce Motor Cars Ltd., Farnborough	233	91	100
BMW Iberica S.A., Madrid	228	34	100
BMW France S.A.S., Montigny-le-Bretonneux	225	35	100
BMW Finance N.V., The Hague	211	2	100
BMW Austria Leasing GmbH, Salzburg	176	22	100
BMW Financial Services Scandinavia AB, Sollentuna	165	22	100
BMW Austria Bank GmbH, Salzburg	138	11	100
Alphabet Nederland B.V., Breda[10]	129	29	100
BMW Vertriebs GmbH, Salzburg	121	30	100
Alphabet Belgium Long Term Rental NV, Aartselaar	100	10	100
BMW Bank OOO, Moscow	–	–	100
BMW Finanzdienstleistungen (Schweiz) AG, Dielsdorf	–	–	100
Bavaria Reinsurance Malta Ltd., Floriana	–	–	100
BMW Malta Ltd., Floriana	–	–	100
BMW Financial Services Belgium S.A. / N.V., Bornem	–	–	100
BMW Belgium Luxembourg S.A. / N.V., Bornem	–	–	100
BMW Northern Europe AB, Stockholm	–	–	100
BMW Financial Services B.V., Rijswijk[10]	–	–	100
BMW Norge AS, Fornebu	–	–	100
Alphabet Italia Fleet Management S.p.A., Rome	–	–	100
Alphabet España Fleet Management S.A.U., Madrid	–	–	100
Swindon Pressings Ltd., Farnborough	–	–	100
BMW Financial Services Polska Sp. z o.o., Warsaw	–	–	100
BMW Austria GmbH, Salzburg	–	–	100
BMW Services Ltd., Farnborough	–	–	100
Alphabet France Fleet Management S.N.C., Saint-Quentin-en-Yvelines	–	–	100
Alphabet Austria Fuhrparkmanagement GmbH, Salzburg	–	–	100
BMW Retail Nederland B.V., The Hague	–	–	100
Alphabet Fuhrparkmanagement (Schweiz) AG, Dielsdorf	–	–	100
BMW Portugal Lda., Porto Salvo	–	–	100
BMW Financial Services (Ireland) DAC, Dublin	–	–	100
BMW Financial Services Denmark A / S, Copenhagen	–	–	100
BMW Hellas Trade of Cars A.E., Kifissia	–	–	100
BMW Nederland B.V., Rijswijk	–	–	100
Oy BMW Suomi AB, Helsinki	–	–	100
BMW Distribution S.A.S., Vélizy-Villacoublay	–	–	100
BMW Amsterdam B.V., Amsterdam	–	–	100
Park Lane Ltd., Farnborough	–	–	100
BMW Renting (Portugal) Lda., Porto Salvo	–	–	100
BMW Romania S.R.L., Bucharest[11]	–	–	100
BMW Italia Retail S.r.l., Rome	–	–	100
BMW Automotive (Ireland) Ltd., Dublin	–	–	100
Alphabet France S.A.S., Saint-Quentin-en-Yvelines	–	–	100
BMW Danmark A / S, Copenhagen	–	–	100
BMW Czech Republic s.r.o., Prague	–	–	100
BMW Madrid S.L., Madrid	–	–	100
BMW Slovenská republika s.r.o., Bratislava	–	–	100
Alphabet UK Ltd., Glasgow	–	–	100
BMW Slovenia distribucija motornih vozil d.o.o., Ljubljana[11]	–	–	100
BMW Bulgaria EOOD, Sofia[11]	–	–	100

Alphabet Polska Fleet Management Sp. z o.o., Warsaw	–	–	100
Société Nouvelle WATT Automobiles S.A.R.L., Saint-Quentin-en-Yvelines	–	–	100
BMW (UK) Investments Ltd., Farnborough	–	–	100
BiV Carry I SCS, Senningerberg	–	–	100
BMW (UK) Capital plc, Farnborough	–	–	100
Alphabet Luxembourg S.A., Leudelange	–	–	100
Riley Motors Ltd., Farnborough	–	–	100
BMW Central Pension Trustees Ltd., Farnborough	–	–	100
Triumph Motor Company Ltd., Farnborough	–	–	100
BLMC Ltd., Farnborough	–	–	100
Sutum ROM GmbH, Salzburg[11, 14]	–	–	100
Bavarian Sky S.A., Compartment German Auto Loans 6, Luxembourg[13]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 7, Luxembourg[13]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 8, Luxembourg[13]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 9, Luxembourg[13]	–	–	0
Bavarian Sky S.A., Compartment German Auto Leases 5, Luxembourg[13]	–	–	0
Bavarian Sky S.A., Compartment A, Luxembourg[13]	–	–	0
Bavarian Sky S.A., Compartment B, Luxembourg[13]	–	–	0
Bavarian Sky Europe S.A. Compartment A, Luxembourg[13]	–	–	0
Bavarian Sky FTC, Compartment French Auto Leases 3, Paris[13]	–	–	0
Bavarian Sky UK 1 plc, London[13]	–	–	0
Bavarian Sky UK 2 plc, London[13]	–	–	0
Bavarian Sky UK A Ltd., London[13]	–	–	0
Bavarian Sky UK B Ltd., London[13]	–	–	0
Bavarian Sky UK C Ltd., London[13]	–	–	0

The Americas			
BMW (US) Holding Corp., Wilmington, Delaware	4,012	52	100
BMW Manufacturing Co. LLC, Wilmington, Delaware	2,281	452	100
BMW Bank of North America Inc., Salt Lake City, Utah	1,480	160	100
Financial Services Vehicle Trust, Wilmington, Delaware	889	–670	100
BMW Financial Services NA LLC, Wilmington, Delaware	692	968	100
BMW Canada Inc., Richmond Hill, Ontario	586	174	100
BMW of North America LLC, Wilmington, Delaware	493	632	100
BMW do Brasil Ltda., Araquari	179	9	100
BMW US Capital LLC, Wilmington, Delaware	140	–97	100
BMW Financeira S.A. Credito, Financiamento e Investimento, São Paulo	–	–	100
BMW SLP, S.A. de C.V., Villa de Reyes	–	–	100
BMW de Mexico S.A. de C.V., Mexico City	–	–	100
BMW of Manhattan Inc., Wilmington, Delaware	–	–	100
Rolls-Royce Motor Cars NA LLC, Wilmington, Delaware	–	–	100
BMW Financial Services de Mexico S.A. de C.V. SOFOM, Mexico City	–	–	100
BMW Leasing de Mexico S.A. de C.V., Mexico City	–	–	100
BMW Insurance Agency Inc., Wilmington, Delaware	–	–	100
BMW de Argentina S.A., Buenos Aires	–	–	100
BMW Consolidation Services Co. LLC, Wilmington, Delaware	–	–	100
BMW Leasing do Brasil S.A., São Paulo	–	–	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 FS Securities LLC, Wilmington, Delaware	–	–	100
BMW FS Funding Corp., Wilmington, Delaware	–	–	100
BMW Facility Partners LLC, 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 2017-2, Wilmington, Delaware[13]	–	–	0
BMW Vehicle Lease Trust 2018-1, Wilmington, Delaware[13]	–	–	0
BMW Vehicle Lease Trust 2019-1, Wilmington, Delaware[13]	–	–	0
BMW Vehicle Owner Trust 2016-A, Wilmington, Delaware[13]	–	–	0
BMW Vehicle Owner Trust 2018-A, Wilmington, Delaware[13]	–	–	0
BMW Vehicle Owner Trust 2019-A, Wilmington, Delaware[13]	–	–	0
BMW Floorplan Master Owner Trust Series 2018-1, Wilmington, Delaware[13]	–	–	0
BMW Canada 2018-A, Richmond Hill, Ontario[13]	–	–	0
BMW Canada Auto Trust 2017-1, Richmond Hill, Ontario[13]	–	–	0
BMW Canada Auto Trust 2018-1, Richmond Hill, Ontario[13]	–	–	0
BMW Canada Auto Trust 2019-1, Richmond Hill, Ontario[13]	–	–	0
Africa			
BMW (South Africa) (Pty) Ltd., Pretoria	861	109	100
BMW Financial Services (South Africa) (Pty) Ltd., Midrand	167	11	100
SuperDrive Investments (RF) Ltd., Cape Town[13]	–	–	0
Asia			
BMW Automotive Finance (China) Co. Ltd., Beijing	2,441	321	58
BMW Financial Services Korea Co. Ltd., Seoul	568	49	100
BMW Japan Finance Corp., Tokyo	541	65	100
BMW China Automotive Trading Ltd., Beijing	502	456	100
BMW Japan Corp., Tokyo	232	64	100
Herald International Financial Leasing Co. Ltd., Tianjin	228	29	58
BMW (Thailand) Co. Ltd., Bangkok	205	83	100
BMW Korea Co. Ltd., Seoul	196	32	100
BMW Leasing (Thailand) Co. Ltd., Bangkok	174	18	100
BMW India Financial Services Private Ltd., Gurgaon	112	1	100
BMW Manufacturing (Thailand) Co. Ltd., Rayong	107	45	100
BMW Malaysia Sdn Bhd, Kuala Lumpur	–	–	51
BMW China Services Ltd., Beijing	–	–	100
BMW Asia Technology Centre Sdn Bhd, Kuala Lumpur	–	–	100
PT BMW Indonesia, Jakarta	–	–	100
BMW Holding Malaysia Sdn Bhd, Kuala Lumpur	–	–	100
BMW Asia Pte. Ltd., Singapore	–	–	100
BMW India Private Ltd., Gurgaon	–	–	100
BMW Credit (Malaysia) Sdn Bhd, Kuala Lumpur	–	–	100
BMW Asia Pacific Capital Pte Ltd., Singapore	–	–	100
BMW Lease (Malaysia) Sdn Bhd, Kuala Lumpur	–	–	100
BMW Tokio Corp., Tokyo	–	–	100
2015-2 ABL, Tokyo[13]	–	–	0
2016-1 ABL, Tokyo[13]	–	–	0
2016-2 ABL, Tokyo[13]	–	–	0
2017-1 ABL, Tokyo[13]	–	–	0
2017-2 ABL, Tokyo[13]	–	–	0
2017-3 ABL, Tokyo[13]	–	–	0
2018-1 ABL, Tokyo[13]	–	–	0
2018-2 ABL, Tokyo[13]	–	–	0

2018-3 ABL, Tokyo[13]	–	–	0
2019-1 ABL, Tokyo[13]	–	–	0
2019-2 ABL, Tokyo[13]	–	–	0
2019-3 ABL, Tokyo[13]	–	–	0
Bavarian Sky China 2018-1, Beijing[13]	–	–	0
Bavarian Sky China 2018-2, Beijing[13]	–	–	0
Bavarian Sky China 2019-1, Beijing[13]	–	–	0
Bavarian Sky China 2019-2, Beijing[13]	–	–	0
Bavarian Sky China 2019-3, Beijing[13]	–	–	0
Oceania			
BMW Australia Finance Ltd., Mulgrave	400	29	100
BMW Australia Ltd., Melbourne	169	12	100
BMW Financial Services New Zealand Ltd., Auckland	–	–	100
BMW New Zealand Ltd., Auckland	–	–	100
BMW Sydney Pty. Ltd., Sydney	–	–	100
BMW Melbourne Pty. Ltd., Melbourne	–	–	100
BMW Australia Trust 2011-2, Mulgrave[13]	–	–	0
Bavarian Sky Australia Trust A, Mulgrave[13]	–	–	0

BMW AG's non-consolidated companies at 31 December 2019

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Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[7]			
Alphabet Fleetservices GmbH, Munich[4]	–	–	100
Automag GmbH, Munich	–	–	100
BMW Car IT GmbH, Munich[4]	–	–	100
BMW i Ventures GmbH, Munich	–	–	100
FOREIGN[7]			
Europe			
Alphabet Insurance Services Polska Sp. z o.o., Warsaw	–	–	100
BMW (GB) Ltd., Farnborough	–	–	100
BMW (UK) Pensions Services Ltd., Hams Hall	–	–	100
BMW Car Club Ltd., Farnborough	–	–	100
BMW Drivers Club Ltd., Farnborough	–	–	100
BMW Financial Services Czech Republic s.r.o., Prague	–	–	100
BMW Group Benefit Trust Ltd., Farnborough	–	–	100
BMW Hungary Korlátolt Felelősségű Társaság, Vecsés	–	–	100
BMW i Ventures B.V., The Hague	–	–	100
BMW Manufacturing Hungary Kft., Vecsés	–	–	100
BMW Manufacturing Russland OOO, Kaliningrad	–	–	100
BMW Mobility Development Center s.r.o., Prague	–	–	100
BMW Motorsport Ltd., Farnborough	–	–	100
BMW Russland Automotive OOO, Kaliningrad	–	–	100
Cezwei HU GmbH, Salzburg	–	–	100
Cezwei PL GmbH, Salzburg	–	–	100
John Cooper Garages Ltd., Farnborough	–	–	100
John Cooper Works Ltd., Farnborough	–	–	100
OOO BMW Leasing, Moscow	–	–	100
U.T.E. Alphabet España-Bujarkay, Sevilla	–	–	90

The Americas			
217-07 Northern Boulevard Corp., Wilmington, Delaware	–	–	100
BMW Experience Centre Inc., Richmond Hill, Ontario	–	–	100
BMW i Ventures Inc., Wilmington, Delaware	–	–	100
BMW i Ventures LLC, Wilmington, Delaware	–	–	100
BMW Leasing de Argentina S.A., Buenos Aires	–	–	100
BMW Operations Corp., Wilmington, Delaware	–	–	100
BMW Technology Corp., Wilmington, Delaware	–	–	100
Designworks / USA Inc., Newbury Park, California	–	–	100
MINI Business Innovation LLC, Wilmington, Delaware	–	–	100
Mini Urban X Accelerator SPV LLC, Wilmington, Delaware	–	–	100
Toluca Planta de Automoviles S.A. de C.V., Mexico City	–	–	100
Africa			
BMW Automobile Distributors (Pty) Ltd., Midrand	–	–	100
BPF Midrand Property Holdings (Pty) Ltd., Midrand	–	–	100
Multisource Properties (Pty) Ltd., Midrand	–	–	100
Asia			
BMW China Investment Ltd., Beijing	–	–	100
BMW Finance (United Arab Emirates) Ltd., Dubai	–	–	100
BMW Financial Services Hong Kong Ltd., Hong Kong	–	–	51
BMW Financial Services Singapore Pte Ltd., Singapore	–	–	100
BMW Hong Kong Services Ltd., Hong Kong	–	–	100
BMW India Foundation, Gurgaon	–	–	100
BMW India Leasing Private Ltd., Gurgaon	–	–	100
BMW Insurance Services Korea Co. Ltd., Seoul	–	–	100
BMW Middle East Retail Competency Centre DWC-LLC, Dubai	–	–	100
BMW Mobility Services Ltd., Sichuan Tianfu New Area (Chengdu Section)	–	–	100
BMW Philippines Corp., Manila	–	–	70
BMW Technology Office Israel Ltd., Tel Aviv	–	–	100
Herald Hezhong (Peking) Automotive Trading Co. Ltd., Beijing	–	–	100
THEPSATRI Co. Ltd., Bangkok	–	–	100

BMW AG's associated companies, joint ventures and joint operations at 31 December 2019

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Companies	Equity in € million	Profit/loss in € million	Capital investment in %
Joint ventures – equity accounted			
DOMESTIC			
IONITY Holding GmbH & Co. KG, Munich[8]	205	–24	25
Blitz 18-353 GmbH, Munich[8, 11, 14]	2,106	–1,805	50
FOREIGN			
BMW Brilliance Automotive Ltd., Shenyang[8]	5,293	1,947	50
Associated companies – equity accounted			
FOREIGN			
THERE Holding B.V., Amsterdam[8]	1,597	–383	29.7
Joint operations – proportionately consolidated entities			
FOREIGN			
Spotlight Automotive Ltd., Zhangjiagang[8, 11]	218	–	50
Not equity accounted or proportionately consolidated entities			
DOMESTIC[7]			
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
FOREIGN[7]			
Bavarian & Co 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

BMW AG's participations at 31 December 2019

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Companies	Equity in € million	Profit / loss in € million	Capital investment in %
DOMESTIC[7]			
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern	–	–	4,6
GSB Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen	–	–	3,1
Hubject GmbH, Berlin	–	–	15,6
IVM Industrie-Verband Motorrad GmbH & Co. Dienstleistungs KG, Essen	–	–	20,4
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
FOREIGN[7]			
SGL Composites LLC, Dover, Delaware	–	–	49,0

[1] The amounts shown for the German subsidiaries correspond to the annual financial statements drawn up in accordance with German accounting requirements (HGB).
[2] The amounts shown for the foreign subsidiaries correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity and earnings not denominated in euro are translated into euro using the closing exchange rate at the balance sheet date.
[3] Profit and Loss Transfer Agreement with BMW AG.
[4] Profit and Loss Transfer Agreement with a subsidiary of BMW AG.
[5] Exemption from drawing up a management report applied in accordance with § 264 (3) and § 264 b HGB.
[6] Exemption from publication of financial statements applied in accordance with § 264 (3) and § 264 b HGB.
[7] These entities are neither consolidated nor accounted for using the equity method due to their overall immateriality for the Group Financial Statements.
[8] The amounts shown for entities accounted for using the equity method and for proportionately consolidated entities correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity not denominated in euro is translated into euro using the closing exchange rate at the balance sheet date, earnings are translated using the average rate.
[9] Including power to appoint representative bodies.
[10] Exemption pursuant to Article 2:403 of the Civil Code of the Netherlands (Burgerlijk Wetboek).
[11] First-time consolidation.
[12] Deconsolidation in the financial year 2019: DriveNow GmbH & Co. KG, Munich, DriveNow Verwaltungs GmbH, Munich, DriveNow Austria GmbH, Vienna, DriveNow UK Ltd., London, DriveNow Sverige AB, Sollentuna, DriveNow Belgium S.p.r.l., Brussels, DriveNow Italy S.r.l., Milan, BMW Coordination Center V.o.F., Bornem, BMW Services Belgium N.V., Bornem, BMW Roma S.r.l., Rome (merger), APD Industries plc, Birmingham, BMW Den Haag B.V., The Hague
[13] Control on basis of economic dependence.
[14] Other: Blitz 18-353 GmbH, Munich, has been operating under the name YOUR NOW GmbH since 3 January 2020. Sutum ROM GmbH was merged with BMW Romania S.R.L., Bucharest, effective 14 January 2020.

