

BMW
GROUP



ROLLS-ROYCE
MOTOR CARS LTD

ELECTRIC

DIGITAL

CIRCULAR



INTERIM REPORT TO JUNE 30, 2023

BMW US CAPITAL, LLC

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MANAGEMENT REPORT

Management submits their report and the financial statements of BMW US Capital, LLC ("BMW US Capital" or "the Company") for the period ended June 30, 2023. The interim financial statements are unaudited.

Principal activities

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

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

Business review

BMW Group continues to dominate the premium segment, retaining its top position. The BMW Group can look back on a successful six-month performance, during which it was able to comprehensively meet customer requirements with its broad range of products. Over the six-month period, a total of 1,214,864 units (2022: 1,160,094 units; +4.7%) were delivered to customers, with the BMW brand accounting for 1,071,326 units (2022: 1,016,228 units; +5.4%) and the MINI brand for 140,357 units (2022: 140,675 units; -0.2%). In addition, the ultra-luxury Rolls-Royce marque reported another fine performance for a first half-year, with 3,181 units delivered to customers (2022: 3,191 units; -0.3%).

Deliveries of all-electric vehicles again more than doubled. The ramp-up of electric mobility worldwide and hence the rigorous electrification of the model range is proving to be a key success factor for the BMW Group. This fact was reflected in particular in the dynamic sales growth of the Group's all-electric vehicles in the second quarter 2023, which saw another doubling of deliveries in the three-month period to 88,289 units (2022: 40,601 units; +117.5%). The share of all-electric vehicles in total deliveries in the second quarter rose to 14.1% (2022: 7.2%; +95.8%). The picture was similar for the six-month period as a whole, with high demand driving up BEV deliveries to 152,936 units (2022: 75,890 units; +101.5%). In line with expectations, the share of all-electric vehicles in total deliveries was also significantly higher for the six-month period, rising to 12.6% (2022: 6.5%; +93.8%). Total deliveries of BMW and MINI brand electrified vehicles (PHEV and BEV models) rose to 134,982 units (2022: 94,799 units; +42.4%) in the second quarter and to 245,468 units (2022: 184,468 units; +33.1%) for the six-month period as a whole.

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The Financial Services segment's profit before tax for the first half of 2023 decreased to €1,704 million (2022: €1,981 million; -14.0%), mainly due to higher refinancing costs in light of rising interest rates on the one hand and the reduced size of the contract portfolio on the other. By contrast, high remarketing proceeds from lease returns continued to have a positive impact on earnings. The credit loss ratio on the total credit portfolio remained at a low level, finishing at 0.15% for the six-month period (2022: 0.10%). In balance sheet terms, business volume decreased slightly during the six-month period (December 31, 2022: €135,689 million; -2.0%), mainly due to currency effects.

A total of 729,308 new credit financing and leasing contracts were concluded with retail customers during the six-month period (2022: 815,448 contracts; -10.6%). The main reasons for the decrease were the general rise in interest rates (which perceptibly increased financing costs for retail consumers) and the continued high level of competition within the financial services sector. Accordingly, the volume of new leasing and credit financing business fell by 4.7% and 13.1% respectively in the first half of 2023. Leasing accounted for 32.1% and credit financing for 67.9% of new business concluded between January and June 2023. New contracts signed included 158,935 credit financing and leasing contracts relating to pre-owned BMW and MINI brand vehicles (2022: 170,721 contracts; -6.9%). Compared to the first half of the previous year, the total volume of new credit financing and leasing contracts with retail customers fell by 5.8% to €26,797 million (2022: €28,442 million). Higher selling prices achieved by the Automotive segment and an improved product mix also gave rise to a higher average financing volume per vehicle in the Financial Services segment, partially offsetting the impact of the lower overall number of new contracts signed (-10.6%). During the first half of 2023, 37.5% of new BMW Group vehicles were either leased or financed by the Financial Services segment (2022: 44.4%; -6.9 percentage points).

