GROUP FINANCIAL STATEMENTS

INCOME STATEMENT FOR GROUP AND SEGMENTS

		Group		Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)		Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)	
in € million	Note	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenues	7	98,990	104,210	80,853	91,682	2,284	2,368	30,044	29,598	3	5	–14,194	–19,443
Cost of sales	8	–85,408	–86,147	–71,456	–78,062	–1,941	–1,911	–26,958	–25,938	–	–	14,947	19,764
Gross profit		**13,582**	**18,063**	**9,397**	**13,620**	**343**	**457**	**3,086**	**3,660**	**3**	**5**	**753**	**321**
Selling and administrative expenses	9	–8,795	–9,367	–7,237	–7,762	–240	–264	–1,326	–1,341	–26	–24	34	24
Other operating income	10	916	1,031	931	976	2	2	34	73	125	173	–176	–193
Other operating expenses	10	–873	–2,316	–929	–2,335	–2	–1	–73	–80	–66	–125	197	225
Profit / loss before financial result		**4,830**	**7,411**	**2,162**	**4,499**	**103**	**194**	**1,721**	**2,312**	**36**	**29**	**808**	**377**
Result from equity accounted investments	24	920	136	920	136	–	–	–	–	–	–	–	–
Interest and similar income	11	116	179	236	420	–	1	3	4	1,169	1,515	–1,292	–1,761
Interest and similar expenses	11	–458	–499	–613	–737	–3	–8	–4	–7	–1,232	–1,419	1,394	1,672
Other financial result	12	–186	–109	17	149	–	–	5	–37	–208	–221	–	–
Financial result		**392**	**–293**	**560**	**–32**	**–3**	**–7**	**4**	**–40**	**–271**	**–125**	**102**	**–89**
Profit / loss before tax		**5,222**	**7,118**	**2,722**	**4,467**	**100**	**187**	**1,725**	**2,272**	**–235**	**–96**	**910**	**288**
Income taxes	13	–1,365	–2,140	–713	–1,354	–26	–56	–456	–672	62	29	–232	–87
Profit / loss from continuing operations		**3,857**	**4,978**	**2,009**	**3,113**	**74**	**131**	**1,269**	**1,600**	**–173**	**–67**	**678**	**201**
Profit / loss from discontinued operations		–	44	–	44	–	–	–	–	–	–	–	–
Net profit / loss		**3,857**	**5,022**	**2,009**	**3,157**	**74**	**131**	**1,269**	**1,600**	**–173**	**–67**	**678**	**201**
Attributable to minority interest		82	107	17	30	–	–	67	77	–2	–	–	–
Attributable to shareholders of BMW AG	31	**3,775**	**4,915**	**1,992**	**3,127**	**74**	**131**	**1,202**	**1,523**	**–171**	**–67**	**678**	**201**
Basic earnings per share of common stock in €	14	5.73	7.47										
Basic earnings per share of preferred stock in €	14	5.75	7.49										
Dilutive effects		–	–										
Diluted earnings per share of common stock in €	14	5.73	7.47										
Diluted earnings per share of preferred stock in €	14	5.75	7.49										

STATEMENT OF COMPREHENSIVE INCOME FOR GROUP

in € million	Note	2020	2019
Net profit/loss		**3,857**	**5,022**
Remeasurement of the net liability for defined benefit pension plans	32	–354	–1,254
Deferred taxes		139	387
Items not expected to be reclassified to the income statement in the future		**–215**	**–867**
Marketable securities (at fair value through other comprehensive income)		7	42
Derivative financial instruments		991	–706
Costs of hedging		201	125
Other comprehensive income from equity accounted investments		106	–3
Deferred taxes		–444	171
Currency translation foreign operations		–1,283	544
Items that can be reclassified to the income statement in the future		**–422**	**173**
Other comprehensive income for the period after tax	19	**–637**	**–694**
Total comprehensive income		**3,220**	**4,328**
Total comprehensive income attributable to minority interests		82	107
Total comprehensive income attributable to shareholders of BMW AG	31	**3,138**	**4,221**

BALANCE SHEET FOR GROUP AND SEGMENTS

in € million	Note	Group 2020	Group 2019	Automotive (unaudited supplementary information) 2020	Automotive (unaudited supplementary information) 2019	Motorcycles (unaudited supplementary information) 2020	Motorcycles (unaudited supplementary information) 2019	Financial Services (unaudited supplementary information) 2020	Financial Services (unaudited supplementary information) 2019	Other Entities (unaudited supplementary information) 2020	Other Entities (unaudited supplementary information) 2019	Eliminations (unaudited supplementary information) 2020	Eliminations (unaudited supplementary information) 2019
ASSETS													
Intangible assets	21	12,342	11,729	11,809	11,212	155	127	377	389	1	1	–	–
Property, plant and equipment	22	21,850	23,245	21,371	22,749	401	407	78	89	–	–	–	–
Leased products	23	41,995	42,609	–	–	–	–	48,759	50,348	–	–	–6,764	–7,739
Investments accounted for using the equity method	24	3,585	3,199	3,585	3,199	–	–	–	–	–	–	–	–
Other investments		735	703	4,711	5,144	–	–	20	1	6,938	6,847	–10,934	–11,289
Receivables from sales financing	25	48,025	51,030	–	–	–	–	48,082	51,079	–	–	–57	–49
Financial assets	26	2,644	1,370	559	131	–	–	161	139	1,939	1,168	–15	–68
Deferred tax	13	2,459	2,194	3,196	3,451	–	–	550	512	131	84	–1,418	–1,853
Other assets	28	1,216	1,325	2,861	2,203	33	36	2,929	3,351	41,860	38,919	–46,467	–43,184
Non-current assets		**134,851**	**137,404**	**48,092**	**48,089**	**589**	**570**	**100,956**	**105,908**	**50,869**	**47,019**	**–65,655**	**–64,182**
Inventories	29	14,896	15,891	13,391	14,404	687	679	818	808	–	–	–	–
Trade receivables	30	2,298	2,518	1,979	2,228	219	186	100	103	–	1	–	–
Receivables from sales financing	25	36,252	41,407	–	–	–	–	36,252	41,407	–	–	–	–
Financial assets	26	5,108	5,955	4,152	4,772	–	–	612	1,009	392	187	–48	–13
Current tax	27	606	1,209	342	1,000	–	–	64	84	200	125	–	–
Other assets	28	9,110	11,614	33,747	33,492	2	1	5,952	5,106	52,625	64,692	–83,216	–91,677
Cash and cash equivalents		13,537	12,036	9,522	9,077	5	11	2,863	2,075	1,147	873	–	–
Current assets		**81,807**	**90,630**	**63,133**	**64,973**	**913**	**877**	**46,661**	**50,592**	**54,364**	**65,878**	**–83,264**	**–91,690**
Total assets		**216,658**	**228,034**	**111,225**	**113,062**	**1,502**	**1,447**	**147,617**	**156,500**	**105,233**	**112,897**	**–148,919**	**–155,872**

in € million	Note	Group 2020	Group 2019	Automotive (unaudited supplementary information) 2020	Automotive 2019	Motorcycles (unaudited supplementary information) 2020	Motorcycles 2019	Financial Services (unaudited supplementary information) 2020	Financial Services 2019	Other Entities (unaudited supplementary information) 2020	Other Entities 2019	Eliminations (unaudited supplementary information) 2020	Eliminations 2019
EQUITY AND LIABILITIES													
Subscribed capital	31	660	659										
Capital reserves	31	2,199	2,161										
Revenue reserves	31	59,550	57,667										
Accumulated other equity	31	–1,518	–1,163										
Equity attributable to shareholders of BMW AG	31	**60,891**	**59,324**										
Minority interest		629	583										
Equity		**61,520**	**59,907**	**41,117**	**40,174**	**–**	**–**	**15,555**	**15,545**	**21,389**	**21,972**	**–16,541**	**–17,784**
Pension provisions	32	3,693	3,335	3,197	2,820	109	96	49	47	338	372	–	–
Other provisions	33	6,488	5,788	6,268	5,605	74	81	146	102	–	–	–	–
Deferred tax	13	509	632	697	543	–	–	2,812	3,804	78	34	–3,078	–3,749
Financial liabilities	35	67,390	70,647	2,087	2,680	–	–	17,730	18,170	47,588	49,865	–15	–68
Other liabilities	36	5,095	5,100	7,270	7,929	522	569	42,506	39,639	1,011	102	–46,214	–43,139
Non-current provisions and liabilities		**83,175**	**85,502**	**19,519**	**19,577**	**705**	**746**	**63,243**	**61,762**	**49,015**	**50,373**	**–49,307**	**–46,956**
Other provisions	33	7,494	7,421	6,960	6,962	100	105	388	299	46	55	–	–
Current tax	34	747	963	537	704	–	–	192	184	18	75	–	–
Financial liabilities	35	38,986	46,093	897	1,929	–	–	25,178	26,938	12,959	17,239	–48	–13
Trade payables	37	8,644	10,182	7,365	8,814	378	413	892	943	9	12	–	–
Other liabilities	36	16,092	17,966	34,830	34,902	319	183	42,169	50,829	21,797	23,171	–83,023	–91,119
Current provisions and liabilities		**71,963**	**82,625**	**50,589**	**53,311**	**797**	**701**	**68,819**	**79,193**	**34,829**	**40,552**	**–83,071**	**–91,132**
Total equity and liabilities		**216,658**	**228,034**	**111,225**	**113,062**	**1,502**	**1,447**	**147,617**	**156,500**	**105,233**	**112,897**	**–148,919**	**–155,872**

CASH FLOW STATEMENT FOR GROUP AND SEGMENTS

in € million	Group		Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)	
	2020	2019	2020	2019	2020	2019
Profit/loss before tax[1]	5,222	7,118	2,722	4,467	1,725	2,272
Income taxes paid	–1,605	–3,389	–382	–1,984	–1,513	–345
Interest received[2]	163	91	283	91	3	–
Other interest and similar income / expenses[2]	104	51	152	61	1	3
Depreciation and amortisation of tangible and intangible assets	6,139	6,017	5,974	5,853	46	54
Other non-cash income and expense items	99	–200	94	–262	6	23
Result from equity accounted investments	–920	–136	–920	–136	–	–
Gain / loss on disposal of tangible and intangible assets and marketable securities	–	4	–	3	–	–
Change in leased products	–1,016	–3,825	–	–	–311	–3,600
Change in receivables from sales financing	4,192	–3,560	–	–	4,184	–3,589
Changes in working capital	–996	–1,117	–841	–831	–76	–222
Change in inventories	370	–1,560	422	–1,255	–43	–193
Change in trade receivables	160	14	191	43	1	–11
Change in trade payables	–1,526	429	–1,454	381	–34	–18
Change in provisions	1,115	1,512	1,122	1,745	129	–59
Change in other operating assets and liabilities	754	1,096	–26	683	–1,432	118
Cash inflow / outflow from operating activities	**13,251**	**3,662**	**8,178**	**9,690**	**2,762**	**–5,345**

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

in € million	Group 2020	Group 2019	Automotive (unaudited supplementary information) 2020	Automotive (unaudited supplementary information) 2019	Financial Services (unaudited supplementary information) 2020	Financial Services (unaudited supplementary information) 2019
Total investment in intangible assets and property, plant and equipment	–6,150	–6,902	–5,990	–6,734	–14	–19
Proceeds from subsidies for intangible assets and property, plant and equipment	53	50	45	50	8	2
Proceeds from the disposal of intangible assets and property, plant and equipment	34	32	34	31	–	1
Expenditure for investment assets	–176	–1,598	–199	–1,557	–	–
Proceeds from the disposal of investment assets and other business units[3]	1,328	1,087	1,327	1,087	–	57
Investments in marketable securities and investment funds	–925	–775	–829	–507	–91	–268
Proceeds from the sale of marketable securities and investment funds	2,200	822	1,679	465	521	356
Cash inflow/outflow from investing activities	**–3,636**	**–7,284**	**–3,933**	**–7,165**	**424**	**129**
Payments into equity	28	33	28	33	–	–
Payment of dividends for the previous year	–1,671	–2,366	–1,671	–2,366	–	–
Intragroup financing and equity transactions	–	–	–901	877	–2,438	5,491
Interest paid[2]	–275	–199	–447	–197	–18	–1
Proceeds from issue of non-current financial liabilities	164,478	150,517	–	173	153,823	132,408
Repayment of non-current financial liabilities	–171,532	–143,500	–982	–605	–156,657	–133,089
Change in other financial liabilities	718	305	–	–	2,782	491
Cash inflow/outflow from financing activities	**–8,254**	**4,790**	**–3,973**	**–2,085**	**–2,508**	**5,300**
Effect of exchange rate on cash and cash equivalents	**180**	**–28**	**130**	**–22**	**110**	**6**
Effect of changes in composition of Group on cash and cash equivalents	**–40**	**–83**	**43**	**28**	**–**	**–**
Change in cash and cash equivalents	**1,501**	**1,057**	**445**	**446**	**788**	**90**
Cash and cash equivalents as at 1 January	12,036	10,979	9,077	8,631	2,075	1,985
Cash and cash equivalents as at 31 December	**13,537**	**12,036**	**9,522**	**9,077**	**2,863**	**2,075**

[1] At the beginning of the financial year 2020, the starting point for determining cash flow was changed to profit/loss before tax; the previous year's figures have been adjusted accordingly.
[2] With the exception of interest for lease liabilities, interest relating to financial services business is classified as revenues/cost of sales.
[3] Includes dividends received from investment assets amounting to €1,020 million (2019: €643 million).