Munich, 16 March 2020

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Oliver Zipse

Klaus Fröhlich

Ilka Horstmeier

Dr. Milan Nedeljković

Pieter Nota

Dr. Nicolas Peter

Dr.-Ing. Andreas Wendt

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Good corporate governance – acting in accordance with the principles of responsible management aimed at increasing enterprise value on a sustainable basis – is an essential requirement for the BMW Group embracing all areas of the business. Corporate culture within the BMW Group is founded on transparent reporting and internal communication, corporate governance in the interest of all stakeholders, trustful cooperation both of the Board of Management and the Supervisory Board as well as among employees, and compliance with applicable law.

The Board of Management and Supervisory Board report below on corporate governance at BMW AG in accordance with Section 3.10 of the German Corporate Governance Code (DCGK) in the version dated 7 February 2017 and principle 22 DCGK in the version dated 16 December 2019.

Information on the Company's Governing Constitution

The designation BMW Group comprises Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and its Group entities. BMW AG is a stock corporation (Aktiengesellschaft) within the meaning of the German Stock Corporation Act (Aktiengesetz) and has its registered office in Munich, Germany. It has three representative bodies: the Annual General Meeting, the Supervisory Board and the Board of Management. The duties and powers of those bodies derive from the Stock Corporation Act and the Articles of Incorporation of BMW AG. Shareholders, as the owners of the business, exercise their rights at the Annual General Meeting. The Board of Management is responsible for managing the enterprise and is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, for an important reason, revoke an appointment at any time. The Board of Management informs the Supervisory Board and reports to it regularly, promptly and comprehensively, in line with the principles of conscientious and faithful accountability and in accordance with the law and the reporting duties determined by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain major business proceedings. The Supervisory Board is not, however, authorised to undertake management measures itself.

The close interaction between Board of Management and Supervisory Board in the interests of the enterprise as described above is also known as a "two-tier board structure".

Board of Management

The Board of Management manages the enterprise under its own responsibility, acting in the best interests of the BMW Group with the aim of achieving sustainable growth in value. The interests of shareholders, employees and other stakeholders are also taken into account in the pursuit of this aim.

In accordance with § 7 of the Articles of Incorporation, the Board of Management of BMW AG comprises two or more persons; other than that the number of members of the Board of Management is determined by the Supervisory Board. At 31 December 2019, the Board of Management comprised seven members. The Board of Management decides on the principal guidelines for managing the enterprise, determines and agrees upon the strategic orientation with the Supervisory Board, and ensures its implementation. The Board of Management is also responsible for ensuring that all provisions of law and internal regulations are complied with. Further details on compliance within the BMW Group are available in the section "Corporate Governance, Compliance and Human Rights in the BMW Group" of the Annual Report. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

Members of the Board of Management are required to act in the enterprise's best interests and may not pursue personal interests in their decisions or take advantage of business opportunities intended for the benefit of the BMW Group. Individual members of the Board of Management of BMW AG are required to disclose any conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

Deliberations are held and decisions taken by the Board of Management as a collegiate body at full Board meetings, at Product and Customer full Board meetings (since 1 November 2019) and at Sustainability Board meetings (combined with full Board meetings with effect from 1 November 2019). The Board of Management also deliberates and makes decisions at meetings of its Customer committee (since 1 November 2019) and its Senior Executives and Operations committees. The overall framework for developing business strategies, the use of resources, the implementation of strategies and matters of particular importance to BMW AG are decided upon at full Board of Management meetings.

Terms of procedure approved by the Board of Management contain a plan for the allocation of areas of responsibility among the individual Board members.

Further information on the composition and work procedures of the Board of Management and its committees is available at → www.bmwgroup.com/scg (Corporate Governance).

Supervisory Board

BMW AG's Supervisory Board is composed of ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected in accordance with the Co-Determination Act). The ten Supervisory Board members representing employees comprise seven Company employees, including one executive staff representative, and three members elected following nomination by unions. The Supervisory Board has the task of advising and supervising the Board of Management in its management of BMW AG. It is involved in all decisions of fundamental importance for BMW AG. The Supervisory Board appoints the members of the Board of Management and decides upon the level of compensation they receive. The Supervisory Board can revoke appointments for important reasons.

Members of the Supervisory Board of BMW AG are obliged to act in the best interests of the enterprise as a whole. They may not pursue personal interests in their decisions or take advantage of business opportunities intended to benefit the BMW Group.

Members of the Supervisory Board are obliged to inform the full Supervisory Board of any conflicts of interest, in particular those resulting from a consultant or executive function with clients, suppliers, lenders or other business partners, so that the Supervisory Board can report to the shareholders at the Annual General Meeting on its treatment of the issue. Significant and non-temporary conflicts of interest of a Supervisory Board member result in the termination of mandate.

The Supervisory Board regularly assesses the efficiency of its activities. To this end, shared discussion is conducted within the Supervisory Board and individual meetings held with the Chairman, prepared on the basis of a questionnaire sent in advance, which is drawn up by the Supervisory Board.

The Supervisory Board has stated specific targets for its composition, agreed to a diversity concept and determined a competency profile. Members of the Supervisory Board are responsible for undertaking any training required for the performance of their duties. The Company provides them with appropriate assistance therein.

Taking into account the specific circumstances of the BMW Group and the number of Board members, the Supervisory Board has set up a Presiding Board and four committees: the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee. These serve to raise the efficiency of the Supervisory Board's work and facilitate the handling of complex issues.

Composition of the Presiding Board and the various committees is based on legal requirements, the Articles of Incorporation, rules of procedure and corporate governance principles, while taking into particular account the expertise of Board members.

BMW AG ensures that the Supervisory Board and its committees are appropriately equipped to carry out their duties. This includes providing a central Supervisory Board office to support the chairpersons in their coordination work.

Further information on the composition and work procedures of the Supervisory Board and its committees is available at → www.bmwgroup.com/scg (Corporate Governance).

Shareholders and Annual General Meeting

The shareholders of BMW AG exercise their rights at the Annual General Meeting. The Annual General Meeting decides in particular on the utilisation of unappropriated profit, the ratification of the acts of the members of the Board of Management and of the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation and specified capital measures and elects the shareholders' representatives to the Supervisory Board.

Moreover, the system for the compensation of members of the Board of Management is presented to the Annual General Meeting for approval in the case of significant changes, but at least every four years.

Shareholders may exercise their voting rights at the Annual General Meeting either in person, via a proxy or via a representative designated by BMW AG. Voting rights may also be exercised by postal vote.

Declaration of Compliance

Once a year, the Board of Management and the Supervisory Board of BMW AG issue a Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) with regard to the recommendations of the "Government Commission on the German Corporate Governance Code", as officially published and valid at the date of the Declaration. BMW AG's current and previous Declarations of Compliance are available online at → www.bmwgroup.com/compliancedeclaration (Corporate Governance). In the Declaration of Compliance issued in December 2019, the Board of Management and the Supervisory Board declared that all recommendations of the German Corporate Governance Code (version dated 7 February 2017) will be complied with going forward.

Corporate Governance Statement

Further information on corporate management and governance, including the declaration of compliance according to § 161 of the German Stock Corporation Act, can be found in the Corporate Governance Statement (sections 289 f and 315 of the German Commercial Code (HGB)) at → www.bmwgroup.com/compliancedeclaration (Corporate Governance).

MEMBERS OF THE BOARD OF MANAGEMENT

Oliver Zipse (b.1964)
Chairman (since 16 August 2019)
Production (until 15 August 2019)
Mandates
— BMW (South Africa) (Pty) Ltd.♦, Chairman (until 31 October 2019)
— BMW Motoren GmbH♦, Chairman (until 7 October 2019)

Harald Krüger (b.1965)
Chairman (until 15 August 2019)
Mandates
— Deutsche Telekom AG

Milagros Caiña Carreiro-Andree (b.1962)
Human Resources, Labour Relations Director (until 31 October 2019)
Mandates
— LOGISTRIAL Real Estate AG♦ (23 September 2019 until 17 December 2019)

Klaus Fröhlich (b.1960)
Development
Mandates
— E.ON SE

Ilka Horstmeier (b.1969)
Human Resources, Labour Relations Director (since 1 November 2019)

Dr. Milan Nedeljković (b.1969)
Production (since 1 October 2019)
Mandates
— BMW (South Africa) (Pty) Ltd.♦, Chairman (since 1 November 2019)
— BMW Motoren GmbH♦, Chairman (Member since 7 October 2019, Chairman since 4 December)

Pieter Nota (b.1964)
Customer, Brands, Sales (since 1 April 2019)
Sales and Brand BMW, Aftersales BMW Group (until 31 March 2019)
Mandates
— Rolls-Royce Motor Cars Limited♦, Chairman (since 1 April 2019)

Dr. Nicolas Peter (b.1962)
Finance
Mandates
— BMW Brilliance Automotive Ltd.♦, Deputy Chairman

Peter Schwarzenbauer (b.1959)
Transformation Electromobility (1 April 2019 until 31 October 2019)
MINI, Rolls-Royce, BMW Motorrad, Customer Engagement and Digital Business Innovation BMW Group (until 31 March 2019)
Mandates
— Scout24 AG
— Rolls-Royce Motor Cars Limited♦, Chairman (until 31 March 2019)

Dr.-Ing. Andreas Wendt (b.1958)
Purchasing and Supplier Network
Production (16 August 2019 until 30 September 2019)

General Counsel:
Dr. Andreas Liepe

♦ Not listed on the stock exchange.
— Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.

MEMBERS OF THE SUPERVISORY BOARD

Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer (b.1956)
Member since 2015, elected until the Annual General Meeting (AGM) 2020
Chairman of the Supervisory Board
Former Chairman of the Board of Management of BMW AG

Mandates

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

Manfred Schoch[1] (b.1955)
Member since 1988, elected until the AGM 2024
Deputy Chairman of the Supervisory Board
Chairman of the European and General Works Council
Industrial Engineer

Stefan Quandt (b.1966)
Member since 1997, elected until the AGM 2024
Deputy Chairman of the Supervisory Board
Entrepreneur

Mandates

▬ DELTON Health AG♦, Chairman
▬ DELTON Technology SE♦, Chairman
▬ Frankfurter Allgemeine Zeitung GmbH♦ (since 24 June 2019)
— AQTON SE♦, Chairman
— Entrust Datacard Corp.♦

Stefan Schmid[1] (b.1965)
Member since 2007, elected until the AGM 2024
Deputy Chairman of the Supervisory Board
Chairman of the Works Council, Dingolfing

Dr. jur. Karl-Ludwig Kley (b.1951)
Member since 2008, elected until the AGM 2021
Deputy Chairman of the Supervisory Board
Chairman of the Supervisory Board of E.ON SE and of the Deutsche Lufthansa Aktiengesellschaft

Mandates

▬ E.ON SE, Chairman
▬ Deutsche Lufthansa Aktiengesellschaft, Chairman

Christiane Benner[2] (b.1968)
Member since 2014, elected until the AGM 2024
Second Chairwoman of IG Metall

Mandates

▬ Continental AG, Deputy Chairwoman

Dr. rer. pol. Kurt Bock (b.1958)
Member since 2018, elected until the AGM 2023
Former Chairman of the Board of Management of BASF SE

Mandates

▬ FUCHS PETROLUB SE, Chairman (since 7 May 2019)
▬ Fresenius Management SE♦
▬ Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in Munich

Verena zu Dohna-Jaeger[2] (b.1975)
Member since 16 May 2019, elected until the AGM 2024
Department head with the Executive Board of IG Metall

Mandates

▬ ABB AG

Franz Haniel (b.1955)
Member since 2004 until 16 May 2019
Entrepreneur

Mandates

▬ Franz Haniel & Cie. GmbH♦, Chairman
▬ DELTON Technology SE♦
▬ Heraeus Holding GmbH♦
— TBG AG♦

[1] Employee representatives (Company employees).
[2] Employee representatives (union representatives).
[3] Employee representatives (members of senior management).
♦ Not listed on the stock exchange.
▬ Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.

Ralf Hattler[3] (b.1968)
Member since 2017 until 16 May 2019
Head of Purchasing Indirect Goods and Services,
Raw Material, Production Partner

Dr.-Ing. Heinrich Hiesinger (b.1960)
Member since 2017, elected until the AGM 2022
Former Chairman of the Board of Management
of thyssenkrupp AG

Mandates

▬ Deutsche Post AG (since 15 May 2019)

Prof. Dr. rer. nat. Dr. h.c. Reinhard Hüttl (b.1957)
Member since 2008, elected until the AGM 2023
Chairman of the Executive Board
of Helmholtz-Zentrum Potsdam
Deutsches GeoForschungsZentrum – GFZ
University Professor

Susanne Klatten (b.1962)
Member since 1997, elected until the AGM 2024
Entrepreneur

Mandates

▬ SGL Carbon SE, Chairwoman
▬ ALTANA AG♦, Deputy Chairwoman
— UnternehmerTUM GmbH♦, Chairwoman

Prof. Dr. rer. pol. Renate Köcher (b.1952)
Member since 2008, elected until the AGM 2022
Director of Institut für Demoskopie
Allensbach Gesellschaft zum Studium der
öffentlichen Meinung mbH

Mandates

▬ Infineon Technologies AG
▬ Nestlé Deutschland AG♦
▬ Robert Bosch GmbH♦

Horst Lischka[2] (b.1963)
Member since 2009, elected until the AGM 2024
General Representative of IG Metall Munich

Mandates

▬ KraussMaffei Group GmbH♦
▬ MAN Truck & Bus SE♦
(since 19 March 2019, former MAN Truck & Bus AG)
▬ Städtisches Klinikum München GmbH♦

Willibald Löw[1] (b.1956)
Member since 1999, elected until the AGM 2024
Chairman of the Works Council, Landshut

Simone Menne (b.1960)
Member since 2015, elected until the AGM 2021
Member of supervisory boards

Mandates

▬ Deutsche Post AG
▬ Springer Nature AG & Co. KGaA♦
— Johnson Controls International plc
— Russell Reynolds Associates Inc.♦
(since 19 January 2019)

Dr. Dominique Mohabeer[1] (b.1963)
Member since 2012, elected until the AGM 2024
Member of the Works Council, Munich

Brigitte Rödig[1] (b.1963)
Member since 2013, elected until the AGM 2024
Member of the Works Council, Dingolfing

Dr. Vishal Sikka (b.1967)
Member since 16 May 2019,
elected until the AGM 2024
CEO & Founder, Vianai Systems, Inc.

Mandates

— Oracle Corporation (since 6 December 2019)

[1] Employee representatives (Company employees).
[2] Employee representatives (union representatives).
[3] Employee representatives (members of senior management).
♦ Not listed on the stock exchange.
▬ Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.

Jürgen Wechsler[2] (b.1955)
Member since 2011 until 16 May 2019
Former Regional Head of IG Metall Bavaria

Mandates
- ━ Schaeffler AG, Deputy Chairman
- ━ Siemens Healthcare GmbH♦, Deputy Chairman (until 18 March 2019)

Dr. Thomas Wittig[3] (b.1960)
Member since 16 May 2019,
elected until the AGM 2024
Senior Vice President Financial Services

Mandates
- ━ BMW Bank GmbH♦, Chairman
- — BMW Automotive Finance (China) Co., Ltd.♦, Chairman

Werner Zierer[1] (b.1959)
Member since 2001, elected until the AGM 2024
Chairman of the Works Council, Regensburg

[1] Employee representatives (Company employees).
[2] Employee representatives (union representatives).
[3] Employee representatives (members of senior management).
♦ Not listed on the stock exchange.
━ Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.

Overview of Supervisory Board committees and their composition

Principal duties, basis for activities	Members
PRESIDING BOARD	
— preparation of Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee — activities based on terms of procedure	Norbert Reithofer[1], Manfred Schoch, Stefan Quandt, Stefan Schmid, Karl-Ludwig Kley
PERSONNEL COMMITTEE	
— preparation of decisions relating to the appointment and revocation of appointment of members of the Board of Management, the compensation and the regular review of the Board of Management's compensation system — conclusion, amendment and revocation of employment contracts (in conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management) and other contracts with members of the Board of Management — decisions relating to the approval of ancillary activities of Board of Management members, including acceptance of non-BMW Group supervisory mandates as well as the approval of transactions requiring Supervisory Board approval by dint of law (e.g. loans to Board of Management or Supervisory Board members) — established in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of procedure	Norbert Reithofer[1], Manfred Schoch, Stefan Quandt, Stefan Schmid, Karl-Ludwig Kley
AUDIT COMMITTEE	
— supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, as well as the performance of Supervisory Board duties in connection with audits pursuant to § 32 of the German Securities Trading Act (WpHG) — supervision of external audit, in particular auditor independence and additional work performed by external auditor — preparation of proposals for election of external auditor at Annual General Meeting, engagement (recommendation) of external auditor, determination of additional areas of audit emphasis and fee agreements with external auditor — preparation of Supervisory Board's resolution on Company and Group Financial Statements — discussion of interim reports with Board of Management prior to publication — preparation of the Supervisory Board's audit of the non-financial reporting, preparation of the selection of the auditor for non-financial reporting and engagement of the auditor — supervision of internal audit system and compliance as well as the audit and supervision of any needs for action related to possible violations of duties by members of the Board of Management in preparation of a resolution in the Supervisory Board — decision on approval for utilisation of Authorised Capital 2019 — amendments to Articles of Incorporation only affecting wording — established in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of procedure	Karl-Ludwig Kley[1,2], Norbert Reithofer, Manfred Schoch, Stefan Quandt, Stefan Schmid
NOMINATION COMMITTEE	
— identification of suitable candidates as shareholder representatives on the Supervisory Board to be put forward for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting — established in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of procedure	Norbert Reithofer[1], Susanne Klatten, Karl-Ludwig Kley, Stefan Quandt (In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.)
MEDIATION COMMITTEE	
— proposal to Supervisory Board if resolution for appointment of Board of Management member has not been carried by the necessary two-thirds majority of Supervisory Board members' votes — established as required by law	Norbert Reithofer, Manfred Schoch, Stefan Quandt, Stefan Schmid (In accordance with statutory requirements, the Mediation Committee comprises the Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.)

