GROUP FINANCIAL STATEMENTS

3

BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

Income Statements for Group and Segments

→ 67

in € million	Note	Group 2018	Group 2017*	Automotive (unaudited supplementary information) 2018	Automotive (unaudited supplementary information) 2017*	Motorcycles (unaudited supplementary information) 2018	Motorcycles (unaudited supplementary information) 2017*
Revenues	8	97,480	98,282	85,846	85,742	2,173	2,272
Cost of sales	9	–78,924	–78,329	–71,918	–69,402	–1,738	–1,798
Gross profit		18,556	19,953	13,928	16,340	435	474
Selling and administrative expenses	10	–9,558	–9,560	–7,880	–7,927	–263	–256
Other operating income	11	774	720	810	675	4	4
Other operating expenses	11	–651	–1,214	–676	–1,200	–1	–15
Profit / loss before financial result		9,121	9,899	6,182	7,888	175	207
Result from equity accounted investments	24	632	739	632	739	–	–
Interest and similar income	12	397	201	567	325	–	–
Interest and similar expenses	12	–386	–412	–533	–530	–6	–2
Other financial result	13	51	248	129	295	–	–
Financial result		694	776	795	829	–6	–2
Profit / loss before tax		9,815	10,675	6,977	8,717	169	205
Income taxes	14	–2,575	–2,000	–1,853	–3,418	–45	–63
Profit / loss from continuing operations		7,240	8,675	5,124	5,299	124	142
Loss from discontinued operations		–33	–	–33	–	–	–
Net profit / loss		7,207	8,675	5,091	5,299	124	142
Attributable to minority interest		90	86	30	22	–	–
Attributable to shareholders of BMW AG	31	7,117	8,589	5,061	5,277	124	142
Basic earnings per share of common stock in €	15	10.82	13.07				
Basic earnings per share of preferred stock in €	15	10.84	13.09				
Dilutive effects		–	–				
Diluted earnings per share of common stock in €	15	10.82	13.07				
Diluted earnings per share of preferred stock in €	15	10.84	13.09				

Statement of Comprehensive Income for Group

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in € million	Note	2018	2017*
Net profit		7,207	8,675
Remeasurement of the net defined benefit liability for pension plans	32	935	693
Deferred taxes		–217	–218
Items not expected to be reclassified to the income statement in the future		718	475
Marketable securities (at fair value through other comprehensive income)		–30	39
Financial instruments used for hedging purposes		–1,381	1,914
Costs of hedging		–620	–
Other comprehensive income from equity accounted investments		–157	–30
Deferred taxes		674	–597
Currency translation foreign operations		192	–1,171
Items that can be reclassified to the income statement in the future		–1,322	155
Other comprehensive income for the period after tax	19	–604	630
Total comprehensive income		6,603	9,305
Total comprehensive income attributable to minority interests		90	86
Total comprehensive income attributable to shareholders of BMW AG	31	6,513	9,219

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6 to the Group Financial Statements.

	Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)	
	2018	2017	2018	2017	2018	2017*
Revenues	28,165	27,567	6	7	–18,710	–17,306
Cost of sales	–24,541	–23,986	–	–	19,273	16,857
Gross profit	**3,624**	**3,581**	**6**	**7**	**563**	**–449**
Selling and administrative expenses	–1,352	–1,370	–79	–27	16	20
Other operating income	42	96	126	130	–208	–185
Other operating expenses	–124	–113	–80	–96	230	210
Profit / loss before financial result	**2,190**	**2,194**	**–27**	**14**	**601**	**–404**
Result from equity accounted investments	–	–	–	–	–	–
Interest and similar income	12	12	1,178	1,110	–1,360	–1,246
Interest and similar expenses	–14	–10	–1,145	–986	1,312	1,116
Other financial result	–27	11	–51	–58	–	–
Financial result	**–29**	**13**	**–18**	**66**	**–48**	**–130**
Profit / loss before tax	**2,161**	**2,207**	**–45**	**80**	**553**	**–534**
Income taxes	–508	1,840	–36	–19	–133	–340
Profit / loss from continuing operations	**1,653**	**4,047**	**–81**	**61**	**420**	**–874**
Loss from discontinued operations	–	–	–	–	–	–
Net profit / loss	**1,653**	**4,047**	**–81**	**61**	**420**	**–874**
Attributable to minority interest	60	64	–	–	–	–
Attributable to shareholders of BMW AG	**1,593**	**3,983**	**–81**	**61**	**420**	**–874**
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 2018

in € million	Note	Group 2018	Group 1.1.2018[1]	Group 31.12.2017[2]	Automotive (unaudited supplementary information) 2018	Automotive (unaudited supplementary information) 2017[2]	Motorcycles (unaudited supplementary information) 2018	Motorcycles (unaudited supplementary information) 2017[2]
ASSETS								
Intangible assets	21	10,971	9,464	9,464	10,472	8,981	95	57
Property, plant and equipment	22	19,801	18,471	18,471	19,372	18,050	399	388
Leased products	23	38,572	36,257	36,257	–	–	–	–
Investments accounted for using the equity method	24	2,624	2,769	2,769	2,624	2,769	–	–
Other investments		739	690	690	4,843	4,985	–	–
Receivables from sales financing	25	48,109	48,475	48,321	–	–	–	–
Financial assets	26	1,010	2,369	2,369	216	1,302	–	–
Deferred tax	14	1,590	1,965	1,993	3,043	2,857	–	–
Other assets	28	2,026	1,630	1,630	5,085	3,671	33	32
Non-current assets		**125,442**	**122,090**	**121,964**	**45,655**	**42,615**	**527**	**477**
Inventories	29	13,047	12,707	12,707	12,462	12,103	568	580
Trade receivables	30	2,546	2,663	2,667	2,287	2,354	167	160
Receivables from sales financing	25	38,674	32,087	32,113	–	–	–	–
Financial assets	26	6,675	7,949	7,965	4,988	5,578	–	–
Current tax	27	1,366	1,566	1,566	618	714	–	–
Other assets	28	9,790	7,485	7,485	22,016	23,124	2	5
Cash and cash equivalents		10,979	9,039	9,039	8,631	7,157	12	8
Assets held for sale	2	461	–	–	461	–	–	–
Current assets		**83,538**	**73,496**	**73,542**	**51,463**	**51,030**	**749**	**753**
Total assets		**208,980**	**195,586**	**195,506**	**97,118**	**93,645**	**1,276**	**1,230**
EQUITY AND LIABILITIES								
Subscribed capital	31	658	658	658				
Capital reserves	31	2,118	2,084	2,084				
Revenue reserves	31	56,121	50,993	50,815				
Accumulated other equity	31	–1,338	37	114				
Equity attributable to shareholders of BMW AG	31	**57,559**	**53,772**	**53,671**				
Minority interest		529	436	436				
Equity		**58,088**	**54,208**	**54,107**	**39,778**	**39,361**	**–**	**–**
Pension provisions	32	2,330	3,252	3,252	2,089	2,405	64	69
Other provisions	33	5,776	5,632	5,632	5,363	5,175	70	101
Deferred tax	14	1,806	2,166	2,157	1,016	1,456	–	–
Financial liabilities	35	64,772	53,521	53,548	1,017	832	–	–
Other liabilities	36	5,299	5,045	5,045	7,549	6,506	506	487
Non-current provisions and liabilities		**79,983**	**69,616**	**69,634**	**17,034**	**16,374**	**640**	**657**
Other provisions	33	6,078	6,367	6,367	5,436	5,710	101	99
Current tax	34	1,158	1,124	1,124	933	874	–	–
Financial liabilities	35	38,825	41,097	41,100	879	947	–	–
Trade payables	37	9,669	9,731	9,731	8,360	8,516	348	355
Other liabilities	36	15,117	13,443	13,443	24,636	21,863	187	119
Liabilities in conjunction with assets held for sale	2	62	–	–	62	–	–	–
Current provisions and liabilities		**70,909**	**71,762**	**71,765**	**40,306**	**37,910**	**636**	**573**
Total equity and liabilities		**208,980**	**195,586**	**195,506**	**97,118**	**93,645**	**1,276**	**1,230**

[1] The opening balance sheet figures have been adjusted, based on the first-time application of IFRS 15 and IFRS 9, see notes 6 and 7.
[2] Prior year figures adjusted due to first-time application of IFRS 15, see note 6 to the Group Financial Statements.

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2018	2017	2018	2017	2018	2017[2]	
						ASSETS
403	425	1	1	–	–	Intangible assets
30	33	–	–	–	–	Property, plant and equipment
46,427	44,285	–	–	–7,855	–8,028	Leased products
–	–	–	–	–	–	Investments accounted for using the equity method
1	2	6,660	7,160	–10,765	–11,457	Other investments
48,109	48,321	–	–	–	–	Receivables from sales financing
138	176	695	1,089	–39	–198	Financial assets
483	442	28	130	–1,964	–1,436	Deferred tax
3,562	3,082	33,956	26,628	–40,610	–31,783	Other assets
99,153	**96,766**	**41,340**	**35,008**	**–61,233**	**–52,902**	**Non-current assets**
17	24	–	–	–	–	Inventories
91	152	1	1	–	–	Trade receivables
38,674	32,113	–	–	–	–	Receivables from sales financing
1,325	1,531	460	1,163	–98	–307	Financial assets
79	55	669	797	–	–	Current tax
5,484	5,331	48,775	45,963	–66,487	–66,938	Other assets
1,985	1,856	351	18	–	–	Cash and cash equivalents
–	–	–	–	–	–	Assets held for sale
47,655	**41,062**	**50,256**	**47,942**	**–66,585**	**–67,245**	**Current assets**
146,808	**137,828**	**91,596**	**82,950**	**–127,818**	**–120,147**	**Total assets**
						EQUITY AND LIABILITIES
						Subscribed capital
						Capital reserves
						Revenue reserves
						Accumulated other equity
						Equity attributable to shareholders of BMW AG
						Minority interest
14,919	**14,740**	**20,683**	**18,102**	**–17,292**	**–18,096**	**Equity**
49	72	128	706	–	–	Pension provisions
343	356	–	–	–	–	Other provisions
4,611	4,302	22	38	–3,843	–3,639	Deferred tax
19,170	17,819	44,624	35,095	–39	–198	Financial liabilities
36,333	28,835	1,168	198	–40,257	–30,981	Other liabilities
60,506	**51,384**	**45,942**	**36,037**	**–44,139**	**–34,818**	**Non-current provisions and liabilities**
532	549	9	9	–	–	Other provisions
208	233	17	17	–	–	Current tax
25,705	24,853	12,339	15,607	–98	–307	Financial liabilities
950	849	11	11	–	–	Trade payables
43,988	45,220	12,595	13,167	–66,289	–66,926	Other liabilities
–	–	–	–	–	–	Liabilities in conjunction with assets held for sale
71,383	**71,704**	**24,971**	**28,811**	**–66,387**	**–67,233**	**Current provisions and liabilities**
146,808	**137,828**	**91,596**	**82,950**	**–127,818**	**–120,147**	**Total equity and liabilities**

BMW GROUP CASH FLOW STATEMENT

in € million	Group 2018	Group 2017[1]
Net profit	7,207	8,675
Loss from discontinued operations	33	–
Current tax	2,220	2,558
Income taxes paid	–1,972	–2,301
Interest received[2]	170	125
Other interest and similar income / expenses[2]	–199	65
Depreciation and amortisation of tangible, intangible and investment assets	5,113	4,822
Other non-cash income and expense items	111	–249
Result from equity accounted investments	–632	–739
Gain / loss on disposal of tangible and intangible assets and marketable securities	–34	–43
Change in deferred taxes	355	–559
Change in leased products	–1,693	–1,134
Change in receivables from sales financing	–5,670	–7,440
Changes in working capital	–573	166
Change in inventories	–357	–1,293
Change in trade receivables	112	45
Change in trade payables	–328	1,414
Change in provisions	–82	752
Change in other operating assets and liabilities	697	1,211
Cash inflow / outflow from operating activities	**5,051**	**5,909**
Total investment in intangible assets and property, plant and equipment	–7,777	–7,112
Proceeds from subsidies for intangible assets and property, plant and equipment	21	–
Proceeds from the disposal of intangible assets and property, plant and equipment	107	30
Expenditure for investment assets	–164	–142
Acquisitions of subsidiaries and other business units	–209	–
Proceeds from the disposal of investment assets and other business units	623[5]	267
Proceeds from the sale of subsidiaries and other business units	–	969
Investments in marketable securities and investment funds	–3,725	–4,041
Proceeds from the sale of marketable securities and investment funds	3,761	3,866
Cash inflow / outflow from investing activities	**–7,363**	**–6,163**
Payments into equity	25	38
Payment of dividend for the previous year	–2,630	–2,324
Intragroup financing and equity transactions	–	–
Interest paid[2]	–136	–165
Proceeds from non-current financial liabilities[3]	30,762	23,955
Repayment of non-current financial liabilities[3]	–22,564	–16,801
Change in other financial liabilities[4]	–1,161	–3,131
Cash inflow / outflow from financing activities	**4,296**	**1,572**
Effect of exchange rate on cash and cash equivalents	**–19**	**–223**
Effect of changes in composition of Group on cash and cash equivalents	**–25**	**64**
Change in cash and cash equivalents	**1,940**	**1,159**
Cash and cash equivalents as at 1 January	9,039	7,880
Cash and cash equivalents as at 31 December	**10,979**	**9,039**

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 6 to the Group Financial Statements.
[2] Interest relating to financial services business is classified as revenues / cost of sales.
[3] Proceeds / Repayment of bonds are recognised under Proceeds / Repayment of non-current financial liabilities. Prior year figures adjusted accordingly.
[4] The change in commercial paper is recognised under change in other financial liabilities. Prior year figures adjusted accordingly.
[5] Includes dividends received from investment assets amounting to €384 million (2017: €258 million).

	Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)	
	2018	2017[1]	2018	2017
Net profit	5,091	5,299	1,653	4,047
Loss from discontinued operations	33	–	–	–
Current tax	1,886	2,699	308	–114
Income taxes paid	–1,751	–1,896	–299	–315
Interest received[2]	170	125	–	–
Other interest and similar income / expenses[2]	–165	89	1	–5
Depreciation and amortisation of tangible, intangible and investment assets	4,982	4,699	34	35
Other non-cash income and expense items	83	25	33	46
Result from equity accounted investments	–632	–739	–	–
Gain / loss on disposal of tangible and intangible assets and marketable securities	–35	–41	1	–2
Change in deferred taxes	–71	909	28	–1,872
Change in leased products	–	–	–1,783	–1,855
Change in receivables from sales financing	–	–	–5,670	–7,440
Changes in working capital	–758	78	176	161
Change in inventories	–390	–1,179	7	–20
Change in trade receivables	59	43	60	19
Change in trade payables	–427	1,214	109	162
Change in provisions	344	1,069	–13	225
Change in other operating assets and liabilities	175	–1,468	–1,259	705
Cash inflow / outflow from operating activities	**9,352**	**10,848**	**–6,790**	**–6,384**
Total investment in intangible assets and property, plant and equipment	–7,618	–6,972	–13	–15
Proceeds from subsidies for intangible assets and property, plant and equipment	18	–	3	–
Proceeds from the disposal of intangible assets and property, plant and equipment	105	28	2	2
Expenditure for investment assets	–145	–482	–	–
Acquisitions of subsidiaries and other business units	–209	–	–	–
Proceeds from the disposal of investment assets and other business units	1,210	1,037	2	1
Proceeds from the sale of subsidiaries and other business units	–	–	–	969
Investments in marketable securities and investment funds	–3,692	–3,810	–63	–231
Proceeds from the sale of marketable securities and investment funds	3,562	3,655	199	211
Cash inflow / outflow from investing activities	**–6,769**	**–6,544**	**130**	**937**
Payments into equity	25	38	–	–
Payment of dividend for the previous year	–2,630	–2,324	–	–
Intragroup financing and equity transactions	2,099	567	5,097	4,315
Interest paid[2]	–136	–165	–	–
Proceeds from non-current financial liabilities[3]	1	–	12,940	11,937
Repayment of non-current financial liabilities[3]	–410	–48	–12,071	–7,608
Change in other financial liabilities[4]	–2	73	827	–4,310
Cash inflow / outflow from financing activities	**–1,053**	**–1,859**	**6,793**	**4,334**
Effect of exchange rate on cash and cash equivalents	**–31**	**–82**	**–4**	**–141**
Effect of changes in composition of Group on cash and cash equivalents	**–25**	**–**	**–**	**64**
Change in cash and cash equivalents	**1,474**	**2,363**	**129**	**–1,190**
Cash and cash equivalents as at 1 January	7,157	4,794	1,856	3,046
Cash and cash equivalents as at 31 December	**8,631**	**7,157**	**1,985**	**1,856**

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 2017 (as originally reported)	31	**658**	**2,084**	**51,256**
Effect from the first-time application of IFRS 15		–	–	–441
31 December 2017 (adjusted according to IFRS 15)		**658**	**2,084**	**50,815**
Effects from the first-time application of IFRS 9		–	–	178
1 January 2018 (adjusted according to IFRS 9)		**658**	**2,084**	**50,993**
Net profit		–	–	7,117
Other comprehensive income for the period after tax		–	–	718
Comprehensive income at 31 December 2018		**–**	**–**	**7,835**
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**	**56,121**

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2017 (as originally reported)	31	**657**	**2,047**	**44,445**
Effects from the first-time application of IFRS 15		–	–	–409
1 January 2017 (adjusted according to IFRS 15)		**657**	**2,047**	**44,036**
Net profit*		–	–	8,589
Other comprehensive income for the period after tax		–	–	475
Comprehensive income at 31 December 2017 (adjusted according to IFRS 15)*		**–**	**–**	**9,064**
Dividend payments		–	–	–2,300
Subscribed share capital increase out of Authorised Capital		1	–	–
Premium arising on capital increase relating to preferred stock		–	37	–
Other changes*		–	–	15
31 December 2017*	31	**658**	**2,084**	**50,815**

* Prior year figures adjusted due to first-time application of IFRS 15, 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	
–1,494	**93**	**1,515**	**–**	**54,112**	**436**	**54,548**	**31 December 2017 (as originally reported)**
–	–	–	–	–441	–	–441	Effect from the first-time application of IFRS 15
–1,494	**93**	**1,515**	**–**	**53,671**	**436**	**54,107**	**31 December 2017 (adjusted according to IFRS 15)**
–	–82	–	5	101	–	101	Effects from the first-time application of IFRS 9
–1,494	**11**	**1,515**	**5**	**53,772**	**436**	**54,208**	**1 January 2018 (adjusted according to IFRS 9)**
–	–	–	–	7,117	90	**7,207**	Net profit
168	–12	–906	–572	–604	–	**–604**	Other comprehensive income for the period after tax
168	**–12**	**–906**	**–572**	**6,513**	**90**	**6,603**	**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**	**57,559**	**529**	**58,088**	**31 December 2018**

Accumulated other equity							
Translation differences	Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total	
–171	**52**	**78**	**–**	**47,108**	**255**	**47,363**	**1 January 2017 (as originally reported)**
–	–	–	–	–409	–	–409	Effects from the first-time application of IFRS 15
–171	**52**	**78**	**–**	**46,699**	**255**	**46,954**	**1 January 2017 (adjusted according to IFRS 15)**
–	–	–	–	8,589	86	**8,675**	Net profit*
–1,323	41	1,437	–	630	–	**630**	Other comprehensive income for the period after tax
–1,323	**41**	**1,437**	**–**	**9,219**	**86**	**9,305**	**Comprehensive income at 31 December 2017 (adjusted according to IFRS 15)***
–	–	–	–	–2,300	–	**–2,300**	Dividend payments
–	–	–	–	1	–	**1**	Subscribed share capital increase out of Authorised Capital
–	–	–	–	37	–	**37**	Premium arising on capital increase relating to preferred stock
–	–	–	–	15	95	**110**	Other changes*
–1,494	**93**	**1,515**	**–**	**53,671**	**436**	**54,107**	**31 December 2017***

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 2018 have been drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 a (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.

The BMW Group and segment income statements are 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 income statements and balance sheets for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by the statements of cash flows for the Automotive and Financial Services segments. This supplementary information is unaudited. Inter-segment transactions relate primarily to internal sales of products, the provision of funds for Group companies and the related interest. These items are eliminated in the relevant "Eliminations" columns. 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 19 February 2019, the Board of Management granted approval for publication of the Group Financial Statements.

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 58 structured entities, consisting of asset-backed securities entities and special-purpose funds.

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). Together with SGL Carbon SE, companies of the BMW Group were previously party to joint operations for the manufacture of carbon fibres and carbon fibre fabrics used in vehicle production. In November 2017, an agreement was signed with SGL Carbon SE concerning that entity's gradual acquisition of the BMW Group's 49% shareholding. Accordingly, between the beginning of 2018 and the end of 2020 at the latest, SGL Carbon SE will become the sole owner of the hitherto joint operations. As a consequence of the transaction, the joint operations are no longer consolidated proportionately in the BMW Group Financial Statements and are no longer consolidated entities with effect from the financial year 2018. SGL Composites LLC continues to be held as an investment.

The BMW Group is also party to a cooperation with Toyota Motor Corporation, Toyota City, for the development of a sports car. This cooperation is accounted for as a joint operation.

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.

The following changes took place in the Group reporting entity in the financial year 2018:

	Germany	Foreign	Total
Included at 31 December 2017	21	187	**208**
Included for the first time in 2018	2	22	**24**
No longer included in 2018	–	15	**15**
Included at 31 December 2018	**23**	**194**	**217**

The BMW Group previously operated the joint ventures DriveNow GmbH & Co. KG and DriveNow Verwaltungs GmbH (DriveNow) together with Sixt SE, Pullach. DriveNow offers car-sharing services in major German cities and abroad. In January 2018, the BMW Group signed an agreement with Sixt SE for the complete acquisition of the shares in DriveNow.

Following approval by the antitrust authorities and with effect from 9 March 2018, the BMW Group acquired the remaining 50 % of the shares of the DriveNow companies together with their subsidiaries for a purchase price of €209 million. The purchase price was settled by the transfer of cash funds. The acquisition expands the BMW Group's strategic options for the further development of mobility services.

DriveNow GmbH & Co. KG and DriveNow Verwaltungs GmbH and their foreign subsidiaries DriveNow Austria GmbH, DriveNow UK Limited, DriveNow Sverige AB, DriveNow Belgium S.p.r.l. and DriveNow Italy S.r.l. have been fully consolidated since the first quarter of 2018.

DriveNow's equity prior to the acquisition stood at a negative amount of €2 million. As a result of the step acquisition, the shares already held by BMW were remeasured to their fair value, giving rise to a gain of €209 million, which is included in the result on investments. The fair value of shares already held amounts to €209 million.

The following table shows the purchase price allocation:

in € million	Fair values at acquisition date
IDENTIFIED ASSETS	
Intangible assets	111
Trademarks	22
Trade receivables	9
Other receivables	7
Inventories	1
Cash and cash equivalents	5
IDENTIFIED LIABILITIES	
Provisions	16
Trade payables	5
Deferred tax liabilities	34
Other liabilities	3
Total identified net assets	**97**
GOODWILL CALCULATION	
Consideration transferred (purchase price)	418
Total identified net assets	97
Goodwill	**321**

On 28 March 2018, the BMW Group signed an agreement with Daimler – subject to anti-trust approval – regarding the merger of certain business units that provide mobility services. DriveNow is part of this agreement and is therefore accounted for as a discontinued operation.

Assets and liabilities totalling €461 million and €62 million respectively are reported as discontinued operations at 31 December 2018. These items are disclosed separately in the Group Balance Sheet and allocated to the Automotive segment. The loss after tax from discontinued operations for the financial year 2018 amounted to €33 million. This amount is also disclosed separately in the Income Statements for the Group and Segments.

Following approval by the antitrust authorities and with effect from 31 January 2019, the BMW Group has now completed the agreement with the Daimler Group regarding the merger of certain business units that provide mobility services. Existing on-demand mobility offerings in the areas of car sharing, ride-hailing, parking, charging and multi-modality will be combined and strategically expanded. The BMW Group and the Daimler Group each hold equal shares in the joint ventures that comprise the mobility services referred to above.

As a result of the merger, the investments in the companies previously held by BMW will be remeasured to their fair value. This will give rise to a one-off positive effect on Group earnings in the region of between €100 million and €300 million. Due to the fact that the transaction was completed shortly after the BMW Group's year-end, 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 disclosures made should be regarded as provisional since no further information is available at present.

In December 2017, BMW AG, Audi AG, Ingolstadt, and Daimler AG, Stuttgart, signed agreements to sell shares in THERE Holding B.V. (THERE) to Robert Bosch Investment Nederland B.V., Boxtel, and to Continental Automotive Holding Netherlands B.V., Maastricht. Each of these two parties acquired 5.9 % of the shares, which were sold in equal parts by BMW AG, Audi AG and Daimler AG. The transactions were completed during the first quarter of 2018. The sale does not have a significant impact on the results of operations, financial position and net assets of the BMW Group.

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 =	31.12.2018	31.12.2017	2018	2017
British Pound	0.89	0.89	0.88	0.88
Chinese Renminbi	7.87	7.80	7.81	7.63
Japanese Yen	125.77	134.93	130.36	126.68
Korean Won	1,271.07	1,281.41	1,298.78	1,276.47
Russian Rubel	79.72	69.04	74.07	65.91
South African Rand	16.45	14.81	15.62	15.04
US-Dollar	1.14	1.20	1.18	1.13

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 with effect from the financial year 2018. 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 significant for the BMW Group and for this reason prior year figures have not been adjusted.

04
Accounting policies, assumptions, judgements and estimations

Revenues from contracts with customers include in particular revenues from the sale of products and leased assets as well as from services. Revenue is recognised when control is transferred to the dealership or retail customer. This is usually the case at the point in time when the risks and rewards of ownership are transferred. In the case of services, control is transferred over time. Revenues are stated net of settlement discount, bonuses and rebates as well as interest and residual value subsidies. Variable consideration components, such as bonuses and interest subsidies, are measured at the expected value and, in the case of multi-component contracts, allocated to all performance obligations unless directly attributable to the sale of a vehicle. The consideration arising from these sales usually falls due for payment immediately or within 30 days. In exceptional cases, a longer payment may also be agreed.

Consideration for the rendering of services to customers usually falls due for payment at the beginning of a contract and is deferred as a contract liability under deferred income. The deferred amount is released over the service period and recognised as revenue in the income statement. Reflecting the fact that expenses are incurred over the period in which services are rendered, deferred income is released on the basis of the expected cost trend. 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.

Revenues from the sale of vehicles, for which repurchase arrangements are in place, are not recognised immediately in full. Instead, revenues are either recognised proportionately or the difference between the sales and repurchase price recognised in instalments over the term of the contract depending on the nature of the agreement. This includes in particular revenues from vehicle sales, where it is expected that vehicles will return to the Group as leased vehicles in the subsequent period. In this case, assets and liabilities relating to rights of return are recognised.

Revenues also include lease rentals and interest income from financial services. Income from lease instalments arising on operating leases is recognised on a straight-line over the lease term. 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 loan 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 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.

Purchased and internally-generated **intangible assets** are recognised as assets where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably. Such assets are measured at acquisition or manufacturing cost, as a general rule without financing costs, and, to the extent that they have a finite useful life, amortised on a straight-line basis over their estimated useful lives. With the exception of capitalised development costs, intangible assets are amortised as a general rule over their estimated useful lives of between three and 20 years.

Development costs for vehicle, module and architecture projects are capitalised at manufacturing cost, to the extent that attributable costs (including development-related overhead costs) can be measured reliably and both technical feasibility and successful marketing are assured. It must also be sufficiently probable that the development expenditure will generate future economic benefits. Capitalised development costs are amortised on a straight-line basis following the start of production over the estimated product life cycle (usually five to 12 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 and, with a planning period of six years, correspond roughly to a typical product life cycle of vehicle projects. 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 for the Automotive and Motorcycles cash-generating units are performed using a risk-adjusted pre-tax cost of capital (WACC). 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 %	2018	2017
Automotive	12.0	12.0
Motorcycles	12.0	12.0
Financial Services	13.4	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.

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.

With respect to **lease arrangements** of the BMW Group, use of judgement is required, in particular with regard to the transfer of economic ownership of a leased item.

Leased items of property, plant and equipment whose economic ownership is attributed to the BMW Group (finance leases) are measured on initial recognition at their fair value or, if lower, at the net present value of minimum lease payments. The assets are depreciated using the straight-line method over their estimated useful lives or, if shorter, over the contractual lease period. Obligations for future lease payments are recognised at their net present value in other financial liabilities.

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 periods 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.

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. Non-derivative financial assets are accounted for on the basis of 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 comprehensive income or at fair value through profit or loss. The category "at fair value through comprehensive income" at the BMW Group comprises mainly marketable securities and investment funds used for liquidity management purposes. Selected marketable securities and investment fund, 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 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 arising on vehicle finance leases.

With the exception of operating lease 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 asset 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 economic 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. All derivative financial instruments are 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 are recognised in the income statement in sundry other financial result or in 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. Cross currency basis spreads are 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 recorded in equity are reclassified to the income statement over the term of the hedging relationship.

The time values of option transactions and the interest component 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 accumulated in other equity from currency hedges are reclassified to cost of sales when the related hedged item is recognised in profit or loss.

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 of 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 taxes are recognised on all temporary differences between the tax and accounting bases of assets and liabilities and on consolidation procedures. 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 taxes are calculated on the basis of tax rates which are applicable or expected to apply in the relevant national jurisdictions when the amounts are recovered.

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.

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 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.

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 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 factual 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 purchased 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 a new category of warranty is introduced. 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 measurement 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 note 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 not 41

05 Financial reporting rules

(a) Standards and Revised Standards significant for the BMW Group applied for the first time in the financial year 2018:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU
IFRS 15	Revenue from Contracts with Customers	28.5.2014 11.9.2015 12.4.2016	1.1.2018	1.1.2018
IFRS 9	Financial Instruments	24.7.2014	1.1.2018	1.1.2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	8.12.2016	1.1.2018	1.1.2018

Changes due to the new accounting standards IFRS 15 and IFRS 9 are described in → notes 6 and 7.

→ see note 6 and 7

The Interpretation IFRIC 22 clarifies that when a non-monetary asset or liability denominated in a foreign currency is recognised, any payments or receipt of advance consideration should be based on the exchange rate prevailing at the date of payment. This situation is relevant in individual cases within the BMW Group.

(b) Financial reporting pronouncements issued by the IASB that are significant for the BMW Group, but have not yet been applied:

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

The new Standard IFRS 16 (Leases) sets out a new approach to accounting for leases by **lessees.** While under IAS 17, the accounting treatment of a lease was determined on the basis of the transfer of risks and rewards incidental to ownership of the asset, in the future, each lease arrangement will, as a general rule, be accounted for by the lessee in a similar way to finance leases.

The BMW Group will use the grandfather clause available for existing leases and apply the available exemptions regarding the recognition of short-term leases and low-value leasing assets. The new Standard will be applied for the first time using the modified retrospective method. Intragroup leasing arrangements are not reflected in the internal management system or in internal reporting pursuant to IFRS 16 and therefore, in accordance with IFRS 8, do not result in any changes in the presentation of segment information. IFRS 16 has not been adopted prior to the mandatory application date.