At June 30, 2023, the Financial Services segment's portfolio of credit financing and leasing contracts with retail customers comprised of 5,055,578 contracts (December 31, 2022: 5,210,246 contracts; -3.0%), with a downward trend arising in all regions (EU-Bank -3.1%; Europe -2.3%; Americas -1.8%; Asia / Pacific / Middle East / Africa -1.6%; China -7.6%).

Regarding BMW US Capital, it's crucial to emphasize that the primary source of the net result stems from the net interest margin derived from funds extended to affiliates and the cost of funds acquired through the Company's borrowings. This, in addition to the fair value fluctuations in financial instruments, contributes to the overall outcome. The Company reported an income of \$7.0 million before taxation, a decline of \$51 million in comparison to the income before taxation recorded on June 30, 2022, which amounted to \$58.0 million. This decrease can be primarily attributed to reduced gains arising from fluctuations in fair value results.

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

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

Outlook

In July, the International Monetary Fund (IMF) raised its April 2023 projection for global economic growth slightly to 3.0%. High inflation worldwide, weakening demand on global markets and geopolitical tensions are expected to continue to weigh on the global economy.

Despite the generally subdued outlook for the global economy, the current assessment is that the world's automobile markets are likely to grow overall. However, the major markets are expected to develop with varying momentum. In Europe, the overall market is set to grow in 2023, while the US market is expected to remain robust. Despite the tense overall economic situation in China, the automobile market there is expected to grow slightly as a whole in the course of 2023.

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Outlook for the BMW Group – assumptions used in the outlook

The following outlook relates to the financial year 2023 and is based on the expected composition of the BMW Group during that period.

The six-month period under report saw conditions improving in key sales markets for new vehicles. Europe in particular benefited from the high order backlog as well as from a more settled period in terms of inflation and interest rates in the second quarter. Sales in the USA continued on their upward trajectory. Although business in China picked up during the second quarter, competition in the region continued to increase.

Due to improved vehicle availability, high order intake and positive sales volume trends, the BMW Group now expects to record a solid year-on-year increase in deliveries to customers in 2023.

Within a highly competitive environment, the BMW Group also continues to benefit from favorable selling prices on both new and pre-owned automobile markets. In the meantime, the situation is not expected to show any further signs of normalizing before the end of the year.

The supply situation also improved during the first half of the year, with global supply chains showing good signs of recovery.

The situation on raw materials markets has also improved, despite purchase prices remaining high. In addition, increased costs for battery-related raw materials, impacted by the ever-growing popularity of electrified vehicles, is driving up manufacturing costs.

Costs are also expected to rise along the whole supply chain as a result of labor shortages, parts availability issues, continued high prices for raw materials and energy and other unfavorable factors. As in the previous year, logistics-related costs will therefore continue to have a negative impact on earnings.

Payroll and other personnel-related costs as well as expenses for bought-in services are set to increase over the course of the year due to the high level of inflation seen in the previous year.

The war in Ukraine and its potential implications for the BMW Group's business performance are being closely monitored. All applicable restrictions resulting from sanctions have been factored into the outlook. Following an analysis of the requirements of the 11th sanctions package, the measures decided upon are currently in the implementation phase. In this context, additional negative effects cannot yet be ruled out and have not been taken into account in this outlook.

Uncertainties also exist in conjunction with legal and warranty risks. Further information is provided in the comments on contingent liabilities in note 19 to the Interim Group Financial Statements.

The Covid-19 pandemic is no longer currently expected to have a significant impact on the results of operations, financial and net assets position of BMW AG and the Group as a whole.

The outlook does not factor in the following:

- A deep recession in the BMW Group's key sales markets
- A further escalation of the conflict between Russia and Ukraine, combined with a spillover of the war

In view of the unpredictability of political developments, actual macroeconomic developments in some regions may deviate from expected trends and outcomes. Potential sources of political uncertainty include policies affecting trade and customs tariffs, security developments and a possible worsening of international trade conflicts.

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Outlook for the BMW Group – key performance indicators

Deliveries of BMW, MINI and Rolls-Royce brand vehicles by the Automotive segment are now expected to show a solid year-on-year increase due to improved vehicle availability, high order book levels and the upward volume trend.