[1] Chair.
[2] (Independent) financial expert within the meaning of §§ 100 (5) and 107 (4) AktG, no. 5.3.2 GCGC.

It is planned to bring about a change in the position of Chair of the Audit Committee directly following the 2020 Annual General Meeting. In line with the requirements profile, the intention is for an independent financial expert to continue to hold this position in the future.

COMPLIANCE AND HUMAN RIGHTS IN THE BMW GROUP

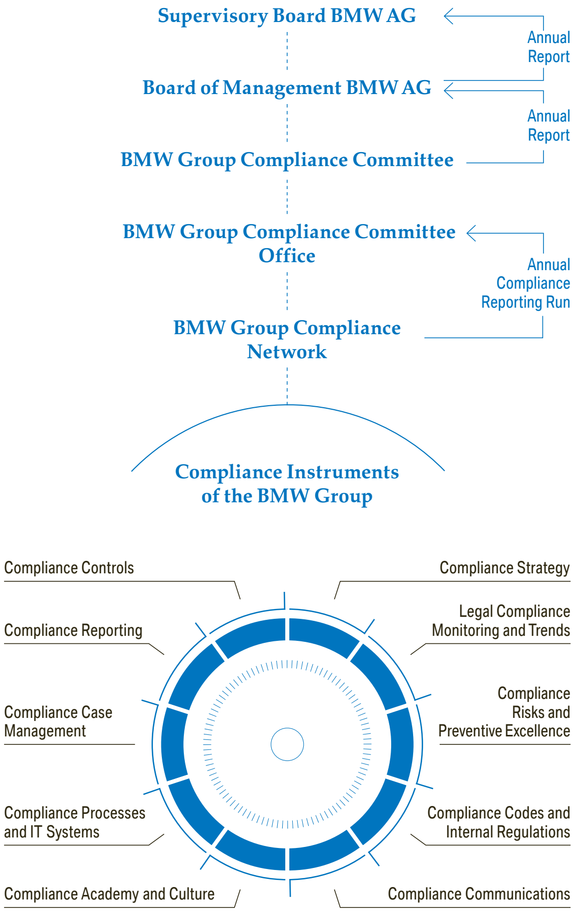
Responsible and lawful conduct is fundamental to the success of the BMW Group. Compliance is an integral part of our corporate culture and the reason why customers, shareholders, business partners and the general public place their trust in us. The Board of Management and the employees of the BMW Group are obliged to act responsibly and in compliance with applicable laws and regulations. The BMW Group also expects its business partners to conduct themselves in the same manner.

The BMW Group Compliance Management System is designed to ensure that the BMW Group, its representative bodies, its managers and staff act in a lawful manner. Particular emphasis is placed on measures to ensure compliance with antitrust legislation and avoid the risk of corruption or money laundering. Activities to avoid non-compliance with the law are managed and monitored by the BMW Group Compliance Committee. These activities include legal monitoring, internal compliance regulations, communications and training activities, complaint and case management, compliance reporting and compliance controls, as well as following through with sanctions in cases of non-compliance.

The BMW Group Compliance Committee reports regularly and on a case-by-case basis to the Board of Management and the Audit Committee of the Supervisory Board on all compliance-related issues, including the progress made in refining the BMW Group Compliance Management System, details of investigations performed, known infringements of the law, sanctions imposed and corrective/preventative measures implemented. This also ensures the Board of Management and Supervisory Board are immediately notified of any cases of particular significance. On the basis of this information, the Board of Management keeps track of and analyses compliance-related developments and trends and initiates the measures needed to improve the Compliance Management System. In 2019 the system was further enhanced, particularly with a focus on the characteristics of the roles and responsibilities in the Group-wide Compliance Management as well as the monitoring of compliance training and additional preventative activities.

BMW Group Compliance Management System

→ 75



The decisions taken by the BMW Group Compliance Committee are drafted in concept and implemented operationally by the BMW Group Compliance Committee Office. The BMW Group Compliance Committee Office has more than 20 employees and is allocated in organisational terms to the Chairman of the Board of Management. For operational implementation of compliance topics, it is supported by a Group-wide compliance network of around 240 BMW Group Compliance Responsibles (heads of the local units) and over 70 local Compliance Officers (heads of the local compliance functions). The specific compliance activities required for financial services business are coordinated by a separate compliance department within the Financial Services segment.

The various elements of the BMW Group Compliance Management System are shown in the diagram on the previous page and are applicable to all BMW Group organisational units worldwide. The BMW Group Legal Compliance Code, which forms the core of the Group's Compliance Management System, is supplemented by an internal set of rules. The BMW Group Policy "Antitrust Compliance", which establishes binding rules of conduct for all employees across the BMW Group to prevent unlawful restriction of competition, deserves particular mention. The BMW Group Policy "Corruption Prevention" and the BMW Group Instruction "Corporate Hospitality and Gifts" deal with lawful handling of gifts and benefits and define appropriate assessment criteria and approval procedures.

Compliance measures are determined and prioritised on the basis of a regular Group-wide compliance risk assessment that relies on data-based risk indicators and transaction validation, among other methods.

Various internal media and communications materials are used to raise employee awareness across all compliance issues, including newsletters, employee newspapers and the compliance homepage in the BMW Group intranet, where employees can find all compliance-related information and training materials. A Group-wide Compliance Day was organised for the first time in 2019 to boost employee awareness of the importance of creating a culture of transparency and trust.

Existing employee training activities were restructured and refined with the creation of the BMW Group Compliance Academy in 2019. As well as imparting knowledge, its online and classroom training options with Company-specific case studies play an important role in reinforcing compliance in the corporate culture. The online training modules must be repeated by the required target groups every two years and include a final test. Successful completion of the test is confirmed by a certificate. More than 48,500 managers and staff worldwide have so far received training in the basic principles of compliance and hold a valid training certificate. Successful completion of the training programme is mandatory for all BMW Group managers. The Company makes sure that newly recruited managers and promoted staff undergo compliance training. In this way, the BMW Group achieves almost full training coverage for its managers in compliance matters. Online training in antitrust compliance is mandatory for managers and staff exposed to antitrust risks as a result of their functions or on specific occasions. A total of more than 35,000 managers and employees worldwide have so far completed antitrust compliance training and currently hold a valid certificate. Additional classroom training and multi-day coaching sessions are also held for all key compliance topics in local markets. The main emphasis here is on training in antitrust law.

Any member of staff with questions or concerns relating to compliance is expected to discuss these matters with their managers and with the relevant departments within the BMW Group: in particular, with the BMW Group Compliance Committee Office, Legal Affairs and Corporate Audit. The BMW Group Compliance Contact also serves as a further point of contact and provides non-employees with a system for reporting concerns relating to compliance. Communication with the BMW Group Compliance Contact may remain anonymous, if preferred. BMW Group employees worldwide also have the opportunity to submit information about possible breaches of the law within the Company anonymously and confidentially in several languages via the BMW Group SpeakUP Line. All compliance-related queries and concerns are documented and followed up by the BMW Group Compliance Committee Office using an electronic Case Management System. If necessary, Corporate Audit, Corporate Security, the legal departments or the Works Council may be called upon to assist in the process.

Various IT systems support BMW Group employees with the assessment, approval and documentation of compliance-relevant matters. For example, all exchange activities with competitors must be documented and approved in a special compliance IT system. The same applies to verifying legal admissibility and documenting benefits, especially in connection with corporate hospitality. The BMW Group also uses an IT-based Business Relations Compliance programme to ensure the reliability of its business relations. Relevant business partners are checked and evaluated for potential compliance risks. Appropriate measures are implemented to manage compliance risks based on the results of the evaluation. A further IT system is used to verify customer integrity as required under anti-money-laundering regulations.

Through the Group-wide reporting system, compliance responsibles across all organisational units of the BMW Group report, on both a regular and ad hoc basis, on the compliance status of their respective units, on any identified legal risks and incidences of non-compliance, as well as on sanctions and corrective/preventative measures implemented.

Compliance with and implementation of compliance rules and processes are audited regularly by Corporate Audit and subjected to control checks by the BMW Group Compliance Committee Office. Corporate Audit carries out on-site audits as part of its regular activities. The BMW Group Compliance Committee also engages Corporate Audit to perform compliance-specific checks and, if necessary, brings in Corporate Security to investigate suspected cases. A BMW Group Compliance Spot Check, a sample test specifically designed to identify potential corruption risks, and two antitrust compliance validations (to identify and audit possible antitrust risks) were carried out in addition in 2019.

Managers, in particular, bear a high degree of responsibility and must set a good example with regard to preventing infringements. Managers throughout the BMW Group acknowledge this principle by signing a written declaration, in which they also undertake to make staff working for them aware of legal risks. Managers must, at regular intervals and on their own initiative, verify compliance with the law. It is important to signal to employees that they take compliance risks seriously and that disclosing relevant information is extremely valuable. In dealings with their staff, managers remain open to discussion and listen to differing opinions. Any indication of non-compliance with the law must be rigorously and judiciously investigated.

It is essential for compliance at the BMW Group that employees are aware of and comply with applicable legal regulations. The BMW Group does not tolerate violations of the law by its employees. Culpable violations of the law result in employment-contract sanctions and may involve personal liability consequences for the employee involved.

The BMW Group is committed to respecting internationally recognised human rights and gears its due diligence process towards the UN Guiding Principles on Business and Human Rights, focusing on topics and areas of activity where it can leverage its influence as a commercial enterprise. The BMW Group stated its position clearly back in 2005, with the Joint Declaration on Human Rights and Working Conditions at the BMW Group, which was updated in 2010. In 2018, for further clarification, the BMW Group published its Code on Human Rights and Working Conditions, which strengthens the Company's commitment to human rights and outlines how it promotes human rights and implements the core labour standards of the ILO.

Compliance is also an important factor in safeguarding the future of the BMW Group workforce. With this in mind, the Board of Management and the national and international employee representative bodies of the BMW Group have agreed on a binding set of joint principles for lawful conduct. Employee representatives are regularly involved in the process of refining compliance management within the BMW Group.

COMPENSATION REPORT (PART OF THE COMBINED MANAGEMENT REPORT)

The following section describes the principles governing the compensation of the Board of Management for financial years since 2018. A description of the stipulations set out in the Company's statutes relating to the compensation of the Supervisory Board is also provided. In addition to explaining the system of compensation, details of components of compensation are also provided with figures. Furthermore, the compensation of each member of the Board of Management and the Supervisory Board for the financial year 2019 is disclosed by individual member and analysed with its component parts.

1. Board of Management compensation

Responsibilities
The full Supervisory Board is responsible for determining and regularly reviewing the system and structure of the Board of Management's compensation as well as for determining the compensation of individual Board members. The Supervisory Board's Personnel Committee is responsible for the preparatory work relating to those tasks.

The Supervisory Board reviews the appropriateness of the compensation system annually. In preparation, the Personnel Committee also consults remuneration studies. In order to check that the compensation system is in line with peers, the Supervisory Board especially compares compensation paid by other DAX companies. For a vertical view, it compares Board compensation with the salaries of executive managers and with the average salaries of employees of BMW AG based in Germany, also with regard to salary development over time. During the consultative process, consideration is also given to the recommendations of an independent external remuneration expert as well as to input from investors and analysts.

The Supervisory Board presents the compensation system to the Annual General Meeting for shareholder approval whenever significant changes are proposed, but at least once every four years. The currently valid compensation system was approved by the Annual General Meeting in 2018.

Principles of compensation
The compensation system for the Board of Management at BMW AG is designed to encourage a management approach focused on the sustainable development of the BMW Group. A further principle of the compensation system at the BMW Group is that of consistency. This means that compensation systems for the Board of Management, executive management and employees of BMW AG are composed of similar elements. The Supervisory Board performs an annual review to ensure that all Board of Management compensation components are appropriate, both individually and in total, and do not encourage the Board of Management to take inappropriate risks for the BMW Group. At the same time, the compensation model used for the Board of Management needs to be attractive for highly qualified executives in a competitive environment.

The compensation of members of the Board of Management is determined by the full Supervisory Board on the basis of performance criteria and after taking into account any remuneration received from Group companies. The principal performance criteria are the tasks and exercise of mandate of the Board member, the economic situation as well as the performance and future prospects of the BMW Group. The Supervisory Board sets ambitious and relevant parameters as the basis for variable compensation. It also ensures that variable components based on multi-year criteria take account of both positive and negative developments and that the overall incentive is on the long term. As a general rule, targets and comparative parameters may not be changed retrospectively.

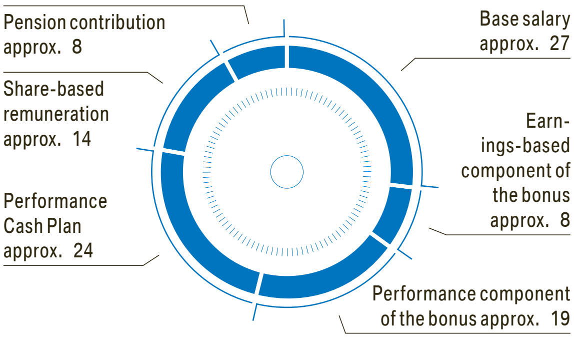
Compensation system, compensation components

Board of Management compensation comprises fixed and variable cash elements as well as a share-based component. Retirement and surviving dependants' benefit entitlements are also in place. The compensation components are described in more detail below.

Overview of compensation system: depiction of allocation to cash benefits (target compensation) and pension contribution[1]

→ 76

in %

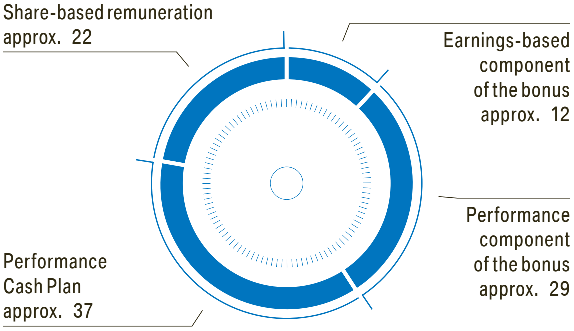


[1] Simplified depiction of target amounts for the variable cash remuneration of the Chairman of the Board of Management and pension contribution. Excludes other remuneration. Based on the assumption that the share price remains unchanged for the calculation of the matching component.

Overview of compensation system: depiction of variable remuneration (target compensation)[2]

→ 77

in %



[2] Simplified depiction of target amounts for the variable cash remuneration of the Chairman of the Board of Management. Excludes basic salary, other remuneration and pension contribution. Based on the assumption that the share price remains unchanged for the calculation of the matching component.

Fixed remuneration

Fixed remuneration consists of a base salary, which is paid monthly, and fringe benefits (other remuneration elements such as the use of Company cars, insurance premiums and contributions towards security systems). With effect from the financial year 2018, the base salary is €0.8 million p.a. for a Board member during the first period of office, €0.95 million p.a. for a Board member from the second period of office or the fourth year of mandate and €1.8 million p.a. for the Chairman of the Board of Management.

Variable remuneration

The variable remuneration of the Board of Management comprises three components:

- bonus
- Performance Cash Plan and
- share-based remuneration

Payment of a discretionary additional bonus is not provided for. An upper limit has been set for each component of variable remuneration (see Overview of compensation system and compensation components).

Bonus

In the case of 100 % target achievement, the bonus comprises an earnings-related component of 30 % and a performance-related component of 70 %. The target bonus (100 %) is €0.85 million p.a. for a Board member during the first period of office, €1.0 million p.a. from the second period of office or the fourth year of mandate and €1.8 million p.a. for the Chairman of the Board of Management. For all Board members, the upper limit of the bonus is set at 180 % of the relevant target bonus.