STATEMENT OF CHANGES IN EQUITY FOR GROUP

					Accumulated other equity						
in € million	Note	Subscribed capital	Capital reserves	Revenue reserves	Translation differences	Marketable Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total
1 January 2020	31	**659**	**2,161**	**57,667**	**–760**	**29**	**15**	**–447**	**59,324**	**583**	**59,907**
Net profit		–	–	3,775	–	–	–	–	3,775	82	**3,857**
Other comprehensive income for the period after tax		–	–	–215	–1,396	5	781	188	–637	–	**–637**
Comprehensive income at 31 December 2020		**–**	**–**	**3,560**	**–1,396**	**5**	**781**	**188**	**3,138**	**82**	**3,220**
Dividend payments		–	–	–1,646	–	–	–	–	–1,646	–25	**–1,671**
Subscribed share capital increase out of Authorised Capital		1	–	–	–	–	–	–	1	–	**1**
Premium arising on capital increase relating to preferred stock		–	38	–	–	–	–	–	38	–	**38**
Other changes		–	–	–31	–	–	72	–5	36	–11	**25**
31 December 2020	31	**660**	**2,199**	**59,550**	**–2,156**	**34**	**868**	**–264**	**60,891**	**629**	**61,520**

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity: Translation differences	Accumulated other equity: Marketable Securities	Accumulated other equity: Derivative financial instruments	Accumulated other equity: Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total
1 January 2019 (as originally reported)	31	**658**	**2,118**	**55,862**	**–1,326**	**–1**	**558**	**–569**	**57,300**	**529**	**57,829**
Effects of accounting policy change*		–	–	–32	–	–	–	–	–32	–	–32
1 January 2019 (as adjusted due to accounting policy change)		**658**	**2,118**	**55,830**	**–1,326**	**–1**	**558**	**–569**	**57,268**	**529**	**57,797**
Net profit		–	–	4,915	–	–	–	–	4,915	107	**5,022**
Other comprehensive income for the period after tax		–	–	–867	566	30	–551	128	–694	–	**–694**
Comprehensive income at 31 December 2019		**–**	**–**	**4,048**	**566**	**30**	**–551**	**128**	**4,221**	**107**	**4,328**
Dividend payments		–	–	–2,303	–	–	–	–	–2,303	–63	**–2,366**
Subscribed share capital increase out of Authorised Capital		1	–	–	–	–	–	–	1	–	**1**
Premium arising on capital increase relating to preferred stock		–	43	–	–	–	–	–	43	–	**43**
Other changes		–	–	92	–	–	8	–6	94	10	**104**
31 December 2019	31	**659**	**2,161**	**57,667**	**–760**	**29**	**15**	**–447**	**59,324**	**583**	**59,907**

* The 2018 figures were adjusted due to the change in accounting policy in conjunction with the adoption of IFRS 16 (see Annual Report 2019, Note 6 to the Group Financial Statements).

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 2020 were drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 e (1) of the German Commercial Code (HGB). The Group Financial Statements and Combined Management Report will be submitted electronically to the operator of the Federal Gazette and are accessible via the website of the Company Register. Bayerische Motoren Werke Aktiengesellschaft (BMW AG), which has its seat in Germany, Munich, Petuelring 130, is registered in the Commercial Register of the District Court of Munich under the number HRB 42243. BMW AG manufactures automobiles and motorcycles in the premium segment.

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

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

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

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

Approval for the publication of the Group Financial Statements was granted by the Board of Management on 9 March 2021 and by the Supervisory Board on 11 March 2021.

The presentation of selected items was changed in the financial year 2020, whereby the changes were not material overall. Attention is drawn to the changes in presentation in the notes relating to relevant balance sheet and income statement items. Prior year figures have been adjusted accordingly.

02 GROUP REPORTING ENTITY AND CONSOLIDATION PRINCIPLES

The BMW Group Financial Statements include BMW AG and all material subsidiaries over which BMW AG – either directly or indirectly – exercises control. This also includes 57 structured entities, consisting of asset-backed financing arrangements and special purpose funds.

In relation to fully consolidated companies, the following changes took place in the Group reporting entity in the financial year 2020:

	Germany	Foreign	Total
Included at 31 December 2019	21	186	207
Included for the first time in 2020	–	14	14
No longer included in 2020	–	15	15
Included at 31 December 2020	**21**	**185**	**206**

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

When assessing whether an investment gives rise to a controlled entity, an associated company, a joint operation or a joint venture, the BMW Group considers contractual arrangements and other circumstances, as well as the structure and legal form of the entity. Discretionary decisions may also be required. If indications exist of a change in the judgement of (joint) control, the BMW Group undertakes a new assessment.

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

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

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

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

The two largest joint operations that are accounted for by the BMW Group and which are described below are of minor significance for the Group Financial Statements as a whole:

- The BMW Group is party to a cooperation with Toyota Motor Corporation, Toyota City, which has developed a sports car.

- In 2019, the BMW Group and the Chinese automobile manufacturer Great Wall Motor Company Limited (Great Wall) established the jointly operated company, Spotlight Automotive Limited (Spotlight) for the future joint development and manufacture of electric vehicles in China. The BMW Group and Great Wall each hold 50 % of the joint operation's equity. In addition to electric MINI vehicles, Spotlight will also develop and produce electric vehicles for Great Wall.

In June 2020, a joint decision was taken to temporarily put on hold the cooperation with the Daimler Group for the development of highly automated driving systems, which is accounted for as a joint operation. This has no impact on the financial statements.

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 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. Advance payments to suppliers or from customers in a foreign currency that result in the addition of non-monetary assets or liabilities are recorded at the exchange rate prevailing at the date of payment. 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, in line with the underlying substance of the transaction. 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:

1 Euro =	Closing rate 31.12.2020	Closing rate 31.12.2019	Average rate 2020	Average rate 2019
US-Dollar	1.23	1.12	1.14	1.12
British Pound	0.90	0.85	0.89	0.88
Chinese Renminbi	8.00	7.82	7.87	7.73
South African Rand	17.97	15.72	18.77	16.17
Russian Rouble	90.54	69.60	82.71	72.43

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

04 FINANCIAL REPORTING RULES

a Financial reporting standards applied for the first time in the financial year 2020

Standards or amendments to standards applied for the first time in the financial year do not have any significant impact on the BMW Group Financial Statements.

b Financial reporting standards issued by the IASB, but not yet applied

In August 2020, the IASB published the Amendment Standard Interest Rate Benchmark Reform (IBOR) – Phase 2. The amendments contain a number of reliefs to mitigate the impact on the accounting treatment of hedge relationships, financial instruments and lease liabilities resulting from the reform of interest rate benchmarks.

In accordance with the amendments, hedge accounting is not required to be discontinued solely because of the reform. Instead, the hedge relationships are deemed to remain in place even if the existing benchmark interest rate is replaced by an alternative interest rate, provided that the underlying documentation has been appropriately updated.

Replacing a previous benchmark rate results in a change in the basis for determining the contractual cash flows relating to financial assets and financial liabilities. For simplification purposes, it is permitted to account for the change by updating the effective interest rate without any immediate impact on profit or loss. This practical expedient is also available for finance leases, in that the requirements contained in IFRS 9 for modifications are deemed to apply. A similar practical expedient is available for lease liabilities accounted for in accordance with IFRS 16. In this case, any modification required by the benchmark reform results only in the lease liability being remeasured when the alternative interest rate is used to discount the modified lease payments.

The amendments are mandatory for financial years beginning on or after 1 January 2021. The BMW Group intends to apply the proposed practical expedients for transactions affected by the benchmark reform. The amendments have not been adopted early for the financial year 2020.

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.

05 ACCOUNTING POLICIES, ASSUMPTIONS, JUDGEMENTS AND ESTIMATIONS

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

Revenues from the sale of products, for which repurchase arrangements 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. In the case of vehicles sold to a dealership that are expected to be repurchased in a subsequent period as part of leasing operations, revenues are not recognised at Group level at the time of the sale of the vehicle. Instead, assets and liabilities relating to the right of return vehicles are recognised.

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

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

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

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

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

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

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

Intangible assets also include **emission allowances** and similar **rights arising from programmes aimed at reducing carbon or other climate-damaging emissions** (for example in conjunction with the EU Emissions Trading System or vehicle-related emissions regulations in the USA or China). These allowances and rights are carried at cost and, in the event that they are allocated free of charge, recorded at a value of zero. Amounts are derecognised at the date of the return, sale or expiry of the allowances or rights. In parallel to the recognition of these allowances and rights as assets, provisions are recognised in accordance with IAS 37 corresponding to the amount of obligations expected to arise in conjunction with the related emission regulations. Provisions are measured on the basis of the expected value of the allowances or rights that are to be returned.

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 these cases, impairment is tested at the level of a cash-generating unit, which is the norm for the BMW Group.

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

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

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

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

Amounts are discounted on the basis of a market-related cost of capital rate. Impairment tests are performed for accounting and financial reporting purposes for the Automotive and Motorcycles cash-generating units using a risk-adjusted pre-tax cost of capital (WACC). 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 %	2020	2019
Automotive	10.2	10.9
Motorcycles	10.2	10.9
Financial Services	13.2	11.5

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. Even in the case of a 10 % deterioration in the individual measurement assumptions, the need to recognise an impairment loss did not arise.

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

The following useful lives are applied throughout the BMW Group:

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

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

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

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

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

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

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

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

The BMW Group has not applied the exemptions available to lessees to account for COVID-19-related rent concessions (amendment to IFRS 16 dated 28 May 2020).

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

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

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

With the exception of lease receivables, **financial assets** are measured on initial recognition at their fair value. Financial assets include in particular other investments, receivables from sales financing, marketable securities and investment funds, derivative financial assets, trade receivables and cash and cash equivalents. As a general rule, initial recognition takes place as soon as the BMW Group becomes a party to a contract; in the case of standard purchases or sales of non-derivative financial assets, initial recognition takes place at 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 "measured 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 funds, money market funds within cash and cash equivalents as well as convertible bonds are recognised at fair value through profit or loss, as their contractual cash flows do not solely represent payments of principal and interest. The BMW Group does not make use of the option to measure equity instruments at fair value through other comprehensive income or debt instruments at fair value through profit or loss.

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

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

Receivables from sales financing are measured at amortised cost using the effective interest rate method. Operating lease receivables due for payment at the end of the reporting period and included in this balance sheet line item are also measured on this basis, and the related vehicles reported as leased products. Receivables from sales financing also include finance lease receivables which are measured at the amount of the net investment in the lease.

With the exception of receivables from operating leases and trade receivables, the BMW Group applies the general approach described in IFRS 9 to determine **impairment** of financial assets. Under the general approach, loss allowances are measured on initial recognition on the basis of the expected 12-month credit loss (stage 1). If the credit loss risk at the end of the reporting period has increased significantly since initial recognition, the impairment allowance is measured on the basis of lifetime expected credit losses (stage 2 – general approach). The measurement of the change in default risk is based on a comparison of the default risk at the date of initial recognition and at the end of the reporting period. The default risk at the end of each reporting period is determined on the basis of credit checks, current key performance indicators and any overdue payments.

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 at item to stage 2, it is irrelevant whether the credit risk of the assets concerned has increased significantly since initial recognition.

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, such as the opening of insolvency proceedings. Credit-impaired assets are identified as such on the basis of this definition of default. 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. In the case of stage 3 assets, interest income is calculated on the asset's carrying amount less any impairment loss.

The BMW Group derecognises financial assets when it has no reasonable expectation of recovery. 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.

Loss allowances relating to the balance sheet item "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.

Loss allowances on trade receivables are determined primarily on the basis of information relating to overdue amounts. Input factors available on the market, such as ratings and probabilities of default, are used to calculate valuation allowance for cash and cash equivalents, financial receivables, receivables from subsidiaries and receivables from companies in which an investment is held. 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.

Expected credit losses are only presented separately if they are material for the BMW Group Financial Statements.

Derivative financial instruments are used within the BMW Group for hedging purposes in order to reduce currency, interest rate, fair value and market price risks. Derivative financial instruments are recognised as of the trade date, measured at their fair value. Depending on their market value at measurement date, these financial instruments are reported in the balance sheet as financial assets or financial liabilities.

Fair values are determined on the basis of valuation models. Observable market price, tenor and currency basis spreads are taken into account in the measurement of derivative financial instruments. Furthermore, the Group's own credit risk and that of counterparties is taken into account on the basis of credit default swap values for market contracts with matching terms.

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

Where hedge accounting is applied, changes in fair value of derivative financial instruments are presented as part of other financial result in the income statement or within other comprehensive income as a component of accumulated other equity, depending on whether the hedging relationship is classified as a fair value hedge or a cash flow hedge.

Fair value hedges are mainly used to hedge interest rate risks relating to financial liabilities. The currency basis is not designated as part of the hedging relationship in the case of cross currency interest rate hedges accounted for as fair value hedges. Accordingly, changes in the market value of such components are recorded as costs of hedging within accumulated other equity. Amounts accumulated in equity are reclassified to other financial result within the income statement over the term of the hedging relationship.

In addition, for selected fixed-interest assets, a portion of the interest rate risk is hedged on a portfolio basis in accordance with IAS 39. The designated hedged items (underlying transactions) are reported in the balance sheet as receivables from sales financing and financial liabilities. 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.

Fair value hedge ineffectiveness is generally recognised in other financial result.

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

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.

Ineffectiveness arising on cash flow hedges is recognised directly in cost of sales, whereas the impact of terminated hedging relationships is recognised in other operating income and expenses.

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

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

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

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

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

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

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

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

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

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

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

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

Net interest expense on the net defined benefit liability or net interest income on the net defined benefit assets are presented 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 through other comprehensive income and ultimately 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 offered service packages that are treated as separate performance obligations.

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

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

If the recognition 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.

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.

06 IMPACT OF THE CORONAVIRUS PANDEMIC ON THE FINANCIAL STATEMENTS

GENERAL SITUATION

The BMW Group's earnings for the financial year 2020 have been negatively impacted by the course of the coronavirus pandemic and the related measures put in place to contain the virus.