In light of these favorable developments, an EBIT margin of between 9.0 and 10.5% is now forecast for the Automotive segment in 2023. The RoCE for the Automotive segment is now expected to finish within a range between 18 and 22% due to the improvement in earnings.

The BMW Group expects to achieve its target of slightly reducing the carbon emissions generated by its EU new vehicle fleet by continuously improving the overall fuel consumption of its products.

In view of the increasing focus on all-electric vehicles, from the financial year 2023 onwards the BMW Group reports the share of all-electric vehicles in total deliveries, which is expected to increase significantly compared to 2022. The previous key performance indicator “share of electrified vehicles in deliveries” will no longer be reported.

Carbon emissions per vehicle produced are expected to decrease slightly.

Motorcycles segment deliveries are predicted to increase slightly. The segment EBIT margin is expected to finish within a range between 8 and 10% and the segment RoCE between 21 and 26%.

The RoE in the Financial Services segment is forecast to finish within a range between 16 and 19%. The favorable results from remarketing lease returns are no longer expected to weaken before the end of the financial year 2023.

Group profit before tax will decrease significantly. The underlying reason for this development is the one-time gain of €7.7 billion recorded in 2022 in conjunction with the remeasurement of the BMW Group's previous at-equity interest in BMW Brilliance. Excluding the one-time gain recognized in 2022, Group profit before tax for the financial year 2023 would be significantly higher than for the preceding twelve-month period.

The aforementioned targets are to be met with a slight growth in the size of the workforce. Likewise, the share of women in management positions in the BMW Group is expected to increase slightly.

The BMW Group's actual business performance may also deviate from current expectations due to the risks and opportunities discussed above and / or in the section Risk and Opportunity Management in the Group Report.

Internal Control over Financial Reporting

The Company actively participates in the internal control system in place throughout the BMW Group aimed at ensuring the effectiveness of operations. It adheres to the principal features of the internal control system, in relation to the Company and its financial reporting processes. A detailed description and explanation of the internal control system is available within the BMW Group Annual Report for the year 2022.

Management assesses the design and effectiveness of the internal control over financial reporting on the basis of internal review procedures performed at regular intervals. Effective measures are implemented whenever weaknesses are identified and reported. Based on these assessments, management believes that the Company maintained effective internal controls over financial reporting during the period ended June 30, 2023.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Detailed descriptions of the main risks facing the Company and the instruments used to manage these risks are presented in the notes to the financial statements at year-end. At present, no risks have been identified which could threaten the going concern status of the Company or which could have a materially adverse impact on the net assets, financial position or results of operations of the Company.

Research and development

The Company does not carry out any research and development.

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Creditor payment policy

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

Members and members' interests

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

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

Employees

During the period ended June 30, 2023, the Company employed 16 persons, all of which are included within these accounts.

Political and charitable contributions

The company made no political or charitable contributions during the period ended June 30, 2023.

Disclosure of information to auditors

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

Auditors

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

BMW US Capital, LLC



August 31, 2023
Helena von Gladiss
President

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RESPONSIBILITY STATEMENT

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

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

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

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

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

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

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

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

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Responsibility Statement by the Company's legal representatives

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

BMW US Capital, LLC



August 31, 2023
Helena von Gladiss
President

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UNAUDITED STATEMENT OF FINANCIAL POSITION

PERIODS ENDED JUNE 30, 2023 AND DECEMBER 31, 2022

in thousands of dollars	Notes	2023	2022	in thousands of dollars	Notes	2023	2022
Receivables from BMW Group companies	2a	9,289,177	10,454,727	Member's capital		11,000	11,000
Derivative assets	2d	229,424	428,430	Capital reserves		144,000	144,000
Deferred tax assets		9,327	6,619	Accumulated other comprehensive loss		(3,245)	(4,221)
Total non-current assets		9,527,928	10,889,776	Retained earnings		74,290	69,137
Cash and cash equivalents		176,333	80,847	Total member's capital		226,045	219,916
Receivables from BMW Group companies	2a	19,276,652	18,142,405	Pension obligation		82	67
Derivative assets	2d	248,929	210,097	Term debt	2c	11,228,676	13,643,638
Other assets		22	-	Liabilities due to BMW Group companies	2a	790,000	1,265,000
Total current assets		19,701,936	18,433,349	Derivative liabilities	2d	1,136,322	1,218,007
Total assets		29,229,864	29,323,125	Total non-current liabilities		13,155,080	16,126,712
				Term debt	2c	3,458,292	3,348,179
				Commercial paper	2b	3,636,035	574,725
				Liabilities due to BMW Group companies	2a	8,663,726	8,995,168
				Derivative liabilities	2d	90,060	56,837
				Other liabilities		626	1,588
				Total current liabilities		15,848,739	12,976,497
				Total liabilities		29,003,819	29,103,209
				Total member's capital and liabilities		29,229,864	29,323,125