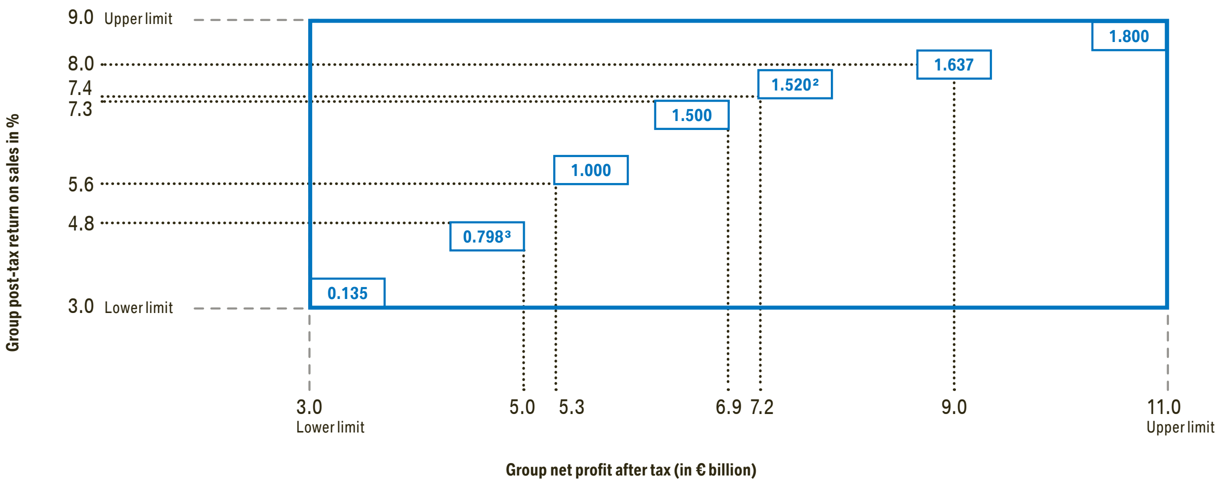
In order to calculate the earnings-related component, an earnings factor is determined on the basis of the target parameters and multiplied by 30 % of the target bonus amount. The level of the earnings-related component depends on the degree to which the targets set by the Supervisory Board for Group net profit (from the financial year 2022: earnings share of the shareholders of BMW AG) and Group post-tax return on sales are achieved. The degree of achievement is expressed in an earnings factor. The underlying measurement values are determined in advance for a period of three financial years and may not be changed retrospectively. The earnings factor is capped at a maximum of 1.8. The bonus is paid out after the end of the Annual General Meeting, at which the separate financial statements of BMW AG for the relevant financial year are presented.

An earnings factor of 1.000 would give rise to a profit-related component of €0.255 million for a Board member in the first period of office, €0.3 million from the second period of office or the fourth year of mandate and €0.54 million for the Chairman of the Board of Management. For instance, in the event of a Group net profit of €5.3 billion and a post-tax return on sales of 5.6 %, the earnings factor is 1.000. Similarly, a Group net profit of €6.9 billion and a post-tax return on sales of 7.3 % gives rise to an earnings factor of 1.500 and a Group net profit of €9.0 billion and a post-tax return on sales of 8.0 % to one of 1.637.

A minimum earnings factor of 0.135 arises in the event of a Group net profit of €3 billion and a post-tax return on sales of 3 %. If the Group net profit were below €3 billion or the post-tax return on sales below 3 %, the earnings factor would be zero. In this case, a profit-related component would not be paid. The maximum earnings factor of 1.800 is reached in the event of a Group net profit of €11 billion and a post-tax return on sales of 9 %. In exceptional circumstances, for instance major acquisitions or disposals, the Supervisory Board may adjust the earnings factor.

Earnings components: allocation table for calculating earnings factor[1]

→ 78



[1] Simplified depiction.
[2] Earnings factor 2018.
[3] Earnings factor 2019.

The performance-related component is calculated using a performance factor which the Supervisory Board sets for each member of the Board of Management and which is multiplied by 70 % of the target bonus amount. The Supervisory Board sets the performance factor on the basis of a detailed evaluation of the contribution made by Board members to sustainable and long-term business development over a period of at least three financial years. The evaluation by the Supervisory Board is based on predefined criteria that take into account the Group's long-term success, the interests of shareholders and stakeholders as well as social responsibility.

The criteria include in particular innovation (economic and ecological, for example in the reduction of carbon dioxide emissions), the Group's market position compared to its competitors, customer focus, ability to adapt, leadership, corporate culture, promotion of compliance and integrity, contribution to the Group's attractiveness as an employer, progress in implementing the diversity concept, and activities that foster corporate social responsibility. The Supervisory Board also draws comparisons with competitors. The individual performance factor lies between zero and a maximum 1.8.

Bonus overview

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EARNINGS COMPONENT BONUS	+	PERFORMANCE COMPONENT	=	TOTAL
Earnings factor x 0.3 of target amount — Value between 0 and 1.8 Basis for earnings factor: — Group net profit — Group post-tax return on sales		Performance factor x 0.7 of target amount — Value between 0 and 1.8 Basis for performance factor: — Contribution to sustainable and long-term business development over a period of at least three financial years — Qualitative, mainly non-financial parameters		— Cash payment — Capped at 180 % of target amount

Performance Cash Plan

Since the financial year 2018, variable cash compensation includes a multi-year and future-oriented Performance Cash Plan (PCP). The PCP is calculated at the end of a three-year evaluation period by multiplying a predefined target amount by a factor that is based on multi-year target achievement (the PCP factor). The PCP target amount (100 %) amounts to €0.85 million p.a. for a Board member in the first period of office, €0.95 million p.a. from the second period of office or the fourth year of mandate and €1.6 million p.a. for the Chairman of the Board of Management. The maximum amount that can be paid to a Board member is capped at 180 % of the PCP target amount p.a.

The PCP evaluation period comprises three years, the grant year and the two subsequent years. PCP entitlements are paid in cash. The bonus is paid out after the end of the Annual General Meeting, at which the separate financial statements of BMW AG for the third year of the evaluation period are presented.

In order to determine the PCP factor, a multi-year earnings factor is multiplied by a multi-year performance factor. The PCP factor is capped at a maximum value of 1.8.

In order to determine the multi-year earnings factor, an earnings factor is calculated for each year of the three-year evaluation period and an average is then calculated for the evaluation period. As for the earnings-related component of the bonus, the earnings factor for each individual year within the evaluation period is determined on the basis of Group net profit and post-tax return on sales for the relevant year. The maximum earnings factor is 1.8. The underlying measurement values are determined in advance for a period of three financial years and may not be changed retrospectively.

In addition to the multi-year earnings factor, the Supervisory Board also determines a multi-year performance factor after the end of the evaluation period. To this end, the Supervisory Board takes account of in particular the business development during the evaluation period, the forecast trend in the business development, the Board member's individual contribution to profitability and the status of compliance within the Board member's area of responsibility. The multi-year performance factor can be between 0.9 and 1.1.

Performance Cash Plan overview

→ 80

TARGET AMOUNT	x	PCP FACTOR	=	CASH PAYMENT
				— Cash payment at end of evaluation period — Capped at 180 % of target amount

PCP factor overview

→ 81

MULTI-YEAR EARNINGS FACTOR	X	MULTI-YEAR PERFORMANCE FACTOR	=	PCP FACTOR
— Average earnings factor — Based on Group net profit and Group post-tax return on sales — Value between 0 and 1.8		Measurement based on multi-year performance factor: — Trend in business development — Status of compliance in each Board member's area of responsibility — Individual contribution to profitability — Forecast trend in business development — Value between 0.9 and 1.1		

Members of the Board of Management who were Board members on 1 January 2018 receive advance payments out of the Performance Cash Plan 2018 and the Performance Cash Plan 2019 in the years 2019 and 2020. At the end of each relevant evaluation period, the advance payment is set off or repaid, depending on the amount then determined. The advance payment for each relevant year is €0.5 million for a Board member in the first period of office and €0.6 million from the second period of office or the fourth year of mandate. For the Chairman of the Board of Management the amount is €0.9 million p.a.

Share-based remuneration

At the end of the Annual General Meeting at which the separate financial statements of BMW AG for the relevant financial year are presented, members of the Board of Management receive a cash compensation (investment component) for the specific purpose of investment – after tax and deductions – in shares of common stock of BMW AG. The investment component corresponds to 45 % of the gross bonus. The shares of common stock are purchased immediately after the investment component has been paid out. As a general rule, the acquired shares are required to be held by Board members for four years. This period also applies if a Board member leaves the Board of Management.

At the end of the holding period, Board members receive from the Company for every three shares of common stock held, either one additional share of common stock or the cash equivalent, to be decided at the Company's discretion (matching component). Upper limits have been defined for both the investment component and the matching component (see Overview of compensation system and compensation components).

Other

In the event of death or invalidity, special rules apply for early payment of performance cash plans and share-based remuneration components based on the target amounts. Insofar as the service contract is prematurely terminated and the Company has an extraordinary right of termination, or if the Board member resigns without the Company's agreement, entitlements to amounts as yet unpaid relating to performance cash plans and share-based remuneration are forfeited.

A one-year post-contractual non-competition clause has been agreed with Board members under specified circumstances. During that one-year period, the former Board member is entitled to receive monthly compensation equivalent to 60 % of his or her previous base remuneration, reduced by any amount of other income exceeding 40 % of the base remuneration. The Company may unilaterally waive the requirement to comply with the post-contractual non-competition clause.

Overview of compensation system and compensation components

Component	Parameter / measurement base
BASE SALARY	
	Member of the Board of Management: — €0.80 million p.a. (first period of office) — €0.95 million p.a. (from second period of office or fourth year of mandate) Chairman of the Board of Management: — €1.80 million p.a.
VARIABLE REMUNERATION	
Bonus (sum of earnings-related bonus and performance-related bonus)	Target amount p.a. (at 100 % target achievement): — €0.85 million (first period of office) — €1.0 million (from second period of office or fourth year of mandate) — €1.8 million (Chairman of the Board of Management) — Capped at 180 % of target amount, see section Remuneration caps — Payment at the end of the Annual General Meeting at which the separate financial statements of BMW AG are presented
a) Earnings-related bonus (at 100 % target achievement corresponds to 30 % of target amount)	— Formula: 30 % target amount x earnings factor — Base amount p.a. (30 % target amount per bonus): — €0.255 million (first period of office) — €0.30 million (from second period of office or fourth year of mandate) — €0.54 million (Chairman of the Board of Management) — Earnings factor is derived from Group net profit (from the financial year 2022: earnings share of the shareholders of BMW AG) and Group post-tax return on sales — Allocation table fixed in advance for a period of three financial years — The earnings factor is 1.0 in the event of a Group net profit of €5.3 billion and a post-tax return on sales of 5.6 % — Earnings factor may not exceed 1.8 — Maximum amount of earnings-related bonus p.a.: — €0.459 million (first period of office) — €0.54 million (from second period of office or fourth year of mandate) — €0.972 million (Chairman of the Board of Management)
b) Performance-related bonus (at 100 % target achievement corresponds to 70 % of target amount)	— Formula: 70 % target amount x performance factor — Base amount p.a. (70 % target amount per bonus): — €0.595 million (first period of office) — €0.70 million (from second period of office or fourth year of mandate) — €1.26 million (Chairman of the Board of Management) — Primarily qualitative, non-financial criteria, expressed in terms of a performance factor aimed at measuring the Board member's contribution to the sustainable and long-term development and the future viability of the Company over a period of at least three financial years — Criteria for the performance factor include: innovation (economic and ecological, for example in the reduction of carbon dioxide emissions), the Group's market position compared to its competitors, customer focus, ability to adapt, leadership, corporate culture, promotion of compliance and integrity, contribution to the Group's attractiveness as an employer, progress in implementing the diversity concept, and activities that foster corporate social responsibility — Performance factor may not exceed 1.8 — Maximum amount of performance-related bonus p.a.: — €1.071 million (first period of office) — €1.26 million (from second period of office or fourth year of mandate) — €2.268 million (Chairman of the Board of Management)

Component	Parameter / measurement base
VARIABLE REMUNERATION	
Performance Cash Plan	Target amount p.a. (at 100 % target achievement): — €0.85 million (first period of office) — €0.95 million (from second period of office or fourth year of mandate) — €1.6 million (Chairman of the Board of Management) — Three-year evaluation period — Capped at 180 % of target amount, see section Remuneration caps — Formula: PCP factor x target amount — PCP factor: multi-year earnings factor x multi-year performance factor — PCP factor may not exceed 1.8 — Payment at the end of the Annual General Meeting at which the separate financial statements of BMW AG for the third year of the evaluation period are presented
a) Multi-year earnings factor	— Earnings factor for each year of three-year evaluation period derived from Group net profit and Group post-tax return on sale — Earnings factor for each year may not exceed 1.8 — Average for evaluation period calculated
b) Multi-year performance factor	— Determined by Supervisory Board at end of evaluation period — Criteria include in particular the trend in business development during the evaluation period, the forecast trend in business development, individual contribution to profitability and the status of compliance within the Board member's area of responsibility — Multi-year performance factor can be between 0.9 and 1.1
Share-based remuneration programme	— Requirement for Board of Management members to invest an amount of 45 % of the gross bonus after tax and contributions in BMW AG common stock — Requirement for Board of Management members to hold the acquired shares of common stock for four years
a) Cash remuneration component (investment component)	— Earmarked cash remuneration amounting to 45 % of the gross bonus — Cash remuneration p.a. at 100 % target achievement of the bonus: — €0.3825 million (first period of office) — €0.45 million (from second period of office or fourth year of mandate) — €0.81 million (Chairman of the Board of Management) — Maximum remuneration, see section Remuneration caps — Payment at the end of the Annual General Meeting at which the separate financial statements of BMW AG for the relevant financial year are presented — Share acquisition immediately after payment of earmarked cash remuneration
b) Share-based remuneration component (matching component)	— Once the four-year holding period requirement is fulfilled, Board of Management members receive for each three common stock shares held either – at the Company's option – one further share of common stock or the equivalent amount in cash — Maximum remuneration, see section Remuneration caps
OTHER REMUNERATION	
	Contractual agreement, main points: non-cash benefits from use of Company car, insurance premiums, contributions towards security systems

Overview of compensation system and compensation components onwards

RETIREMENT AND SURVIVING DEPENDANTS' BENEFITS

Model	Principal features
Defined contribution system with guaranteed minimum rate of return	Pension based on amounts credited to individual savings accounts for contributions paid and interest earned, various forms of disbursement Pension contributions p. a.: Member of the Board of Management: €350,000 Chairman of the Board of Management: €500,000

REMUNERATION CAPS (MAXIMUM REMUNERATION)

			Share-based compensation programme		
in € p. a.	Bonus	Performance Cash Plan	Cash compensation for share acquisition	Monetary value of matching component	Total*
Member of the Board of Management in the first period of office	1,530,000	1,530,000	688,500	344,500	4,925,000
Member of the Board of Management in the second period of office or from fourth year of mandate	1,800,000	1,710,000	810,000	405,000	5,500,000
Chairman of the Board of Management	3,240,000	2,880,000	1,458,000	729,000	9,850,000

* Including base salary, other fixed remuneration elements and pension contribution. The overall cap is lower than the sum of the maximum amounts for each of the individual components.

Retirement benefits

With effect from 1 January 2010, the provision of retirement benefits for members of the Board of Management was changed to a defined contribution system with a guaranteed minimum return. Retirement benefits remain unchanged as part of the new compensation system applicable for financial years from 2018 onwards, as they are appropriate and in line with customary market practice.

If a mandate is terminated, the defined contribution system provides, in the case of death or invalidity, for amounts accumulated on individual pension accounts to be paid out as a one-off amount or in instalments. For entitlements arising before 2016, there is an option to receive payment as a lifelong pension or in a combined form. Former Board members are entitled to receive the retirement benefit at the earliest upon reaching the age of 60, or in the case of entitlements awarded for the first time after 1 January 2012, upon reaching the age of 62.

The amount of the benefits to be paid is determined on the basis of the amount accrued in each Board member's individual pension savings account. The amount on this account results from annual contributions paid in, plus interest earned depending on the type of investment.

If a member of the Board of Management with a vested entitlement dies prior to the commencement of benefit payments, a surviving spouse or registered partner, or otherwise surviving children – in the latter case depending on their age and education – are entitled to receive benefits as surviving dependants.

In the case of death or invalidity, a minimum benefit is payable based on the number of contributions possible up to the age of 60 (subject to maximum of ten contributions).

The annual contribution paid by the Company is €350,000 for a Board member and €500,000 for the Chairman of the Board of Management. The guaranteed minimum rate of return p.a. corresponds to the maximum interest rate used to calculate insurance reserves for life insurance policies (guaranteed interest on life insurance policies). When granting pension entitlements, the Supervisory Board considers the targeted level of pension provision in each case as well as the resulting expense for the BMW Group.

Contributions falling due under the defined contribution model are paid into an external fund in conjunction with a trust model that is also used to fund pension obligations to employees.

Income earned on an employed or a self-employed basis up to the age of 63 may be offset against instalment payments. In addition, certain circumstances have been specified, in the event of which the Company no longer has any obligation to pay benefits. Transitional payments are not provided.

In the event of the death of a Board member during the service contract term, the base remuneration for the month of death and a maximum of three further calendar months are paid to entitled surviving dependants.

Members of the Board of Management who retire immediately after their service on the Board, or who are deemed to be in an equivalent position, are entitled to acquire vehicles and other BMW Group products and services at conditions that also apply to BMW pensioners and to lease BMW Group vehicles in accordance with the guidelines applicable to senior heads of departments. Retired Chairmen of the Board of Management are entitled to use a BMW Group vehicle as a company car on a similar basis to senior heads of departments, and depending on availability and against payment, use BMW chauffeur services.

Termination benefits on premature termination of Board activities, benefits paid by third parties

In agreement with the Supervisory Board, Mr Krüger resigned from the Board of Management at the end of 15 August 2019 and was released from his duties for the remaining term of his service contract, which ends on 30 April 2020. The proportionate amount of base and other remuneration relating to the period after his departure from the Board and to the financial year 2019 amounted to €0.7 million. The proportionate amount of base remuneration relating to the financial year 2020 amounts to €0.6 million. The expected amount of variable cash remuneration (bonus, cash component of share-based remuneration, PCP) for the remaining term of the contract from the date of departure from the Board of Management totals €3.5 million, where necessary taking into account forecast figures. This includes the bonus for the period from 16 August to 31 December 2019 amounting to €0.8 million as well as the proportionate amount of the cash component of remuneration (investment component) for this period amounting to €0.3 million. The cash value of the cash component of share-based remuneration (matching component) for the period from 16 August 2019 to 31 December 2019 amounts to €0.06 million. The expected cash value of the matching component for the relevant proportionate period in the financial year 2020 amounts to €0.05 million. The Company will pay a pension contribution of €0.2 million for the period from the date of departure from the Board of Management up to 31 December 2019 and a corresponding proportionate amount of €0.2 million for the financial year 2020. Compensation for the agreed one-year post-contractual non-competition clause amounts to €1.1 million. A provision has been recognised for remuneration relating to the period after 31 December 2019.