Whereas the main negative factors in the first quarter were the drop in demand in China and the closure of dealerships in a few other markets, business in the second quarter was adversely impacted by the global spread of the pandemic affecting other key sales markets of the BMW Group. Although customer demand increased in many markets during the second half of the year, the repercussions of the coronavirus pandemic on business in the first half of the year continued to be felt. This is reflected in particular in the decline in revenues, mainly due to the lower number of vehicle sales and lower revenues from spare parts. The decline in vehicle sales was also reflected in cost of sales, whereby fixed costs fell on a less pronounced scale by comparison to the reduction in capacity utilisation levels. Group earnings were also negatively impacted by higher risk provisioning expenses relating in particular to the reassessment of residual value and credit risks.

Due to lower new leasing business as well as lower expected new leasing business, the amount of revenues eliminated on consolidation fell compared to the previous year.

The year-on-year decrease in selling and administrative expenses mainly reflected the reduction in communication, marketing and travel expenses arising as a result of the containment measures implemented in connection with the coronavirus pandemic. Short-time work allowances received have been netted in the income statement against the corresponding expenses.

In light of the developments described above, Group net profit was significantly lower than in the previous year.

Significant effects on the Group Financial Statements are described below.

ACCOUNTING POLICIES

Impairment tests

The increasing global spread of the coronavirus and the related low market capitalisation of BMW AG gave rise to an indication that tangible and intangible assets of the BMW Group could be impaired. As a result, impairment tests were performed for the Automotive, Motorcycles and Financial Services cash-generating units. In this context, values in use were determined on the basis of updated long-term forecasts that already reflect adjustments to expectations made in light of coronavirus. Against this backdrop, it was decided not to include probability-weighted scenarios. A detailed description of the methodology applied to perform impairment tests is provided in note 5.

From the BMW Group's perspective, the spread of coronavirus also provided an indication of impairment relating to investments accounted for using the equity method. The exception to this general consideration was the BMW Brilliance Automotive joint venture in China, given the rapid economic recovery registered in that region. Further information is provided in note 24.

De-designation of hedge relationships

For the purposes of accounting for currency and commodity hedges, coronavirus-related effects on sales and production were taken into account as unscheduled exposure updates. If the hedged item was no longer expected to occur, the hedge relationships were de-designated. The corresponding amounts were then reclassified immediately from other comprehensive income to profit and loss (other operating income and expenses).

Residual value risk

For the purposes of measuring and accounting for residual value risks, discretionary adjustments were made to the expected market values of vehicles in order to take account of the effects of the pandemic that are not considered in the existing measurement models (post-model adjustments). The adjustments were determined using a market-specific approach, thereby taking account of the varying effects and measures arising in each market as well as the structure of the valuation models.

In the case of the US market, past experience relevant for market value changes arising during the financial crisis was taken into account in the calculation of post-model adjustments. In the case of the UK and Canadian markets, the procedures applied also included projections drawn up by external providers on the impact of the coronavirus pandemic. In all cases, assumptions pertaining to the scale and duration of the pandemic's effects took account of current market value developments. If the regression models used were highly affected by market values realised in recent months, the outcomes were adjusted for exceptionally positive results in the second half of the year for instance, in the UK and the Netherlands. In the case of the Belgian and German markets, for instance, procedures included the derivation of a number of macroeconomic scenarios to calculate the potential impact on pre-owned vehicle valuations. Probabilities were weighted where necessary, taking into account external indicators (e.g. consumer confidence indices) and internal indicators (e.g. inventory trends). In some cases, including for the French market, macroeconomic parameters based on current risk estimates were adjusted.

Discretionary model adjustments are regularly reviewed in order to ensure that allowances for residual value losses are continuously updated on the basis of expected market values. In light of the volatile market environment and the current high level of uncertainty surrounding the future course of the coronavirus pandemic, only limited conclusions can be drawn from the recent improvement in market values observed on pre-owned automobile markets. A summary of the relevant values is provided in note 23.

Credit risk

I. Receivables from sales financing

In connection with the coronavirus pandemic, allowances for expected credit losses were increased to take account of the negative impact on retail customer and dealership business, to the extent not covered by the BMW Group's standard loss provisioning models (post-model adjustments).

In the case of retail customer business, portfolios were measured taking into account market-specific qualitative factors with the aim of identifying particularly affected portfolio segments (such as the tourism sector). This assessment was based on local expertise and took into account various scenarios, including the number of payment deferral applications, government measures and additional qualitative portfolio data. For the identified portfolio segments affected, amounts were reclassified from stage 1 (impairment allowance based on the 12-month expected credit losses) to stage 2 (impairment allowance based on lifetime expected credit losses), resulting in the recognition of additional risk allowances. Credit risk parameters were otherwise left unchanged.

In the case of dealership business, creditworthiness expectations of individual dealerships were assessed on the basis of market-specific scenarios, including downgrades based on adjusted expectations of future business performance. In this context, increased default probabilities were assigned to dealerships that could be exposed to deteriorating business conditions as a result of the coronavirus pandemic. However, this reassessment did not result in amounts being reclassified from stage 1 to stage 2 or stage 3. Instead, additional impairment allowances were recognised to take account of the higher anticipated risk of default.

Furthermore, additional scenarios were considered for the economic development of individual markets (for example, the UK), for which an increased level of uncertainty exists. In addition, in light of current risk assessments, macroeconomic parameters were adjusted to take account of specific circumstances in some markets (for instance, South Africa and Malaysia). A summary of the values is provided in ↗ note 25.

II. Trade receivables

The effects of a higher risk on receivables within stage 2 were calculated using a scenario model as the basis for recognising additional credit risk allowances for trade receivables. The standard model used by the BMW Group to determine expected credit losses is unable – at present – to appropriately take account of the impact of the coronavirus pandemic. An increasing overdue status of these receivables is seen as a risk. A simulated reclassification of receivables to a higher overdue band was run, taking account of macroeconomic influencing factors, the development of the gross domestic product (GDP), of the countries concerned. An additional allowance for expected credit losses was calculated and recorded on the basis of this simulation. Further information on the calculation of valuation allowances in accordance with IFRS 9 is provided in ↗ note 5.

Overall, the additional impairment losses described above were offset by a volume-related decrease in receivables. The lower level of impairment allowances compared to 31 December 2019 therefore arose as a result of the lower level of receivables overall. A summary of the relevant values is provided in ↗ note 30.

NOTES TO THE INCOME STATEMENT

07 REVENUES

Revenues by activity comprise the following:

in € million	2020	2019
Sales of products and related goods	67,548	73,433
Sales of products previously leased to customers	11,345	11,020
Income from lease instalments	11,322	10,746
Interest income on loan financing and finance leases	3,677	3,996
Revenues from service contracts, telematics and roadside assistance	2,763	2,820
Other income	2,335	2,195
Revenues	**98,990**	**104,210**

Revenues recognised from contracts with customers in accordance with IFRS 15 totalled €83,814 million (2019: €89,610 million).

An analysis of revenues by segment is shown in the explanatory comments on segment information provided in note 45. Revenues from the sale of products and related goods are generated primarily in the Automotive segment and, to a lesser extent, in the Motorcycles segment. Revenues from the sale 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.

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 next financial year. The services included in vehicle sale contracts that will be recognised as revenues in subsequent years represent only an insignificant portion of expected revenues. Accordingly, use has been made of the practical expedient contained in IFRS 15, permitting an entity not to disclose information on a quantitative basis due to the short-term nature of items and the lack of informational value of such disclosures.

Interest income on loan financing and finance leases includes interest calculated on the basis of the effective interest method totalling €3,424 million (2019: €3,687 million). This interest income is not reported separately in the income statement as it is not significant compared to total Group revenues.

08 COST OF SALES

Cost of sales comprises:

in € million	2020	2019*
Manufacturing costs	46,878	48,776
Cost of sales relating to financial services business	27,114	25,828
thereof: interest expense relating to financial services business	1,960	2,288
Research and development expenses	5,689	5,952
Expenses for service contracts, telematics and roadside assistance	1,411	1,641
Warranty expenditure	2,971	2,566
Other cost of sales	1,345	1,384
Cost of sales	**85,408**	**86,147**

* Prior year's figures adjusted.

Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to €105 million (2019: €105 million). Other cost of sales included expenses that were able to be allocated to manufacturing costs or cost of sales relating to financial services business. Prior year figures have been adjusted accordingly.

Impairment losses recognised in the income statement 2020 in connection with receivables from sales financing amounted to €646 million (2019: €219 million). In view of the fact that the impairment losses are of minor importance compared to total Group cost of sales, they have not been disclosed separately in the income statement.

Research and development expenditure was as follows:

in € million	2020	2019
Research and development expenses	5,689	5,952
Amortisation	–1,710	–1,667
New expenditure for capitalised development costs	2,300	2,134
Total research and development expenditure	**6,279**	**6,419**

09 SELLING AND ADMINISTRATIVE EXPENSES

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

in € million	2020	2019
Selling expenses	5,300	5,656
Administrative expenses	3,495	3,711
Total selling and administrative expenses	**8,795**	**9,367**

10 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses comprise the following items:

in € million	2020	2019
Exchange gains	326	148
Income from the reversal of provisions	114	433
Income from the reversal of impairment losses and write-downs	164	8
Gains on the disposal of assets	30	41
Sundry operating income	282	401
Other operating income	**916**	**1,031**
Exchange losses	–286	–181
Expense for additions to provisions	–157	–1,732
Expense for impairment losses and write-downs	–47	–173
Loss on the disposal of assets	–117	–20
Sundry operating expenses	–266	–210
Other operating expenses	**–873**	**–2,316**
Other operating income and expenses	**43**	**–1,285**

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 (2019: €48 million).

The expense for additions to provisions includes litigation and other legal risks. Income from the reversal of provisions includes income arising on the reassessment of risks from legal disputes.

In the previous year, an expense of approximately €1.4 billion was also recognised in connection with the ongoing anti-trust proceedings carried out by the European Commission (see also note 10 to the BMW Group Financial Statements for the financial year 2019). In December 2019, the BMW Group submitted a detailed response to the European Commission regarding the latter's Statement of Objections. A decision by the European Commission is pending. There was no impact on the income statement in the financial year 2020. The financial impact cannot be definitively assessed at this point in time.

11 NET INTEREST RESULT

in € million	2020	2019
Other interest and similar income	116	179
thereof from subsidiaries:	8	9
Interest and similar income	**116**	**179**
Expense relating to interest impact on other long-term provisions	–199	–226
Net interest expense on the net defined benefit liability for pension plans	–34	–41
Other interest and similar expenses	–225	–232
thereof subsidiaries:	–1	–4
Interest and similar expenses	**–458**	**–499**
Net interest result	**–342**	**–320**

12 OTHER FINANCIAL RESULT

in € million	2020	2019
Income from investments in subsidiaries and participations	135	387
thereof from subsidiaries:	12	13
Expenses from investments in subsidiaries and participations	–87	–307
Result on investments	**48**	**80**
Income (+) and expenses (–) from financial instruments	–234	–189
Sundry other financial result	**–234**	**–189**
Other financial result	**–186**	**–109**

Sundry other financial result comprises mainly income and expenses arising on the measurement of stand-alone derivatives and fair value hedge relationships, as well as income and expenses from the measurement and sale of marketable securities and shares in investment funds.

13 INCOME TAXES

Taxes on income of the BMW Group comprise the following:

in € million	2020	2019
Current tax expense	2,023	3,316
Deferred tax expense (+)/ deferred tax income (–)	–658	–1,176
thereof relating to temporary differences	–450	–1,439
thereof relating to tax loss carryforwards and tax credits	–208	263
Income taxes	**1,365**	**2,140**

The tax expense was reduced by €4 million (2019: €30 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 €10 million (2019: €7 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 (2019: 428,0), the underlying income tax rate for Germany was as follows:

in %	2020	2019
Corporate tax rate	15.0	15.0
Solidarity surcharge	5.5	5.5
Corporate tax rate including solidarity surcharge	15.8	15.8
Municipal trade tax rate	15.0	15.0
German income tax rate	**30.8**	**30.8**

Deferred taxes for non-German entities are calculated on the basis of the relevant country-specific tax rates. These ranged in the financial year 2020 between 9.0 % and 40.0 % (2019: between 9.0 % and 40.0 %).

The difference between the expected tax expense based on the underlying tax rate for Germany and actual tax expense is explained in the following **reconciliation**:

in € million	2020	2019
Profit before tax	5,222	7,118
Tax rate applicable in Germany	30.8 %	30.8 %
Expected tax expense	**1,608**	**2,192**
Variances due to different tax rates	– 397	– 373
Tax increases (+) / tax reductions (–) due to:		
Tax-exempt income	– 97	– 314
Non-deductible expenses	398	909
Equity accounted	– 210	5
Tax expense (+) / benefits (–) for prior years	61	– 162
Effects from tax rate changes	17	– 17
Other variances	– 15	– 100
Actual tax expense	**1,365**	**2,140**
Effective tax rate	26.1 %	30.1 %

The tax increases as a result of non-deductible expenses mainly relate to non-recoverable withholding taxes.

Tax expense for prior years resulted primarily from adjustments to income tax receivables and provisions for prior years, among other things due to transfer pricing issues in conjunction with unconcluded and ongoing transfer pricing proceedings.

Other variances include various reconciling items.

The allocation of deferred tax assets and liabilities to **balance sheet line items** at 31 December is shown in the following table:

	Deferred tax assets		Deferred tax liabilities	
in € million	2020	2019	2020	2019
Intangible assets	17	17	3,354	3,186
Property, plant and equipment	49	53	673	780
Leased products	282	324	3,203	4,085
Other investments	6	3	1	22
Sundry other assets	1,013	1,125	3,966	3,454
Tax loss carryforwards	476	306	–	–
Capital Losses	348	329	–	–
Provisions	6,655	6,239	33	42
Liabilities	3,717	3,544	852	647
Eliminations	3,721	3,883	1,766	1,539
	16,284	**15,823**	**13,848**	**13,755**
Valuation allowances on tax loss carryforwards	–138	–177	–	–
Valuation allowances on capital losses	–348	–329	–	–
Netting	–13,339	–13,123	–13,339	–13,123
Deferred taxes	**2,459**	**2,194**	**509**	**632**
Net	1,950	1,562	–	–

Tax **loss carryforwards** relating to Germany and foreign operations amounted to €1,568 million (2019: €954 million). This includes one tax-loss carryforward amounting to €406 million (2019: €519 million), on which a valuation allowance of €138 million (2019: €177 million) was recognised on the related deferred tax asset. The increase in tax losses available for carryforward was mainly attributable to the decline in earnings as a consequence of the coronavirus pandemic.