See accompanying notes to financial statements

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UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME SIX MONTHS ENDED JUNE 30, 2023 AND 2022

in thousands of dollars	Notes	2023	2022	in thousands of dollars	Notes	2023	2022
BMW Group companies		518,865	195,563	Costs of hedging		1,289	3,804
Third parties		699,206	307,691	Deferred taxes		(313)	(931)
Interest income	3a	1,218,071	503,254	Items that can be reclassified to the income statement in the future		976	2,873
BMW Group companies		(257,385)	(26,264)	Other comprehensive income, net of tax		976	2,873
Third parties		(978,353)	(514,136)	Total comprehensive income		6,129	46,588
Interest expense	3a	(1,235,738)	(540,400)				
Net Interest margin		(17,667)	(37,146)				
Gains from financial transactions		231,265	1,279,792				
Losses from financial transactions		(203,765)	(1,182,199)				
Financial result	3b	27,500	97,593				
General and administrative expenses		(2,647)	(2,272)				
Net income before taxation		7,186	58,175				
Income taxes	3c	(2,033)	(14,460)				
Net income after taxation		5,153	43,715				

See accompanying notes to financial statements



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UNAUDITED STATEMENTS OF CHANGES IN MEMBER'S CAPITAL PERIODS ENDED JUNE 30, 2023 AND 2022

in thousands of dollars	Member's capital	Capital reserves	Accumulated other comprehensive (loss) / income		Retained earnings	Total member's capital
			Pension	Cost of hedging		
Balance at December 31, 2022	11,000	144,000	(2,237)	(1,984)	69,137	219,916
Other comprehensive income for the period			-	976		976
Net income					5,153	5,153
Balance at June 30, 2023	11,000	144,000	(2,237)	(1,008)	74,290	226,045
Balance at December 31, 2021	11,000	144,000	(2,250)	(3,671)	24,651	173,730
Other comprehensive income for the period			-	2,873	-	2,873
Net income					43,715	43,715
Balance at June 30, 2022	11,000	144,000	(2,250)	(798)	68,366	220,318

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UNAUDITED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2023 AND 2022

in thousands of dollars	2023	2022	in thousands of dollars	2023	2022
Net income / (loss)	5,153	43,715	Proceeds from term debt issuances	120,003	1,997,546
Foreign exchange losses / (gains)	(2,210)	(2,741)	Repayment of term debt issuances	(2,494,725)	(3,091,367)
Fair value change due to hedge accounting	93,937	(1,074,459)	Proceeds from commercial paper issuances	17,197,265	24,082,111
Fair value measurement losses / (gains) – derivatives	30,063	527,492	Repayment of commercial paper issuances	(14,140,881)	(23,778,104)
Interest expense – term debt	273,556	251,116	Interest paid – term debt	(292,694)	(253,700)
Change in deferred tax assets / liabilities	(2,708)	10,655	Interest received on fair value hedge derivatives	(234,900)	103,752
Interest income	(81,335)	(897,464)	Cash flow from financing equivalents	154,068	(939,762)
Interest expense	228,308	910,294	Change in cash and cash equivalents	95,486	17,959
Total adjustments for non-cash items	539,611	(275,107)	Cash and cash equivalents at beginning of year	80,847	95,067
Change in receivables from / liabilities to BMW Group companies	(1,011,157)	1,428,520	Cash and cash equivalents at end of period	176,333	113,026
Change in other assets	(22)	(8,092)			
Change in pension obligation	15	91			
Change in other liabilities	(962)	3,157			
Interest received on free-standing derivatives	429,304	35,895			
Interest paid on free-standing derivatives	(111,779)	(101,544)			
Interest received	(202,329)	12,961			
Interest paid	293,584	(181,875)			
Total adjustments for cash items	(603,346)	1,189,113			
Cash flow from operating activities	(58,582)	957,721			