Ms Caiña Carreiro-Andree left the Board of Management at the end of 31 October 2019 and was released from her duties for the remaining period of her service contract (until 30 June 2020). The proportionate amount of base and other remuneration relating to the period after her departure from the Board and to the financial year 2019 amounts to €0.2 million. Fixed remuneration relating to the financial year 2020 amounts to €0.5 million.

The expected amount of variable cash remuneration (bonus, cash component of share-based remuneration, PCP) for the remaining term of the contract from the date of departure from the Board of Management totals €1.9 million, where necessary taking into account forecast figures. This includes a bonus for the period from 1 November to 31 December 2019 amounting to €0.2 million and the proportionate amount of the cash component of remuneration (investment component) for this period amounting to €0.1 million. The cash value of the cash remuneration component of the share-based remuneration programme (matching component) for the period from 1 November 2019 to 31 December 2019 amounts to €0.01 million. The expected cash value of the matching component for the relevant proportionate period in the financial year 2020 amounts to €0.05 million. The proportionate amount of pension contribution for the 2019 and 2020 financial years is €0.1 million and €0.2 million respectively. Compensation for the agreed one-year non-competition clause amounts to €0.6 million. A provision has been recognised for remuneration relating to the period after 31 December 2019.

Mr Schwarzenbauer left the Board of Management at the end of 31 October 2019. Under the terms of his service contract, a one-year post-contractual non-competition clause applies. The proportionate amount of compensation relating to the financial year 2019 is €0.1 million. The corresponding figure for the remaining period from 1 January 2020 to 31 October 2020 is €0.5 million, for which a provision has been recognised.

In line with the recommendation of the German Corporate Governance Code dated 7 February 2017, Board of Management service contracts provide for severance pay to be paid to the Board member in the event of premature termination by the Company without important reason, the amount of which is limited to a maximum of two years' compensation (severance payment cap). If the remaining term of the contract is less than two years, the severance payment is reduced proportionately. For these purposes, annual compensation comprises base remuneration, the target bonus amount and the target PCP amount for the last full financial year before termination.

No commitments or agreements exist for payment of compensation in the event of early termination of a Board member's mandate due to a change of control or a takeover offer. No members of the Board of Management received any payments or relevant commitment from third parties in 2019 on account of their activities as members of the Board of Management.

Remuneration caps

The Supervisory Board has stipulated upper limits for all variable remuneration components and for the remuneration of members of the Board of Management in total. The upper limits are shown in the table Overview of compensation system and compensation components.

The overall upper limits (caps) have not changed in conjunction with the revised compensation system for financial years from 2018 onwards and are lower than the sum of the maximum amounts of the various individual components.

Revision of Board of Management compensation for financial years from 2021 onwards

Regulations governing management board compensation and the reporting thereof were again reformed by lawmakers through the implementation of the EU's Second Shareholder Rights Directive (ARUG II). Moreover, the Government Commission on the German Corporate Governance Code revised the recommendations and suggestions relating to management board compensation in its revised version of the German Corporate Governance Code dated 16 December 2019.

The Supervisory Board has examined the new regulations and intends to revise the compensation system for the Board of Management of BMW AG during the financial year 2020. The revised compensation system will be submitted for approval by the shareholders at the Annual General Meeting held during the financial year 2021. The Supervisory Board will also take account of input from investors when revising the compensation system.

Total compensation of the Board of Management for the financial year 2019 (2018)
The total compensation of the current members of the Board of Management of BMW AG for the financial year 2019 amounted to €21.4 million (2018: €24.0 million), of which €8.1 million (2018: €8.2 million) relates to fixed components including other remuneration. Variable components amounted to €12.6 million (2018: €15.0 million) and the share-based remuneration component to €0.7 million (2018: €0.8 million).

The BMW Group achieved a net profit of €5,022 million (2018: €7,207 million) and a post-tax return on sales of 4.8 % (2018: 7.4 %). According to the defined allocation table, these results yield an earnings factor of 0.798 (2018: 1.520) for the earnings component relevant for the bonus of members of the Board of Management in office during the financial year 2019. The Supervisory Board set a performance factor of 1.20 (2018: 1.20) for the performance component of Board members for the financial year 2019.

In determining the performance factor, the Supervisory Board uses various criteria to evaluate the contribution of Board members to the sustainable and long-term development and future viability of the Company. In this context, the Supervisory Board considers developments over recent years as well as the impact of planning decisions going forward.

A central topic of focus was innovation performance, particularly in the area of electrification. The Supervisory Board took into account continuous growth in the number of electrified vehicles delivered in recent years as well as the measures taken to accelerate the penetration of technologies relating to electrification, including the opening of the new battery cell competence centre. Also considered were the continuous progress made in reducing the fleet's CO_2 emissions as well as the planning decisions taken – such as the development of the product portfolio – to ensure compliance with emission thresholds. The development of the market position was another focus area of the evaluation. Here, the Supervisory Board took into account in particular the BMW Group's achievements in confirming its position as the world's leading premium automobile manufacturer for the 16th consecutive year and setting a new delivery volume record for the ninth consecutive year. Furthermore, the Supervisory Board also considered the Board of Management's decision to successively integrate electrified models into the production system. The focus on flexible plant structures is a prerequisite for the further expansion of electrification. As part of the evaluation of other performance criteria, the Supervisory Board also assessed in particular the Company's ability to adapt to change, measured for example in terms of developments in the area of cooperation arrangements and strategic investments. In the area of Corporate Social Responsibility, consideration was given to the BMW Group's activities to promote children and young people through educational programmes and road safety education as well as to the BMW Group's excellent performance in various sustainability indices over a number of years. The BMW Group's attractiveness as an employer was evaluated by reference to various studies over a period of several years, in which the BMW Group was ranked among the top employers.

	2019		2018	
in € million	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	8.1	37.8	8.2	34.2
Variable cash compensation	12.6	58.9	15.0	62.5
Share-based compensation component*	0.7	3.3	0.8	3.3
Total compensation	**21.4**	**100.0**	**24.0**	**100.0**

* Matching component; provisional number/cash value calculated at grant date (date on which the entitlement became binding in accordance with German Accounting Standard 17 (DRS 17)). The final number of matching shares is determined in each case when the requirement to invest in BMW AG common stock has been fulfilled.

The following table shows the compensation of the members of the Board of Management in accordance with commercial law and the accounting principles required to be applied.

Compensation of the individual members of the Board of Management for the financial year 2019 (2018)

in € or number of matching shares	Fixed compensation			Variable cash compensation		
	Base salary	Other compensation	Total	Bonus	Share-based compensation component (investment component)	Performance Cash Plan 2018–2020[8]
Oliver Zipse[1]	1,269,892	50,947	1,320,839	1,404,380	631,971	–
	(900,000)	(24,994)	(924,994)	(1,231,200)	(554,040)	(–)
Harald Krüger[2]	1,122,581	87,597	1,210,178	1,279,742	575,884	–
	(1,800,000)	(22,392)	(1,822,392)	(2,332,800)	(1,049,760)	(–)
Milagros Caiña Carreiro-Andree[3]	791,667	60,607	852,274	899,500	404,775	–
	(950,000)	(74,964)	(1,024,964)	(1,296,000)	(583,200)	(–)
Klaus Fröhlich	950,000	71,822	1,021,822	1,079,400	485,730	–
	(950,000)	(64,033)	(1,014,033)	(1,296,000)	(583,200)	(–)
Ilka Horstmeier[4]	133,333	29,375	162,708	152,915	68,812	–
	(–)	(–)	(–)	(–)	(–)	(–)
Milan Nedeljković[5]	200,000	5,105	205,105	229,373	103,218	–
	(–)	(–)	(–)	(–)	(–)	(–)
Pieter Nota	800,000	20,782	820,782	917,490	412,871	–
	(800,000)	(90,369)	(890,369)	(1,101,600)	(495,720)	(–)
Nicolas Peter	800,000	29,988	829,988	917,490	412,871	–
	(800,000)	(38,612)	(838,612)	(1,101,600)	(495,720)	(–)
Peter Schwarzenbauer[6]	791,667	37,347	829,014	899,500	404,775	–
	(950,000)	(51,777)	(1,001,777)	(1,296,000)	(583,200)	(–)
Andreas Wendt	800,000	102,701	902,701	917,490	412,871	–
	(200,000)	(13,029)	(213,029)	(275,400)	(123,930)	(–)
Total[7]	7,659,140	496,271	8,155,411	8,697,280	3,913,778	–
	(7,801,613)	(421,209)	(8,222,822)	(10,350,938)	(4,657,922)	(–)

[1] Member of the Board of Management since 13 May 2015, Chairman of the Board of Management since 16 August 2019.
[2] Member and Chairman of the Board of Management until 15 August 2019.
[3] Member of the Board of Management until 31 October 2019.
[4] Member of the Board of Management since 1 November 2019.
[5] Member of the Board of Management since 1 October 2019.
[6] Member of the Board of Management until 31 October 2019.
[7] Disclosures for the previous year include amounts relating to a member of the Board of Management who left office with effect from the end of the financial year 2018.
[8] PCP is paid out after the end of the relevant three-year evaluation period.
[9] Provisional amount/cash value calculated at grant date (date on which the entitlement became binding in law in accordance with German Accounting Standard 17 (DRS 17).
The final number of matching shares is determined in each case when the requirement to invest in BMW AG common stock has been fulfilled. See note 41 to the Group Financial Statements for a description of the accounting treatment of the share-based compensation component.

Variable cash compensation		Share-based compensation component (matching component)[9]		Compensation Total	
Performance Cash Plan 2019–2021[8]	Total	Number	Monetary value		
–	2,036,351	1,725	103,037	3,460,227	Oliver Zipse[1]
(–)	(1,785,240)	(1,045)	(90,288)	(2,800,522)	
–	1,855,626	1,346	93,870	3,159,674	Harald Krüger[2]
(–)	(3,382,560)	(1,981)	(171,158)	(5,376,110)	
–	1,304,275	1,016	70,856	2,227,405	Milagros Caiña Carreiro-Andree[3]
(–)	(1,879,200)	(1,181)	(102,038)	(3,006,202)	
–	1,565,130	1,135	79,155	2,666,107	Klaus Fröhlich
(–)	(1,879,200)	(1,100)	(95,040)	(2,988,273)	
–	221,727	173	12,013	396,448	Ilka Horstmeier[4]
(–)	(–)	(–)	(–)	(–)	
–	332,591	280	18,026	555,722	Milan Nedeljković[5]
(–)	(–)	(–)	(–)	(–)	
–	1,330,361	1,036	72,251	2,223,394	Pieter Nota
(–)	(1,597,320)	(1,004)	(86,746)	(2,574,435)	
–	1,330,361	965	67,299	2,227,648	Nicolas Peter
(–)	(1,597,320)	(935)	(80,784)	(2,516,716)	
–	1,304,275	1,016	70,856	2,204,145	Peter Schwarzenbauer[6]
(–)	(1,879,200)	(1,181)	(102,038)	(2,983,015)	
–	1,330,361	1,036	72,251	2,305,313	Andreas Wendt
(–)	(399,330)	(277)	(21,645)	(634,004)	
–	12,611,058	9,728	659,614	21,426,083	Total[7]
(–)	(15,008,860)	(9,087)	(782,828)	(24,014,510)	

In addition to the disclosures required by German commercial law and the accounting principles required to be applied, the following tables show the amounts awarded and payments made to individual members of the Board of Management in accordance with the requirements of the German Corporate Governance Code in the version dated 7 February 2017.

Oliver Zipse
Chairman of the Board of Management since 16 August 2019
Member of the Board of Management since 13 May 2015

in €	Grants FY 2019	Grants FY 2019 (Min)	Grants FY 2019 (Max)	Grants FY 2018	Payout FY 2019	Payout FY 2018
BASE SALARY						
Fixed compensation	1,269,892	1,269,892	1,269,892	900,000	1,269,892	900,000
Fringe benefits (other compensation)	50,947	50,947	50,947	24,994	50,947	24,994
Total	**1,320,839**	**1,320,839**	**1,320,839**	**924,994**	**1,320,839**	**924,994**
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	390,323	0	702,581	285,000	311,477	433,200
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	665,000	–	798,000
Performance component of the bonus 2019 (three-year plan term)[1]	910,753	0	1,639,355	–	1,092,903	–
Performance Cash Plan						
PCP 2018–2020[2]	–	–	–	916,667	–	566,666
PCP 2019–2021[2]	1,194,624	0	2,150,323		712,900	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019–2023[1]	–	–	–	427,500	–	554,040
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024[1]	585,484	0	1,053,871	–	631,971	–
Share-based remuneration component (matching component) 2015 for holding obligation 2016–2020	–	–	–	–	–	–
Share-based remuneration component (matching component) 2016 for holding obligation 2017–2021	–	–	–	–	–	–
Share-based remuneration component (matching component) 2017 for holding obligation 2018–2022	–	–	–	–	–	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019–2023	–	–	–	90,288	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	103,037	0	526,935	–	–	–
Other	–	–	–	–	–	–
Total	**4,505,060**	**1,320,839**	**7,393,904**	**3,309,449**	**4,070,090**	**3,276,900**
Pension expense[3]	406,452	406,452	406,452	353,289	406,452	353,289
Total compensation	**4,911,512**	**1,727,291**	**7,137,097[4]**	**3,662,738**	**4,476,542**	**3,630,189**

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019–2021 and the PCP 2018–2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

Harald Krüger

Chairman of the Board of Management
13 May 2015 until 15 August 2019
Member of the Board of Management
since 1 December 2008 until 13 May 2015

	Grants				Payout	
in €	FY 2019	FY 2019 (Min)	FY 2019 (Max)	FY 2018	FY 2019	FY 2018
BASE SALARY						
Fixed compensation	1,122,581	1,122,581	1,122,581	1,800,000	1,122,581	1,800,000
Fringe benefits (other compensation)	87,597	87,597	87,597	22,392	87,597	22,392
Total	**1,210,178**	**1,210,178**	**1,210,178**	**1,822,392**	**1,210,178**	**1,822,392**
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	336,774	336,774	606,194	540,000	336,774	820,000
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	1,260,000	–	1,512,000
Performance component of the bonus 2019 (three-year plan term)[1]	903,677	903,677	1,414,452	–	942,968	–
Performance Cash Plan						
PCP 2018 – 2020[2]	–	–	–	1,600,000	–	900,000
PCP 2019 – 2021[2]	997,849	0	1,796,129	–	561,290	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019 – 2023[1]	–	–	–	810,000	–	1,049,760
Cash remuneration component (investment component) 2019 for holding obligation 2020 – 2024[1]	558,203	558,203	909,290	–	575,884	–
Share-based remuneration component (matching component) 2013 for holding obligation 2014 – 2018	–	–	–	–	–	88,157
Share-based remuneration component (matching component) 2014 for holding obligation 2015 – 2019	–	–	–	–	57,105	–
Share-based remuneration component (matching component) 2015 for holding obligation 2016 – 2020	–	–	–	–	–	–
Share-based remuneration component (matching component) 2016 for holding obligation 2017 – 2021	–	–	–	–	–	–
Share-based remuneration component (matching component) 2017 for holding obligation 2018 – 2022	–	–	–	–	–	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019 – 2023	–	–	–	171,158	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020 – 2024	93,870	91,011	454,645	–	–	–
Other	–	–	–	–	–	–
Total	**4,100,551**	**3,099,843**	**6,390,888**	**6,203,550**	**3,684,199**	**6,192,309**
Pension expense[3]	316,758	316,758	316,758	504,831	316,758	504,831
Total compensation	**4,417,309**	**3,416,601**	**6,143,011[4]**	**6,708,381**	**4,000,957**	**6,697,140**

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019 – 2021 and the PCP 2018 – 2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

Milagros Caiña Carreiro-Andree

Human Resources, Industrial Relations Director
Member of the Board of Management
1 July 2012 until 31 October 2019

	Grants				Payout	
in €	FY 2019	FY 2019 (Min)	FY 2019 (Max)	FY 2018	FY 2019	FY 2018
BASE SALARY						
Fixed compensation	791,667	791,667	791,667	950,000	791,667	950,000
Fringe benefits (other compensation)	60,607	60,607	60,607	74,964	60,607	74,964
Total	**852,274**	**852,274**	**852,274**	**1,024,964**	**852,274**	**1,024,964**
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	250,000	0	450,000	300,000	199,500	456,000
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	700,000	–	840,000
Performance component of the bonus 2019 (three-year plan term)[1]	700,000	700,000	1,050,000	–	700,000	–
Performance Cash Plan						
PCP 2018–2020[2]	–	–	–	950,000	–	600,000
PCP 2019–2021[2]	791,667	0	1,425,000	–	500,000	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019–2023[1]	–	–	–	450,000	–	583,200
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024[1]	375,000	315,000	675,000	–	404,775	–
Share-based remuneration component (matching component) 2013 for holding obligation 2014–2018	–	–	–	–	–	81,130
Share-based remuneration component (matching component) 2014 for holding obligation 2015–2019	–	–	–	–	52,520	–
Share-based remuneration component (matching component) 2015 for holding obligation 2016–2020	–	–	–	–	–	–
Share-based remuneration component (matching component) 2016 for holding obligation 2017–2021	–	–	–	–	–	–
Share-based remuneration component (matching component) 2017 for holding obligation 2018–2022	–	–	–	–	–	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019–2023	–	–	–	102,038	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	70,856	55,095	337,500	–	–	–
Other	–	–	–	–	–	–
Total	**3,039,797**	**1,922,369**	**4,789,774**	**3,527,002**	**2,709,069**	**3,585,294**
Pension expense[3]	295,446	295,446	295,446	354,224	295,446	354,224
Total compensation	**3,335,243**	**2,217,815**	**4,583,333[4]**	**3,881,226**	**3,004,515**	**3,939,518**