The impact on the BMW Group's results of operations, financial position and net assets is currently being analysed as part of a Group-wide implementation project. A new IT system has been introduced to account for right-of-use assets and lease liabilities in the future. At the date of initial adoption, the balance sheet total is expected to increase by approximately €2.3 billion as a result of leases previously classified as operating leases. The reclassification results in a slight decline in the equity ratio. For a small number of contracts, the carrying amount of a right-of-use asset will be determined as if IFRS 16 had been applied from the inception of the lease. After offsetting deferred tax effects amounting to €13 million, this results in a reduction of approximately €32 million in Group revenue reserves at 1 January 2019. In subsequent periods, the BMW Group expects a slightly positive impact on profit before financial result and on cash inflows/outflows from operating activities and a slightly negative impact on cash inflows/outflows from financing activities.

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 will be applied retrospectively, with comparative figures restated. In this context, it will be necessary to restate the opening balance sheet as at 1 January 2018 and figures for the financial year 2018.

As a result of the revised definition of initial direct costs contained in IFRS 16, the BMW Group will change 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, in future these costs will be recognised as an expense in full in the period in which the entitlement to the bonus arises. This results 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 first-time application of IFRS 16 with effect from 1 January 2019, in conjunction with IFRS 15, will also require the BMW Group 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, in future, revenues and cost of sales arising on the sale of vehicles which will subsequently be leased to customers under finance lease arrangements will be recognised at a later date. Revenues and cost of sales relating to vehicle sales will no longer be recognised at the time of sale, but rather at the commencement date of the lease. Revenues will be 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. Cost of sales will also be reduced for unguaranteed residual values. In addition, initial direct costs incurred by the Financial Services segment will be recognised at Group level as cost of sales. Overall, this results in a retrospective decrease in Group revenue reserves as 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 will not have a material impact on the accounting in the Automotive and Financial Services segments.

The following table provides an overview of the expected effects on revenue reserves from the first-time application of IFRS 16 and the related change in the methods used to account for leases as a lessor:

in € million	Change	Impact on revenue reserves 1.1.2018	After-tax earnings impact 2018	Impact on revenue reserves 1.1.2019	Segment
Lessee	Measurement of right-of-use assets as if IFRS 16 had been applied from the inception of the contract	–	–	–32	Automotive
Lessor	First-time application of requirements applicable to finance leases of manufacturers or dealers	–15	–131	–146	Eliminations
Lessor	Changes in timing of income statement recognition of volume-dependent bonuses	–101	–12	–113	Financial Services
	Total impact	**–116**	**–143**	**–291**	

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.

06
First-time application of IFRS 15

The new Standard **IFRS 15 (Revenue from Contracts with Customers)** assimilates the numerous requirements and interpretations relating to revenue recognition into a single Standard. The new Standard also stipulates uniform revenue recognition principles for all sectors and all categories.

In accordance with the transitional provisions contained in IFRS 15, the BMW Group has applied the new requirements for revenue from contracts with customers in the 2018 financial year using the full retrospective option. For this reason, the opening balance sheet at 1 January 2017, the figures reported for the previous year and the balance sheet at 31 December 2017 have been adjusted and made comparable. The exemption provision, allowing contracts fulfilled prior to 1 January 2017 not to be newly assessed in accordance with IFRS 15, has been applied. The impact of applying the exemption is classified as insignificant due to the fact that it only affects the BMW Group in a few individual cases.

Revenue recognition from contracts with customers is based on a five-stage model. Revenues are required to be recognised either over time or at a specific point in time. A major difference to the previous Standard is the increased scope of discretion for estimates and the introduction of thresholds, thus influencing the amount and timing of revenue recognition.

Accounting for buyback arrangements and rights of return for vehicles sold, but which the Financial Services segment will subsequently lease to customers, results in the earlier recognition of intragroup eliminations. The adoption of IFRS 15 results in a retrospective decrease in Group equity at 1 January 2017 amounting to €498 million, after offset of deferred tax amounting to €239 million (31 December 2017: reduction of revenue reserves by €553 million, after offset of deferred tax amounting to €192 million). The lower amount of deferred tax at 31 December 2017 results from the reduction of the US federal corporate tax rate with effect from 1 January 2018. The earlier date for consolidating intragroup transactions also results in the recognition of assets and liabilities relating to rights of return, causing other current assets and other current liabilities to increase. The impact on earnings in the financial year 2018 was not significant.

In accordance with IFRS 15, costs incurred for sales promotion measures in the Automotive segment, such as sales support or residual value subsidies, are required to be treated as variable components of consideration and therefore have the effect of reducing revenue. Variable consideration is measured on the basis of the amount of consideration to which the BMW Group expects to be entitled. Some of these costs were previously reported as cost of sales. The change in classification in the income statement results in a decrease in both revenues and cost of sales. For the financial year 2017, the retrospective reclassification recorded by the Automotive segment amounted to €2.9 billion, which did not, however, have a significant impact at Group level.

If the sale of products includes a determinable amount for services (multiple-component contracts), the related revenues are deferred and recognised as income over time. Variable consideration to be received for multi-component contracts is allocated across all service obligations unless it is directly attributable to the sale of the vehicle. As a result of the change in accounting policy for multi-component contracts with variable consideration components, changes in the allocation of transaction prices result for the Automotive segment in higher amounts being recognised for vehicle sales and a lower level of amounts deferred for service contracts. The shift in the timing of revenue recognition resulted in a retrospective increase in Group revenue reserves at 1 January 2017 of €89 million, after offset of deferred tax amounting to €38 million (31 December 2017: increase in Group revenue reserves of €112 million, after offset of deferred tax amounting to €42 million). The impact on earnings in the financial year 2018 was not significant.

As a result of the retrospective adjustments described above, the Automotive segment's EBIT margin for the financial year 2017 improved by 0.3 percentage points to 9.2 %.

A different accounting treatment may be required if buyback arrangements are in place with customers, resulting in a shift in the timing of revenue recognition. The resulting impact was not significant.

Buyback arrangements between the Automotive and Financial Services segments are not reflected in the internal management system or reporting and therefore, in accordance with IFRS 8, do not result in any changes in the presentation of segment information.

The following tables show the impact on the balance sheets at 1 January 2017 and 31 December 2017, as well as on the income statement, statement of comprehensive income and cash flow statement for the financial year 2017:

BMW Group change in presentation of balance sheet at 1 January 2017

→ 69

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
ASSETS			
Total non-current assets	**121,671**	**222**	**121,893**
thereof investments accounted for using the equity method	2,546	2	2,548
thereof deferred tax	2,327	226	2,553
thereof other assets	1,595	– 6	1,589
Total current assets	**66,864**	**1,509**	**68,373**
thereof other assets	5,087	1,509	6,596
Total assets	**188,535**	**1,731**	**190,266**
EQUITY AND LIABILITIES			
Total equity	**47,363**	**– 409**	**46,954**
thereof equity attributable to shareholders of BMW AG	47,108	– 409	46,699
thereof revenue reserves	44,445	– 409	44,036
Total non-current provisions and liabilities	**73,183**	**– 100**	**73,083**
thereof other provisions	5,039	155	5,194
thereof deferred tax	2,795	26	2,821
thereof other liabilities	5,357	– 281	5,076
Total current provisions and liabilities	**67,989**	**2,240**	**70,229**
thereof other provisions	5,879	37	5,916
thereof other liabilities	10,198	2,203	12,401
Total equity and liabilities	**188,535**	**1,731**	**190,266**

BMW Group change in presentation of balance sheet at 31 December 2017

→ 70

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
ASSETS			
Total non-current assets	**121,901**	**63**	**121,964**
thereof investments accounted for using the equity method	2,767	2	2,769
thereof deferred tax	1,927	66	1,993
thereof other assets	1,635	– 5	1,630
Total current assets	**71,582**	**1,960**	**73,542**
thereof other assets	5,525	1,960	7,485
Total assets	**193,483**	**2,023**	**195,506**
EQUITY AND LIABILITIES			
Total equity	**54,548**	**– 441**	**54,107**
thereof equity attributable to shareholders of BMW AG	54,112	– 441	53,671
thereof revenue reserves	51,256	– 441	50,815
Total non-current provisions and liabilities	**69,888**	**– 254**	**69,634**
thereof other provisions	5,437	195	5,632
thereof deferred tax	2,241	– 84	2,157
thereof other liabilities	5,410	– 365	5,045
Total current provisions and liabilities	**69,047**	**2,718**	**71,765**
thereof other provisions	6,313	54	6,367
thereof other liabilities	10,779	2,664	13,443
Total equity and liabilities	**193,483**	**2,023**	**195,506**

BMW Group change in presentation of income statement for the period 1 January to 31 December 2017

→ 71

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
Revenues	98,678	–396	98,282
Cost of sales	–78,744	415	–78,329
Gross profit	19,934	19	19,953
Profit / loss before financial result	9,880	19	9,899
Profit / loss before tax	10,655	20	10,675
Income taxes	–1,949	–51	–2,000
Net profit / loss	8,706	–31	8,675
Attributable to shareholders of BMW AG	8,620	–31	8,589
Basic earnings per share of common stock in €	13.12	–0.05	13.07
Basic earnings per share of preferred stock in €	13.14	–0.05	13.09
Diluted earnings per share of common stock in €	13.12	–0.05	13.07
Diluted earnings per share of preferred stock in €	13.14	–0.05	13.09

BMW Group change in presentation of statement of comprehensive income for the period 1 January to 31 December 2017

→ 72

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
Net profit	8,706	–31	8,675
Total comprehensive income	9,336	–31	9,305
Total comprehensive income attributable to shareholders of BMW AG	9,250	–31	9,219

BMW Group change in presentation of cash flow statement for the period 1 January to 31 December 2017

→ 73

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
Net profit	8,706	–31	8,675
Change in provisions	696	56	752
Change in deferred taxes	–609	50	–559
Other	–2,884	–75	–2,959
Cash inflow/outflow from operating activities	**5,909**	**–**	**5,909**

The effects of the first-time application of IFRS 15 on equity are shown in the Statement of Changes in Equity.

07
First-time application of IFRS 9

The new requirements contained in IFRS 9 (Financial Instruments) relating to the classification and measurement of financial instruments were applied retrospectively by the BMW Group in the financial year 2018. The available exemption not to adjust comparative information for previous periods was applied. Accordingly, only the opening balance sheet at 1 January 2018 was adjusted. Apart from a small number of exceptions, the requirements for hedge accounting were applied prospectively in the financial year 2018. The one exception to this is hedge accounting for the fair value of a portfolio against interest rate risk, for which the requirements of IAS 39 continue to be applied. Information on accounting in accordance with IFRS 9 is provided in the Accounting Policies section in → note 4.

→ see note 4

Prior to the adoption of IFRS 9, financial instruments were accounted for in accordance with IAS 39. In accordance with those requirements, the Group's financial assets were allocated to either cash funds or to the categories "loans and receivables", "available-for-sale", "held for trading" or "fair value option". Financial liabilities were allocated to the categories "financial liabilities at fair value through profit or loss" or "other financial liabilities". On initial recognition, financial instruments accounted for in accordance with IAS 39 were measured at fair value, whereby transaction costs were taken into account except in the case of financial instruments allocated to the category "at fair value through profit or loss". Subsequent to initial recognition, available-for-sale financial assets, held-for-trading financial instruments and financial assets for which the fair value option was applied were measured at their fair value. Financial assets that were classified as loans and receivables and financial liabilities (with the exception of derivative financial instruments) were subsequently measured at amortised cost using the effective interest method.

The IAS 39 impairment model was based on a regular determination of whether objective evidence indicated that impairment had already occurred. For the purposes of assessing possible impairment, all available information, such as market conditions and prices as well as the length of time and the scale of the decline in value were taken into account.

The rules for hedge accounting contained in IAS 39 required an effectiveness test to be performed for corresponding hedging relationships, based on fixed ranges, in order to demonstrate the retrospective effectiveness of the hedge. It was not permitted under IAS 39 to designate all risk components separately.

The following table shows the reconciliation of the categories and carrying amounts of financial instruments as well as the impact on Group equity of the first-time application of IFRS 9.

BMW Group reclassification of financial instruments at 1 January 2018

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	Category		Carrying amount	
in € million	IAS 39	IFRS 9	IAS 39	IFRS 9
FINANCIAL ASSETS				
Other investments	Available-for-sale	Fair value through profit or loss	366	395
	Fair value option		29	
Receivables from sales financing	Loans and receivables	At amortised cost	80,434	80,562
Financial assets				
Derivative instruments				
Cash flow hedges	Hedge accounting	Hedge accounting	2,187	2,187
Fair value hedges	Hedge accounting	Hedge accounting	814	814
Other derivative instruments	Held for trading	Fair value through profit or loss	1,340	1,340
Marketable securities and investment funds	Available-for-sale	Fair value through profit or loss		790
		Fair value directly through equity	5,447	3,919
		At amortised cost		730
Loans to third parties	Loans and receivables	At amortised cost	112	112
	Fair value option	Fair value through profit or loss	2	2
Credit card receivables	Loans and receivables	At amortised cost	248	240
Other	Loans and receivables	At amortised cost	184	184
Cash and cash equivalents	Cash	At amortised cost	9,039	8,407
		Fair value through profit or loss		632
Trade receivables	Loans and receivables	At amortised cost	2,667	2,663
Other assets				
Receivables from subsidiaries	Loans and receivables	At amortised cost	276	276
Receivables from companies in which an investment is held	Loans and receivables	At amortised cost	1,334	1,334
Collateral assets	Cash	At amortised cost	219	219
	Available-for-sale	Fair value directly through equity	97	97
Other assets	Loans and receivables	At amortised cost	1,108	1,108
Total financial assets			**105,903**	**106,011**
FINANCIAL LIABILITIES				
Financial liabilities	Other liabilities	At amortised cost	94,648	94,618
Trade payables	Other liabilities	At amortised cost	9,731	9,731
Other liabilities	Other liabilities	At amortised cost	6,822	6,822
Total financial liabilities			**111,201**	**111,171**
Total impact on equity				

Differences through		Equity effects				
new measurement category	change of evaluation measurement	Deferred taxes	Accumulated other equity	Revenue reserves	Note	
						FINANCIAL ASSETS
–	–	–	–76	76	a)	Other investments
–	–	–	–	–	b)	
–	128	–35	–	93	c)	Receivables from sales financing
						Financial assets
						Derivative instruments
–	–	–	–	–		Cash flow hedges
–	–	–	5	–5	d)	Fair value hedges
–	–	–	–	–		Other derivative instruments
–	–	–	–2	2	e)	Marketable securities and investment funds
–	–	–	2	–2	f)	
–8	–	2	–6	–	g)	
–	–	–	–	–		Loans to third parties
–	–	–	–	–	b)	
–	–8	2	–	–6	c)	Credit card receivables
–	–	–	–	–		Other
–	–	–	–	–		Cash and cash equivalents
–	–	–	–	–	h)	
–	–4	1	–	–3	c)	Trade receivables
						Other assets
–	–	–	–	–		Receivables from subsidiaries
–	–	–	–	–		Receivables from companies in which an investment is held
–	–	–	–	–		Collateral assets
–	–	–	–	–		
–	–	–	–	–		Other assets
–8	**116**	**–30**	**–77**	**155**		**Total financial assets**
						FINANCIAL LIABILITIES
–	–30	7	–	23	d)	Financial liabilities
–	–	–	–	–		Trade payables
–	–	–	–	–		Other liabilities
–	**–30**	**7**	**–**	**23**		**Total financial liabilities**
			–77	**178**		**Total impact on equity**

The impact of the various changes arising in conjunction with the first-time application of IFRS 9 is explained below:

(a) Financial investments in equity instruments were reclassified to the category "at fair value through profit or loss". There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.