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UNAUDITED NOTES TO FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2023 AND 2022

1 Basis of Preparation and Significant Accounting Policies and Practices

(a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Interim Financial Statements (Interim Report) at June 30, 2023, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as those utilised in the 2022 Financial Statements. The interim financial statements of June 30, 2023 have not been audited.

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

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

Further information regarding the Company's accounting principles and policies is contained in the notes to the Company Financial Statements within the Annual Report 2022.

The financial statements were authorized for issuance by management of the Company on August 31, 2023.

(b) Functional and Presentation Currency

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

(c) Foreign Currency Transactions

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

(d) Significant events during the first half of the financial year 2023

Major uncertainties remained at the end of the reporting period with respect to the ongoing Russia-Ukraine war. The sanctions already imposed as well as new sanctions, together with any countermeasures taken, significantly restrict economic activities with Russia and also have an impact on the Russian companies of the BMW Group.

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2 Notes on the Items of the Balance Sheet

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

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

In accordance with IFRS 9, the Company has adjusted the carrying value of receivables subject to fair value hedges by the change in fair value to the risk being hedged as of June 30, 2023 and December 31, 2022. At June 30, 2023, the resulting adjustment decreased the related value of the underlying receivable by \$393,772k. At December 31, 2022, the resulting adjustment decreased the related value of the underlying receivable by \$533,987k. Concurrently with this adjustment, the derivative instruments classified as fair value hedges were carried at fair value with changes in fair value recorded in profit of loss.

Receivables from BMW Group companies at June 30, 2023 and December 31, 2022, along with the range of interest rates charged on such loans are as follows:

in thousands of dollars	Long-term		Short-term	
	2023	2022	2023	2022
	9,289,177	10,454,727	19,276,652	18,142,405
	0.90%–5.86%	0.77%–5.83%	0.70%–5.38%	0.66%–3.48%

Liabilities due to BMW Group Companies at June 30, 2023 and December 31, 2022, along with the range of annual interest rates on such loans, are as follows:

in thousands of dollars	Long-term		Short-term	
	2023	2022	2023	2022
	790,000	1,265,000	8,663,726	8,995,168
	0.78%–4.79%	0.78%–4.57%	0.16%–4.71%	0.15%–2.56%

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(b) Commercial Paper

The Company maintains a BMW AG guaranteed U.S. commercial paper program of \$7 billion. The following details apply to commercial paper at June 30, 2023:

2023 in thousands of dollars	Outstanding	Weighted average maturity period (in days)	Weighted average nominal interest rate (in %)
	3,636,035	19	5.15

Commercial paper is an unsecured and discounted promissory note issued to finance the short term credit needs of institutions. Although commercial paper is occasionally issued as an interest bearing note, it typically trades at a discount to its par value. In other words, the purchaser usually purchases commercial paper below par and then receives its face value at maturity. The discount, or the difference between the purchase price and the face value of the note, is amortized over the term of the commercial paper as interest expense by applying the effective interest rate method. At June 30, 2023 and December 31, 2022, the commercial paper unamortized discount was \$10,025k and \$275k, respectively.

At June 30, 2023 and December 31, 2022, the fair value of the Company's commercial paper obligations approximated the recorded value primarily due to the short-term nature of the outstanding commercial paper.