For entities with tax losses available for carryforward, a net surplus of deferred tax assets over deferred tax liabilities is reported amounting to €392 million (2019: €292 million). The basis for the recognition of deferred taxes is the BMW Group business model or management's assessment that there is material evidence that the entities will generate future taxable profit, against which deductible temporary differences can be offset. In this context, it is also expected that the loss recorded by BMW AG tax group for income tax purposes for the financial year 2020 can be utilised in full in the coming years, taking into account the minimum taxation rules in Germany. Furthermore, it is assumed that tax start-up losses relating to the San Luis Potosí plant in Mexico, opened in 2019, can be utilised by offset against planned future profits.

Loss carryforwards amounting to €1,129 million (2019: €553 million) can be used indefinitely, while €439 million (2019: €401 million) expire after more than 3 years.

Capital losses available for carryforward in the United Kingdom which do not relate to ongoing operations decreased to €1,832 million (2019: €1,938 million) due to currency factors. As in previous years, deferred tax assets recognised on these tax losses – amounting to €348 million at the end of the reporting period (2019: €329 million) – were fully written down since they can only be utilised against future capital gains.

Deferred tax assets and deferred tax liabilities are **netted** for each relevant tax entity if they relate to the same tax authorities.

Deferred taxes recognised directly in **equity** amounted to €1,710 million (2019: €2,015 million).

in € million	2020	2019*
Deferred taxes at 1 January (assets (+) / liabilities (–))	1,562	–122
Deferred tax expense (–) / income (+) recognised through income statement	658	1,176
Change in deferred taxes recognised directly in equity	–305	558
thereof relating to fair value gains and losses on financial instruments and marketable securities recognised directly in equity	–443	170
thereof relating to the remeasurements of net liabilities for defined benefit pension plans	161	376
thereof from currency translation	–23	12
Exchange rate impact and other changes	35	–50
Deferred taxes at 31 December (assets (+) / liabilities (–))	**1,950**	**1,562**

* Sign convention changed compared to previous year's Group Financial Statements.

Taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures amount to €22,174 million (2019: €21,215 million). No deferred taxes are recognised on these taxable temporary differences because the BMW Group is able to determine the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, in particular in view of the fact that there is no intention to distribute the profits, but rather to use them to maintain their substance and reinvest in the companies concerned. No computation was made of the potential impact of income taxes on the grounds of proportionality. Deferred tax liabilities on expected dividends amount to €76 million (2019: €64 million) and relate primarily to dividends from foreign subsidiaries and joint ventures.

The tax returns of BMW Group entities are checked regularly by German and foreign tax authorities. Taking account of numerous factors – including interpretations, commentaries and legal decisions relating to the various tax jurisdictions as well as past experience – adequate provision has been made, to the extent identifiable and probable, for potential future tax obligations.

14 EARNINGS PER SHARE

		2020	2019
Net profit attributable to the shareholders of BMW AG	€ million	3,775.0	4,914.5
Profit attributable to common stock	€ million	3,448.1	4,494.4
Profit attributable to preferred stock	€ million	326.9	420.1
Average number of common stock shares in circulation	number	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	56,867,180	56,122,857
Basic / diluted earnings per share of common stock	€	5.73	7.47
Basic / diluted earnings per share of preferred stock	€	5.75	7.49
Dividend per share of common stock	€	1.90*	2.50
Dividend per share of preferred stock	€	1.92*	2.52

* 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.

15 PERSONNEL EXPENSES

The income statement includes personnel expenses as follows:

in € million	2020	2019
Wages and salaries	10,081	10,370
Pension and welfare expenses	1,252	1,133
Social insurance expenses	911	948
Personnel expenses	**12,244**	**12,451**

Personnel expenses include €602 million (2019: €72 million) of costs relating to workforce measures. The total pension expense for defined contribution plans of the BMW Group amounted to €150 million (2019: €148 million). Employer contributions paid to state pension insurance schemes totalled €634 million (2019: €667 million).

The average number of employees during the year was:

	2020	2019*
Average number of employees	**122,874**	**123,868**
thereof at proportionately-consolidated entities	139	–

* Prior year's figures adjusted.

The previous year's figure was adjusted in view of the change in the internal management system (see Annual Report 2019, Group Management Report). The number of employees at the end of the reporting period is disclosed in the Combined Management Report.

16 LEASES

a As lessee

In terms of accounting for leases as a lessee, the following amounts are included in the income statement:

in € million	2020	2019
Expenses for leases of low-value assets and short-term leases	– 91	– 94
Expenses relating to variable lease payments not included in the measurement of lease liabilities	– 13	– 3
Interest expense arising on the measurement of lease liabilities	– 55	– 54

Most of the expenses for leases for low-value assets and short-term leases relate to low-value assets.

The BMW Group is party to leases at the end of the reporting period which have not yet commenced. These leases could give rise to future cash outflows amounting to €225 million (2019: €42 million).

Total cash outflows for leases in 2020 amounted to €653 million (2019: €591 million).

Information on right-of-use assets, lease liabilities as well as further explanatory comments are provided in note 5 (Accounting policies, assumptions, judgments and estimates), note 20 (Analysis of changes in Group tangible, intangible and investment assets in 2020), note 22 (Property, plant and equipment (including right-of-use assets arising from leases)) and note 35 (Financial liabilities).

b As lessor

in € million	2020	2019
Income from variable lease payments for operating leases	148	171
Income from variable lease payments for finance leases	17	19
Financial income on the net investment in finance leases	890	885
Selling profit on the sale of vehicles previously leased to retail customers under finance leases*	1,167	1,384

* Prior year's figures adjusted.

Variable lease payments are based on distance driven. The agreements have, in part, extension and purchase options.

17 FEE EXPENSE FOR THE GROUP AUDITOR

The fee expense pursuant to § 314 (1) no. 9 HGB recognised in the financial year 2020 for the Group auditor and the PwC network of audit firms amounted to €18 million (2019: €19 million) and consists of the following:

	PwC International		thereof: PwC GmbH	
in € million	2020	2019	2020	2019
Audit of financial statements	14	14	4	4
Other attestation services	1	1	–	1
Tax advisory services	–	1	–	–
Other services	3	3	–	2
Fee expense	**18**	**19**	**4**	**7**

Services provided during the financial year 2020 by the Group auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich branch, on behalf of BMW AG and subsidiaries under its control relate to the audit of the financial statements, other attestation services, tax advisory services and other services.

The audit of financial statements comprises mainly the audit of the Group Financial Statements and the separate financial statements of BMW AG and its subsidiaries, and all work related thereto, including the review of the Interim Group Financial Statements.

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

Tax advisory services include primarily services related to transfer pricing and tax compliance.

Other services mainly include consulting services relating to production processes.

18 GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

Income from asset-related and performance-related grants, amounting to €67 million (2019: €41 million) and €210 million (2019: €199 million) respectively, was recognised in the income statement in 2020.

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	2020	2019
Remeasurement of the net liability for defined benefit pension plans	–354	–1,254
Deferred taxes	139	387
Items not expected to be reclassified to the income statement in the future	**–215**	**–867**
Marketable securities (at fair value through other comprehensive income)	7	42
thereof gains / losses arising in the period under report	20	59
thereof reclassifications to the income statement	–13	–17
Derivative financial instruments	991	–706
thereof gains / losses arising in the period under report	1,636	–229
thereof reclassifications to the income statement	–645	–477
Costs of hedging	201	125
thereof gains / losses arising in the period under report	–437	–611
thereof reclassifications to the income statement	638	736
Other comprehensive income from equity accounted investments	106	–3
Deferred taxes	–444	171
Currency translation foreign operations	–1,283	544
Items that can be reclassified to the income statement in the future	**–422**	**173**
Other comprehensive income for the period after tax	**–637**	**–694**

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

in € million	2020 Before tax	2020 Deferred taxes	2020 After tax	2019 Before tax	2019 Deferred taxes	2019 After tax
Remeasurement of the net liability for defined benefit pension plans	–354	139	–215	–1,254	387	–867
Marketable securities (at fair value through other comprehensive income)	7	–2	5	42	–12	30
Derivative financial instruments	991	–328	663	–706	211	–495
Costs of hedging	201	–59	142	125	–34	91
Other comprehensive income from equity accounted investments	106	–55	51	–3	6	3
Currency translation foreign operations	–1,283	–	–1,283	544	–	544
Other comprehensive income	**–332**	**–305**	**–637**	**–1,252**	**558**	**–694**

Other comprehensive income relating to equity accounted investments is reported in the Group Statement of Changes in Equity within currency translation differences with a negative amount of €113 million (2019: positive amount of €22 million), within derivative financial instruments with a positive amount of €118 million (2019: negative amount of €56 million) and within costs of hedging with a positive amount of €46 million (2019: positive amount of €37 million).

NOTES TO THE BALANCE SHEET

20 ANALYSIS OF CHANGES IN GROUP TANGIBLE, INTANGIBLE AND INVESTMENT ASSETS 2020

	Acquisition and manufacturing cost						Depreciation and amortisation							Carrying amount	
in € million	1.1.2020	Translation differences	Additions	Reclassi-fications	Disposals	31.12.2020	1.1.2020	Translation differences	Current year	Reclassi-fications	Value adjustments[1]	Disposals	31.12.2020	31.12.2020	31.12.2019
Development costs	15,391	–	2,300	–	715	16,976	4,948	–	1,710	–	–	689	5,969	11,007	10,443
Goodwill	385	–1	–	–	–	384	5	–	–	–	–	–	5	379	380
Other intangible assets	2,075	–52	271	2	545	1,751	1,169	–16	183	2	–	543	795	956	906
Intangible assets	**17,851**	**–53**	**2,571**	**2**	**1,260**	**19,111**	**6,122**	**–16**	**1,893**	**2**	**–**	**1,232**	**6,769**	**12,342**	**11,729**
Land, titles to land, buildings, including buildings on third party land	15,449	–380	621	538	293	15,935	6,104	–135	846	–	–	124	6,691	9,244	9,345
thereof right-of-use assets from leases	3,107	–72	280	12	219	3,108	426	–14	452	5	–	73	796	2,312	2,681
Plant and machinery	40,061	–765	1,841	710	1,548	40,299	29,177	–511	3,071	2	–	1,500	30,239	10,060	10,884
thereof right-of-use assets from leases	82	–1	8	–	31	58	6	–1	15	–	–	2	18	40	76
Other facilities, factory and office equipment	3,172	–100	248	44	226	3,138	2,147	–59	333	–4	–	206	2,211	927	1,025
thereof right-of-use assets from leases	104	–4	41	–	20	121	31	–1	37	–	–	16	51	70	73
Advance payments made and construction in progress	1,991	–19	941	–1,294	–	1,619	–	–	–	–	–	–	–	1,619[2]	1,991
Property, plant and equipment	**60,673**	**–1,264**	**3,651**	**–2**	**2,067**	**60,991**	**37,428**	**–705**	**4,250**	**–2**	**–**	**1,830**	**39,141**	**21,850**	**23,245**
Leased products	**49,942**	**–1,930**	**17,820**	**–**	**15,712**	**50,120**	**7,333**	**–300**	**5,833**	**–**	**–**	**4,741**	**8,125**	**41,995**	**42,609**
Investments accounted for using the equity method	**3,439**	**–**	**1,440**	**–**	**1,054**	**3,825**	**240**	**–**	**–**	**–**	**–**	**–**	**240**	**3,585**	**3,199**
Investments in non-consolidated subsidiaries	292	–11	72	–	52	301	88	–3	–	–	–	–	85	216	204
Participations	1,000	–24	84	–	97	963	501	10	–	–	–57	10	444	519	499
Non-current marketable securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other investments	**1,292**	**–35**	**156**	**–**	**149**	**1,264**	**589**	**7**	**–**	**–**	**–57**	**10**	**529**	**735**	**703**

[1] Including €57 million recognised through the income statement.
[2] Including assets under construction of €1,297 million.