(b) Selected non-current marketable securities and loans to third parties, for which the fair value option available under IAS 39 was previously used, were reclassified to the category "at fair value through profit or loss" because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.

(c) Adjustment of impairment allowances in accordance with the new requirements of IFRS 9.

(d) The new accounting requirements for interest rate hedges reduce the carrying amount of financial liabilities designated as hedged items within a hedge relationship by €30 million and increase accumulated other equity by €5 million. At the date of adoption of the new requirements, revenue reserves increased by €18 million, after offset of deferred tax.

(e) Specific investments in debt instruments were reclassified to the category "at fair value through profit or loss" because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding.

(f) Adjustment of the amount and presentation of impairment allowances in accordance with the new requirements of IFRS 9.

(g) Specific listed bonds were reclassified to the category "at amortised cost". At the date of first-time application of IFRS 9, the BMW Group uses a business model for these bonds, the objective of which is to collect contractual cash flows that solely represent payments of principal and interest on the principal amount outstanding. The market value of these instruments at 31 December 2018 amounted to €680 million (31 December 2017: €738 million). If the reclassification to other comprehensive income had not taken place in the period under report, a fair value loss of €2 million would have been recognised through other comprehensive income.

(h) Some of the money market funds with a fixed net asset value were reclassified from cash to the category "at fair value through profit or loss". They do not meet the criteria for measurement at amortised cost in accordance with IFRS 9 because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.

The following table shows the adjustments made to impairment allowances in the Group Balance Sheet as a result of the first-time application of IFRS 9.

BMW Group reconciliation of impairment allowances

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in € million	Impairment allowances 31.12.2017 IAS 39	Adjustment to impairment allowance due to IFRS 9	Impairment allowances 1.1.2018 IFRS 9
Receivables from sales financing	–1,147	128	–1,019
Credit card receivables	–10	–8	–18
Trade receivables	–56	–4	–60
Marketable securities and investment funds	–	–2	–2
Total	**–1,213**	**114**	**–1,099**

NOTES TO THE INCOME STATEMENT

08
Revenues

Revenues by activity comprise the following:

in € million	2018	2017*
Sales of products and related goods	68,194	69,417
Sales of products previously leased to customers	10,467	10,208
Income from lease instalments	9,691	9,816
Interest income on loan financing	3,744	3,720
Revenues from service contracts, telematics and roadside assistance	1,640	1,737
Other income	3,744	3,384
Revenues	**97,480**	**98,282**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

Revenues recognised from contracts with customers in accordance with IFRS 15 totalled €82,024 million (2017: €82,894 million).

An analysis of revenues by segment is shown in the 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 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 15.121, 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 includes interest calculated on the basis of the effective interest method totalling €3,623 million. This interest income is not reported separately in the income statement as it is not significant compared to total Group revenues.

09
Cost of sales

Cost of sales comprises:

in € million	2018	2017*
Manufacturing costs	43,262	43,442
Cost of sales relating to financial services business	23,383	22,932
thereof: Interest expense relating to financial services business	2,051	1,801
Research and development expenses	5,320	4,920
Expenses for service contracts, telematics and roadside assistance	2,234	2,081
Warranty expenditure	1,729	2,097
Other cost of sales	2,996	2,857
Cost of sales	**78,924**	**78,329**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to €88 million (2017: €61 million).

Expenses for impairment losses for receivables from sales financing recognised in the income statement for the financial year 2018 amounted to €142 million. Because the impairments are of minor importance compared to the total Group cost of sales, a separate disclosure has not been provided in the income statement.

Research and development expenditure was as follows:

in € million	2018	2017
Research and development expenses	5,320	4,920
Amortisation	–1,414	–1,236
New expenditure for capitalised development costs	2,984	2,424
Total research and development expenditure	**6,890**	**6,108**

10
Selling and administrative expenses

Selling and administrative expenses relate mainly to expenses for marketing, personnel and IT.

11
Other operating income and expenses

Other operating income and expenses comprise the following items:

in € million	2018	2017
Exchange gains	185	282
Income from the reversal of provisions	216	138
Income from the reversal of impairment losses and write-downs	15	8
Gains on the disposal of assets	96	80
Sundry operating income	262	212
Other operating income	**774**	**720**
Exchange losses	–135	–246
Expense for additions to provisions	–193	–580
Expense for impairment losses and write-downs	–48	–29
Sundry operating expenses	–275	–359
Other operating expenses	**–651**	**–1,214**
Other operating income and expenses	**123**	**–494**

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 €47 million (2017: €29 million).

The expense for additions to provisions includes litigation and other legal risks. Income from the reversal of provisions includes legal disputes that have been concluded.

12
Net interest result

in € million	2018	2017
Other interest and similar income	397	201
thereof from subsidiaries:	8	9
Interest and similar income	**397**	**201**
Expense relating to interest impact on other long-term provisions	–91	–66
Net interest expense on the net defined benefit liability for pension plans	–62	–81
Other interest and similar expenses	–233	–265
thereof subsidiaries:	–2	–2
Interest and similar expenses	**–386**	**–412**
Net interest result	**11**	**–211**

13
Other financial result

in € million	2018	2017
Income from investments in subsidiaries and participations	278	14
thereof from subsidiaries:	9	13
Expenses from investments in subsidiaries and participations	–122	–
Result on investments	**156**	**14**
Income (+) and expenses (–) from financial instruments	–105	234
Sundry other financial result	**–105**	**234**
Other financial result	**51**	**248**

14
Income taxes

Taxes on income of the BMW Group comprise the following:

in € million	2018	2017*
Current tax expense	2,220	2,558
Deferred tax expense (+) / deferred tax income (–)	355	–558
thereof relating to temporary differences	641	–502
thereof relating to tax loss carryforwards and tax credits	–286	–56
Income taxes	**2,575**	**2,000**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

Current tax expense includes tax income of €16 million (2017: €104 million) relating to prior periods.

The tax expense was reduced by €41 million (2017: €91 million) as a result of utilising tax loss carryforwards, for which deferred 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 €24 million (2017: €67 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 % (2017: 425.0 %), the underlying income tax rate for Germany was as follows:

in %	2018	2017
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	14.9
German income tax rate	**30.8**	**30.7**

Deferred taxes for non-German entities are calculated on the basis of the relevant country-specific tax rates. These range in the financial year 2018 between 9.0 % and 45.0 % (2017: between 9.0 % and 45.0 %).

Changes in tax rates resulted in a deferred tax expense of €90 million (2017: deferred tax income of €796 million). The principal reason for this development in the previous year was the reduction in the US federal corporate income tax rate from 35.0 % to 21.0 % with effect from 1 January 2018.

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	2018	2017*
Profit before tax	9,815	10,675
Tax rate applicable in Germany	30.8 %	30.7 %
Expected tax expense	**3,023**	**3,277**
Variances due to different tax rates	–359	–1,026
Tax increases (+) / tax reductions (–) as a result of non-deductible expenses and tax-exempt income	141	58
Tax expense (+) / benefits (–) for prior years	–16	–104
Other variances	–214	–205
Actual tax expense	**2,575**	**2,000**
Effective tax rate	26.2 %	18.7 %

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

In the previous year, variances due to different tax rates were influenced in particular by the reduction in the US federal corporate income tax rate, which was required to be taken into account in the measurement of deferred taxes as of 31 December 2017. This resulted in a reduction in the tax expense of €977 million.

Tax increases as a result of non-deductible expenses and tax reductions due to tax-exempt income increased compared to one year earlier. As in the previous year, tax increases as a result of non-tax-deductible expenses were attributable primarily to the impact of non-recoverable withholding taxes and transfer price issues.

Tax income relating to prior years resulted primarily from adjustments to income tax receivables and provisions for prior years.

Other variances comprise various reconciling items, including the Group's share of earnings of companies accounted for using the equity method.

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 2018	Deferred tax assets 2017*	Deferred tax liabilities 2018	Deferred tax liabilities 2017*
Intangible assets	22	18	3,077	2,593
Property, plant and equipment	171	88	359	195
Leased products	487	473	5,210	4,655
Other investments	3	3	20	10
Sundry other assets	1,185	613	3,254	3,629
Tax loss carryforwards and capital losses	891	608	–	–
Provisions	5,323	5,192	29	78
Liabilities	2,570	2,415	620	428
Eliminations	3,180	3,222	981	706
	13,832	**12,632**	**13,550**	**12,294**
Valuation allowances on tax loss carryforwards and capital losses	–498	–502	–	–
Netting	–11,744	–10,137	–11,744	–10,137
Deferred taxes	**1,590**	**1,993**	**1,806**	**2,157**
Net	–	–	216	164

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

Tax **loss carryforwards** – for the most part usable without restriction – amounted to €2,045 million (2017: €928 million). This includes an amount of €542 million (2017: €548 million), for which a valuation allowance of €185 million (2017: €186 million) was recognised on the related deferred tax asset. For entities with tax losses available for carryforward, a net surplus of deferred tax assets over deferred tax liabilities is reported at 31 December 2018 amounting to €234 million (2017: €131 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.

Capital losses available for carryforward in the United Kingdom which do not relate to ongoing operations decreased to €1,841 million (2017: €1,854 million) due to currency factors. As in previous years, deferred tax assets recognised on these tax losses – amounting to €313 million at the end of the reporting period (2017: €315 million) – were fully written down since they can only be utilised against future capital gains.

Netting relates to the offset of deferred tax assets and liabilities within individual entities or tax groups to the extent that they relate to the same tax authorities.

Deferred taxes recognised directly in **equity** amounted to €1,457 million (2017: €1,000 million).

Changes in deferred tax assets and liabilities during the reporting period can be summarised as follows:

in € million	2018[1]	2017[2]
Deferred taxes at 1 January (assets (–) / liabilities (+))	201	268
Deferred tax expense (+) / income (–) recognised through income statement	355	–558
Change in deferred taxes recognised directly in equity	–457	815
thereof relating to fair value gains and losses on financial instruments and marketable securities recognised directly in equity	–677	591
thereof relating to the remeasurements of net liabilities for defined benefit pension plans	222	181
thereof from currency translation	–2	43
Exchange rate impact and other changes	117	–361
Deferred taxes at 31 December (assets (–) / liabilities (+))	**216**	**164**

[1] The figures at 1.1.2018 adjusted due to first-time application of IFRS 9, see note 7.
[2] Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

Deferred taxes are not recognised on retained profits of €48.2 billion (2017: €42.8 billion) of foreign subsidiaries, as it is intended to invest these profits to maintain and expand the business volume of the relevant companies. No computation was made of the potential impact of income taxes on the grounds of proportionality.

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.

15
Earnings per share

		2018	2017[1]
Net profit attributable to the shareholders of BMW AG	€ million	7,117.4	8,589.0
Profit attributable to common stock	€ million	6,514.5	7,867.6
Profit attributable to preferred stock	€ million	602.9	721.4
Average number of common stock shares in circulation	number	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	55,605,380	55,114,290
Basic / diluted earnings per share of common stock	€	10.82	13.07
Basic / diluted earnings per share of preferred stock	€	10.84	13.09
Dividend per share of common stock	€	3.50[2]	4.00
Dividend per share of preferred stock	€	3.52[2]	4.02

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 6.
[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 €10.87 per share of common stock and €10.89 per share of preferred stock.

16
Personnel expenses

The income statement includes personnel expenses as follows:

in € million	2018	2017*
Wages and salaries	10,249	9,938
Pension and welfare expenses	1,387	1,295
Social insurance expenses	843	819
Personnel expenses	**12,479**	**12,052**

* Distribution to wages and salaries and pension and welfare expenses adjusted in previous year figures.

Personnel expenses include €45 million (2017: €54 million) of costs relating to workforce measures. The total pension expense for defined contribution plans of the BMW Group amounted to €122 million (2017: €105 million). Employer contributions paid to state pension insurance schemes totalled €645 million (2017: €630 million).

The average number of employees during the year was:

	2018	2017
Employees	123,337	119,611
thereof at proportionately-consolidated entities	–	182
Apprentices and students gaining work experience	8,228	7,913
thereof at proportionately-consolidated entities	–	1
Average number of employees	**131,565**	**127,524**

The number of employees at the end of the reporting period is disclosed in the Combined Management Report.

17
Fee expense for the Group auditor

The fee expense pursuant to § 314 (1) no. 9 HGB recognised in the financial year 2018 for the Group auditor and its network of audit firms amounted to €24 million (2017: €25 million) and consists of the following:

in € million	2018	2017
Audit of financial statements	**17**	**17**
thereof KPMG AG Wirtschafts-prüfungsgesellschaft, Berlin	5	5
Other attestation services	**3**	**4**
thereof KPMG AG Wirtschafts-prüfungsgesellschaft, Berlin	2	3
Tax advisory services	**2**	**2**
thereof KPMG AG Wirtschafts-prüfungsgesellschaft, Berlin	–	–
Other services	**2**	**2**
thereof KPMG AG Wirtschafts-prüfungsgesellschaft, Berlin	–	1
Fee expense	**24**	**25**
thereof KPMG AG Wirtschafts-prüfungsgesellschaft, Berlin	7	9

Services provided by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, during the financial year 2018 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 Company financial statements of BMW AG and its subsidiaries, and, in accordance with current requirements, all work related thereto, including the review of the Group Interim Financial Statements.

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

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

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

18
Government grants and government assistance

Income from asset-related and performance-related grants, amounting to €29 million (2017: €30 million) and €83 million (2017: €112 million) respectively, was recognised in the income statement in 2018.

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	2018	2017
Remeasurement of the net defined benefit liability for pension plans	935	693
Deferred taxes	–217	–218
Items not expected to be reclassified to the income statement in the future	**718**	**475**
Marketable securities (at fair value through other comprehensive income)	**–30**	**39**
thereof gains / losses arising in the period under report	–1	83
thereof reclassifications to the income statement	–29	–44
Financial instruments used for hedging purposes	**–1,381**	**1,914**
thereof gains / losses arising in the period under report	–333	2,017
thereof reclassifications to the income statement	–1,048	–103
Costs of hedging	**–620**	**–**
thereof gains / losses arising in the period under report	–973	–
thereof reclassifications to the income statement	353	–
Other comprehensive income from equity accounted investments	**–157**	**–30**
Deferred taxes	**674**	**–597**
Currency translation foreign operations	**192**	**–1,171**
Items that can be reclassified to the income statement in the future	**–1,322**	**155**
Other comprehensive income for the period after tax	**–604**	**630**

Deferred taxes on components of other comprehensive income are as follows:

	2018			2017		
in € million	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	935	–217	718	693	–218	475
Marketable securities (at fair value through other comprehensive income)	–30	18	–12	39	2	41
Financial instruments used for hedging purposes	–1,381	436	–945	1,914	–568	1,346
Costs of hedging	–620	187	–433	–	–	–
Other comprehensive income from equity accounted investments	–157	33	–124	–30	–31	–61
Currency translation foreign operations	192	–	192	–1,171	–	–1,171
Other comprehensive income	**–1,061**	**457**	**–604**	**1,445**	**–815**	**630**

Other comprehensive income arising from equity accounted investments is reported in the Statement of Changes in Equity within currency translation differences with an amount of € –24 million (2017: € –152 million), within financial instruments used for hedging purposes with an amount of €39 million (2017: €91 million) and within costs of hedging with an amount of € –139 million (2017: € – million).