(c) Term Debt and Line of Credit

Term debt consists of the following at June 30, 2023 and December 31, 2022:

Interest	Currency	Issue volume in thousands in relevant currency	Weighted average maturity period (in years)	Weighted average nominal interest rate (in %)
Variable	USD	1,950,000	3.2	5.6
Fixed	USD	13,145,000	7.4	3.0
Fixed	EUR	500,000	12.0	1.0

The carrying amounts of term debt due in the following five fiscal periods, and thereafter, are as follows as of June 30, 2023 and December 31, 2022:

	2023	2022
in thousands of dollars	Carrying amounts	Carrying amounts
Maturity:		
Due within one year	3,458,292	3,348,179
Due between one and five years	7,994,182	9,710,837
Due later than five years	3,234,494	3,932,801
Total	14,686,968	16,991,817

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The movements in term debt are as follows for the periods ended June 30, 2023 and 2022:

in thousands of dollars

Balance as of December 31, 2022	16,991,817
Issues	120,003
Repayments	(2,494,725)
Accrued interest payable	(19,138)
Change in fees amortized by the effective interest method	1,124
Fair value change due to hedge accounting	87,887
Balance as of June 30, 2023	14,686,968

in thousands of dollars

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

Term Debt by Category:

in thousands of dollars	2023	2022
Debt part of a fair value hedge relationship	12,616,327	14,902,833
Debt at amortized cost	2,070,641	2,088,984
Total	14,686,968	16,991,817

In accordance with IFRS 9, the Company has adjusted the carrying value of term debt subject to fair value hedges by the change in fair value to the risk being hedged as of June 30, 2023 and December 31, 2022. At June 30, 2023 and December 31, 2022, the resulting adjustment decreased and increased the related value of the underlying debt by \$1,042,968k and \$1,118,563k respectively. Concurrently with this adjustment, the derivative instruments classified as fair value hedges were carried at fair value with changes in fair value recorded through earnings.

At June 30, 2023 and December 31, 2022, \$14,686,968k and \$16,991,817k respectively, of the unsecured debt is guaranteed by BMW AG. The Company has access to a syndicated revolving credit facility of eight billion Euros, maturing in July 2024. The credit facility was negotiated in July 2017 with a maturity of July 2024 and is being provided by a consortium of 44 international banks. As of June 30, 2023 there were no borrowings under the credit facility outstanding.

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

(d) Derivative Financial Assets and Liabilities

The Company enters into payer interest rate swaps, combined interest / currency swaps and option agreements with both BMW Group companies and external parties to manage and hedge its interest rate exposure arising from mismatches between the interest earned on non-derivative financial assets and the interest paid on non-derivative financial liabilities. Floating rates are fixed periodically and, during this transition period for the respective benchmark rates, are mostly based on USD London Interbank Offered Rate (LIBOR) as published daily by the British Bankers' Association or USD se-

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cured overnight financing rate (SOFR) as published by The New York Federal Reserve. Depending on the respective hedge relationship interest rate swaps and combined interest / currency swaps are accounted for as designated hedging instruments applying hedge accounting as well as stand-alone financial derivatives categorized as FVPL.

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

The below table summarizes the Company's derivative notional amounts and corresponding fair values at June 30, 2023 and December 31, 2022:

in thousands of dollars	2023		2022	
	Notional	Fair value	Notional	Fair value
Derivative assets				
Interest rate derivatives	14,282,816	413,585	19,320,951	638,527
Foreign exchange rate derivatives	4,911,118	64,768	-	-
Total	19,193,934	478,353	19,320,951	638,527

in thousands of dollars	2023		2022	
	Notional	Fair value	Notional	Fair value
Derivative liabilities				
Interest rate derivatives	15,162,589	1,160,197	21,088,951	1,274,365
Foreign exchange rate derivatives	5,224,989	66,186	240,000	479
Total	20,387,578	1,226,383	21,328,951	1,274,844

3 Notes on the Items of the Comprehensive Income Statement

(a) Interest income and expense

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

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

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(b) Financial Result

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

in thousands of dollars	2023	2022
Liquidity fee	46,761	64,774
Gains on stand-alone interest rate derivatives	18,978	29,229
Gains on fair value adjustments from applying hedge accounting	150,972	1,057,985
Foreign exchange gains on term debt	-	106,886
Foreign exchange gains on other financial instruments	14,554	20,918
Total gains	231,265	1,279,792
Guarantee fee	(11,186)	(12,416)
Losses on stand-alone interest rate derivatives	(20,093)	(25,053)
Losses on fair value adjustments from applying hedge accounting	(144,281)	(1,107,179)
Foreign exchange losses on term debt	(12,291)	-
Foreign exchange losses on other financial instruments	(15,914)	(37,551)
Total losses	(203,765)	(1,182,199)
Total	27,500	97,593