ANALYSIS OF CHANGES IN GROUP TANGIBLE, INTANGIBLE AND INVESTMENT ASSETS 2019

	Acquisition and manufacturing cost						Depreciation and amortisation							Carrying amount	
in € million	1.1.2019	Translation differences	Additions	Reclassi-fications	Disposals	31.12.2019	1.1.2019	Translation differences	Current year	Reclassi-fications	Value adjustments[1]	Disposals	31.12.2019	31.12.2019	31.12.2018
Development costs	14,990	–	2,134	–	1,733	15,391	5,014	–	1,667	–	–	1,733	4,948	10,443	9,976
Goodwill	385	–	–	–	–	385	5	–	–	–	–	–	5	380	380
Other intangible assets	1,798	11	448	–	182	2,075	1,183	4	148	–	–	166	1,169	906	615
Intangible assets	**17,173**	**11**	**2,582**	**–**	**1,915**	**17,851**	**6,202**	**4**	**1,815**	**–**	**–**	**1,899**	**6,122**	**11,729**	**10,971**
Land, titles to land, buildings, including buildings on third party land	14,023	115	1,013	397	99	15,449	5,310	44	794	2	–	46	6,104	9,345	6,420
thereof right-of-use assets from leases	2,387	22	751	–8	45	3,107	–	1	430	–	–	5	426	2,681	2,387[2]
Plant and machinery	38,190	224	2,581	1,253	2,187	40,061	28,111	158	3,086	–6	–	2,172	29,177	10,884	10,078
thereof right-of-use assets from leases	1	–	75	6	–	82	–	–	6	–	–	–	6	76	1[2]
Other facilities, factory and office equipment	3,061	23	311	63	286	3,172	2,082	14	322	4	–	275	2,147	1,025	908
thereof right-of-use assets from leases	71	1	33	1	2	104	–	–	31	–	–	–	31	73	71[2]
Advance payments made and construction in progress	2,392	18	1,297	–1,713	3	1,991	–	–	–	–	–	–	–	1,991[3]	2,395
Property, plant and equipment	**57,666**	**380**	**5,202**	**–**	**2,575**	**60,673**	**35,503**	**216**	**4,202**	**–**	**–**	**2,493**	**37,428**	**23,245**	**19,801**
Leased products	**45,851**	**619**	**20,513**	**–**	**17,041**	**49,942**	**7,592**	**95**	**4,732**	**–**	**–**	**5,086**	**7,333**	**42,609**	**38,259**
Investments accounted for using the equity method	**2,624**	**–**	**2,876**	**–**	**2,061**	**3,439**	**–**	**–**	**–**	**–**	**240**	**–**	**240**	**3,199**	**2,624**
Investments in non-consolidated subsidiaries	444	2	139	–	293	292	191	–	–	–	–322	–219	88	204	253
Participations	938	4	86	–	28	1,000	480	–1	–	–	11	–11	501	499	458
Non-current marketable securities	28	–	–	–	28	–	–	–	–	–	–	–	–	–	28
Other investments	**1,410**	**6**	**225**	**–**	**349**	**1,292**	**671**	**–1**	**–**	**–**	**–311**	**–230**	**589**	**703**	**739**

[1] Including €71 million recognised through the income statement.
[2] Carrying amounts at 1.1.2019 (from the first-time application of IFRS 16).
[3] Including assets under construction of €1,555 million.

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, emission allowances, software and purchased customer lists.

Other intangible assets include a brand-name right amounting to €40 million (2019: €43 million) which is allocated to the Automotive segment and is not subject to scheduled amortisation since its useful life is deemed to be indefinite. The asset is subject to a limited right of ownership. The €3 million decrease in the carrying amount is entirely due to currency factors. Intangible assets also include goodwill of €33 million (2019: €33 million) allocated to the Automotive cash-generating unit (CGU) and goodwill of €346 million (2019: €347 million) allocated to the Financial Services CGU.

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on intangible assets in 2020.

As in the previous year, no financing costs were recognised as a cost component of intangible assets in 2020.

22 PROPERTY, PLANT AND EQUIPMENT (INCLUDING RIGHT-OF-USE ASSETS ARISING FROM LEASES)

No impairment losses were recognised in 2020, 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 2020.

Right-of-use assets arising from leases of land and buildings relate primarily to logistics and office premises and, to a lesser extent, to selling and production premises. In order to secure these premises and, in the interests of flexibility, the property rental agreements concerned often contain extension and termination options.

23 LEASED PRODUCTS

Minimum lease payments of non-cancellable operating leases amounting to €20,872 million (2019: €20,894 million) fall due as follows:

in € million	31.12.2020	31.12.2019
within one year	9,285	9,804
between one and two years	6,327	6,489
between two and three years	3,416	3,278
between three and four years	1,534	1,073
between four and five years	275	225
later than five years	35	25
Minimum lease payments	**20,872**	**20,894**

Impairment losses amounting to €312 million (2019: €198 million) were recognised on leased products in 2020 as a consequence of changes in residual value expectations. Income from the reversal of impairment losses amounted to €110 million (2019: €74 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), Shenyang, the joint venture YOUR NOW Holding GmbH, Munich, the joint venture IONITY Holding GmbH & Co. KG (IONITY), Munich, and the interest in the associated company THERE Holding B.V. (THERE), Rijswijk.

BMW Brilliance Automotive Ltd.

BMW Brilliance produces BMW brand models mainly 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.

YOUR NOW

With effect from 31 January 2019, the BMW Group completed the merger of several mobility services companies under the name YOUR NOW. The at-equity loss reported for YOUR NOW Holding GmbH for 2020 amounted to €349 million (2019: loss of €662 million). This loss includes impairment losses amounting to €113 million (2019: loss of €277 million), recorded at the level of YOUR NOW Holding GmbH. The impairment losses arose in light of the fact that – with respect to its impact on the BMW Group's investments accounted for using the equity method – the spread of the coronavirus gave rise to an indication of possible impairment, both at the level of the BMW Group and at the level of YOUR NOW Holding GmbH. The test only resulted in the need to recognise an impairment loss at the level of YOUR NOW Holding GmbH. In the previous year, impairment losses amounting to €240 million were also recognised in the BMW Group Financial Statements on the carrying amount of individual YOUR NOW companies. These impairment losses were reported in the result on investments within other financial result.

IONITY

Together with Daimler AG, Stuttgart (Daimler AG), the Ford Motor Company, the Volkswagen Group, Kia Motors Corporation and Hyundai Motor Corporation, the BMW Group operates the joint venture IONITY Holding GmbH & Co. KG, whereby each of the parties has an equal shareholding. The entry of Kia Motors Corporation and Hyundai Motor Corporation was completed in October 2020. Since then, the BMW Group has held a 20 % stake in IONITY. IONITY's business model envisages the construction and operation of high-performance charging stations for battery electric vehicles in Europe.

THERE

Together with AUDI AG, Daimler AG and other companies, the BMW Group holds shares in THERE. HERE International B.V. (HERE) is an associated company of THERE. HERE's digital maps are laying the foundations for the next generation of mobility and location-based services, providing the basis for new assistance systems and, ultimately, fully automated driving.

In December 2019, it was announced that Mitsubishi Corporation (MC) and Nippon Telegraph and Telephone Corporation (NTT) would jointly acquire a 30 % stake in HERE. This acquisition was completed in May 2020 following the receipt of approval from the antitrust authorities. The sale of the shares gave rise to a positive impact of €105 million which is reported within the result from equity accounted investments. In addition, share capital reductions were carried out at the level of THERE in June and September 2020, resulting in €197 million being returned to the BMW Group.

The spread of the coronavirus also gave rise to an indication of possible impairment from the BMW Group's perspective. The impairment test was based on HERE's current business plan, which already incorporates its lowered expectations in the wake of the coronavirus pandemic. The value in use was determined on the basis of a present value computation derived from the revised business plan. A pre-tax discount rate of 18.5 % was applied. Following the impairment test, an impairment loss of €27 million was recognised in the BMW Group Financial Statements and included in the result on investments within other financial result.

Financial information relating to equity accounted investments is summarised in the following tables (from a 100 % perspective):

	BMW Brilliance		THERE		YOUR NOW		IONITY	
in € million	2020	2019	2020	2019	2020	2019[1]	2020	2019[1]
DISCLOSURES RELATING TO THE BALANCE SHEET								
Non-current assets	7,292	7,248	1,190	1,131	945	1,610	244	175
Current assets	9,859	7,381	24	467	767	1,116	55	70
thereof cash and cash equivalents	5,137	2,937	24	1	341	818	17	50
Equity	7,388	5,293	1,214	1,597	1,226	2,073	244	205
Non-current financial liabilities, provisions and liabilities	1,546	1,358	–	–	113	184	13	10
Current financial liabilities, provisions and liabilities	8,217	7,978	–	1	373	469	42	30
RECONCILIATION OF AGGREGATED FINANCIAL INFORMATION								
Assets	17,151	14,629	1,214	1,598	1,712	2,726	299	245
Provisions and liabilities	9,763	9,336	–	1	486	653	55	40
Net assets	7,388	5,293	1,214	1,597	1,226	2,073	244	205
Group's interest in net assets	3,694	2,646	335[2]	475	591	987	49	51
Eliminations	–1,084	–960	–	–	–	–	–	–
Carrying amount	2,610	1,686	335[2]	475	591	987	49	51

[1] Prior year's figures adjusted.
[2] Including shareholder impairment.

in € million	BMW Brilliance 2020	BMW Brilliance 2019	THERE 2020	THERE 2019	YOUR NOW 2020	YOUR NOW 2019[1]	IONITY 2020	IONITY 2019[1]
DISCLOSURES RELATING TO THE INCOME STATEMENT								
Revenues	23,913	21,910	–	–	234	424	8	1
Scheduled depreciation	707	651	–	–	127	150	19	10
Profit / loss before financial result	3,174	2,374	–1	–1	–693	–1,349	–43	–29
Interest income	80	84	4	–	–	–	–	–
Interest expense	5	5	–	–	3	23	1	1
Income taxes	822	654	–	–	6	–28	–8	–5
Profit / loss after tax	2,560	1,947	206	–383	–749	–1,805	–37	–24
thereof from continuing operations	2,560	1,947	206	–383	–701	–1,805	–37	–24
thereof from discontinued operations	–	–	–	–	–48	–	–	–
Other comprehensive income	169	–14	10	1	–81	17	–	–
Total comprehensive income	2,729	1,933	216	–382	–830	–1,788	–37	–24
Group dividend income[2]	379	1,284	–	–	–	–	–	–

[1] Prior year's figures adjusted.
[2] Including dividends received in the amount of €1,020 million (2019: €643 million).

25 RECEIVABLES FROM SALES FINANCING

Receivables from sales financing comprise the following:

in € million	31.12.2020	31.12.2019
Credit financing for retail customers and dealerships*	63,584	71,104
Finance lease receivables	20,693	21,333
Receivables from sales financing	**84,277**	**92,437**

* Figure contains Operating leases.

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

	Stage 1	Stage 2		Stage 3	
in € million		General	Simplified		Total
Impairment allowances at 1 January 2020	361	209	12	517	1,099
Reclassification to Stage 1	1	–6	–	–4	–9
Reclassification to Stage 2	–15	153	–	–15	123
Reclassification to Stage 3	–4	–30	–1	195	160
Derecognition and origination of receivables	12	21	1	–33	1
Write-off of receivables	–1	–14	–1	–90	–106
Changes in risk parameters	60	66	1	49	176
Other changes	69	75	27	24	195
Impairment allowances at 31 December 2020	**483**	**474**	**39**	**643**	**1,639**

	Stage 1	Stage 2		Stage 3	
in € million		General	Simplified		Total
Impairment allowances at 1 January 2019	363	175	12	482	1,032
Reclassification to Stage 1	2	–13	–	–1	–12
Reclassification to Stage 2	–17	107	–	–16	74
Reclassification to Stage 3	–6	–24	–1	175	144
Derecognition and origination of receivables	17	–26	1	–15	–23
Write-off of receivables	–2	–17	–	–133	–152
Changes in risk parameters	–40	31	–	1	–8
Other changes	44	–24	–	24	44
Impairment allowances at 31 December 2019	**361**	**209**	**12**	**517**	**1,099**

Impairment allowances include €95 million (2019: €74 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 €517 million (2019: €541 million). The carrying amount of assets held as collateral and taken back as a result of payment default amounted to €33 million (2019: €39 million).

Finance leases are analysed as follows:

in € million	31.12.2020	31.12.2019*
due within one year	6,970	6,918
due between one and two years	6,293	6,761
due between two and three years	5,190	5,412
due between three and four years	3,695	3,725
due between four and five years	558	479
due later than five years	48	32
Gross investment in finance leases	**22,754**	**23,327**
due within one year	6,426	6,384
due between one and two years	5,809	6,263
due between two and three years	4,770	5,006
due between three and four years	3,395	3,421
due between four and five years	503	433
due later than five years	45	30
Net investment in finance leases without loss allowances	**20,948**	**21,537**
Unrealised interest income	**1,806**	**1,790**
Loss allowances	255	204
Net investment in finance leases	**20,693**	**21,333**

* Prior year's figures adjusted.

26 FINANCIAL ASSETS

Financial assets comprise:

in € million	31.12.2020	31.12.2019
Marketable securities and investment funds	4,226	5,391
Derivative instruments	3,256	1,620
Loans to third parties	71	54
Other	199	260
Financial assets	**7,752**	**7,325**
thereof non-current	2,644	1,370
thereof current	5,108	5,955

27 INCOME TAX ASSETS

Income tax assets totalling €606 million (2019: €1,209 million) include claims amounting to €43 million (2019: €186 million), which are expected to be settled after more than one year. Claims may be settled earlier than this depending on the timing of the underlying proceedings. The decrease in income tax assets was mainly attributable to tax reimbursements.

28 OTHER ASSETS

Other assets comprise:

in € million	31.12.2020	31.12.2019
Return right assets for future leased products	3,041	4,807
Receivables from companies in which an investment is held	2,048	2,641
Other taxes	1,581	1,935
Expected reimbursement claims	1,046	1,086
Receivables from subsidiaries	546	308
Collateral assets	454	413
Prepaid expenses	364	396
Sundry other assets	1,246	1,353
Other assets	**10,326**	**12,939**
thereof non-current	1,216	1,325
thereof current	9,110	11,614

Collateral assets comprise mainly customary collateral (banking deposits) arising on the sale of asset-backed financing instruments.

29 INVENTORIES

Inventories comprise the following:

in € million	31.12.2020	31.12.2019
Finished goods and goods for resale	10,542	11,491
Work in progress, unbilled contracts	1,373	1,286
Raw materials and supplies	1,660	1,674
Vehicles held for sale in the financial services business	818	808
Advance payments to suppliers	503	632
Inventories	**14,896**	**15,891**

Out of the total amount recognised for inventories at 31 December 2020, inventories measured at net realisable value amounted to €899 million (2019: €973 million). Write-downs to net realisable value in the financial year 2020 amounted to €59 million (2019: €126 million), while reversals of write-downs amounted to €2 million (2019: €22 million).

The expense recorded in conjunction with inventories during the financial year 2020 amounted to €48,128 million (2019: €53,524 million). The previous year's figures were adjusted due to a change in the computational logic. The adjusted amount disclosed no longer relates only to products sold, but also includes the impact of inter-segment eliminations. Excluding inter-segment eliminations, the prior-year figure amounted to €62,633 million. At 31 December 2020, the carrying amounts of inventories expected to be realised after more than twelve months amount to €359 million (2019: €445 million).