NOTES TO THE BALANCE SHEET

20
Analysis of changes in Group tangible, intangible and investment assets 2018

in € million	Acquisition and manufacturing cost					
	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	**44,143**	**735**	**18,421**	**–**	**16,956**	**46,343**
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 assets under construction of €2,017 million.
[2] Including €74 million recognised through the income statement

Analysis of changes in Group tangible, intangible and investment assets 2017

in € million	Acquisition and manufacturing cost					
	1.1.2017[1]	Translation differences	Additions	Reclassi-fications	Disposals	31.12.2017
Development costs	11,484	–	2,424	–	943	**12,965**
Goodwill	386	–1	–	–	–	**385**
Other intangible assets	1,530	–37	286	–	29	**1,750**
Intangible assets	**13,400**	**–38**	**2,710**	**–**	**972**	**15,100**
Land, titles to land, buildings, including buildings on third party land	10,940	–299	271	228	52	**11,088**
Plant and machinery	35,924	–681	2,123	1,027	1,560	**36,833**
Other facilities, factory and office equipment	2,674	–91	314	70	168	**2,799**
Advance payments made and construction in progress	2,255	–97	1,694	–1,325	2	**2,525**
Property, plant and equipment	**51,793**	**–1,168**	**4,402**	**–**	**1,782**	**53,245**
Leased products	**45,595**	**–3,047**	**18,281**	**–**	**16,686**	**44,143**
Investments accounted for using the equity method	**2,548**	**–**	**639**	**–**	**418**	**2,769**
Investments in non-consolidated subsidiaries	501	–8	74	–	129	**438**
Participations	710	–7	118	–	1	**820**
Non-current marketable securities	28	–	–	–	–	**28**
Other investments	**1,239**	**–15**	**192**	**–**	**130**	**1,286**

[1] Including first-time consolidation and changes in accordance with IFRS 15.
[2] Including assets under construction of €2,010 million.
[3] Including €3 million recognised through the income statement and €76 million directly in equity.

Depreciation and amortisation							Carrying amount		
1.1.2018	Translation differences	Current year	Reclassifications	Value adjustments[2]	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**[1]	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**
7,886	**113**	**3,328**	**–**	**–**	**3,556**	**7,771**	**38,572**	**36,257**	**Leased products**
–	**–**	**–**	**–**	**–**	**–**	**–**	**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**

Depreciation and amortisation							Carrying amount		
1.1.2017[1]	Translation differences	Current year	Reclassifications	Value adjustments[3]	Disposals	31.12.2017	31.12.2017	31.12.2016	
4,263	–	1,236	–	–	943	**4,556**	**8,409**	7,221	Development costs
5	–	–	–	–	–	**5**	**380**	364	Goodwill
928	–16	191	–	–	28	**1,075**	**675**	572	Other intangible assets
5,196	**–16**	**1,427**	**–**	**–**	**971**	**5,636**	**9,464**	**8,157**	**Intangible assets**
4,786	–115	337	–5	–	37	**4,966**	**6,122**	6,154	Land, titles to land, buildings, including buildings on third party land
27,092	–531	2,820	5	–	1,548	**27,838**	**8,995**	8,832	Plant and machinery
1,952	–62	238	–	–	158	**1,970**	**829**	721	Other facilities, factory and office equipment
–	–	–	–	–	–	**–**	**2,525**[2]	2,253	Advance payments made and construction in progress
33,830	**–708**	**3,395**	**–**	**–**	**1,743**	**34,774**	**18,471**	**17,960**	**Property, plant and equipment**
7,801	**–379**	**3,633**	**–**	**–**	**3,169**	**7,886**	**36,257**	**37,789**	**Leased products**
–	**–**	**–**	**–**	**–**	**–**	**–**	**2,769**	**2,546**	**Investments accounted for using the equity method**
192	–3	–	–	–	–	**189**	**249**	308	Investments in non-consolidated subsidiaries
484	–	–	–	–76	–	**408**	**412**	226	Participations
2	–	–	–	–3	–	**–1**	**29**	26	Non-current marketable securities
678	**–3**	**–**	**–**	**–79**	**–**	**596**	**690**	**560**	**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 €41 million (2017: €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. Intangible assets also include goodwill of €33 million (2017: €33 million) allocated to the Automotive cash-generating unit (CGU) and goodwill of €347 million (2017: €347 million) allocated to the Financial Services CGU.

Intangible assets amounting to €41 million (2017: €41 million) are subject to restrictions on title.

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on intangible assets in 2018.

As in the previous year, no financing costs were recognised as a cost component of intangible assets in 2018.

22 Property, plant and equipment

No impairment losses were recognised in 2018, 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 2018.

Property, plant and equipment include a total of €89 million (2017: €94 million) relating to land and buildings, for which economic ownership is attributable to the BMW Group (finance leases). The principal leases are held by BMW AG, have a carrying amount of €70 million (2017: €78 million) and run for periods up to 2030 at the latest. The leases contain price adjustment clauses in the form of index-linked rentals as well as extension and purchase options.

Minimum lease payments are as follows:

in € million	31.12.2018	31.12.2017
Total of future minimum lease payments		
due within one year	18	19
due between one and five years	75	73
due later than five years	85	100
	178	192
Interest portion of the future minimum lease payments		
due within one year	9	10
due between one and five years	26	32
due later than five years	38	40
	73	82
Present value of future minimum lease payments		
due within one year	9	9
due between one and five years	49	41
due later than five years	47	60
	105	110

23 Leased products

Minimum lease payments of non-cancellable operating leases amounting to €18,880 million (2017: €17,982 million) fall due as follows:

in € million	31.12.2018	31.12.2017
within one year	8,980	8,586
between one and five years	9,863	9,383
later than five years	37	13
Minimum lease payments	18,880	17,982

Contingent rents of €92 million (2017: €52 million), based principally on the distance driven, were recognised in income. The agreements have, in part, extension and purchase options.

Impairment losses amounting to €235 million (2017: €148 million) were recognised on leased products in 2018 as a consequence of changes in residual value expectations. Income from the reversal of impairment losses amounted to €92 million (2017: € – 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), until 9 March 2018 the joint ventures DriveNow GmbH & Co. KG and DriveNow Verwaltungs GmbH (DriveNow), the joint venture IONITY Holding GmbH & Co. KG (IONITY) and the interest in the associated company THERE Holding B.V. (THERE).

BMW Brilliance produces mainly 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 close 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.

The BMW Group previously maintained the joint ventures DriveNow GmbH & Co. KG and DriveNow Vewaltungs GmbH together with Sixt SE, Pullach. DriveNow offers car-sharing services in major German cities and abroad. Following approval by the antitrust authorities and with effect from 9 March 2018, the agreement with SIXT regarding the full acquisition of shares in DriveNow by the BMW Group was completed. The total valuation for DriveNow amounts to €418 million. Further information relating to this transaction is provided in → note 2 to the Group Financial Statements.

→ see note 2

In the financial year 2017, the BMW Group, Daimler AG, Stuttgart (Daimler AG), the Ford Motor Company and the Volkswagen Group, each with equal shareholdings, founded the joint venture IONITY Holding GmbH & Co. KG. IONITY's business model envisages the construction and operation of high-performance charging stations for battery electric vehicles in Europe. The plan is to build some 400 fast-charging stations by 2020 in order to support electric mobility on long-haul routes and thereby establish the market.

In the financial year 2015, BMW AG, Daimler AG and AUDI AG, Ingolstadt (Audi AG) jointly acquired the mapping and location-based services business (HERE Group) of Nokia Corporation, Helsinki. 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.

In December 2016, THERE signed contracts relating to the sale of shares in HERE International B.V., Amsterdam (HERE). The sale of 15 % of the shares to Intel Holdings B.V., Schiphol-Rijk, was completed in January 2017. The sale of the shares resulted in a loss of control, as defined by IFRS 10, at the level of THERE. Since THERE continues to have a significant influence over HERE, the latter has been included since then in THERE's consolidated financial statements as an associated company using the equity method. The loss of control and the subsequent deconsolidation of HERE and its subsidiaries led to a positive earnings effect at the level of THERE. The BMW Group portion amounted to €183 million, which was recognised in the result from equity accounted investments in the financial year 2017.

In December 2017, BMW AG, Audi AG and Daimler AG signed contracts for the sale of shares in THERE. Stakes of 5.9 % each were sold to Robert Bosch Investment Nederland B.V., Boxtel, and Continental Automotive Holding Netherlands B.V., Maastricht, whereby the sale was executed in equal parts by BMW AG, Audi AG and Daimler AG. Closure of these transactions did not have a significant effect on earnings in the financial year 2018.

Capital increases were made at the level of THERE in June and November 2018, with BMW AG participating with an amount of €31 million on each occasion. As a result, BMW AG's stake in THERE increased in steps by 0.2 % to 29.6 %.

Financial information relating to equity accounted investments is summarised in the following tables:

	BMW Brilliance		THERE		DriveNow		IONITY	
in € million	2018	2017[1]	2018	2017	2018	2017	2018	2017
DISCLOSURES RELATING TO THE INCOME STATEMENT								
Revenues	17,766	14,627	–	71[2]	14	71	–	–
Scheduled depreciation	636	637	–	–	–	–	1	–
Profit / loss before financial result	1,922	1,620	–1	–1	–6	–17	–18	–12
Interest income	62	46	–	–	–	–	–	–
Interest expenses	–	–	–	–	–	–	–	–
Income taxes	535	454	–	–	–	–	3	2
Profit / loss after tax	1,561	1,338	–337	362	–6	–17	–15	–10
thereof from continuing operations	1,561	1,338	–337	–151	–	–	–	–
thereof from discontinued operations	–	–	–	513	–	–	–	–
Other comprehensive income	–250	–121	–7	2	–	–	–	–
Total comprehensive income	1,311	1,217	–344	364	–6	–17	–15	–10
Dividends received by the Group	384	258	–	–	–	–	–	–

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 6.
[2] Revenues relate only to the month of January up to the time of loss of control of HERE.

	BMW Brilliance		THERE		DriveNow		IONITY	
in € million	2018	2017[1]	2018	2017	2018	2017	2018	2017
DISCLOSURES RELATING TO THE BALANCE SHEET								
Non-current assets	6,714	5,910	1,763	1,906	–	–	48	4
Current assets	6,570	5,211	2	289	–	26	110	46
thereof cash and cash equivalents	2,937	2,617	2	289	–	9	102	45
Equity	5,926	5,382	1,764	2,195	–	4[2]	149	40
Non-current financial liabilities	71	–	–	–	–	–	–	–
Non-current provisions and liabilities	1,193	960	–	–	–	–	3	–
Current provisions and liabilities	6,094	4,779	1	–	–	22	6	10
thereof current financial liabilities	81	6	–	–	–	–	–	–
RECONCILIATION OF AGGREGATED FINANCIAL INFORMATION								
Assets	13,284	11,121	1,765	2,195	–	26	158	50
Provisions and liabilities	7,358	5,739	1	–	–	22	9	10
Net assets	5,926	5,382	1,764	2,195	–	4	149	40
Group's interest in net assets	2,963	2,691	522	732	–	2[3]	37	10
Eliminations	–898	–666	–	–	–	–	–	–
Carrying amount	2,065	2,025	522	732	–	2	37	10

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 6.
[2] Corresponds to the consolidated equity capital provided by the shareholders of DriveNow GmbH & Co. KG and its subsidiaries.
[3] The share of the BMW Group on net assets at 31 December 2017 amounted to 52.8 %. Due to the allocation of voting power within decision-making bodies of the two entities, operations remain subject to joint control.

25
Receivables from sales financing

Receivables from sales financing comprise the following:

in € million	31.12.2018	31.12.2017
Credit financing for retail customers and dealerships	66,521	62,401
Finance lease receivables	20,262	18,033
Receivables from sales financing	**86,783**	**80,434**

* Prior year figure has been adjusted.

Unguaranteed residual values amount to €1,392 million (2017: €1,240 million*).

Impairment allowances on receivables from sales financing in accordance with IFRS 9, which only arise within the Financial Services segment, developed in the financial year 2018 as follows:

	Stage 1	Stage 2		Stage 3	
in Mio. €		General	Simplified		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**

The impairment allowances according to IAS 39 in the financial year 2017 developed as follows:

in € million	specific item basis	group basis	Total
Impairment allowances at 1 January 2017	943	469	**1,412**
Allocated (+)/reversed (–)	143	2	**145**
Utilised	–337	–8	**–345**
Exchange rate impact and other changes	–48	–17	**–65**
Impairment allowances at 31 December 2017	**701**	**446**	**1,147**

Impairment allowances include €113 million (2017: €105 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 €506 million. The carrying amount of assets held as collateral and taken back as a result of payment default amounted to €42 million (2017: €45 million).

Finance leases are analysed as follows:

in € million	31.12.2018	31.12.2017
Gross investment in finance leases		
due within one year	6,811	6,122
due between one and five years	15,480	13,772
due later than five years	24	21
	22,315	**19,915**
Present value of future minimum lease payments		
due within one year	6,238	5,655
due between one and five years	14,001	12,358
due later than five years	23	20
	20,262	**18,033**
Unrealised interest income	**2,053**	**1,882**

26
Financial assets

Financial assets comprise:

in € million	31.12.2018	31.12.2017
Marketable securities and investment funds	5,316	5,447
Derivative instruments	1,977	4,341
Credit card receivables	244	248
Loans to third parties	20	114
Other	128	184
Financial assets	**7,685**	**10,334**
thereof non-current	1,010	2,369
thereof current	6,675	7,965

Marketable securities and investment funds relate to available-for-sale financial assets and comprise:

in € million	31.12.2018	31.12.2017
Fixed income securities	4,359	4,662
Stocks and other equity capital instruments	–	534
Other debt securities	957	251
Marketable securities and investment funds	**5,316**	**5,447**

In 2017, stocks and other equity capital instruments related entirely to investment funds. In accordance with IFRS 9, these assets are required to be classified as debt capital instruments and are therefore reported as other debt securities with effect from the financial year 2018.

The contracted maturities of debt securities are as follows:

in € million	31.12.2018	31.12.2017
Fixed income securities		
due within three months	787	628
due later than three months	3,572	4,034
Other debt securities		
due within three months	957	251
due later than three months	–	–
Debt securities	**5,316**	**4,913**

Allowances for impairment and credit risk

Receivables relating to credit card business comprise the following:

in € million	31.12.2018	31.12.2017
Gross carrying amount	262	258
Allowance for impairment	–18	–10
Net carrying amount	**244**	**248**

27
Income tax assets

Income tax assets totalling €1,366 million (2017: €1,566 million) include claims amounting to €222 million (2017: €364 million), which are expected to be settled after more than one year. Claims may be settled earlier than this depending on the timing of proceedings.

28
Other assets

Other assets comprise:

in € million	31.12.2018	31.12.2017*
Return right assets for future leased products	3,261	1,962
Prepayments	2,167	2,018
Receivables from companies in which an investment is held	1,916	1,334
Other taxes	1,747	1,537
Receivables from subsidiaries	295	276
Collateral assets	293	316
Expected reimbursement claims	933	847
Sundry other assets	1,204	825
Other assets	**11,816**	**9,115**
thereof non-current	2,026	1,630
thereof current	9,790	7,485

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

Prepayments relate mainly to prepaid interest, commission paid to dealerships and amounts paid in advance to contract manufacturers. Prepayments of €1,227 million (2017: €1,136 million) have a maturity of less than one year.

Collateral assets comprise mainly customary collateral (banking deposits) arising on the sale of receivables.

29
Inventories

Inventories comprise the following:

in € million	31.12.2018	31.12.2017
Finished goods and goods for resale	10,592	10,436
Work in progress, unbilled contracts	1,208	1,125
Raw materials and supplies	1,247	1,146
Inventories	**13,047**	**12,707**

Out of the total amount recognised for inventories at 31 December 2018, inventories measured at net realisable value amounted to €680 million (2017: €673 million[1]). Write-downs to net realisable value amounting to €54 million (2017: €36 million[1]) were recognised in 2018, reversal of impairment losses amounted to €22 million (2017: €6 million).

[1] Prior year figure has been adjusted.

The expense recorded in conjunction with inventories during the financial year 2018 amounted to €58,079 million (2017: €55,969 million).