(c) Income taxes

The Company's federal and state income tax payments are made by BMW (US) Holding Corp. as part of a consolidated tax return. At June 30, 2023 and 2022, a current income tax payable is included in Payables to BMW Group companies of \$5,054k and \$4,737k, respectively. The provision for federal, and state income taxes for the periods ended June 30, 2023 and 2022 consists of the following:

in thousands of dollars	2023	2022
Current:		
Federal	(3,876)	(3,646)
State and local	(1,178)	(1,091)
	(5,054)	(4,737)
Deferred:		
Federal	2,506	(7,975)
State and local	515	(1,748)
	3,021	(9,723)
Total income taxes	(2,033)	(14,460)

The effective tax rate for the periods ended June 30, 2023 and 2022 was 28.29% and 24.86%, respectively.

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4 Additional Disclosures to Financial Instruments

The following table presents the carrying amounts and fair values of the Company's financial instruments at June 30, 2023 and December 31, 2022 under consideration of the respective measurement categories according to IFRS 9:

2023 (in thousands of dollars)	Category	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial instruments included on the statement of financial position:						
Non-current financial assets:						
Receivable from BMW Group companies	AC	9,289,177	8,595,740	-	8,595,740	-
Derivative assets						
Thereof stand-alone	FVPL	53,227	53,227	-	53,227	-
Thereof within hedge accounting	n/a	176,197	176,197	-	176,197	-
Current financial assets:						
Cash	AC	176,333	176,333	176,333	-	-
Receivable from BMW Group companies	AC	19,276,652	18,902,026	-	18,902,026	-
Derivative assets						
Thereof stand-alone	FVPL	13,745	13,745	-	13,745	-
Thereof within hedge accounting	n/a	235,184	235,184	-	235,184	-
Non-current financial liabilities:						
Term debt	AC	11,228,676	11,879,760	-	11,879,760	-
Liabilities due to BMW Group companies	AC	790,000	782,939	-	782,939	-
Derivative liabilities						
Thereof stand-alone	FVPL	55,245	55,245	-	55,245	-
Thereof within hedge accounting	n/a	1,081,077	1,081,077	-	1,081,077	-
Current financial liabilities:						
Term debt	AC	3,458,292	3,462,566	-	3,458,292	-
Commercial paper	AC	3,636,035	3,636,035	-	3,636,035	-
Liabilities due to BMW Group companies	AC	8,663,726	8,659,260	-	8,659,260	-
Derivative liabilities						
Thereof stand-alone	FVPL	15,218	15,218	-	15,218	-
Thereof within hedge accounting	n/a	74,842	74,842	-	74,842	-

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2022 (in thousands of dollars)	Category	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial instruments included on the statement of financial position:						
Non-current financial assets:						
Receivable from BMW Group companies	AC	10,454,727	10,288,138	-	10,288,138	-
Derivative assets						
Thereof stand-alone	FVPL	60,616	60,616	-	60,616	-
Thereof within hedge accounting	n/a	367,814	367,814	-	367,814	-
Current financial assets:						
Cash	AC	80,847	80,847	80,847	-	-
Receivable from BMW Group companies	AC	18,142,405	18,011,503	-	18,011,503	-
Derivative assets						
Thereof stand-alone	FVPL	8,391	8,391	-	8,391	-
Thereof within hedge accounting	n/a	201,706	201,706	-	201,706	-
Non-current financial liabilities:						
Term debt	AC	13,643,638	14,356,869	-	14,356,869	-
Liabilities due to BMW Group companies	AC	1,265,000	1,251,151	-	1,251,151	-
Derivative liabilities						
Thereof stand-alone	FVPL	55,874	55,874	-	55,874	-
Thereof within hedge accounting	n/a	1,162,133	1,162,133	-	1,162,133	-
Current financial liabilities:						
Term debt	AC	3,348,179	3,353,123	-	3,353,123	-
Commercial paper	AC	574,725	574,725	-	574,725	-
Liabilities due to BMW Group companies	AC	8,995,168	8,995,588	-	8,995,588	-
Derivative liabilities						
Thereof stand-alone	FVPL	427	427	-	427	-
Thereof within hedge accounting	n/a	56,410	56,410	-	56,410	-