30 TRADE RECEIVABLES

Trade receivables comprise the following:

in € million	31.12.2020	31.12.2019
Gross carrying amount	2,345	2,590
Allowances for impairment of stage 2 – simplified procedure	– 24	– 26
Allowances for impairment of stage 3	– 23	– 46
Net carrying amount	**2,298**	**2,518**

Impairment allowances on trade receivables in accordance with IFRS 9 developed as follows:

in € million	2020	2019
Balance at 1 January	72	54
Allocated (+)	16	30
Reversed (–)	– 36	– 7
Utilised	– 1	– 7
Exchange rate impact and other changes	– 4	2
Balance at 31 December	**47**	**72**

In the case of trade receivables, collateral is generally held in the form of vehicle documents and bank guarantees so that the risk of bad debt loss is very limited.

Expenses for impairment losses and income from the reversal of impairment losses is not significant and is therefore not reported separately in the income statement.

31 EQUITY

Number of shares issued

	Preferred stock		Common stock	
	2020	2019	2020	2019
Shares issued / in circulation at 1 January	56,867,304	56,126,904	601,995,196	601,995,196
Shares issued in conjunction with Employee Share Programme	822,124	744,447	–	–
Less: shares repurchased and re-issued	124	4,047	–	–
Shares issued / in circulation at 31 December	57,689,304	56,867,304	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 2020, a total of 822.124 shares of preferred stock was sold to employees at a reduced price of €36.55 per share in conjunction with an Employee Share Programme. These shares are entitled to receive dividends for the first time with effect from the financial year 2021.

Issued share capital increased by €0.8 million as a result of the issue to employees of 822.000 new shares of non-voting preferred stock. BMW AG is authorised up to 15 May 2024 to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million. At the end of the reporting period, 3.4 million of these amounting to nominal €3.4 million remained available for issue.

In addition, 124 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 €2,199 million (2019: €2,161 million). The change amounting to €38 million related to the share capital increase in conjunction with the issue of shares of preferred stock to employees.

Revenue reserves

Revenue reserves comprise the non-distributed earnings of companies consolidated in the Group Financial Statements. In addition, remeasurements of the net defined benefit obligation for pension plans are also presented in revenue reserves.

It is proposed that the unappropriated profit of BMW AG for the financial year 2020 amounting to €1,253 million be utilised as follows:

— Distribution of a dividend of €1.92 per share of preferred stock (€109 million)

— Distribution of a dividend of €1.90 per share of common stock (€1,144 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.

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	31.12.2020	31.12.2019
Equity attributable to shareholders of BMW AG	60,891	59,324
Proportion of total capital	36.4 %	33.7 %
Non-current financial liabilities	67,390	70,647
Current financial liabilities	38,986	46,093
Total financial liabilities	106,376	116,740
Proportion of total capital	63.6 %	66.3 %
Total capital	**167,267**	**176,064**

Equity attributable to shareholders of BMW AG increased during the financial year by 2.6 %, 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 obligations of the BMW Group are mostly covered by assets transferred to BMW Trust e.V., Munich, in conjunction with a Contractual Trust Arrangement (CTA) (funded plan). 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 %	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Discount rate	0.55	1.00	1.19	1.92	1.88	2.42
Pension level trend	1.33	1.38	2.19	2.15	–	–
Weighted duration of all pension obligations in years	21.6	21.3	19.8	19.2	15.9	16.0

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 S3PA light tables

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	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Present value of defined benefit obligations	15,535	14,022	9,944	9,503	1,108	1,127	26,587	24,652
Fair value of plan assets	12,451	11,320	9,589	9,137	870	883	22,910	21,340
Effect of limiting net defined benefit asset to asset ceiling	–	–	–	–	3	2	3	2
Carrying amounts at 31 December	**3,084**	**2,702**	**355**	**366**	**241**	**246**	**3,680**	**3,314**
thereof pension provisions	3,084	2,702	355	371	254	262	3,693	3,335
thereof assets	–	–	–	–5	–13	–16	–13	–21

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 dependants' benefits. The level of ongoing pension payments is adjusted in accordance with § 16 of the Company Pensions Act (Betriebsrentengesetz).

The defined benefit plans have been closed to new entrants since 2014. Defined contribution plans with a minimum rate of return, comprising employer- and employee-funded components, continue to exist. The fact that the plan involves a minimum rate of return means that the defined contribution entitlements are classified in accordance with IAS 19 as defined benefit plans. In the case of defined benefit plans involving the payment of a pension, the amount of benefits to be paid is determined by multiplying a fixed amount by the number of years of service.

The assets of the German pension plans are invested by BMW Trust e.V., Munich, in accordance with a CTA. The representative bodies of this entity are the Board of Directors and the Members' General Meeting. BMW Trust e.V., Munich, currently has seven members and three members of the Board of Directors elected by the Members' General Meeting. The Board of Directors is responsible for investments, drawing up and deciding on investment guidelines as well as monitoring compliance with those guidelines. The members of the association can be employees, employee representatives, senior executives and members of the Board of Management of BMW AG. An ordinary Members' General Meeting takes place once every calendar year, and deals with a range of matters, including receiving and approving the association's annual report, ratifying the activities of the Board of Directors and adopting changes to the association's statutes.

United Kingdom

Defined benefit plans exist in the United Kingdom which are closed for all plan participants. Vested benefits remain in place. New benefits are covered by contributions made to a defined contribution plan.

The defined benefit pension plans are administered by BMW Pension Trustees Limited, Farnborough, and BMW (UK) Trustees Limited, Farnborough, both trustee companies which act independently of the BMW Group. BMW (UK) Trustees Limited, Farnborough, is represented by ten trustees and BMW Pension Trustees Limited, Farnborough, by five trustees. A minimum of one third of the trustees must be elected by plan participants. The trustees represent the interests of plan participants and decide on investment strategies. Funding contributions to the funds are determined in agreement with the BMW Group.

The **change in the net liability for defined benefit 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 2020	24,652	–21,340	**3,312**	2	**3,314**
EXPENSE/INCOME					
Current service cost	488	–	**488**	–	**488**
Interest expense (+)/income (–)	337	–303	**34**	–	**34**
Past service cost	–54	–	**–54**	–	**–54**
Gains (–) or losses (+) arising from settlements	–	–	**–**	–	**–**
REMEASUREMENTS					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	–1,880	**–1,880**	–	**–1,880**
Gains (–) or losses (+) arising from changes in financial assumptions	2,726	–	**2,726**	–	**2,726**
Gains (–) or losses (+) arising from changes in demographic assumptions	–239	–	**–239**	–	**–239**
Gains (–) or losses (+) arising from experience adjustments	–144	–	**–144**	–	**–144**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	1	**1**
Transfers to fund	–	–524	**–524**	–	**–524**
Employee contributions	84	–84	**–**	–	**–**
Pensions and other benefits paid	–645	639	**–6**	–	**–6**
Translation differences and other changes	–618	582	**–36**	–	**–36**
31 December 2020	**26,587**	**–22,910**	**3,677**	**3**	**3,680**
thereof pension provisions					**3,693**
thereof assets					**–13**

in € million	Defined benefit obligation	Plan assets	Total	Effect of limitation of the net defined benefit asset to the asset ceiling	Net defined benefit liability
1 January 2019	21,247	–18,937	**2,310**	3	**2,313**
EXPENSE / INCOME					
Current service cost	473	–	**473**	–	**473**
Interest expense (+) / income (–)	485	–444	**41**	–	**41**
Past service cost	–191	–	**–191**	–	**–191**
Gains (–) or losses (+) arising from settlements	–3	–	**–3**	–	**–3**
REMEASUREMENTS					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	–2,002	**–2,002**	–	**–2,002**
Gains (–) or losses (+) arising from changes in financial assumptions	3,201	–	**3,201**	–	**3,201**
Gains (–) or losses (+) arising from changes in demographic assumptions	–3	–	**–3**	–	**–3**
Gains (–) or losses (+) arising from experience adjustments	–4	–	**–4**	–	**–4**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	–1	**–1**
Transfers to fund	–	–527	**–527**	–	**–527**
Employee contributions	78	–78	**–**	–	**–**
Pensions and other benefits paid	–1,104	1,103	**–1**	–	**–1**
Translation differences and other changes	473	–455	**18**	–	**18**
31 December 2019	**24,652**	**–21,340**	**3,312**	**2**	**3,314**
thereof pension provisions					**3,335**
thereof assets					**–21**

In 2020, employment contract termination agreements were agreed with employees, resulting in the departure of the persons concerned and to vested pension benefits. Past service cost resulted mainly from differing assumptions used to calculate statutory pension entitlements on the one hand and for the ongoing accounting for active employees on the other.

Past service cost in the previous year resulted mainly from the complete closure of two defined benefit plans in the USA.

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

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

in € million	Germany 2020	Germany 2019	United Kingdom 2020	United Kingdom 2019	Other 2020	Other 2019	Total 2020	Total 2019
COMPONENTS OF PLAN ASSETS								
Equity instruments	2,166	2,031	348	584	74	91	2,588	2,705
Debt instruments	7,326	6,513	6,940	6,648	632	592	14,898	13,754
thereof investment grade	5,041	4,275	6,316	5,891	625	585	11,982	10,752
thereof mixed funds (funds without a rating)	–	–	–	–	–	–	–	–
thereof non-investment grade	2,285	2,238	624	757	7	7	2,916	3,002
Real estate funds	–	–	–	–	19	19	19	19
Money market funds	–	–	85	74	2	29	87	103
Absolute return funds	–	–	–	–	–	–	–	–
Other	128	109	–	–	6	15	134	124
Total with quoted market price	**9,620**	**8,653**	**7,373**	**7,306**	**733**	**746**	**17,726**	**16,705**
Debt instruments	779	911	673	256	1	1	1,453	1,168
thereof investment grade	324	316	–	–	–	–	324	316
thereof mixed funds (funds without a rating)	455	595	673	256	–	–	1,128	851
thereof non-investment grade	–	–	–	–	1	1	1	1
Real estate	428	394	656	716	–	–	1,084	1,110
Cash and cash equivalents	159	20	–	–	–	1	159	21
Absolute return funds	645	632	643	640	23	31	1,311	1,303
Other	820	710	244	219	113	104	1,177	1,033
Total without quoted market price	**2,831**	**2,667**	**2,216**	**1,831**	**137**	**137**	**5,184**	**4,635**
31 December	**12,451**	**11,320**	**9,589**	**9,137**	**870**	**883**	**22,910**	**21,340**

In the financial year 2021, disbursements out of the plan assets are expected to exceed the employer's contributions to plan assets by €85 million. Plan assets of the BMW Group include own transferable financial instruments amounting to €1 million (2019: €8 million).

The BMW Group is exposed to **risks** arising both from defined benefit plans and defined contribution plans with a minimum return guarantee. The discount rates used to calculate pension obligations are subject to market fluctuation and therefore influence the level of the obligations. Furthermore, changes in other actuarial parameters, such as expected rates of inflation, also have an impact on pension obligations. In order to reduce currency exposures, a substantial portion of plan assets is either invested in the same currency as the underlying plan or hedged by means of currency derivatives. As part of the internal reporting procedures and for internal management purposes, financial risks relating to the pension plans are reported using a value-at-risk approach by reference to the pension deficit. The investment strategy is also subject to regular review together with external consultants, with the aim of ensuring that investments are structured to match the timing of pension payments and the expected development of pension obligations. In this way, fluctuations in pension funding shortfalls are reduced.

The defined benefit obligation relates to current employees, pensioners and former employees with vested benefits as follows:

	Germany		United Kingdom		Other	
in %	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Current employees	66.2	67.6	–	–	62.9	64.3
Pensioners	27.4	27.4	42.2	45.5	29.9	29.0
Former employees with vested benefits	6.4	5.0	57.8	54.5	7.2	6.8
Defined benefit obligation	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

The sensitivity analysis provided below shows the extent to which changes in individual factors – independently of each other – could influence the defined benefit obligation at the end of the reporting period.

It is only possible to aggregate sensitivities to a limited extent. Since the change in obligation follows a non-linear pattern, estimates made on the basis of the specified sensitivities are only possible with this restriction. The calculation of sensitivities using ranges other than those specified could result in a disproportional change in the defined benefit obligation.

		Change in defined benefit obligation			
		31.12.2020		31.12.2019	
		in € million	in %	in € million	in %
	increase of 0.75 %	–3,514	–13.2	–3,352	–13.6
Discount rate	decrease of 0.75 %	4,585	17.2	4,290	17.4
	increase of 0.25 %	766	2.9	905	3.7
Pension level trend	decrease of 0.25 %	–721	–2.7	–810	–3.3
	increase of 1 year	1,078	4.1	1,155	4.7
Average life expectancy	decrease of 1 year	–1,081	–4.1	–1,097	–4.4
	increase of 0.25 %	218	0.8	200	0.8
Pension entitlement trend	decrease of 0.25 %	–210	–0.8	–192	–0.8

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	as of 1.1.2020*	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2020	thereof due within one year
Statutory and non-statutory warranty obligations, product guarantees	5,550	–277	3,178	158	–2,354	–124	6,131	1,731
Obligations for personnel and social expenses	2,496	–19	1,405	19	–1,288	–31	2,582	1,483
Other obligations	3,271	–43	1,361	9	–508	–337	3,753	2,794
Other obligations for ongoing operational expenses	1,892	–94	1,288	–	–1,399	–171	1,516	1,486
Other provisions	**13,209**	**–433**	**7,232**	**186**	**–5,549**	**–663**	**13,982**	**7,494**

* Prior year's figures adjusted.

Depending on when claims occur, it is possible that the BMW Group may be called upon to fulfil the warranty or guarantee obligations over the whole period of the warranty or guarantee. Warranty provisions include amounts recognised in connection with the exhaust gas recirculation cooler. Expected reimbursement claims at 31 December 2020 amounted to €1,046 million (2019: €1,086 million) and are disclosed within other assets (see note 28).