30
Trade receivables

Trade receivables comprise the following:

in € million	31.12.2018	31.12.2017
Gross carrying amount	2,600	2,723
Allowance for impairment	–	–56
Allowances for impairment of stage 2 – simplified procedure	–20	–
Allowances for impairment of stage 3	–34	–
Net carrying amount	**2,546**	**2,667**

Impairment allowances on trade receivables according to IFRS 9 developed during the financial year 2018 as follows:

in € million	2018
Balance at 1 January*	60
Allocated (+)	21
Reversed (–)	–26
Utilised	–1
Exchange rate impact and other changes	–
Balance at 31 December	**54**

* The difference between the closing balance at 31 December 2017 and the opening balance at 1 January 2018 corresponds to the adjustment recorded in accordance with IFRS 9.

The impairment allowances according to IAS 39 in the financial year 2017 developed as follows:

	2017		
	Allowance for impairment recognised on a		
in € million	specific item basis	group basis	Total
Balance at 1 January	46	11	**57**
Allocated (+) / reversed (–)	8	–2	**6**
Utilised	–4	–1	**–5**
Exchange rate impact and other changes	–1	–1	**–2**
Balance at 31 December*	**49**	**7**	**56**

* The difference between the closing balance at 31 December 2017 and the opening balance at 1 January 2018 corresponds to the adjustment recorded in accordance with IFRS 9.

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 in relation to total Group expenses and is therefore not reported separately in the income statement.

31
Equity
Number of shares issued

	Preferred stock		Common stock	
	2018	2017	2018	2017
Shares issued / in circulation at 1 January	55,605,404	55,114,404	601,995,196	601,995,196
Shares issued in conjunction with Employee Share Programme	521,524	491,114	–	–
Less: shares repurchased and re-issued	24	114	–	–
Shares issued / in circulation at 31 December	56,126,904	55,605,404	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 2018, a total of 521,524 shares of preferred stock was sold to employees at a reduced price of €46.26 per share in conjunction with the Company's Employee Share Programme. These shares are entitled to receive dividends for the first time with effect from the financial year 2019.

Issued share capital increased by €0.5 million as a result of the issue to employees of 521,500 new shares of non-voting preferred stock. BMW AG is authorised up to 14 May 2019 to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million. At the end of the reporting period, 3.1 million of these amounting to nominal €3.1 million remained available for issue.

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

Capital reserves

Capital reserves include premiums arising from the issue of shares and totalled €2,118 million (2017: €2,084 million). The change related to the share capital increase arising in conjunction with the issue of shares of preferred stock to employees amounting to €34 million.

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 2018 amounting to €2,303 million according to HGB be utilised as follows:

- Distribution of a dividend of 3.52 per share of preferred stock (€196 million)
- Distribution of a dividend of 3.50 per share of common stock (€2,107 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 first-time application of IFRS 15 and IFRS 9 is provided in → notes 6 and 7.

→ see notes 6 and 7

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	31.12.2018	31.12.2017*
Equity attributable to shareholders of BMW AG	57,559	53,671
Proportion of total capital	35.7 %	36.2 %
Non-current financial liabilities	64,772	53,548
Current financial liabilities	38,825	41,100
Total financial liabilities	103,597	94,648
Proportion of total capital	64.3 %	63.8 %
Total capital	**161,156**	**148,319**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

The equity ratio attributable to shareholders of BMW AG increased during the financial year by 7.2 %, primarily reflecting the increase in revenue reserves.

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 %	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Discount rate	1.91	1.79	2.69	2.34	3.66	3.13
Pension level trend	1.62	1.82	2.25	2.44	–	–
Weighted duration of all pension obligations in years	20.2	20.8	19.0	21.3	17.2	18.3

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	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Present value of defined benefit obligations	11,542	11,641	8,277	9,594	1,428	1,475	21,247	22,710
Fair value of plan assets	9,721	9,604	8,167	8,908	1,049	965	18,937	19,477
Effect of limiting net defined benefit asset to asset ceiling	–	–	–	–	3	3	3	3
Carrying amounts at 31 December	**1,821**	**2,037**	**110**	**686**	**382**	**513**	**2,313**	**3,236**
thereof pension provision	1,823	2,037	125	702	382	513	2,330	3,252
thereof assets	–2	–	–15	–16	–	–	–17	–16

Numerous **defined benefit plans** exist within the BMW Group.

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 defined benefit plans have been closed to new entrants. 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 BMW Group employees, senior executives and members of the Board of Management. 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 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 obligation 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 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**

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 2017	22,899	–18,315	**4,584**	3	**4,587**
EXPENSE/INCOME					
Current service cost	581	–	**581**	–	**581**
Interest expense (+)/income (–)	489	–408	**81**	–	**81**
Past service cost	–2	–	**–2**	–	**–2**
Gains (–) or losses (+) arising from settlements	–212	–	**–212**	–	**–212**
REMEASUREMENTS					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	–590	**–590**	–	**–590**
Gains (–) or losses (+) arising from changes in financial assumptions	322	–	**322**	–	**322**
Gains (–) or losses (+) arising from changes in demographic assumptions	–152	–	**–152**	–	**–152**
Gains (–) or losses (+) arising from experience adjustments	–134	–	**–134**	–	**–134**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	–	**–**
Transfers to fund	–	–1,165	**–1,165**	–	**–1,165**
Employee contributions	86	–86	**–**	–	**–**
Pensions and other benefits paid	–619	637	**18**	–	**18**
Translation differences and other changes	–548	450	**–98**	–	**–98**
31 December 2017	**22,710**	**–19,477**	**3,233**	**3**	**3,236**
thereof pension provision					**3,252**
thereof assets					**–16**

Past service cost in the financial year 2018 results mainly from the estimated effects of a court order made in October 2018 in the UK. The court ruling related to gender equality in state-guaranteed minimum pension (GMP) plans and requires existing pension entitlements to be adjusted.

The gains arising from changes in demographic assumptions relate mainly to revised mortality tables in the United Kingdom. The revision of German mortality tables had an offsetting effect.

Depending on the cash flow profile and risk structure of the pension obligations involved, pension plan assets are invested in a diversified portfolio.

Plan assets in Germany, the UK and other countries comprised the following:

	Germany		United Kingdom		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017
COMPONENTS OF PLAN ASSETS								
Equity instruments	1,565	1,682	407	478	172	222	2,144	2,382
Debt instruments	5,604	5,668	5,774	6,354	552	469	11,930	12,491
thereof investment grade	3,402	3,231	5,224	5,734	518	434	9,144	9,399
thereof mixed funds (funds without a rating)	–	–	–	–	–	–	–	–
thereof non-investment grade	2,202	2,437	550	620	34	35	2,786	3,092
Real estate funds	–	–	–	–	93	93	93	93
Money market funds	–	–	221	191	47	42	268	233
Absolute return funds	–	–	–	51	–	–	–	51
Other	–	–	–	–	15	5	15	5
Total with quoted market price	**7,169**	**7,350**	**6,402**	**7,074**	**879**	**831**	**14,450**	**15,255**
Debt instruments	1,009	935	270	404	1	1	1,280	1,340
thereof investment grade	307	198	–	–	–	–	307	198
thereof mixed funds (funds without a rating)	702	737	216	404	–	–	918	1,141
thereof non-investment grade	–	–	54	–	1	1	55	1
Real estate	325	240	678	662	36	–	1,039	902
Cash and cash equivalents	12	16	–	10	1	1	13	27
Absolute return funds	669	708	605	617	65	47	1,339	1,372
Other	537	354	212	141	67	86	816	581
Total without quoted market price	**2,552**	**2,253**	**1,765**	**1,834**	**170**	**135**	**4,487**	**4,222**
31 December	**9,721**	**9,603**	**8,167**	**8,908**	**1,049**	**966**	**18,937**	**19,477**

Employer contributions to plan assets are expected to amount to €526 million in the coming year.

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:

	Germany		United Kingdom		Other	
in %	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Current employees	65.9	66.6	–	23.9	77.3	78.5
Pensioners	29.3	28.3	48.5	45.0	18.8	17.8
Former employees with vested benefits	4.8	5.1	51.5	31.1	3.9	3.7
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 at the end of the reporting period influence the defined benefit obligation.

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			
		31.12.2018		31.12.2017	
		in € million	in %	in € million	in %
	increase of 0.75 %	−2,652	−12.5	−3,055	−13.5
Discount rate	decrease of 0.75 %	3,334	15.7	3,878	17.1
	increase of 0.25 %	597	2.8	712	3.1
Pension level trend	decrease of 0.25 %	−567	−2.7	−672	−3.0
	increase of 1 year	770	3.6	856	3.8
Average life expectancy	decrease of 1 year	−779	−3.7	−855	−3.8
	increase of 0.25 %	156	0.7	162	0.7
Pension entitlement trend	decrease of 0.25 %	−147	−0.7	−155	−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	1.1.2017*	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2018	thereof due within one year
Statutory and non-statutory warranty obligations, product guarantees	5,074	85	1,959	59	–2,019	–	**5,158**	**1,367**
Obligations for personnel and social expenses	2,782	1	1,827	–	–1,761	–30	**2,819**	**1,861**
Other obligations	2,523	–10	653	–	–454	–625	**2,087**	**1,310**
Other obligations for ongoing operational expenses	1,620	34	694	–	–481	–77	**1,790**	**1,540**
Other provisions	**11,999**	**110**	**5,133**	**59**	**–4,715**	**–732**	**11,854**	**6,078**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

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 2018 amounted to €933 million (2017: €847 million).

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.

Provisions for other obligations cover numerous specific risks and uncertain obligations, in particular for litigation and liability risks.

Other obligations for ongoing operational expenses include in particular expected payments for bonuses and other price deductions.

Income from the reversal of other provisions amounting to €516 million (2017: €322 million) is recorded in cost of sales and in selling and administrative expenses.

34
Income tax liabilities

Current income tax liabilities totalling €1,158 million (2017: €1,124 million) include €96 million (2017: €68 million) which are expected to be settled after more than twelve months. Liabilities may be settled earlier than this depending on the timing of proceedings.

35
Financial liabilities

Financial liabilities of the BMW Group comprise the following:

in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
	31.12.2018			
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**
Commercial paper	2,480	–	–	**2,480**
Derivative instruments	646	915	114	**1,675**
Other	566	159	481	**1,206**
Financial liabilities	**38,825**	**51,851**	**12,921**	**103,597**

in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
	31.12.2017			
Bonds	11,132	25,887	7,861	**44,880**
Asset-backed financing transactions	6,037	10,818	–	**16,855**
Liabilities from customer deposits (banking)	10,144	3,296	132	**13,572**
Liabilities to banks	8,440	3,170	1,048	**12,658**
Commercial paper	4,461	–	–	**4,461**
Derivative instruments	373	544	173	**1,090**
Other	513	150	469	**1,132**
Financial liabilities	**41,100**	**43,865**	**9,683**	**94,648**

Liabilities related to financing activities can be reconciled as follows:

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**
Commercial paper	4,461	–2,021	–	40	–	–	**2,480**
Financial liabilities towards companies in which an investment is held	739	–210	–	–	–	–	**529**
Liabilities from finance lease contracts	114	–9	–	–	–	–	**105**
Other (excluding interest payable)	604	–31	–	38	–	15	**626**
Liabilities relating to financing activities	**93,883**	**7,037**	**–**	**1,063**	**–33**	**26**	**101,976**

in € million	1.1.2017	Cash inflows / outflows	Changes due to the acquisition or disposal of companies	Changes due to exchange rate factors	Changes in fair values	Other changes	31.12.2017
Bonds	44,421	2,687	–	–1,901	–328	1	**44,880**
Asset-backed financing transactions	16,474	1,338	–	–957	–	–	**16,855**
Liabilities from customer deposits (banking)	13,512	656	–	–596	–	–	**13,572**
Liabilities to banks	14,892	–1,579	–	–655	–	–	**12,658**
Commercial paper	3,852	953	–	–344	–	–	**4,461**
Financial liabilities towards companies in which an investment is held	615	124	–	–	–	–	**739**
Liabilities from finance lease contracts	127	–13	–	–	–	–	**114**
Other (excluding interest payable)	684	–143	151	–88	–	–	**604**
Liabilities relating to financing activities	**94,577**	**4,023**	**151**	**–4,541**	**–328**	**1**	**93,883**

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 6,100 million	2.1	0.0
	variable	USD 130 million	1.3	2.8
	variable	GBP 20 million	2.0	1.2
	fixed	EUR 21,150 million	6.3	1.0
	fixed	JPY 19,100 million	5.8	0.4
	fixed	NOK 2,400 million	3.8	1.8
	fixed	CNY 2,300 million	3.0	4.3
	fixed	SEK 1,750 million	5.0	1.8
	fixed	HKD 1,342 million	4.7	2.1
	fixed	GBP 1,150 million	5.8	1.5
	fixed	USD 300 million	4.0	2.5
	fixed	AUD 290 million	6.9	3.3
BMW US Capital, LLC	variable	USD 3,608 million	2.8	2.5
	variable	EUR 500 million	3.0	0.0
	variable	NZD 30 million	3.0	2.0
	fixed	USD 13,450 million	5.7	2.7
	fixed	EUR 2,500 million	7.6	1.0
	fixed	HKD 334 million	3.0	2.0
	fixed	GBP 300 million	5.0	2.0
	fixed	AUD 130 million	3.5	2.8
BMW Canada Inc.	variable	CAD 500 million	2.6	2.7
	fixed	CAD 1,400 million	3.9	2.0
Other	variable	GBP 1,175 million	2.2	1.1
	variable	SEK 500 million	3.0	0.3
	fixed	KRW 120,000 million	3.0	2.6
	fixed	CNY 8,000 million	3.0	4.4
	fixed	INR 8,000 million	2.5	8.0
	fixed	NOK 1,000 million	10.0	3.3
	fixed	GBP 850 million	4.6	1.6

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 Finance N.V.	EUR 2,030 million	140	– 0.3
BMW International Investment B.V.	GBP 350 million	59	0.9
BMW India Financial Services Private Ltd.	INR 4,500 million	44	7.9

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Other liabilities

Other liabilities comprise the following items:

in € million	Maturity within one year (31.12.2018)	Maturity between one and five years (31.12.2018)	Maturity later than five years (31.12.2018)	Total (31.12.2018)
Deferred income	2,771	4,260	453	**7,484**
Refund liabilities for future leased products	4,311	–	–	**4,311**
Bonuses and sales aides	2,940	–	–	**2,940**
Other taxes	945	–	–	**945**
Advance payments from customers	736	175	–	**911**
Deposits received	560	280	10	**850**
Payables to other companies in which an investment is held	781	–	–	**781**
Social security	76	26	–	**102**
Payables to subsidiaries	92	–	–	**92**
Sundry	1,905	87	8	**2,000**
Other liabilities	**15,117**	**4,828**	**471**	**20,416**

in € million	Maturity within one year (31.12.2017*)	Maturity between one and five years (31.12.2017*)	Maturity later than five years (31.12.2017*)	Total (31.12.2017*)
Deferred income	2,284	3,954	428	**6,666**
Refund liabilities for future leased products	2,807	–	–	**2,807**
Bonuses and sales aides	3,097	–	–	**3,097**
Other taxes	934	–	–	**934**
Advance payments from customers	934	122	–	**1,056**
Deposits received	505	346	5	**856**
Payables to other companies in which an investment is held	744	–	–	**744**
Social security	75	23	–	**98**
Payables to subsidiaries	129	–	–	**129**
Sundry	1,934	160	7	**2,101**
Other liabilities	**13,443**	**4,605**	**440**	**18,488**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

Sundry other liabilities include mainly commission payable and credit balances on customers' accounts.

Other liabilities include contract liabilities relating to contracts with customers amounting to €4,985 million (31 December 2017: €4,820 million).