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

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

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

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

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

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

For non-current non-derivative financial assets and liabilities (such as receivables / liabilities from BMW Group companies and term debt) the fair value, which is determined for disclosure purposes, is measured by discounting the future principal and interest cash flows using a market rate of

interest for similar risk and matching maturity as well as relevant credit spreads at the reporting date. Therefore these fair values are allocated as Level 2.

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

For the periods ended June 30, 2023 and December 31, 2022, the fair value of the financial instruments has been measured by using either Level 1 or Level 2 inputs.

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

5 Related Parties

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

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

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

BMW AG guarantees the unsecured debt of the Company, for this the Company remits a fee to BMW AG. The guarantee fee of 12.5bps is defined based upon a transfer pricing policy and arm's length principle defined by BMW AG and it is remitted from the Company to BMW AG on a monthly basis. For

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the periods ended June 30, 2023 and 2022 the amount paid for this guarantee was \$11,186k and \$12,416k respectively.

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

The company earns interest on loans granted to affiliates and pays interest on loans received from affiliates. The interest rate is defined according to the BMW Group pricing policies and based upon the Arm's length principle plus a defined margin which is derived from BMW Group borrowing costs and service fees. For the periods ended June 30, 2023 and 2022 the Company received interest in the amounts of \$518,865k, and \$195,563k. For the same periods, the Company paid interest in the amounts of \$257,385k, and \$26,264k respectively.

For the periods ended June 30, 2023 and December 31, 2022, the disclosure requirements of IAS 24 only affect the Company with regard to relationships with the Parent, affiliated entities, and members of management and officers.

The related party balances for the years periods ended June 30, 2023 and December 31, 2022 were as follows:

in thousands of dollars	2023	2022
Receivable from BMW AG	51,903	456,493
All other receivables from BMW Group companies	28,513,926	28,140,639
Total	28,565,829	28,597,132
All other liabilities due to BMW Group companies	9,453,726	10,260,168
Total	9,453,726	10,260,168

The Company did not enter into any contracts with any member of management or officers. The same applies to close members of the families of those persons. For the periods ended June 30, 2023 and 2022 the remuneration of key management is \$817k and \$789k respectively. The remuneration consists of:

in thousands of dollars	2023	2022
Short-term employee benefits	778	747
Post-employment benefits	39	42
Total	817	789

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6 Cash Flow

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

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

Liabilities related to financing activities can be reconciled as follows:

in thousands of dollars	2022	Cash flows	Accrued interest	Foreign exchange	Fair value adjustments	Fee amortization	2023
Term debt	16,991,817	(2,374,722)	(19,138)	12,291	75,596	1,124	14,686,968
Commercial paper	574,725	3,056,384	4,926	-	-	-	3,636,035
	17,566,542	681,662	(14,212)	12,291	75,596	1,124	18,323,003

7 Segment Information

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

8 Additional Disclosures

During 2023, no events have occurred, that could be considered unusual due to their nature, size or incidence, that have not been disclosed in previous notes and that could have a major impact on the earnings performance, financial position and net assets of the Company. There have been no changes in the composition of the Company during 2023. The Company did not become an investment entity under the definition of IFRS 10.

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9 Contingent Liabilities

As of June 30, 2023, the Company confirms that there are no contingent liabilities requiring disclosure in the financial statements. The Company diligently reviewed all relevant records, contracts, and guarantees, ensuring compliance with accounting standards. While the Company remains committed to transparency, it is possible that future events may give rise to contingent liabilities. The Company will continue to remain vigilant in monitoring and assessing any potential contingencies that may arise.

10 Subsequent Events

The Company has evaluated subsequent events for potential recognition, measurement, or disclosure in the financial statements occurring after the reported period through the date of this report August 31, 2023 and concluded no such events occurred.

BMW US Capital, LLC



August 31, 2023
Helena von Gladiss
President