Provisions for obligations for personnel and social expenses comprise mainly obligations relating to performance-related remuneration components, workforce measures as well as pre-retirement part-time working arrangements and long-service awards.

The provisions for other obligations cover numerous identifiable specific risks and uncertain obligations, in particular for litigation and liability risks, including the provision recognised in the previous year for the ongoing EU Commission's antitrust proceedings. Further information is provided in note 10.

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

34 INCOME TAX LIABILITIES

Current income tax liabilities totalling €747 million (2019: €963 million) include €40 million (2019: €89 million) which are expected to be settled after more than twelve months. Liabilities may be settled earlier than this depending on the timing of the underlying proceedings.

35 FINANCIAL LIABILITIES

Financial liabilities of the BMW Group comprise the following:

in € million	31.12.2020 Maturity within one year	31.12.2020 Maturity between one and five years	31.12.2020 Maturity later than five years	31.12.2020 Total	31.12.2019 Maturity within one year	31.12.2019 Maturity between one and five years	31.12.2019 Maturity later than five years	31.12.2019 Total
Bonds	12,642	32,001	12,022	**56,665**	14,077	35,801	12,287	**62,165**
Asset-backed financing transactions	6,863	11,956	–	**18,819**	7,952	11,597	–	**19,549**
Liabilities from customer deposits (banking)	12,735	3,709	22	**16,466**	11,216	3,414	27	**14,657**
Liabilities to banks	4,578	3,159	1,300	**9,037**	7,903	2,204	1,329	**11,436**
Lease liabilities	492	1,181	838	**2,511**	544	1,363	988	**2,895**
Derivative instruments	593	517	38	**1,148**	1,149	886	61	**2,096**
Commercial paper	550	–	–	**550**	2,615	–	–	**2,615**
Other	533	248	399	**1,180**	637	271	419	**1,327**
Financial liabilities	**38,986**	**52,771**	**14,619**	**106,376**	**46,093**	**55,536**	**15,111**	**116,740**

Planned future cash outflows from variable lease payments, which are not taken into account in the measurement of lease liabilities, are expected to amount to €57 million (2019: €56 million).

Similarly, potential future cash outflows amounting to €1,252 million (2019: €1,393 million) (undiscounted) have not been taken into account in the measurement of lease liabilities as it is not reasonably certain that the leases will be renewed (or not terminated). These cash outflows relate to periods of up to 74 years (2019: up to 59 years).

Liabilities related to financing activities can be reconciled as follows:

in € million	as of 1.1.2020	Cash inflows/outflows	Changes due to the acquisition or disposal of companies	Changes due to exchange rate factors	Changes in fair values	Other changes	31.12.2020
Bonds	62,165	–4,306	–	–1,972	766	12	**56,665**
Asset-backed financing transactions	19,549	–82	–	–648	–	–	**18,819**
Liabilities from customer deposits (banking)	14,657	2,329	–	–520	–	–	**16,466**
Liabilities to banks	11,436	–2,172	–	–248	21	–	**9,037**
Lease liabilities	2,895	–494	–	–63	–	173	**2,511**
Commercial paper	2,615	–2,025	–	–40	–	–	**550**
Financial liabilities towards companies in which an investment is held	296	492	–	–48	–	–	**740**
Other (excluding interest payable)	864	–78	–	–34	–	–	**752**
Liabilities relating to financing activities	**114,477**	**–6,336**	**–**	**–3,573**	**787**	**185**	**105,540**

in € million	as of 1.1.2019	Cash inflows/outflows	Changes due to the acquisition or disposal of companies	Changes due to exchange rate factors	Changes in fair values	Other changes	31.12.2019
Bonds	53,346	7,342	–	618	859	–	**62,165**
Asset-backed financing transactions	17,335	1,869	–	345	–	–	**19,549**
Liabilities from customer deposits (banking)	14,359	202	–	96	–	–	**14,657**
Liabilities to banks	13,196	–1,754	–	–43	44	–7	**11,436**
Lease liabilities	105	–440	–	6	–	3,224	**2,895**
Commercial paper	2,480	134	–	1	–	–	**2,615**
Financial liabilities towards companies in which an investment is held	529	–233	–	–	–	–	**296**
Other (excluding interest payable)	626	202	–	36	–	–	**864**
Liabilities relating to financing activities	**101,976**	**7,322**	**–**	**1,059**	**903**	**3,217**	**114,477**

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 3,350 million	2.1	0.0
	variable	NOK 1,730 million	3.0	1.9
	variable	SEK 1,500 million	4.0	0.5
	variable	USD 500 million	3.0	1.0
	fixed	JPY 24,500 million	5.3	0.5
	fixed	EUR 23,800 million	6.5	0.8
	fixed	CNY 13,500 million	2.3	3.6
	fixed	HKD 2,352 million	5.8	2.6
	fixed	USD 2,050 million	5.3	2.5
	fixed	NOK 1,500 million	3.8	1.9
	fixed	GBP 850 million	6.0	1.3
	fixed	AUD 273 million	10.0	3.2
BMW US Capital, LLC	variable	USD 2,158 million	3.5	0.7
	fixed	USD 16,255 million	6.4	3.2
	fixed	EUR 2,500 million	7.6	0.9
	fixed	AUD 30 million	5.0	3.0
BMW International Investment B.V.	variable	SEK 500 million	3.0	0.7
	variable	GBP 250 million	2.2	0.1
	fixed	GBP 1,800 million	4.1	1.3
	fixed	NOK 1,000 million	10.0	3.3
	fixed	CHF 600 million	6.8	0.5
Other	fixed	CNY 6,000 million	3.0	4.8
	fixed	CAD 1,600 million	3.2	2.4

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 550 million	71	– 0.2

36 OTHER LIABILITIES

Other liabilities comprise the following items:

in € million	31.12.2020	31.12.2019*
Contract liabilities	5,485	5,038
Refund liabilities for future leased products	3,926	6,103
Deferred income	3,546	3,635
Bonuses and sales aides	2,911	2,971
Other taxes	1,484	1,265
Deposits received	1,019	983
Payables to other companies in which an investment is held	814	519
Payables to subsidiaries	180	192
Other advance payments received for orders	139	160
Social security	133	109
Sundry	1,550	2,091
Other liabilities	**21,187**	**23,066**

* Prior year's figures adjusted.

Contract liabilities relate to obligations for service and repair work as well as telematics services and roadside assistance agreed to be part of the sale of a vehicle (in some cases multi-component arrangements). An amount of €2,604 million (2019: €2,255 million) was released from contract liabilities in the financial year and recognised as revenues from contracts with customers.

Deferred income includes down payments received on leases with customers as well as deferred grants. Grants comprise mainly public sector funds to promote regional structures and which have been invested in the production plants in Brazil, China, Germany, Mexico, Austria and South Africa amongst others. The grants are partly subject to holding periods for the assets concerned of up to five years and/or minimum employment figures or minimum production figures. Grant income is recognised in the income statement over the useful lives of the assets to which it relates.

37 TRADE PAYABLES

As in the previous year, trade payables are due within one year.

OTHER DISCLOSURES

38 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	31.12.2020	31.12.2019
Investment subsidies	77	284
Litigation	105	139
Guarantees	43	46
Other	1,067	618
Contingent liabilities	**1,292**	**1,087**

Other contingent liabilities comprise mainly risks relating to taxes and customs duties.

The BMW Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of the Group Financial Statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. A part of the risks is covered by insurance.

The European Commission is currently conducting an investigation in connection with antitrust allegations against five German car manufacturers. The BMW Group has provided for the potential outcome of the investigation in the form of a provision measured on the basis of the Statement of Objections, at the best possible estimate (see also note 10 to the Group Financial Statements for the financial year 2019). In relation to these allegations, numerous class action lawsuits have been brought in the USA and Canada as well as several private lawsuits in South Korea. The class action lawsuits in the USA were dismissed in the first instance in October 2020. The plaintiffs have appealed this decision. Class action lawsuits in Canada and private lawsuits in South Korea are still at an early stage. Further civil lawsuits based on the allegations are possible going forward. In addition, the Chinese State Administration for Market Regulation opened antitrust proceedings against BMW AG in March 2019, followed by the Korea Fair Trade Commission in May 2020 and the Turkish Competition Authority in July 2020. Possible risks for the BMW Group cannot be currently foreseen, either in terms of their outcome or the amounts involved. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

Regulatory authorities have ordered the BMW Group to recall various vehicle models in conjunction with airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within warranty provisions. In addition to the risks already covered by warranty provisions, it cannot be ruled out that further BMW Group vehicles will be affected by future recall actions. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

In September 2019, the Japan Fair Trade Commission conducted a search of BMW Japan Corp. in connection with its market practices in relation to dealerships. In mid-December 2020, the authority signalled its principle willingness to end the investigation without sanctions and determination of a violation of the law, provided that an agreement with BMW Japan on future-oriented measures can be reached. The discussions in that regard are still ongoing. Any remaining risks for the BMW Group can currently not be ruled out and foreseen in detail, either in terms of their outcome or the amounts involved. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

On January 22, 2020, the U.S. Securities and Exchange Commission (SEC) had opened an investigation into potential violations of U.S. securities laws by BMW Group relating to disclosures regarding BMW Group's unit sales of new vehicles. This matter was settled on September 24, 2020 with the SEC, without admitting or denying the allegations, and BMW Group consented to the entry of an Order finding violations of the U.S. Securities Act and agreed to pay a penalty of $18 million. Certain BMW Group entities and their officers are defendants in private securities litigation following the SEC Order. Possible risks for the BMW Group cannot be quantified at present. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

Other financial commitments

In addition to liabilities, provisions and contingent liabilities, the following commitments exist for the BMW Group at the end of the reporting period:

in € million	31.12.2020	31.12.2019
Purchase commitments for property, plant and equipment	3,264	3,128
Purchase commitments for intangible assets	2,787	2,146

39 FINANCIAL INSTRUMENTS

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

in € million	31.12.2020 At amortised cost	31.12.2020 At fair value through other comprehensive income	31.12.2020 At fair value through profit or loss	31.12.2020 Not assigned to an IFRS 9 category	31.12.2019 At amortised cost	31.12.2019 At fair value through other comprehensive income	31.12.2019 At fair value through profit or loss	31.12.2019 Not assigned to an IFRS 9 category
ASSETS								
Other investments	–	–	477	258	–	–	461	242
Receivables from sales financing	63,104	–	–	21,173	70,625	–	–	21,812
Financial assets								
Derivative instruments								
Cash flow hedges	–	–	–	851	–	–	–	326
Fair value hedges	–	–	–	1,992	–	–	–	1,244
Other derivative instruments	–	–	413	–	–	–	50	–
Marketable securities and investment funds	115	3,245	866	–	444	3,889	1,058	–
Loans to third parties	49	–	22	–	40	–	14	–
Other	199	–	–	–	260	–	–	–
Cash and cash equivalents	12,622	–	915	–	11,574	–	462	–
Trade receivables	2,298	–	–	–	2,518	–	–	–
Other assets								
Receivables from subsidiaries	546	–	–	–	308	–	–	–
Receivables from companies in which an investment is held	2,048	–	–	–	2,641	–	–	–
Collateral assets	454	–	–	–	413	–	–	–
Remaining other assets	1,504	–	–	5,774	1,519	–	–	8,058
Total	**82,939**	**3,245**	**2,693**	**30,048**	**90,342**	**3,889**	**2,045**	**31,682**

in € million	31.12.2020				31.12.2019			
	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Not assigned to an IFRS 9 category	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Not assigned to an IFRS 9 category
LIABILITIES								
Financial liabilities								
Bonds	56,665	–	–	–	62,165	–	–	–
Liabilities to banks	9,037	–	–	–	11,436	–	–	–
Liabilities from customer deposits (banking)	16,466	–	–	–	14,657	–	–	–
Commercial paper	550	–	–	–	2,615	–	–	–
Asset-backed financing transactions	18,819	–	–	–	19,549	–	–	–
Derivative instruments								
Cash flow hedges	–	–	–	112	–	–	–	805
Fair value hedges	–	–	–	248	–	–	–	271
Other derivative instruments	–	–	788	–	–	–	1,020	–
Lease liabilities	–	–	–	2,511	–	–	–	2,895
Other	1,180	–	–	–	1,327	–	–	–
Trade payables	8,644	–	–	–	10,182	–	–	–
Other liabilities								
Payables to subsidiaries	180	–	–	–	192	–	–	–
Payables to other companies in which an investment is held	814	–	–	–	519	–	–	–
Remaining other liabilities*	5,250	–	–	14,943	4,917	–	–	17,438
Total	**117,605**	**–**	**788**	**17,814**	**127,559**	**–**	**1,020**	**21,409**

* Prior year's figures adjusted.

Disclosures relating to financial instruments measured at amortised cost

The following table shows the fair values and carrying amounts of financial assets and liabilities that are measured at amortised cost and whose carrying amounts differ from their fair value.

The fair values are generally determined using the discounted cash flow method, taking into account the relevant risk of default. For the purposes of fair value measurement using the discounted cash flow method, expected future cash flows are discounted on the basis of up-to-date interest curves observable on the market.

The fair values of receivables from sales financing are measured using the discounted cash flow method, taking into account customer-specific credit risk. In view of the fact that these allowances are calculated in part on the basis of internal information, receivables from sales financing are allocated to Level 3 in the level hierarchy in accordance with IFRS 13. The fair values of the financial assets shown in the table relate to financial institutions and are also measured using the discounted cash flow method, taking into account the risk of default. Given that these financial institutions all have excellent credit ratings, the risk of default is low and can be observed on the market. The fair values of these items are therefore allocated to Level 2.

In the case of financial liabilities, own credit risk is also taken into account based on credit default swaps available on the market, so that the fair values of these items are also allocated to Level 2.

For all other financial instruments not listed here that are measured at amortised cost, the carrying amount corresponds to the fair value. For this reason, they are not presented separately.