An amount of €2,134 million (2017: €2,294 million) was released from contract liabilities in the financial year and recognised as revenues from contracts with customers.

Deferred income comprises the following items:

in € million	31.12.2018 Total	31.12.2018 thereof due within one year	31.12.2017* Total	31.12.2017* thereof due within one year
Deferred income relating to service contracts	3,826	1,534	3,659	1,228
Deferred income from lease financing	2,764	1,092	2,361	973
Grants	337	27	332	28
Other deferred income	557	118	314	55
Deferred income	**7,484**	**2,771**	**6,666**	**2,284**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

Deferred income relating to service contracts comprises 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). Deferred income from lease financing relates primarily to down payments on leases.

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.

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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	31.12.2018	31.12.2017
Investment subsidies	275	399
Litigation	125	204
Guarantees	14	10
Other	351	203
Contingent liabilities	**765**	**816**

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 reporting date. 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.

In June 2016, Germany's Federal Cartel Agency conducted searches at various carmakers and suppliers, including BMW AG, in relation to the purchase of steel. The respective investigations have not yet been completed. More extensive disclosures pursuant to IAS 37.86 cannot be provided at present.

In July 2017, cartel allegations against five German car manufacturers appeared in the press. Internal investigations were initiated by the BMW Group and have not yet been completed. In October 2017, the European Commission began an inspection at the BMW Group, and in September of the current financial year opened formal proceedings pertaining to specific matters. A number of class actions were brought in the USA and Canada. 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.

Other financial commitments

In addition to liabilities, provisions and contingent liabilities, other financial commitments consist in particular of rental and leasing contracts for buildings, property, machinery, tools, offices and other facilities. Contracts have terms of up to 121 years and include in part renewal and purchase options or price adjustments in the form of index-linked or graduated rent, for example to compensate inflation.

In the financial year 2018, an expense of €483 million (2017: €430 million) was recognised for payments on operating leases.

Total minimum future lease payments from non-cancellable rental contracts by maturity is as follows:

in € million	31.12.2018	31.12.2017
due within one year	468	446
due between one and five years	1,310	1,179
due later than five years	916	849
Other financial obligations	**2,694**	**2,474**

In addition, the following commitments exist for the BMW Group at the end of the reporting period:

in € million	31.12.2018	31.12.2017
Purchase commitments for property, plant and equipment	3,486	4,137
Purchase commitments for intangible assets	1,554	1,804

39
Financial instruments

The carrying amounts of financial instruments are assigned to IFRS 9 categories* in the following table.

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	86,783	–	–
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	–	–
Other	1,444	–	–
Total	**104,435**	**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
Other	1,206	–	–
Trade payables	9,669	–	–
Other liabilities			
Payables to subsidiaries	92	–	–
Payables to other companies in which an investment is held	781	–	–
Other	5,665	–	–
Total	**118,129**	**–**	**1,675**

* 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 leases.

For the financial year 2017, items are allocated by category in accordance with the requirements of IAS 39* as applied in that year:

	31.12.2017					
in € million	Cash funds	Loans and receivables	Available for sale	Fair value option	Other liabilities	Held for trading
ASSETS						
Other investments	–	–	366	29	–	–
Receivables from sales financing	–	80,434	–	–	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	–	2,187
Fair value hedges	–	–	–	–	–	814
Other derivative instruments	–	–	–	–	–	1,340
Marketable securities and investment funds	–	–	5,447	–	–	–
Loans to third parties	–	112	–	2	–	–
Credit card receivables	–	248	–	–	–	–
Other	–	184	–	–	–	–
Cash and cash equivalents	9,039	–	–	–	–	–
Trade receivables	–	2,667	–	–	–	–
Other assets						
Receivables from subsidiaries	–	276	–	–	–	–
Receivables from companies in which an investment is held	–	1,334	–	–	–	–
Collateral assets	219	–	97	–	–	–
Other	–	1,108	–	–	–	–
Total	**9,258**	**86,363**	**5,910**	**31**	**–**	**4,341**
LIABILITIES						
Financial liabilities						
Bonds	–	–	–	–	44,880	–
Liabilities to banks	–	–	–	–	12,658	–
Liabilities from customer deposits (banking)	–	–	–	–	13,572	–
Commercial paper	–	–	–	–	4,461	–
Asset-backed financing transactions	–	–	–	–	16,855	–
Derivative instruments						
Cash flow hedges	–	–	–	–	–	190
Fair value hedges	–	–	–	–	–	571
Other derivative instruments	–	–	–	–	–	329
Other	–	–	–	–	1,132	–
Trade payables	–	–	–	–	9,731	–
Other liabilities						
Payables to subsidiaries	–	–	–	–	129	–
Payables to other companies in which an investment is held	–	–	–	–	744	–
Other	–	–	–	–	5,949	–
Total	**–**	**–**	**–**	**–**	**110,111**	**1,090**

* The carrying amounts of cash flow hedges and fair value hedges are categorised as held for trading for the sake of clarity. Receivables from sales financing are shown including finance 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. For some balance sheet items, fair value corresponds to the carrying amount due to their short maturity.

	31.12.2018		31.12.2017	
in € million	Fair value	Carrying amount	Fair value	Carrying amount
Receivables from sales financing	90,445	86,783	83,853	80,434
Bonds	53,831	53,346	45,566	44,880
Asset-backed financing transactions	17,443	17,335	17,005	16,855
Liabilities from customer deposits (banking)	14,374	14,359	13,588	13,572
Liabilities to banks	13,277	13,196	12,724	12,658

At 31 December 2018 the financial assets and liabilities measured at fair value according to IFRS 9 are classified as follows in the measurement levels in accordance with IFRS 13.

	31.12.2018		
	Level hierarchy in accordance with IFRS 13		
in € million	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 materials market price risks	–	343	–

The classification of financial assets and liabilities measured at fair value according to IAS 39 to measurement levels in accordance with IFRS 13 at 31 December 2017 was as follows:

	31.12.2017		
	Level hierarchy in accordance with IFRS 13		
in € million	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral assets – available-for-sale	5,544	–	–
Other investments – available-for-sale / fair value option	284	–	105
Cash equivalents	–	–	–
Loans to third parties	–	–	2
Derivative instruments (assets)			
Interest rate risks	–	1,797	–
Currency risks	–	2,008	–
Raw material market price risks	–	534	–
Other risks	–	–	2
Derivative instruments (liabilities)			
Interest rate risks	–	778	–
Currency risks	–	221	–
Raw materials market price risks	–	91	–

The allocation to measurement levels at 31 December 2018 takes account of the reclassifications of financial instruments made in conjunction with the first-time application of IFRS 9 see → note 7. There were no reclassifications within the level hierarchy either in the financial year 2017 or in the financial year 2018.

→ see note 7

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 credit risk; for this reason, the fair values calculated can be allocated to Level 2. 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	Fair value 31.12.2018	Valuation method	Input Parameter
Unquoted equity instruments	265	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
			Contractual rights by share class
Convertible bonds	3	Income-based approach	Expected Company performance
			Risk adequate discounted interest rate
Options on unquoted equity instruments	4	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
		Consideration of exercise price	Contractual rights by share class
			Exercise price

Level 3 financial assets relate mainly to investments in a venture capital fund. The private equity companies are valued on the basis of their net asset value which is determined using relevant information that is not available in the public domain. The fund manager assesses the underlying individual companies in accordance with the guidelines for international private equity and venture capital valuations (IPEV). An increase in input parameters would normally also lead to a similar increase in valuation.

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 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**

* Opening balance adjusted due to first-time application of IFRS 9.

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Financial Instruments Level 3
1 January 2017	–	–	–	–
Additions	103	2	–	105
Disposals	–	–	–	–
Gains (+)/losses (–) recognised in accumulated other equity	8	–	–	8
Gains (+)/losses (–) recognised in the income statement	–	–	3	3
Currency translation differences	–6	–	–1	–7
31 December 2017	**105**	**2**	**2**	**109**

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:

	31.12.2018		31.12.2017	
in € million	Reported on assets side	Reported on equity and liabilities side	Reported on assets side	Reported on equity and liabilities side
Balance sheet amounts as reported	**1,977**	**1,675**	4,341	1,090
Gross amount of derivatives which can be offset in case of insolvency	**–913**	**–913**	–835	–835
Net amount after offsetting	**1,064**	**762**	3,506	255

Gains and losses on financial instruments

The following table shows the net gains and losses arising on financial instruments in the financial year 2018 pursuant to IFRS 9:

in € million	2018
Financial instruments measured at fair value through profit or loss	–150
Financial assets measured at amortised cost	203
Financial liabilities measured at amortised cost	155

Interest income from financial assets measured at amortised cost relates mainly to interest income from loan financing which is reported as revenues. Interest income and interest expense from financial assets at fair value through other comprehensive income amounted to €58 million and €47 million respectively.

Interest expenses from financial liabilities measured at amortised cost amounted to €1.8 billion.

The following table shows the net gains and losses arising on financial instruments in the financial year 2017 pursuant to IAS 39:

in € million	2017
Held for trading	
Gains / losses from the use of derivative instruments	961
Fair value option	
Gains / losses on investments measured at fair value through profit and loss	3
Available-for-sale	
Gains and losses on sale and fair value measurement of marketable securities held for sale (including investments in subsidiaries and participations measured at cost)	48
Net income from participations and investments in subsidiaries	14
Accumulated other equity	
Balance at 1 January	52
Total change during the year	41
thereof recognised in the income statement during the period under report	–44
Balance at 31 December	93
Loans and receivables	
Impairment losses / reversals of impairment losses	–162
Other income / expenses	–94
Other liabilities	
Income / expenses	162

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 for credit card business and dealership financing. Total credit risk in these two lines of business amounts to €1,148 million (2017: €1,217 million) and €29,403 million (2017: €27,953 million) respectively.

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. These assets can usually 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 at 31 December 2018 in accordance with IFRS 9 to overdue ranges used for management purposes as follows:

in € million	31.12.2018
Not overdue	2,066
1 – 30 days overdue	375
31 – 60 days overdue	34
61 – 90 days overdue	29
More than 90 days overdue	96
Total	**2,600**

At 31 December 2017 trade receivables existed that were overdue but for which no impairment allowance was recognised in accordance with IAS 39. The overdue amounts can be grouped in the following ranges:

in € million	31.12.2017
1 – 30 days overdue	187
31 – 60 days overdue	43
61 – 90 days overdue	19
91 – 120 days overdue	25
More than 120 days overdue	75
Balance at 31 December	**349**

Receivables from financial services (including credit card business receivables) are allocated to internally defined rating categories based on credit risk. The related gross carrying amounts in accordance with IFRS 9 were allocated at 31 December 2018 as follows:

	Stage 1	Stage 2		Stage 3		
in € million		General	Simplified		Total	Expected credit loss
Gross carrying amount of financial assets with good credit ratings	79,597	751	420	–	**80,768**	269
Gross carrying amount of financial assets with medium credit ratings	4,382	1,059	52	–	**5,493**	189
Gross carrying amount of financial assets with poor credit ratings	187	605	37	987	**1,816**	592
Total	**84,166**	**2,415**	**509**	**987**	**88,077**	**1,050**

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	31.12.2018 Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
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**
Derivative instruments	976	1,180	81	**2,237**
Other financial liabilities	20	318	454	**792**
Total	**51,732**	**54,576**	**13,088**	**119,396**

in € million	31.12.2017 Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	11,735	27,201	8,285	**47,221**
Asset-backed financing transactions	7,087	10,901	–	**17,988**
Liabilities to banks	9,546	3,656	771	**13,973**
Liabilities from customer deposits (banking)	10,225	3,418	130	**13,773**
Trade payables	9,731	–	–	**9,731**
Commercial paper	4,463	–	–	**4,463**
Derivative instruments	466	637	111	**1,214**
Other financial liabilities	110	191	451	**752**
Total	**53,363**	**46,004**	**9,748**	**109,115**

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. At 31 December 2018 credit commitments to dealerships which had not been called upon at the end of the reporting period amounted to €9,010 million (2017: €8,812 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 (2017: €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 "Results of Operations, Financial Position and Net Assets" section and in the "Risks and Opportunities" section of 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 price risk.

Protection against such risks is provided in the first instance though natural hedging which arises when the values or cash flows 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 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 risks

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 2018, 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 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 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 in this model is based on the planned foreign currency transactions or "exposures". At the end of the reporting period, the currency exposure – in each case for the following year – was as follows:

in € million	31.12.2018	31.12.2017*
Currency exposure	28,407	29,203

* Prior year figure adjusted, due to the fact that entire currency risk is shown, not just of the significant currencies.

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	31.12.2018	31.12.2017*
Cash flow at risk	431	581

* Prior year figure adjusted, due to the fact that entire currency risk is considered, not just of the significant currencies.

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 values of the Group's interest rate portfolios were as follows at the end of the reporting period:

in € million	31.12.2018	31.12.2017*
Fair values of interest rate portfolios	60,356	60,790

* Prior year figure adjusted, due to the fact that entire interest rate risk is shown, not just of the significant interest rate portfolios.

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.

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	31.12.2018	31.12.2017*
Value at risk	1,123	1,180

* Prior year figure adjusted due to the fact that the entire interest rate risk is considered, not just the significant interest rate portfolios.

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	31.12.2018	31.12.2017
Raw material price exposures	4,174	3,969

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	31.12.2018	31.12.2017
Cash flow at risk	327	409

Disclosures on hedging measures

The following disclosures on hedging measures include derivatives of fully consolidated companies before offset of deferred tax.

The nominal amounts of hedging instruments at 31 December 2018 were as follows:

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 average hedging rates of hedging instruments used by the BMW Group at 31 December 2018 were as follows:

Currency risks	Average hedging rates
EUR/CNY	8.26
EUR/USD	1.17
EUR/GBP	0.79
EUR/KRW	1,288.91
EUR/JPY	125.29

Raw material price risks	Average hedging rates
Aluminium (EUR/t)	1,797
Lead (EUR/t)	1,784
Copper (EUR/t)	5,279
Palladium (EUR/oz)	745
Platinum (EUR/oz)	945

The following table provides information on the nominal amounts, carrying amounts and fair value changes of contracts designated as hedging instruments:

		Fair Values		
in € million	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 table summarises key information on hedged items for each risk category and shows the balances of designated components within accumulated other equity:

	Fair Values			Balances in accumulated other equity	
in € million	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 €15 million for assets and €243 million for liabilities.

Hedge relationships give rise to following effects:

in € million	Change of designated components in other comprehensive income	Costs of hedging in other comprehensive income	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:

	Currency risks		Interest rate risk	Raw materials price risk	
in € million	Designated component	Costs of hedging	Costs of hedging	Designated component	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

Changes in fair value include additional effects from the application of the modified closing rate method.

The following section shows disclosures relevant for hedging instruments used in the financial year 2017 in accordance with IAS 39.

Cash flow hedges

The impact of cash flow hedges on accumulated other equity was as follows:

in € million	2017
Balance at 1 January	78
Total changes during the year	1,437
thereof reclassified to the income statement	–103
Balance at 31 December	**1,515**

No effects were recognised in financial result in the financial year 2017 in connection with forecasting errors and resulting overhedging. Gains due to the ineffective portion of cash flow hedges amounting to €17 million were recognised in financial result. No effects were recognised in financial result in the financial year 2017 in connection with forecasting errors relating to cash flow hedges for commodities. Losses attributable to the ineffective portion of cash flow hedges amounting to €1 million were recognised in financial result.

At 31 December 2017, the BMW Group held derivative financial instruments (mainly forward currency contracts) in order to hedge currency risks attached to future or existing transactions. These derivative instruments were intended to hedge forecast sales denominated in a foreign currency over the coming 32 months. It was expected that €336 million of net gains, recognised in equity at 31 December 2017, would be reclassified to profit and loss in the financial year 2018.