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019–2021 and the PCP 2018–2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

Klaus Fröhlich
Development
Member of the Board of Management
since 9 December 2014

in €	Grants FY 2019	Grants FY 2019 (Min)	Grants FY 2019 (Max)	Grants FY 2018	Payout FY 2019	Payout FY 2018
BASE SALARY						
Fixed compensation	950,000	950,000	950,000	950,000	950,000	950,000
Fringe benefits (other compensation)	71,822	71,822	71,822	64,033	71,822	64,033
Total	1,021,822	1,021,822	1,021,822	1,014,033	1,021,822	1,014,033
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	300,000	0	540,000	300,000	239,400	456,000
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	700,000	–	840,000
Performance component of the bonus 2019 (three-year plan term)[1]	700,000	0	1,260,000	–	840,000	–
Performance Cash Plan						
PCP 2018 – 2020[2]	–	–	–	950,000	–	600,000
PCP 2019 – 2021[2]	950,000	0	1,710,000	–	600,000	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019 – 2023[1]	–	–	–	450,000	–	583,200
Cash remuneration component (investment component) 2019 for holding obligation 2020 – 2024[1]	450,000	0	810,000	–	485,730	–
Share-based remuneration component (matching component) 2014 for holding obligation 2015 – 2019	–	–	–	–	2,966	–
Share-based remuneration component (matching component) 2015 for holding obligation 2016 – 2020	–	–	–	–	–	–
Share-based remuneration component (matching component) 2016 for holding obligation 2017 – 2021	–	–	–	–	–	–
Share-based remuneration component (matching component) 2017 for holding obligation 2018 – 2022	–	–	–	–	–	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019 – 2023	–	–	–	95,040	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020 – 2024	79,155	0	405,000	–	–	–
Other	–	–	–	–	–	–
Total	3,500,977	1,021,822	5,746,822	3,509,073	3,189,918	3,493,233
Pension expense[3]	353,327	353,327	353,327	353,119	353,327	353,119
Total compensation	3,854,304	1,375,149	5,500,000[4]	3,862,192	3,543,245	3,846,352

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019 – 2021 and the PCP 2018 – 2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

Ilka Horstmeier

Human Resources, Industrial Relations Director
Member of the Board of Management
since 1 November 2019

in €	Grants FY 2019	Grants FY 2019 (Min)	Grants FY 2019 (Max)	Grants FY 2018	Payout FY 2019	Payout FY 2018
BASE SALARY						
Fixed compensation	133,333	133,333	133,333	–	133,333	–
Fringe benefits (other compensation)	29,375	29,375	29,375	–	29,375	–
Total	**162,708**	**162,708**	**162,708**	**–**	**162,708**	**–**
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	42,500	0	76,500	–	33,915	–
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	–	–	–
Performance component of the bonus 2019 (three-year plan term)[1]	99,167	0	178,500	–	119,000	–
Performance Cash Plan						
PCP 2018–2020[2]	–	–	–	–	–	–
PCP 2019–2021[2]	141,667	0	255,000	–	0	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019–2023[1]	–	–	–	–	–	–
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024[1]	63,750	0	114,750	–	68,812	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	12,013	0	57,417	–	–	–
Other	–	–	–	–	–	–
Total	**521,805**	**162,708**	**844,875**	**–**	**384,435**	**–**
Pension expense[3]	58,333	58,333	58,333	–	58,333	–
Total compensation	**580,138**	**221,041**	**820,833[4]**	**–**	**442,768**	**–**

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019–2021 and the PCP 2018–2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

Milan Nedeljković
Production
Member of the Board of Management
since 1 October 2019

in €	Grants FY 2019	Grants FY 2019 (Min)	Grants FY 2019 (Max)	Grants FY 2018	Payout FY 2019	Payout FY 2018
BASE SALARY						
Fixed compensation	200,000	200,000	200,000	–	200,000	–
Fringe benefits (other compensation)	5,105	5,105	5,105	–	5,105	–
Total	**205,105**	**205,105**	**205,105**	**–**	**205,105**	**–**
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	63,750	0	114,750	–	50,873	–
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	–	–	–
Performance component of the bonus 2019 (three-year plan term)[1]	148,750	0	267,750	–	178,500	–
Performance Cash Plan						
PCP 2018–2020[2]	–	–	–	–	–	–
PCP 2019–2021[2]	212,500	0	382,500	–	0	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019–2023[1]	–	–	–	–	–	–
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024[1]	95,625	0	172,125	–	103,218	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	18,026	0	86,125	–	–	–
Other	–	–	–	–	–	–
Total	**743,756**	**205,105**	**1,228,355**	**–**	**537,696**	**–**
Pension expense[3]	87,500	87,500	87,500	–	87,500	–
Total compensation	**831,256**	**292,605**	**1,231,250[4]**	**–**	**625,196**	**–**

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019–2021 and the PCP 2018–2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

Pieter Nota
Customer, Brands, Sales
Member of the Board of Management
since 1 April 2018

in €	Grants FY 2019	Grants FY 2019 (Min)	Grants FY 2019 (Max)	Grants FY 2018	Payout FY 2019	Payout FY 2018
BASE SALARY						
Fixed compensation	800,000	800,000	800,000	800,000	800,000	800,000
Fringe benefits (other compensation)	20,782	20,782	20,782	90,396	20,782	90,396
Total	**820,782**	**820,782**	**820,782**	**890,396**	**820,782**	**890,396**
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	255,000	0	459,000	255,000	203,490	387,600
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	595,000	–	714,000
Performance component of the bonus 2019 (three-year plan term)[1]	595,000	0	1,071,000	–	714,000	–
Performance Cash Plan						
PCP 2018–2020[2]	–	–	–	850,000	–	500,000
PCP 2019–2021[2]	850,000	0	1,530,000	–	500,000	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019–2023[1]	–	–	–	382,500	–	495,720
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024[1]	382,500	0	688,500	–	412,871	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019–2023	–	–	–	86,746	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	72,251	0	344,500	–	–	–
Other	–	–	–	–	–	–
Total	**2,975,533**	**820,782**	**4,913,782**	**3,059,642**	**2,651,143**	**2,987,716**
Pension expense[3]	359,979	359,979	359,979	350,000	359,979	350,000
Total compensation	**3,335,512**	**1,180,761**	**4,925,000[4]**	**3,409,642**	**3,011,122**	**3,337,716**

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019–2021 and the PCP 2018–2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

Nicolas Peter

Finance
Member of the Board of Management
since 1 January 2017

in €	Grants FY 2019	Grants FY 2019 (Min)	Grants FY 2019 (Max)	Grants FY 2018	Payout FY 2019	Payout FY 2018
BASE SALARY						
Fixed compensation	800,000	800,000	800,000	800,000	800,000	800,000
Fringe benefits (other compensation)	29,988	29,988	29,988	38,612	29,988	38,612
Total	829,988	829,988	829,988	838,612	829,988	838,612
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	255,000	0	459,000	255,000	203,490	387,600
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	595,000	–	714,000
Performance component of the bonus 2019 (three-year plan term)[1]	595,000	0	1,071,000	–	714,000	–
Performance Cash Plan						
PCP 2018 – 2020[2]	–	–	–	850,000	–	500,000
PCP 2019 – 2021[2]	850,000	0	1,530,000	–	500,000	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019 – 2023[1]	–	–	–	382,500	–	495,720
Cash remuneration component (investment component) 2019 for holding obligation 2020 – 2024[1]	382,500	0	688,500	–	412,871	–
Share-based remuneration component (matching component) 2017 for holding obligation 2018 – 2022	–	–	–	–	–	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019 – 2023	–	–	–	80,784	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020 – 2024	67,299	0	344,500	–	–	–
Other	–	–	–	–	–	–
Total	2,979,787	829,988	4,922,988	3,001,896	2,660,349	2,935,932
Pension expense[3]	353,327	353,327	353,327	353,119	353,327	353,119
Total compensation	3,333,114	1,183,315	4,925,000[4]	3,355,015	3,013,676	3,289,051

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019 – 2021 and the PCP 2018 – 2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

Peter Schwarzenbauer

Transformation Electromobility
Member of the Board of Management
since 1 April 2013 until 31 October 2019

in €	Grants FY 2019	Grants FY 2019 (Min)	Grants FY 2019 (Max)	Grants FY 2018	Payout FY 2019	Payout FY 2018
BASE SALARY						
Fixed compensation	791,667	791,667	791,667	950,000	791,667	950,000
Fringe benefits (other compensation)	37,347	37,347	37,347	51,777	37,347	51,777
Total	**829,014**	**829,014**	**829,014**	**1,001,777**	**829,014**	**1,001,777**
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	250,000	0	450,000	300,000	199,500	456,000
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	700,000	–	840,000
Performance component of the bonus 2019 (three-year plan term)[1]	583,333	0	1,050,000	–	700,000	–
Performance Cash Plan						
PCP 2018–2020[2]	–	–	–	950,000	–	600,000
PCP 2019–2021[2]	791,667	0	1,425,000	–	500,000	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019–2023[1]	–	–	–	450,000	–	583,200
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024[1]	375,000	0	675,000	–	404,775	–
Share-based remuneration component (matching component) 2013 for holding obligation 2014–2018	–	–	–	–	–	60,779
Share-based remuneration component (matching component) 2014 for holding obligation 2015–2019	–	–	–	–	52,520	–
Share-based remuneration component (matching component) 2015 for holding obligation 2016–2020	–	–	–	–	–	–
Share-based remuneration component (matching component) 2016 for holding obligation 2017–2021	–	–	–	–	–	–
Share-based remuneration component (matching component) 2017 for holding obligation 2018–2022	–	–	–	–	–	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019–2023	–	–	–	102,038	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	70,856	0	337,500	–	–	–
Other	–	–	–	–	–	–
Total	**2,899,870**	**829,014**	**4,766,514**	**3,503,815**	**2,685,809**	**3,541,756**
Pension expense[3]	291,667	291,667	291,667	353,119	291,667	353,119
Total compensation	**3,191,537**	**1,120,681**	**4,583,333[4]**	**3,856,934**	**2,977,476**	**3,894,875**

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019–2021 and the PCP 2018–2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

Andreas Wendt
Purchasing and Supplier Network
Member of the Board of Management
since 1 October 2018

in €	Grants				Payout	
	FY 2019	FY 2019 (Min)	FY 2019 (Max)	FY 2018	FY 2019	FY 2018
BASE SALARY						
Fixed compensation	**800,000**	800,000	800,000	200,000	**800,000**	200,000
Fringe benefits (other compensation)	**102,701**	102,701	102,701	13,029	**102,701**	13,029
Total	**902,701**	**902,701**	**902,701**	**213,029**	**902,701**	**213,029**
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus[1]	**255,000**	0	459,000	63,750	**203,490**	96,900
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2018 (three-year plan term)[1]	–	–	–	148,750	–	178,500
Performance component of the bonus 2019 (three-year plan term)[1]	**595,000**	0	1,071,000	–	**714,000**	–
Performance Cash Plan						
PCP 2018 – 2020[2]	–	–	–	212,500	–	0
PCP 2019 – 2021[2]	**850,000**	0	1,530,000	–	**0**	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2018 for holding obligation 2019 – 2023[1]	–	–	–	95,625	–	123,930
Cash remuneration component (investment component) 2019 for holding obligation 2020 – 2024[1]	**382,500**	0	688,500	–	**412,871**	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019 – 2023	–	–	–	21,645	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020 – 2024	**72,251**	0	344,500	–	–	–
Other	–	–	–	–	–	–
Total	**3,057,452**	**902,701**	**4,995,701**	**755,299**	**2,233,062**	**612,359**
Pension expense[3]	**353,327**	353,327	353,327	132,500	**353,327**	132,500
Total compensation	**3,410,779**	**1,256,028**	**4,925,000**[4]	**887,799**	**2,586,389**	**744,859**

[1] The bonus and cash remuneration component reported for the financial years 2019 and 2018 in accordance with the German Corporate Governance Code will be paid in 2020 and 2019 respectively.
[2] Advance payments relating to the PCP 2019 – 2021 and the PCP 2018 – 2020 reported for the 2019 and 2018 financial years will be paid in 2020 or 2019.
[3] Pension expense measured in accordance with IAS 19 reflects the expense recognised by the Company; this amount was not paid in the financial year.
[4] Agreed cap. The cap is lower than the sum of the maximum amounts of the various individual components.

For financial years from 2018 onwards, a new variable compensation component was introduced in the form of the Performance Cash Plan. The PCP is paid out after the end of the relevant three-year evaluation period. In the case of the PCP for the financial year 2019, the evaluation period covers the financial years 2019 to 2021. The target amount for the PCP 2019 – 2021 is €1.195 million for Mr Zipse, €0.95 million for Mr Fröhlich, €0.142 million for Ms Horstmeier, €0.213 million for Mr Nedeljković and €0.85 million each for Mr Nota, Dr Peter and Dr Wendt. The proportionate amount of the target amount is €0.998 million for Mr Krüger and €0.792 million each for Ms Caiña Carreiro-Andree and Mr Schwarzenbauer. Due to the fact that the criteria for the evaluation period 2019 to 2021 have not yet been fully met, this component is not included in variable compensation for the financial year 2019.

In the financial year 2019, advance payments totalling €4.27 million were made to the members of the Board of Management, who belonged to the Board at 1 January 2018, for the PCP 2018 – 2020. This figure includes advance payments to Mr Krüger, Ms Caiña Carreiro-Andree and Mr Schwarzenbauer totalling €2.10 million.

At the end of each relevant evaluation period, the advance payments are set off or repaid, depending on the amount then determined. In the financial year 2019, an expense of €8.3 million (2018: €5.3 million) was recognised for the PCP in accordance with IAS 19.

Members of the Board of Management hold a total of 92,519 shares of BMW common stock (2018: 65,690) which are subject to holding requirements relating to the financial years 2015 – 2018 (cash remuneration components 2015 – 2018). The cash remuneration component for the financial year 2019 will be paid after the Annual General Meeting 2020. The purchase of shares of BMW common stock takes place immediately thereafter.

Shares of BMW common stock held by individual members of the Board of Management subject to holding requirements in connection with share-based remuneration for the financial years 2015 – 2018[1]

in €	Total[1]
Oliver Zipse[2]	11,938
	(7,821)
Harald Krüger[3]	24,788
	(19,528)
Milagros Caiña Carreiro-Andree[4]	15,608
	(13,294)
Klaus Fröhlich	13,305
	(9,106)
Ilka Horstmeier[5]	–
	(–)
Milan Nedeljković[6]	–
	(–)
Pieter Nota	3,954
	(–)
Nicolas Peter	6,736
	(3,053)
Peter Schwarzenbauer[7]	15,202
	(12,888)
Andreas Wendt	988
	(–)
Total	92,519
	(65,690)

[1] Only takes into account shares of BMW common stock acquired with the cash remuneration component relating to the Board of Management's share-based remuneration programme and for which the four-year holding requirement has not yet expired.
[2] Member of the Board of Management since 13 May 2015, Chairman of the Board of Management since 16 August 2019.
[3] Member and Chairman of the Board of Management until 15 August 2019.
[4] Member of the Board of Management until 31 October 2019.
[5] Member of the Board of Management since 1 November 2019.
[6] Member of the Board of Management since 1 October 2019.
[7] Member of the Board of Management until 31 October 2019.

In addition, an expense of €2.9 million (2018: €3.4 million) was recognised in the financial year 2019 for current members of the Board of Management for the period after the end of their service relationship. This relates to the expense for allocations to pension provisions in accordance with IAS 19.

Total benefits paid to former members of the Board of Management and their surviving dependants for the financial year 2019 amounted to €16.0 million (2018: €9.2 million). This total figure of former members of the Board of Management also includes amounts totalling €10.3 million, as reported above, in connection with the departure of Mr Krüger, Ms Caiña Carreiro-Andree and Mr Schwarzenbauer from the Board of Management. Some of these amounts have not yet been paid.

Pension obligations to former members of the Board of Management and their surviving dependants are fully covered by pension provisions amounting to €113.1 million (2018: €91.0 million), recognised in accordance with IAS 19.

Share-based component of the individual members of the Board of Management for the financial year 2019 (2018)[1]

in €	Expense in 2019 in accordance with HGB and IFRS	Provision at 31.12.2019 in accordance with HGB and IFRS[1]
Oliver Zipse[2]	**135,272**	**358,043**
	(29,002)	(222,771)
Harald Krüger[3]	**170,267**	**571,504**
	(30,821)	(458,341)
Milagros Caiña Carreiro-Andree[4]	**143,912**	**359,649**
	(46,218)	(268,257)
Klaus Fröhlich	**104,384**	**356,008**
	(–19,097)	(254,591)
Ilka Horstmeier[5]	**668**	**668**
	(–)	(–)
Milan Nedeljković[6]	**1,516**	**1,516**
	(–)	(–)
Pieter Nota	**76,736**	**100,397**
	(23,661)	(23,661)
Nicolas Peter	**150,428**	**231,415**
	(51,812)	(80,987)
Peter Schwarzenbauer[7]	**139,649**	**441,254**
	(32,264)	(354,125)
Andreas Wendt	**34,672**	**36,304**
	(1,632)	(1,632)
Total[8]	**957,504**	**2,456,758**
	(274,927)	(1,786,110)

[1] Provisional number or provisional monetary value calculated on the basis of the closing price of BMW common stock in the Xetra trading system on 30 December 2019 (€73.14) (fair value at reporting date).
[2] Member of the Board of Management since 13 May 2015, Chairman of the Board of Management since 16 August 2019.
[3] Member and Chairman of the Board of Management until 15 August 2019.
[4] Member of the Board of Management until 31 October 2019.
[5] Member of the Board of Management since 1 November 2019.
[6] Member of the Board of Management since 1 October 2019.
[7] Member of the Board of Management until 31 October 2019.
[8] Disclosures for the previous year include amounts relating to a member of the Board of Management who left office during the financial year 2018.

Pension entitlements

in €	Service cost in accordance with IFRS for the financial year 2019[1]	Service cost in accordance with HGB for the financial year 2019[1]	Defined benefit obligation IFRS[1]	Defined benefit obligation HGB[1]
Oliver Zipse[2]	**406,452**	**406,452**	**3,054,273**	**3,054,125**
	(353,289)	(356,550)	(2,298,444)	(2,298,405)
Harald Krüger[3]	**316,758**	**319,966**	**7,259,148**	**7,259,148**
	(504,831)	(509,486)	(5,753,913)	(5,753,776)
Milagros Caiña Carreiro-Andree[4]	**295,446**	**297,688**	**3,463,676**	**3,463,676**
	(354,224)	(357,468)	(2,561,031)	(2,560,943)
Klaus Fröhlich	**353,327**	**355,573**	**3,256,267**	**3,256,267**
	(353,119)	(356,382)	(2,660,630)	(2,660,630)
Ilka Horstmeier[5]	**58,333**	**58,333**	**993,548**	**992,662**
	(–)	(–)	(–)	(–)
Milan Nedeljković[6]	**87,500**	**87,500**	**1,421,605**	**1,421,152**
	(–)	(–)	(–)	(–)
Pieter Nota	**359,979**	**362,125**	**760,562**	**760,306**
	(350,000)	(350,000)	(350,276)	(350,041)
Nicolas Peter	**353,327**	**355,573**	**2,656,550**	**2,656,550**
	(353,119)	(356,382)	(2,004,567)	(2,004,567)
Peter Schwarzenbauer[7]	**291,667**	**291,667**	**2,682,925**	**2,682,925**
	(353,119)	(356,382)	(2,188,161)	(2,188,159)
Andreas Wendt	**353,327**	**355,573**	**2,414,082**	**2,414,082**
	(132,500)	(132,500)	(1,886,766)	(1,886,766)
Total[8]	**2,876,116**	**2,890,450**	**27,962,636**	**27,960,893**
	(2,754,201)	(2,775,150)	(19,703,788)	(19,703,287)

[1] Service cost differs due to the different valuation bases used to measure pension obligations for HGB purposes (expected settlement amount) and for IFRS purposes (present value of the defined benefit obligation).
[2] Member of the Board of Management since 13 May 2015, Chairman of the Board of Management since 16 August 2019.
[3] Member and Chairman of the Board of Management until 15 August 2019.
[4] Member of the Board of Management until 31 October 2019.
[5] Member of the Board of Management since 1 November 2019.
[6] Member of the Board of Management since 1 October 2019.
[7] Member of the Board of Management until 31 October 2019.
[8] Prior year's figures comprise only members of the Board of Management at 31 December 2018.

2. Supervisory Board compensation

Responsibilities, provisions of Articles of Incorporation

The compensation of the Supervisory Board is specified either by a resolution of the shareholders at the Annual General Meeting or in the Articles of Incorporation. The compensation provisions valid for the financial year under report were resolved by shareholders at the Annual General Meeting on 14 May 2013 and are set out in Article 15 of BMW AG's Articles of Incorporation, which are available at → www.bmwgroup.com within the section "Company" (menu items "Company Portrait" and "Corporate Governance") as well as in "BMW Group Download Centre".

Compensation principles, compensation components

The Supervisory Board of BMW AG receives a fixed compensation component as well as an earnings-related compensation component, which is oriented toward sustainable growth. The earnings-related component is based on average earnings per share of common stock for the remuneration year and the two preceding financial years.

The fixed and earnings-related components in combination are intended to ensure that the compensation of Supervisory Board members is appropriate in relation to the tasks of Supervisory Board members and the Company's financial condition and also takes account of the Company's performance over several years.

In accordance with the Articles of Incorporation, each member of BMW AG's Supervisory Board receives, in addition to the reimbursement of reasonable expenses, a fixed amount of €70,000 (payable at the end of the year) as well as earnings-related compensation of €170 for each full €0.01 by which the average amount of (undiluted) earnings per share (EPS) of common stock reported in the Group Financial Statements for the remuneration year and the two preceding financial years exceeds a minimum amount of €2.00, payable after the Annual General Meeting held in the following year. An upper limit corresponding to twice the amount of the fixed compensation is in place for the earnings-related compensation. The limit for a member of the Supervisory Board with no additional compensation-relevant function is set at €140,000.

With fixed compensation elements and an earnings-related compensation component oriented toward sustainable growth, the compensation structure in place for BMW AG's Supervisory Board complies with the recommendation on supervisory board compensation contained in section 5.4.6 paragraph 2 sentence 2 of the German Corporate Governance Code (version dated 7 February 2017).

The German Corporate Governance Code (version dated 7 February 2017) also recommends in section 5.4.6 paragraph 1 sentence 2 that the exercising of chair and deputy chair positions in the Supervisory Board as well as the chair and membership of committees should also be considered in the compensation.

Accordingly, the Articles of Incorporation of BMW AG stipulate that the Chairman of the Supervisory Board shall receive three times the amount and each Deputy Chairman shall receive twice the amount of the remuneration of a Supervisory Board member. Each chairman of the Supervisory Board's committees receives twice the amount and each member of a committee receives one-and-a-half times the amount of the remuneration of a Supervisory Board member, provided the relevant committee convened for meetings on at least three days during the financial year. If a member of the Supervisory Board exercises more than one of the functions referred to above, the compensation is measured only on the basis of the function that is remunerated with the highest amount.

In addition, each member of the Supervisory Board receives an attendance fee of €2,000 for each full meeting of the Supervisory Board (Plenum) which the member has attended, payable at the end of the financial year. Attendance at more than one meeting on the same day is not remunerated separately.

The Company also reimburses to each member of the Supervisory Board reasonable expenses and any value-added tax arising on the member's remuneration. The amounts disclosed below are net amounts.

In order to perform his duties, the Chairman of the Supervisory Board has the use of an office, with administrative support, as well as access to the BMW car service.

Total compensation of the Supervisory Board for the financial year 2019

In accordance with Article 15 of the Articles of Incorporation, the compensation of the Supervisory Board for activities during the financial year 2019 totalled €5.6 million (2018: €5.6 million). This includes fixed remuneration of €2.0 million (2018: €2.0 million) and variable remuneration of €3.6 million (2018: €3.6 million). The earnings-related remuneration for the financial year 2019 was capped at the maximum amount stipulated in the Articles of Incorporation.

	2019		2018	
in € million	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	2.0	35.7	2.0	35.7
Variable compensation	3.6	64.3	3.6	64.3
Total compensation	**5.6**	**100.0**	**5.6**	**100.0**

Supervisory Board members did not receive any further compensation or benefits from the BMW Group for advisory or agency services personally rendered.

Compensation of the individual members of the Supervisory Board for the financial year 2019 (2018)

in €	Fixed compensation	Attendance fee	Variable compensation	Total
Norbert Reithofer (Chairman)	**210,000**	**10,000**	**420,000**	**640,000**
	(210,000)	(10,000)	(420,000)	(640,000)
Manfred Schoch (Deputy Chairman)[1]	**140,000**	**10,000**	**280,000**	**430,000**
	(140,000)	(10,000)	(280,000)	(430,000)
Stefan Quandt (Deputy Chairman)	**140,000**	**10,000**	**280,000**	**430,000**
	(140,000)	(10,000)	(280,000)	(430,000)
Stefan Schmid (Deputy Chairman)[1]	**140,000**	**10,000**	**280,000**	**430,000**
	(140,000)	(8,000)	(280,000)	(428,000)
Karl-Ludwig Kley (Deputy Chairman)	**140,000**	**8,000**	**280,000**	**428,000**
	(140,000)	(10,000)	(280,000)	(430,000)
Christiane Benner[1]	**70,000**	**10,000**	**140,000**	**220,000**
	(70,000)	(8,000)	(140,000)	(218,000)
Kurt Bock	**70,000**	**10,000**	**140,000**	**220,000**
	(43,656)	(8,000)	(87,312)	(138,968)
Verena zu Dohna-Jaeger[1,2]	**43,844**	**8,000**	**87,688**	**139,532**
	(–)	(–)	(–)	(–)
Franz Haniel[3]	**26,344**	**2,000**	**52,688**	**81,032**
	(70,000)	(8,000)	(140,000)	(218,000)
Ralf Hattler[3]	**26,344**	**2,000**	**52,688**	**81,032**
	(70,000)	(10,000)	(140,000)	(220,000)
Heinrich Hiesinger	**70,000**	**10,000**	**140,000**	**220,000**
	(70,000)	(10,000)	(140,000)	(220,000)
Reinhard Hüttl[4]	**70,000**	**8,000**	**122,000**[4]	**200,000**
	(70,000)	(10,000)	(120,000)	(200,000)

[1] These employee representatives have – in line with the guidelines of the Deutscher Gewerkschaftsbund – requested that their remuneration be paid into the Hans Böckler-Stiftung.
[2] Member of the Supervisory Board since 16 May 2019.
[3] Member of the Supervisory Board until 16 May 2019.
[4] Due to the requirements of his employer, Prof. Dr. Hüttl has waived his Supervisory Board compensation until further notice, to the extent that such compensation exceeds the amount of €200,000 (excluding value added tax) p.a.

Compensation of the individual members of the Supervisory Board for the financial year 2019 (2018)

in €	Fixed compensation	Attendance fee	Variable compensation	Total
Susanne Klatten	70,000	10,000	140,000	220,000
	(70,000)	(8,000)	(140,000)	(218,000)
Renate Köcher	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(140,000)	(220,000)
Horst Lischka[1]	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(140,000)	(220,000)
Willibald Löw[1]	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(140,000)	(220,000)
Simone Menne	70,000	10,000	140,000	220,000
	(70,000)	(8,000)	(140,000)	(218,000)
Dominique Mohabeer[1]	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(140,000)	(220,000)
Brigitte Rödig[1]	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(140,000)	(220,000)
Vishal Sikka[2]	43,844	8,000	87,688	139,532
	(–)	(–)	(–)	(–)
Jürgen Wechsler[1,3]	26,344	2,000	52,688	81,032
	(70,000)	(8,000)	(140,000)	(218,000)
Thomas Wittig[2]	43,844	8,000	87,688	139,532
	(–)	(–)	(–)	(–)
Werner Zierer[1]	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(140,000)	(220,000)
Total[4]	1,820,564	196,000	3,623,128	5,639,692
	(1,820,188)	(188,000)	(3,620,377)	(5,628,565)

[1] These employee representatives have – in line with the guidelines of the Deutscher Gewerkschaftsbund – requested that their remuneration be paid into the Hans Böckler-Stiftung.
[2] Member of the Supervisory Board since 16 May 2019.
[3] Member of the Supervisory Board until 16 May 2019.
[4] Disclosures for the previous year include amounts relating to a member of the Supervisory Board who left office during the financial year 2018.

Revision of Supervisory Board compensation for financial years from 2020 onwards

The Supervisory Board and Board of Management propose to submit a proposal to the Annual General Meeting 2020 to change Supervisory Board compensation for financial years beginning after 1 January 2020 to an exclusively fixed compensation. The proposal of an exclusively fixed compensation model also corresponds to the new suggestion for supervisory board remuneration put forward by the Government Commission on the German Corporate Governance Code in the Code version dated 16 December 2019, section G.18. The proposed model is intended to strengthen the independent advisory and control function of the Supervisory Board. At the same time, the proposal will also help to simplify the compensation system.

A detailed description of the proposal will be included in the invitation to the Annual General Meeting 2020.

3. Other

With the exception of purchase, rental, leasing and financing contracts for vehicles on customary terms and conditions and the advance payments relating to the PCP 2018 – 2020 described above, neither BMW AG nor any of its subsidiaries granted loans or advances to members of the Board of Management or the Supervisory Board during the financial year 2019, nor were any contingent liabilities entered into on their behalf.

GLOSSARY – EXPLANATION OF KEY FIGURES

Asset-backed financing transactions
A form of corporate financing involving the sale of receivables to a financing company.

Bond
A securitised debt instrument in which the issuer certifies its obligation to repay the nominal amount at the end of a fixed term and to pay a fixed or variable rate of interest.

Business volume in balance sheet terms
The sum of the balance sheet line items "Leased products" and "Receivables from sales financing" (current and non-current), as reported in the balance sheet for the Financial Services segment.

Capital expenditure ratio
Investments in property, plant and equipment and other intangible assets (excluding capitalised development costs) as a percentage of Group revenues.

Capitalisation rate
Capitalised development costs as a percentage of research and development expenditure.

Cash flow
Liquid funds generated (cash inflows) or used (cash outflows) during a reporting period.

Cash flow at risk
Similar to "value at risk" (see definition below).

Cash flow hedge
A hedge against exposures to the variability in forecasted cash flows, particularly in connection with exchange rate fluctuations.

CO_2 fleet emissions
The calculation of average CO_2 fleet emissions of a manufacturer is reported through the weighted average of CO_2 emissions by all vehicles newly registered in the reporting period. The calculation is based on the volume of new registrations of the manufacturer in the EU in the calendar year as well as the individual vehicle-specific CO_2 emissions, which have been calculated based on the WLTP test cycle and adapted to the New European Driving Cycle (NEDC). Additional effects from the recognition of eco-innovations are not taken into consideration in the disclosure of fleet emissions for 2019. For the 2020 forecast, the disclosure relates purely to a reduction of the CO_2 fleet emissions and not the CO_2 fleet limit, which the BMW Group needs to achieve. This means that the recognition of super credits, phase-in and eco-innovations is not part of the forecast.

Commercial paper
Short-term debt instruments with a term of less than one year which are usually issued at a discount to their face value.

Consolidation
The process of combining separate financial statements of Group entities into Group Financial Statements, depicting the financial position, net assets and results of operations of the Group as a single economic entity.

Credit default swap (CDS)
Financial swap agreements, under which creditors of securities (usually bonds) pay premiums to the seller of the CDS to hedge against the risk that the issuer of the bond will default. As with credit default insurance agreements, the party receiving the premiums gives a commitment to compensate the bond creditor in the event of default.

Deliveries
A new or used vehicle will be recorded as a delivery once handed over to the end user (which also includes leaseholders under lease contracts with BMW Financial Services). In the US and Canada, end users also include (1) dealers when they designate a vehicle as a service loaner or demonstrator vehicle and (2) dealers and other third parties when they purchase a company vehicle at auction and dealers when they purchase company vehicles directly from BMW Group. Deliveries may be made by BMW AG, one of its international subsidiaries, a BMW Group retail outlet, or independent third party dealers. The vast majority of deliveries – and hence the reporting to BMW Group of deliveries – is made by independent third party dealers. Retail vehicle deliveries during a given reporting period do not correlate directly to the revenue that BMW Group recognises in respect of such reporting period.

Earnings per share (EPS)
Basic earnings per share are calculated for common and preferred stock by dividing the net profit after minority interests, as attributable to each category of stock, by the average number of shares in circulation. Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years.

EBIT
Abbreviation for “Earnings Before Interest and Taxes”, equivalent in the BMW Group income statement to “Profit/loss before financial result”. This is comprised of revenues less cost of sales, selling and administrative expenses and the net amount of other operating income and expenses.

EBIT margin
Profit/loss before financial result as a percentage of revenues.

EBT
EBIT plus financial result.

Effective tax rate
The effective tax rate is calculated by dividing the income tax expense by the Group profit before tax.

Equity ratio
Equity capital as a percentage of the balance sheet total.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hedge
A hedge against exposures to fluctuations in the fair value of a balance sheet item.

Free cash flow
Free cash flow is derived from cash flows from operating and investing activities. The cash flows from investing activities from the purchase and sale of marketable securities and investment funds is not included. Cash flows from the purchase and sale of shares and the dividend payout from investments accounted for using the equity method are included in the cash flows from investing activities.

Goodwill
Goodwill corresponds to the consideration paid to acquire an entity, less the fair value of the separate assets acquired and liabilities assumed. The buyer is willing to pay the additional amount in return for future expected earnings.

Gross profit margin
Gross profit as a percentage of Group revenues.

Liquidity
Cash and cash equivalents as well as marketable securities and investment funds.

Post-tax return on sales
Group net profit as a percentage of Group revenues.

Pre-tax return on sales
Group profit/loss before tax as a percentage of Group revenues.

Research and development expenditure
The sum of research and non-capitalised development cost and capitalised development cost (not including the associated scheduled amortisation).

Research and development expenditure ratio
Research and development expenditure as a percentage of Group revenues.

Research and development locations
The engineering, IT and process expertise required for the (pre-)development of hardware and software for all BMW Group products and services is combined at the Group's international research and development locations.

Return on capital employed (RoCE)
RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed – at the end of the last five quarters – in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that generally do not incur interest.

Return on equity (RoE)

RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital – at the end of the last five quarters – attributable to the Financial Services segment.

Value at risk

A measure of the potential maximum loss in value of an item during a set time period, based on a specified probability.

Vocational and further training

Comprises in-house vocational training provided by the BMW Group in 11 countries as well as the further training of BMW Group employees and temporary staff working for consolidated companies worldwide.

Workforce size

The BMW Group's workforce comprises the employees of BMW AG and those of all companies in which it holds a majority interest, irrespective of the treatment of those companies for consolidation purposes. Employees with dormant employment contracts, employees in the non-work phases of pre-retirement part-time working arrangements and low-income earners are not included.

RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

Statement pursuant to § 117 No. 1 of the Securities Trading Act (WpHG) in conjunction with § 297 (2) sentence 4 and § 315 (1) sentence 5 of the German Commercial Code (HGB)

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Munich, 16 March 2020

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Oliver Zipse

Klaus Fröhlich

Ilka Horstmeier

Dr. Milan Nedeljković

Pieter Nota

Dr. Nicolas Peter

Dr.-Ing. Andreas Wendt

INDEPENDENT AUDITOR'S REPORT

To Bayerische Motoren Werke Aktiengesellschaft, Munich

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft, Munich, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

— the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and

— the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") 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 Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- Measurement of leased products
- Valuation of receivables from sales financing
- Valuation of provisions for statutory and non-statutory warranty obligations and product guarantees
- Measurement and recognition of YOUR NOW equity investments
- Measurement of provision for risks relating to an EU antitrust proceeding

Our presentation of these key audit matters has been structured in each case as follows:

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter we present the key audit matters:

Measurement of leased products

The BMW Group leases vehicles to end customers under operating leases (leased products). At the balance sheet date, the figure reported under the "leased products" line item for operating leases was EUR 42,609 million (approximately 18.7 % of total assets). Leased products are measured at cost, which is depreciated on a straight-line basis over the lease term to the expected residual value (recoverable amount). A key estimated value for subsequent measurement of leased products is the expected residual value at the end of the lease term. The BMW Group uses internally available data on historical empirical values, current market data and market estimates as well as forecasts by external market research institutes. The estimation of future residual values is subject to judgment due to the large number of assumptions to be made by the executive directors and the amount of data included in the determination.

Against this background and due to the resulting significant uncertainties with regard to estimates in the context of measuring the residual values of the leased products, this matter was of particular significance in the context of our audit.

As part of our audit we obtained an understanding of the development of operating leases, the underlying residual value risks as well as the business processes for the identification, management, monitoring and measurement of residual value risks, among other things by inquiries and inspection of documents related to the internal calculation methods. Furthermore we evaluated the appropriateness and effectiveness of the internal control system, particularly regarding the determination of expected residual values. This included the evaluation of the propriety 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 measurement of the residual values based on the validations carried out by the BMW Group. For this purpose, we inquired with the BMW Group'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. We examined the mathematically correctness of the forecast values using the key calculation steps.

Based on our audit procedures, we were able to satisfy ourselves that the methods and processes for determining the expected residual values of leased products underlying the valuation are appropriate and the assumptions and parameters included in the forecast model for the residual value are appropriate as a whole.

The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 4 and on leased products are contained under note 23.

Valuation of receivables from sales financing

The BMW Group offers end customers, dealerships and importers various financing models for vehicles. In this context, current and non-current receivables from sales financing totaling EUR 92,437 million are reported in the consolidated statement of financial position as at the balance sheet date (approximately EUR 40.4 % of total assets). Impairment losses amounting to EUR 1,099 million were recognized on these receivables as at the balance sheet date. In order to determine the amount of the necessary valuation allowances to be recognized with respect to receivables from sales financing, the BMW Group, among others, evaluates the creditworthiness of the dealers, importers and end customers, as well as any loss ratios, and risk provisioning parameters are derived based on historical default probabilities and loss ratios.

The determination of the valuation allowances by the executive directors is subject to a significant degree of judgment due to several value-influencing factors such as the estimation of creditworthiness, the determination of probabilities of default and loss ratios and was therefore of particular significance in the context of our audit.

As part of our audit we obtained a comprehensive understanding of the development of receivables from sales financing, the associated default-related risks as well as the business processes for the identification, management, monitoring and measurement of default risks, among other things by inquiries and inspection of documents on the internal calculation methods. Furthermore we evaluated the appropriateness and effectiveness of the internal control system regarding the determination of the impairment loss to recognize. In this context, we also evaluated the relevant IT systems and internal processes. The evaluation included an assessment by our IT specialists of the appropriateness of the systems concerned and associated interfaces to ensure the completeness of data as well as the audit of automated controls for data processing. As part of our audit we assessed in particular the appropriateness of the risk classification procedures as well as the risk provisioning parameters used. For this purpose, we analyzed in particular the validations of parameters that are regularly conducted by the Company. To assess the default risk, we also used targeted sampling of individual cases to examine whether the attributes for assignment to the respective risk categories were suitably available and the impairment losses had been calculated using the parameters defined for these risk categories.

In our view, the assumptions and parameters used in the measurement of receivables from sales financing were appropriate overall.

The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 4 and on "receivables from sales financing" are contained under note 25.

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

Provisions for statutory and non-statutory warranty obligations as well as product guarantees are included in the consolidated financial statements of BMW Group as a material amount in other provisions. The provisions amounted to EUR 5,550 million (approximately 2.4 % of total assets) as at December 31, 2019. BMW Group is responsible for the legally required warranty and product guarantees in the respective sales market. In order to estimate the liabilities arising from statutory and non-statutory warranty obligations and product guarantees for vehicles sold, information on the type and volume of damages arising and on remedial measures is recorded and analyzed at vehicle model level. The expected amount of obligations is extrapolated from costs of the past and recognized as a provision in the corresponding amount, if the criteria of IAS 37 have been met. For specific or anticipated individual circumstances, for example recalls, additional provisions are recognized provided they have not already been taken into account.

The determination of provisions is associated with unavoidable estimation uncertainties and is subject to a high risk of change, depending on factors such as notification of detected defects as well as claims made by vehicle owners. Against this background, this matter was of particular significance during our audit.

In order to assess the appropriateness of the valuation method used for the determination of the provisions for statutory and non-statutory warranty obligations as well as product guarantees including the assumptions and parameters, we primarily obtained an understanding of the process for determining the assumptions and parameters through discussions with the responsible employees of the BMW Group. We also evaluated the appropriateness as well as effectiveness of controls for determining the assumptions and parameters. With the involvement of our IT specialists, we checked the IT systems used regarding their compliance. We compared the expenses for claims and technical actions with actual costs incurred in order to draw conclusions on the forecast accuracy. Based on a targeted sample of vehicle models, the mathematically correctness of the valuation model used across the Group was examined. We examined and evaluated the assumptions used by the BMW Group concerning the extent to which the past values were representative of the expected susceptibility of damage, the expected value of damage per vehicle (comprising parts and labor input) as well as the expected assertion of claims from statutory and non-statutory warranties.

In our view, the method for the valuation of provisions for statutory and non-statutory warranty obligations as well as product guarantees is overall appropriate. Taking into consideration the information available, we believe that, overall, the measurement parameters and assumptions used by the executive directors are appropriate.

The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 4 and on "Other provisions" are contained under note 33.

Measurement and recognition of YOUR NOW equity investments

In the BMW Group's consolidated financial statements as at December 31, 2019, the line item "Investments accounted for using the equity method" the YOUR NOW equity investments with a carrying amount of EUR 987 million (approximately 0.4 % of total assets) is reported. The BMW Group and a competitor have bundled mobility services within YOUR NOW. As a result of the combination with the competitor, the BMW Group contributed its investment in DriveNow GmbH & Co. KG, Munich, Parkmobile Group Holding B.V., Amsterdam, Digital Charging Solutions GmbH, Berlin and Reach Now LLC, Seattle. In the course of the transaction, disposal proceeds amounting to EUR 232 million were realized and a reversal of impairment losses amounting to EUR 97 million was recognized. YOUR NOW generated negative operating earnings amounting to EUR 662 million in the past financial year, which were recognized in the consolidated financial statements. Furthermore, there was a triggering event at the level of the BMW Group and a EUR 240 million impairment loss was recognized. The Company has defined a triggering event to be in particular a significant deviation from target figures.

The determination of the reversal of impairment losses, the purchase price allocation as well as the impairment loss is based on the exercise of judgment by the executive directors, which is subject to significant estimation uncertainties. Against this background, this matter was of particular significance during our audit.

As part of our audit, we examined and evaluated the methodological procedure adopted for the purposes of calculating the fair value for the determination of the reversal of impairment losses, among other things. We compared the future cash inflows used in the calculation against the underlying budget and assessed their appropriateness. Moreover, we examined the methodological procedure used in the purchase price allocation. In connection with the impairment loss, we assessed whether a triggering event had occurred. We examined the impairment test conducted by the BMW Group based on the occurrence of a triggering event and assessed its methodical correctness. After comparing the future cash inflows used against the budget adopted by the shareholders, we examined in particular the derivation of the discount rate used.

The valuation parameters and assumptions used by the executive directors are overall in line with our expectations and are also within the ranges considered by us to be acceptable.

The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 2 and on the YOUR NOW equity investments are contained under note 24.

Measurement of provision for risks relating to an EU antitrust proceeding

In April 2019, the BMW Group was notified by the European Commission of complaints in a pending antitrust proceeding. The European Commission accuses various manufacturers of colluding to restrict competition in the field of innovation. In this connection, a EUR 1.4 billion provision for litigation and risk provisioning was recognized in the consolidated financial statements under the balance sheet item "Other provisions". The risk assessment to be made on developments in the EU antitrust proceeding and the estimation of whether or not a provision must be recognized to cover the risks, and if so, in what amount the current obligation must be measured, is subject to a high degree of uncertainties and characterized by the estimates and assumptions made by the executive directors.

In our view, this matter was of particular significance for our audit due to the significant uncertainties concerning the outcome of the EU antitrust proceeding and the potential effects on BMW AG's assets, liabilities, financial position and financial performance.

With the knowledge that estimated values result in an increased risk of accounting misstatements and that the executive directors' recognition and measurement decisions have a direct effect on consolidated result, we evaluated the appropriateness of the carrying amounts, with the involvement of an internal PwC antitrust law expert. Furthermore, we also held regular meetings with the Company's legal department in order to receive information regarding updates on current developments and the reasons for the corresponding estimates. The development of the aforementioned risks arising from the EU antitrust proceeding, including the executive directors' estimates concerning the potential proceeding outcomes, was provided to us by the Company in writing. In addition, we obtained and evaluated an external legal confirmation as at the balance sheet date.

In our view, the estimates made by the executive directors regarding the recognition and measurement of the provision for the risks from the EU antitrust proceeding described above and the associated risk provision in the consolidated financial statements are sufficiently documented and substantiated.

The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 4 and on "Other operating expenses" are contained under note 10.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289 f HGB and § 315 d HGB included in section "Statement on Corporate Governance (§ 289 f HGB)" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289 b Abs. 3 HGB and § 315 b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit 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 consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315 e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group 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 group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 audit 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' 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 Group'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 consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315 e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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 consolidated 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 group auditor by the annual general meeting on May 16, 2019. We were engaged by the supervisory board on May 17, 2019. We have been the group auditor of the Bayerische Motoren Werke Aktiengesellschaft, Munich, without interruption since the financial year 2019.

We declare that the audit 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).

Information on the Supplementary Audit

We issue this auditor's report on the amended consolidated financial statements and amended group management report on the basis of our statutory audit completed on March 11, 2020 and our supplementary audit completed on March 16, 2020, which concerned the amendments to disclosures in the notes to the consolidated financial statements and the group management report due to the updated reporting on expected developments and on risks and opportunities taking into account new information on the effects of the spread of coronavirus. Please refer to the presentation of the amendments by the executive directors in the sections entitled "Basis of preparation" and "Report on post-balance sheet date events" in the amended notes to the consolidated financial statements, and in the sections entitled "Organization and business model", "Report on economic position", "Report on expected developments" and "Report on risks and opportunities" in the amended group management report.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andreas Fell.

Munich, 11 March 2020/limited to the amendment referred to in the Information on the Supplementary Audit: 16 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Petra Justenhoven	Andreas Fell
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

OTHER INFORMATION

BMW GROUP TEN-YEAR COMPARISON

		2019	2018[1]	2017	2016
DELIVERIES					
Automobiles[2]	units	2,538,367	2,483,292	2,468,658	2,352,440
Motorcycles[3]	units	175,162	165,566	164,153	145,032
PRODUCTION VOLUME					
Automobiles	units	2,564,025	2,541,534	2,505,741	2,359,756
Motorcycles[3]	units	187,116	162,687	185,682	145,555
FINANCIAL SERVICES					
Contract portfolio	contracts	5,973,682	5,235,207	5,380,785	5,114,906
Business volume (based on balance sheet carrying amounts)	€ million	142,834	133,147	124,719	123,394
INCOME STATEMENT					
Revenues	€ million	104,210	96,855	98,282	94,163
Gross profit margin	%	17.3	19.0	20.3	19.9
Earnings before financial result	€ million	7,411	8,933	9,899	9,386
Earnings before tax	€ million	7,118	9,627	10,675	9,665
Return on sales (earnings before tax / revenues)	%	6.8	9.9	10.9	10.3
Income taxes	€ million	2,140	2,530	2,000	2,755
Effective tax rate	%	30.1	26.3	18.7	28.5
Net profit for the year	€ million	5,022	7,064	8,675	6,910
BALANCE SHEET					
Non-current assets	€ million	137,404	124,202	121,964	121,671
Current assets	€ million	90,630	84,736	73,542	66,864
Capital expenditure (excluding capitalised development costs)	€ million	5,650	5,029	4,688	3,731
Capital expenditure ratio (capital expenditure / revenues)	%	5.4	5.2	4.8	4.0
Equity	€ million	59,907	57,829	54,107	47,363
Equity ratio	%	26.3	27.7	27.7	25.1
Non-current provisions and liabilities	€ million	85,502	79,698	69,634	73,183
Current provisions and liabilities	€ million	82,625	71,411	71,765	67,989
Balance sheet total	€ million	228,034	208,938	195,506	188,535
CASH FLOW STATEMENT					
Cash and cash equivalents at balance sheet date	€ million	12,036	10,979	9,039	7,880
Free cash flow Automotive segment	€ million	2,567	2,713	4,459	5,792
PERSONNEL					
Workforce at year-end[4]		133,778	134,682	129,932	124,729
Personnel cost per employee	€	98,901	101,178	100,760	99,575
DIVIDEND					
Dividend total	€ million	1,646	2,303	2,630	2,300
Dividend per share of common stock / preferred stock	€	2.50[5] / 2.52[5]	3.50 / 3.52	4.00 / 4.02	3.50 / 3.52

[1] Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 6 to the Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.
[2] Delivery figures have been adjusted retrospectively going back to 2015. The basis for the adjustments is a review of sales data in prior periods for the BMW Group's most important markets (China, USA, Germany, UK, Italy and Japan). The retrospective adjustment enables better comparability. Additional information can be found in the section "Comparison of Forecasts for 2019 with Actual Results in 2019".
[3] Excluding Husqvarna, deliveries up to 2013: 59,776 units; production up to 2013: 59,426 units.
[4] Figures exclude dormant employment contracts, employees in the non-work phases of pre-retirement part-time working arrangements and low wage earners.
[5] Proposal by management.

2015	2014	2013	2012	2011	2010	
						DELIVERIES
2,257,851	2,117,965	1,963,798	1,845,186	1,668,982	1,461,166	Automobiles[2]
136,963	123,495	115,215	106,358	104,286	98,047	Motorcycles[3]
						PRODUCTION VOLUME
2,279,503	2,165,566	2,006,366	1,861,826	1,738,160	1,481,253	Automobiles
151,004	133,615	110,127	113,811	110,360	99,236	Motorcycles[3]
						FINANCIAL SERVICES
4,718,970	4,359,572	4,130,002	3,846,364	3,592,093	3,190,353	Contract portfolio
111,191	96,390	84,347	80,974	75,245	66,233	Business volume (based on balance sheet carrying amounts)
						INCOME STATEMENT
92,175	80,401	76,059	76,848	68,821	60,477	Revenues
19.7	21.2	20.1	20.2	21.1	18.1	Gross profit margin
9,593	9,118	7,978	8,275	8,018	5,111	Earnings before financial result
9,224	8,707	7,893	7,803	7,383	4,853	Earnings before tax
10.0	10.8	10.4	10.2	10.7	8.0	Return on sales (earnings before tax / revenues)
2,828	2,890	2,564	2,692	2,476	1,610	Income taxes
30.7	33.2	32.5	34.5	33.5	33.1	Effective tax rate
6,396	5,817	5,329	5,111	4,907	3,243	Net profit for the year
						BALANCE SHEET
110,343	97,959	86,193	81,305	74,425	67,013	Non-current assets
61,831	56,844	52,184	50,530	49,004	43,151	Current assets
3,826	4,601	4,967	4,151	2,720	2,312	Capital expenditure (excluding capitalised development costs)
4.2	5.7	6.5	5.4	4.0	3.8	Capital expenditure ratio (capital expenditure / revenues)
42,764	37,437	35,600	30,606	27,103	23,930	Equity
24.8	24.2	25.7	23.2	22.0	21.7	Equity ratio
63,819	58,288	51,643	52,834	49,113	46,100	Non-current provisions and liabilities
65,591	59,078	51,134	48,395	47,213	40,134	Current provisions and liabilities
172,174	154,803	138,377	131,835	123,429	110,164	Balance sheet total
						CASH FLOW STATEMENT
6,122	7,688	7,671	8,370	7,776	7,432	Cash and cash equivalents at balance sheet date
5,404	3,481	3,003	3,809	3,166	4,471	Free cash flow Automotive segment
						PERSONNEL
122,244	116,324	110,351	105,876	100,306	95,453	Workforce at year-end[4]
97,136	92,337	89,869	89,161	84,887	83,141	Personnel cost per employee
						DIVIDEND
2,102	1,904	1,707	1,640	1,508	852	Dividend total
3.20 / 3.22	2.90 / 2.92	2.60 / 2.62	2.50 / 2.52	2.30 / 2.32	1.30 / 1.32	Dividend per share of common stock / preferred stock

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