Furthermore, the BMW Group held no derivative financial instruments at 31 December 2017 which were designated as cash flow hedges to hedge against interest rate risks.

At 31 December 2017, the BMW Group held derivative financial instruments, mainly commodity swaps, with terms of up to 46 months to hedge raw materials price risks. It was expected that €55 million of net gains, recognised in equity at 31 December 2017 would be reclassified to profit and loss in the financial year 2018.

Fair value hedges

The following table shows gains and losses from fair value hedge relationships on hedging instruments and hedged items in the financial year 2017:

in € million	31.12.2017
Gains / losses on hedging instruments designated as part of a fair value hedge relationship	–335
Gains / losses from hedged items	328
Ineffectiveness of fair value hedges	**–7**

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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 of 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	2018	2017	2018	2017	2018	2017	2018	2017
BMW Brilliance Automotive Ltd.	7,691	5,946	99	63	1,829	1,333	772	739

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 Board of DELTON Health AG, Bad Homburg v.d.H., as well as 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 2018. In addition, the companies acquired vehicles from the BMW Group, mainly by way of leasing.

Stefan Quandt, Germany, is also the indirect majority shareholder of SOLARWATT GmbH, Dresden. Cooperation arrangements are in place between 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 2018, 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 2018, 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 2018, 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 2018, 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:

	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
in € thousand	2018	2017	2018	2017	2018	2017	2018	2017
DELTON Health AG (formerly DELTON AG)	3,536	3,393	23,386	29,816	34	94	–	4,464
DELTON Logistics S.à r.l.	–	–	–	–	–	–	2,235	–
SOLARWATT GmbH	22	36	1	–	1	5	–	–
ALTANA AG	2,322	2,421	341	296	401	360	5	36
UnternehmerTUM GmbH	58	27	1,527	1,435	–	–	367	255
Entrust Datacard Corp.	103	106	–	–	2	5	–	–

Apart from vehicle leasing and financing contracts at usual 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 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: the Employee Share Programme for entitled employees of the BMW Group, a share-based remuneration programme for members of the Board of Management and a share-based remuneration programme for senior heads of department of BMW AG.

As part of the Employee Share Programme, non-voting shares of preferred stock in BMW AG were granted in 2018 to qualifying employees at favourable conditions (see → note 31 for the number and price of issued shares). The holding period for these shares is up to 31 December 2021. In the financial year 2018, the BMW Group recorded a personnel expense of €10 million (2017: €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. The Board of Management reserves the right to decide anew each year with respect to an Employee Share Programme.

→ see note 31

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. This compensation component was revised for financial years from 2018 onwards.

Members of the Board of Management continue to receive a cash compensation for the specific purpose of investment after tax and contributions in BMW AG common stock. For financial years from 2018 onwards, the investment component corresponds to 45 % of the gross bonus. 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. With effect from the financial year 2012, qualifying senior heads of department are also entitled to select a share-based remuneration component, which is largely comparable to the share-based remuneration arrangements for Board of Management members.

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 2018).

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 2018 was €4,745,518 (2017: €6,301,785).

The total expense recognised in 2018 for the share-based remuneration component of current and former Board of Management members and senior heads of department was €609,890 (2017: €1,642,936).

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 €1,919,680 (2017: €2,311,946), based on a total of 22,245 shares (2017: 25,694 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 Board of Management are provided in the Compensation Report for the financial year 2018.

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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 reproduced in the Annual Report 2018 of the BMW Group and is also available to shareholders on the BMW Group website at → www.bmwgroup.com.

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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 2018 in accordance with IFRS comprised the following:

in € million	2018	2017
Compensation to members of the Board of Management	**28.8**	40.2
Fixed remuneration	8.2	7.7
Variable remuneration	20.3	31.7
thereof Performance Cash Plan	5.3	–
Share-based remuneration component	0.3	0.8
Allocation to pension provisions	**3.4**	3.1
Benefits in conjunction with the termination of board activity	**3.9**	0.9
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	**41.7**	**49.8**
thereof due within one year	**30.7**	45.9

With effect from the financial year 2018, variable cash compensation includes a multi-year and future-oriented Performance Cash Plan.

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

Pension obligations to current members of the Board of Management are covered by provisions amounting to €19.7 million (2017: €22.0 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 €91.0 million (2017: €90.1 million).

The compensation arrangements applicable for members of the Supervisory Board for the financial year 2018 do not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components. Apart from 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

No events have occurred since the end of the financial year which 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 (Operating Segments). 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 mainly 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 and Russia 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 are the treatment of inter-segment guarantees, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business, and cross-segment receivables and investments in subsidiaries for which no impairment losses have been recognised. A further exception is the treatment of intragroup buyback arrangements between the Automotive and Financial Services segments. 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 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 2018	Automotive 2017*	Motorcycles 2018	Motorcycles 2017*	Financial Services 2018	Financial Services 2017
SEGMENT INFORMATION BY OPERATING SEGMENT						
External revenues	68,947	70,152	2,176	2,270	26,355	25,857
Inter-segment revenues	16,899	15,590	–3	2	1,810	1,710
Total revenues	**85,846**	**85,742**	**2,173**	**2,272**	**28,165**	**27,567**
Segment result	6,182	7,888	175	207	2,161	2,207
Result from equity accounted investments	632	739	–	–	–	–
Capital expenditure on non-current assets	7,853	6,972	147	125	24,608	25,024
Depreciation and amortisation on non-current assets	4,982	4,699	97	88	9,962	9,992

in € million	Automotive 31.12.2018	Automotive 31.12.2017*	Motorcycles 31.12.2018	Motorcycles 31.12.2017	Financial Services 31.12.2018	Financial Services 31.12.2017
Segment assets	13,836	11,223	618	618	14,919	14,740
Investments accounted for using the equity method	2,624	2,769	–	–	–	–

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

SEGMENT INFORMATION BY OPERATING SEGMENT

	Other Entities		Reconciliation to Group figures		Group	
	2018	2017	2018	2017*	2018	2017*
External revenues	2	3	–	–	97,480	98,282
Inter-segment revenues	4	4	−18,710	−17,306	–	–
Total revenues	**6**	**7**	**−18,710**	**−17,306**	**97,480**	**98,282**
Segment result	−45	80	1,342	293	9,815	10,675
Result from equity accounted investments	–	–	–	–	632	739
Capital expenditure on non-current assets	–	–	−6,174	−6,728	26,434	25,393
Depreciation and amortisation on non-current assets	–	–	−6,600	−6,324	8,441	8,455

	Other Entities		Reconciliation to Group figures		Group	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017*	31.12.2018	31.12.2017*
Segment assets	84,512	75,121	95,095	93,804	208,980	195,506
Investments accounted for using the equity method	–	–	–	–	2,624	2,769

Write-downs on inventories to their net realisable value amounting to €54 million (2017: €36 million[1]) were recognised by the Automotive segment in the financial year 2018. The reversal of impairment losses increased the segment result of the Automotive segment by an amount of €22 million (2017: €6 million).

[1] Prior year figure has been adjusted.

The result of the Financial Services segment was negatively impacted by impairment losses totalling €302 million (2017: €215 million) recognised on leased products. Income from the reversal of impairment losses on leased products amounted to €118 million (2017: €11 million).

The Other Entities' segment result includes interest and similar income amounting to €1,178 million (2017: €1,110 million) and interest and similar expenses amounting to €1,145 million (2017: €986 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	2018	2017*
Reconciliation of segment result		
Total for reportable segments	8,473	10,382
Financial result of Automotive segment	795	829
Financial result of Motorcycles segment	–6	–2
Elimination of inter-segment items	553	–534
Group profit before tax	**9,815**	**10,675**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	32,608	32,121
Elimination of inter-segment items	–6,174	–6,728
Total Group capital expenditure on non-current assets	**26,434**	**25,393**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	15,041	14,779
Elimination of inter-segment items	–6,600	–6,324
Total Group depreciation and amortisation on non-current assets	**8,441**	**8,455**

in € million	31.12.2018	31.12.2017*
Reconciliation of segment assets		
Total for reportable segments	113,885	101,702
Non-operating assets – Automotive	48,639	47,933
Liabilities of Automotive segment not subject to interest	34,643	34,489
Non-operating assets – Motorcycles	45	40
Liabilities of Motorcycles segment not subject to interest	613	572
Total liabilities – Financial Services segment	131,889	123,088
Non-operating assets – Other Entities segment	7,084	7,829
Elimination of inter-segment items	–127,818	–120,147
Total Group assets	**208,980**	**195,506**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

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, depreciation and amortization 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. Revenues with major customers were not material overall. 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	
	2018	2017*	2018	2017*
Germany	13,596	14,299	34,883	31,678
China	19,008	18,268	90	85
USA	16,088	16,726	21,361	20,766
Rest of Europe	31,415	30,925	15,526	14,807
Rest of Asia	11,071	11,400	1,508	1,588
Rest of the Americas	3,606	3,689	3,435	2,941
Other regions	2,696	2,975	396	355
Eliminations	–	–	–7,855	–8,028
Group	**97,480**	**98,282**	**69,344**	**64,192**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 6.

LIST OF INVESTMENTS AT 31 DECEMBER 2018

46 List of investments at 31 December 2018

The List of Investments of BMW AG pursuant to § 285 and § 313 HGB is presented below. Disclosures for equity and earnings and for investments are not made 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 2018

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Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[1]			
BMW Beteiligungs GmbH & Co. KG, Munich[6]	5,497	–13	100
BMW INTEC Beteiligungs GmbH, Munich[3, 6]	3,558	–	100
BMW Bank GmbH, Munich[3]	1,988	–	100
BMW Finanz Verwaltungs GmbH, Munich	326	1	100
BMW Verwaltungs GmbH, Munich[3, 6]	153	–	100
Parkhaus Oberwiesenfeld GmbH, Munich	–	–	100
Alphabet Fuhrparkmanagement GmbH, Munich[4]	–	–	100
Alphabet International GmbH, Munich[4, 5, 6]	–	–	100
BMW High Power Charging Beteiligungs GmbH, Munich[4, 6]	–	–	100
DriveNow GmbH & Co. KG, Munich[11]	–	–	100
BMW Hams Hall Motoren GmbH, Munich[4, 5, 6]	–	–	100
BMW Fahrzeugtechnik GmbH, Eisenach[3, 5, 6]	–	–	100
BMW Anlagen Verwaltungs GmbH, Munich[3, 6]	–	–	100
Bürohaus Petuelring GmbH, Munich	–	–	100
Bavaria Wirtschaftsagentur GmbH, Munich[3, 5, 6]	–	–	100
BAVARIA-LLOYD Reisebüro GmbH, Munich	–	–	100
Rolls-Royce Motor Cars GmbH, Munich[4, 5, 6]	–	–	100
BMW Vermögensverwaltungs GmbH, Munich	–	–	100
BMW Vertriebszentren Verwaltungs GmbH, Munich	–	–	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich[3, 5, 6]	–	–	100
DriveNow Verwaltungs GmbH, Munich[11]	–	–	100
LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Munich	–	–	100
FOREIGN[2]			
Europe[12]			
BMW Holding B.V., The Hague	17,761	2,106	100
BMW International Holding B.V., Rijswijk[10]	7,971	58	100
BMW Österreich Holding GmbH, Steyr	3,064	838	100
BMW (UK) Holdings Ltd., Farnborough	1,889	385	100
BMW España Finance S.L., Madrid	1,020	22	100
BMW Financial Services (GB) Ltd., Farnborough	1,014	269	100
BMW Motoren GmbH, Steyr	963	176	100
BMW (Schweiz) AG, Dielsdorf	895	55	100
BMW International Investment B.V., The Hague	588	9	100
BMW (UK) Manufacturing Ltd., Farnborough	561	105	100

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

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

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

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

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

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Companies	Equity in € million	Profit / loss in € million	Capital investment in %
DOMESTIC[7]			
Alphabet Fleetservices GmbH, Munich	–	–	100
Automag GmbH, Munich	–	–	100
Blitz 18-353 GmbH, Munich	–	–	100
Blitz 18-354 GmbH, Munich	–	–	100
BMW Car IT GmbH, Munich[4]	–	–	100
BMW i Ventures GmbH, Munich	–	–	100
Digital Charging Solutions GmbH, Munich	–	–	100
ParkNow GmbH, Munich	–	–	100
PM Parking Ventures GmbH, Munich	–	–	100
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 Bulgaria EOOD, Sofia	–	–	100
BMW Car Club Ltd., Farnborough	–	–	100
BMW Drivers Club Ltd., Farnborough	–	–	100
BMW Group Benefit Trust Ltd., Farnborough	–	–	100

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

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

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

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Companies	Equity in € million	Profit/loss in € million	Capital investment in %
Associated companies – equity accounted			
DOMESTIC			
IONITY Holding GmbH & Co. KG, Munich[8]	149	–15	25
FOREIGN			
BMW Brilliance Automotive Ltd., Shenyang[8]	5,926	1,561	50
Joint operations – proportionately consolidated entities			
FOREIGN			
THERE Holding B.V., Amsterdam[8]	1,764	–337	29.6
Not equity accounted or proportionately consolidated entities			
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. Ltd., Incheon	–	–	20
BMW Albatha Finance PSC, Dubai	–	–	40
BMW Albatha Leasing LLC, Dubai	–	–	40
BMW AVTOTOR Holding B.V., Amsterdam	–	–	50
Critical TW S.A., Porto	–	–	51
DSP Concepts Inc., Dover, Delaware	–	–	20
IP Mobile N.V., Brussels	–	–	25
Rever Moto Inc., Wilmington, Delaware	–	–	20
Stadspasparkeren B.V., Deurne	–	–	30

BMW AG's participations at 31 December 2018

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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	–	–	17.8
IVM Industrie-Verband Motorrad GmbH & Co. Dienstleistungs KG, Essen	–	–	18.9
Joblinge gemeinnützige AG Berlin, Berlin	–	–	9.8
Joblinge gemeinnützige AG Leipzig, Leipzig	–	–	16.7
Joblinge gemeinnützige AG München, Munich	–	–	6.2
Racer Benchmark Group GmbH, Landsberg am Lech	–	–	9.1
SGL Carbon SE, Wiesbaden	–	–	18.3
FOREIGN[7]			
Gios Holding B.V., Oss	–	–	12.0
SGL Composites LLC, Dover, Delaware	–	–	49.0

1 The amounts shown for the German subsidiaries correspond to the annual financial statements drawn up in accordance with German accounting requirements (HGB).
2 The amounts shown for the foreign subsidiaries correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity and earnings not denominated in euro are translated into euro using the closing exchange rate at the balance sheet date.
3 Profit and Loss Transfer Agreement with BMW AG.
4 Profit and Loss Transfer Agreement with a subsidiary of BMW AG.
5 Exemption from drawing up a management report applied in accordance with § 264 (3) and § 264 b HGB.
6 Exemption from publication of financial statements applied in accordance with § 264 (3) and § 264 b HGB.
7 These entities are neither consolidated nor accounted for using the equity method due to their overall immateriality for the Group Financial Statements.
8 The amounts shown for entities accounted for using the equity method and for proportionately consolidated entities correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity not denominated in euro is translated into euro using the closing exchange rate at the balance sheet date, earnings are translated using the average rate.
9 Including power to appoint representative bodies.
10 Exemption pursuant to Article 2:403 of the Civil Code of the Netherlands (Burgerlijk Wetboek).
11 First-time consolidation.
12 Deconsolidation in the financial year 2018: BMW Malta Finance Ltd., St. Julians.
13 Control on basis of economic dependence.

Munich, 19 February 2019

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree

Klaus Fröhlich

Pieter Nota

Dr. Nicolas Peter

Peter Schwarzenbauer

Dr.-Ing. Andreas Wendt

Oliver Zipse