	31.12.2020		31.12.2019	
in € million	Fair value	Carrying amount	Fair value	Carrying amount
Receivables from sales financing – credit financing	65,326	63,104	73,699	70,625
Receivables from sales financing – finance and operating leases	23,116	21,173	22,741	21,812
Financial assets – Marketable securities and investment funds	116	115	446	444
Financial liabilities				
Bonds	58,136	56,665	62,757	62,165
Asset-backed financing transactions	18,818	18,819	19,659	19,549
Liabilities from customer deposits (banking)	16,599	16,466	14,739	14,657
Liabilities to banks	9,209	9,037	12,071	11,436

Disclosures relating to financial instruments measured at fair value

The carrying amounts of financial instruments measured at fair value are allocated to the measurement levels pursuant to IFRS 13 as described below.

in € million	31.12.2020 Level hierarchy in accordance with IFRS 13			31.12.2019 Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral assets	3,608	503	–	4,582	365	–
Other investments	80	–	397	106	–	355
Cash equivalents	915	–	–	–	462	–
Loans to third parties	–	–	22	–	–	14
Derivative instruments (assets)						
Interest rate risks	–	2,344	–	–	1,274	–
Currency risks	–	335	–	–	74	–
Raw material market price risks	–	573	1	–	267	–
Other risks	–	–	3	–	–	5
Derivative instruments (liabilities)						
Interest rate risks	–	919	–	–	1,155	–
Currency risks	–	171	–	–	723	–
Raw material market price risks	–	52	6	–	218	–

In the financial year 2020, the availability of market or stock exchange prices was re-assessed as at 31 December. As a result, an amount of €275 million relating to marketable securities, investment funds and collateral assets was reclassified from Level 1 to Level 2, in view of the fact that the fair values of the marketable securities concerned are derived on the basis of comparable instruments in the form of a theoretical price. Furthermore, money market funds amounting to €915 million were reclassified from Level 2 to Level 1 as at 31 December 2020, due to the fact that corresponding market or stock exchange prices are available.

In the previous financial year, marketable securities amounting to €187 million were transferred as at 30 June 2019 from Level 1 to Level 2, reflecting the fact that their fair value was determined on the basis of observable market data.

As a general rule, any transfers between fair-value hierarchy levels are made at the end of the relevant interim or year-end reporting period.

Financial instruments measured at fair value using input factors not based on observable market prices are allocated to Level 3. The fair values of these financial instruments are shown in the following table:

in € million	31.12.2020 Fair value	31.12.2019 Fair value
Unquoted equity instruments	397	355
Convertible bonds	22	14
Options on unquoted equity instruments	3	5
Derivative instruments	– 5	–

Financial instruments allocated to Level 3 relate mainly to investments in a private-equity fund. The valuation of unquoted equity instruments is determined primarily using the market-based approach. In particular, the financing rounds that take place within the private equity sector – usually on a regular basis at intervals of approximately 12 to 24 months – represent a significant input factor for these purposes. In addition, the investment advisor provides the external fund manager with relevant, investment-specific information on an ongoing basis (at least quarterly). The latter subsequently assesses the underlying individual companies in accordance with the guidelines for International Private Equity and Venture Capital Valuations (IPEV).

As part of the process of analysing valuations, the external fund manager reviews the investment-specific milestones, including an analysis of financial, technical and liquidity-specific performance indicators. Based on this analysis, it is considered whether the price of the most recent financing round is acceptable as a reasonable market valuation, in particular for early-stage or growth-phase investments. Key performance indicators used for the purpose of milestone analysis are highly dependent on the business model underlying the investment; typical technical key performance indicators relate to licenses and patents held, the stage of technology development such as evidence of feasibility and prototypes, market entries, customer and user growth and appointments to key management positions. Key financial performance indicators used are revenues, EBITDA and the corresponding growth rate and/or development of specific contribution margins. Key liquidity-specific performance indicators are cash on hand, cash burn rates and prospects for future financing rounds.

Since the pricing of equity investments derived from financing rounds is considered to be the key input factor for the valuation, adjustments in valuation give rise to a similar change in the equity instrument that is required to be recorded with income statement effect.

In addition, the valuation of selected equity instruments is based on the income approach. This involves discounting cash flows on the basis of current business cases using the weighted average cost of capital to determine the fair value of the financial instrument. Changes in fair values determined in connection with adjustments to significant input factors are not material for the BMW Group.

The convertible bonds that have been classified to Level 3 are primarily used as instruments in advance of future financing rounds relating to private equity investments. Valuations are therefore performed in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines.

Mandatory conversions are usually structured in such a way that the number of shares to be received depends on the future share price. Due to the generally short maturities, the instruments are subject to only insignificant fluctuations in value. Irrespective of this fact, impairment tests are performed at regular intervals.

The exercise price for share options in such companies is generally low, verging towards zero. Consequently, financing rounds have a direct impact on the market value of the options. In this respect, they are valued in a similar way to unquoted equity instruments, as described above.

For selected derivatives, a complete set of data relevant for valuation purposes is not available due to their limited market maturity. In order to model forward curves, data is collated and updated on the basis of regular bank and trader inquiries. The valuation methodology applied is in line with the general valuation principles for derivatives used within the treasury management system of the BMW Group. Changes in fair values resulting from shifts in forward curves within a range of +/– 10 % are not material for the BMW Group.

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	Derivative instruments	Financial Instruments Level 3
1 January 2020	355	14	5	–	374
Additions	73	17	–	–	90
Disposals	– 87	– 7	– 2	2	– 94
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	– 7	– 7
Gains (+)/losses (–) recognised in the income statement	85	–	–	–	85
Currency translation differences	– 29	– 2	–	–	– 31
31 December 2020	**397**	**22**	**3**	**– 5**	**417**

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Derivative instruments	Financial Instruments Level 3
1 January 2019	265	3	4	–	272
Additions	90	14	–	–	104
Disposals	– 38	– 3	–	–	– 41
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	–	–
Gains (+)/losses (–) recognised in the income statement	33	–	1	–	34
Currency translation differences	5	–	–	–	5
31 December 2019	**355**	**14**	**5**	**–**	**374**

Gains and losses recognised in the income statement are reported within the line item “Other financial result”. Gains and losses recognised in the income statement in the 2020 financial year included an unrealised net positive amount of €84 million (2019: €32 million).

Offsetting of financial instruments

Derivative financial instruments of the BMW Group are subject to legally enforceable master netting agreements or similar contracts. However, receivables and payables relating to derivative financial instruments are not netted due to non-fulfilment of the stipulated criteria. Offsetting would have the following impact on the carrying amounts of derivatives:

in € million	31.12.2020 Reported on assets side	31.12.2020 Reported on equity and liabilities side	31.12.2019 Reported on assets side	31.12.2019 Reported on equity and liabilities side
Balance sheet amounts as reported	3,256	1,148	1,620	2,096
Gross amount of derivatives which can be offset in case of insolvency	–790	–790	–833	–833
Net amount after offsetting	2,466	358	787	1,263

Non-derivative financial assets and liabilities are only offset if a legally enforceable right currently exists and it is actually intended to offset the relevant amounts. No financial assets and liabilities have been netted in the BMW Group due to the fact that the necessary requirements for netting have not been met.

Gains and losses on financial instruments

The following table shows the net gains and losses arising on financial instruments in accordance with IFRS 9:

in € million	2020	2019
Financial instruments measured at fair value through other comprehensive income	7	42
Financial instruments measured at fair value through profit or loss	310	–1,012
Financial assets measured at amortised cost	–1,050	160
Financial liabilities measured at amortised cost	–350	296

Net gains and losses arising on financial instruments measured at fair value through other comprehensive income mainly relate to changes in the fair value of marketable securities. Further details are provided in the disclosures relating to the statement of comprehensive income (note 19). Total interest income arising on financial assets measured at fair value through other comprehensive income amounted to €37 million (2019: €49 million) and total interest expense to €30 million (2019: €41 million).

Net gains and losses arising on financial instruments measured at fair value through profit and loss mainly include results from the fair value measurement of stand-alone derivatives, marketable securities and shares in investment funds, as well as other financial assets.

Net gains and losses arising on financial assets measured at amortised cost comprise mainly exchange rate gains/losses and impairment losses/reversals. Net gains and losses arising on financial liabilities measured at amortised cost comprise mainly exchange rate gains/losses as well as fair value gains/losses on hedged items in designated hedging relationships that are recognised in the income statement.

Total interest income arising on financial assets measured at amortised cost relates mainly to the interest income earned on credit financing and reported within revenues. Total interest expense arising on financial liabilities measured at amortised cost amounted to €1.8 billion (2019: €1.9 billion).

Credit risk

The BMW Group is exposed to counterparty credit risks if contractual partners, for example a retail customer or a dealership, are unable or only partially able to meet their contractual obligations. Information on the management of credit risk for receivables from financial services is provided in the Combined Management Report (see section ↗ Report on Outlook, Risks and Opportunities).

Notwithstanding the existence of collateral accepted, the carrying amount of financial assets (with the exception of derivative financial instruments) generally represents the maximum credit risk. In addition, the credit risk is increased by additional unutilised loan commitments in the dealership financing line of business. Total dealership financing credit risk at the end of the reporting period therefore amounted to €30,682 million (2019: €31,943 million).

In the case of all relationships underlying non-derivative financial instruments, in order to minimise the credit risk and depending on the nature and amount of exposure, collateral is required, credit information and references obtained or historical data based on the existing business relationship, in particular payment behaviour, reviewed.

In the case of trade receivables, customers are regularly assessed with regard to their credit risk. Depending on contractual status, necessary measures, such as dunning procedures, are initiated in good time.

The credit risk relating to cash deposits and derivative financial instruments is minimised by the fact that the Group only enters into such contracts with parties of first-class credit standing.

Within the financial services business, items financed for retail customers and dealerships (such as vehicles, facilities and property) serve as first-ranking collateral with a recoverable value. Security is also put up by customers in the form of collateral asset pledges, asset assignment and first-ranking mortgages, supplemented where appropriate by warranties and guarantees. Items previously held as collateral that are subsequently acquired relate mainly to vehicles. As a rule, these assets can be converted into cash at short notice through the dealership organisation. Creditworthiness testing is an important aspect of the BMW Group's credit risk management. Every borrower's creditworthiness is tested for all credit financing and lease contracts entered into by the BMW Group. In the case of retail customer financing, creditworthiness is assessed using validated scoring systems integrated in the acquisition process. In the area of dealership financing, creditworthiness is assessed by means of ongoing credit monitoring and an internal rating system that takes account not only of the material credit standing of the borrower, but also of qualitative factors, such as past reliability in business relations.

The credit risk on trade receivables is assessed mainly on the basis of information relating to overdue amounts. The gross carrying amounts of these receivables are allocated in accordance with IFRS 9 to overdue ranges used for management purposes as follows:

in € million	31.12.2020	31.12.2019
Not overdue	2,002	1,947
1 – 30 days overdue	229	369
31 – 60 days overdue	31	89
61 – 90 days overdue	23	40
More than 90 days overdue	60	145
Total	**2,345**	**2,590**

Receivables from sales financing are allocated to internally defined rating categories based on credit risk. The classification into creditworthiness levels is based on default probabilities. The related gross carrying amounts in accordance with IFRS 9 are allocated as follows:

	31.12.2020						31.12.2019					
	Stage 1	Stage 2		Stage 3			Stage 1	Stage 2		Stage 3		
in € million		General	Simplified		Total	Expected credit loss		General	Simplified		Total	Expected credit loss
Gross carrying amount of financial assets with good credit ratings	76,356	1,633	367	–	78,356	406	85,399	696	378	–	**86,473**	272
Gross carrying amount of financial assets with medium credit ratings	3,778	1,653	38	–	5,469	431	4,102	1,167	22	–	**5,291**	199
Gross carrying amount of financial assets with poor credit ratings	118	937	17	1,019	2,091	802	38	704	16	1,014	**1,772**	628
Total	**80,252**	**4,223**	**422**	**1,019**	**85,916**	**1,639**	**89,539**	**2,567**	**416**	**1,014**	**93,536**	**1,099**

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 ↗ **note 25** and **30**.

Liquidity risk

The following table shows the maturity structure of expected contractual cash flows (undiscounted) for financial liabilities:

in € million	Maturity within one year (31.12.2020)	Maturity between one and five years (31.12.2020)	Maturity later than five years (31.12.2020)	Total (31.12.2020)	Maturity within one year (31.12.2019)	Maturity between one and five years (31.12.2019)	Maturity later than five years (31.12.2019)	Total (31.12.2019)
NON-DERIVATIVE FINANCIAL LIABILITIES								
Bonds	13,456	33,224	11,930	**58,610**	14,977	37,477	12,595	**65,049**
Asset-backed financing transactions	7,067	12,369	–	**19,436**	8,255	12,090	–	**20,345**
Liabilities to banks	5,295	3,317	1,388	**10,000**	8,751	2,317	1,378	**12,446**
Liabilities from customer deposits (banking)	12,808	3,781	22	**16,611**	11,277	3,505	27	**14,809**
Trade payables	8,644	–	–	**8,644**	10,182	–	–	**10,182**
Lease liabilities	512	1,227	1,028	**2,767**	562	1,523	1,302	**3,387**
Commercial paper	550	–	–	**550**	2,618	–	–	**2,618**
Other financial liabilities	120	288	357	**765**	188	435	384	**1,007**
DERIVATIVE FINANCIAL LIABILITIES								
With gross settlement	432	248	14	**694**	1,524	758	–26	**2,256**
Cash outflows	14,910	5,544	631	**21,085**	33,826	18,485	598	**52,909**
Cash inflows	–14,478	–5,296	–617	**–20,391**	–32,302	–17,727	–624	**–50,653**
With net settlement	380	144	28	**552**	374	338	23	**735**
Cash outflows	380	144	28	**552**	374	338	23	**735**
Total financial liabilities	**49,264**	**54,598**	**14,767**	**118,629**	**58,708**	**58,443**	**15,683**	**132,834**

The cash flows relating to non-derivative liabilities comprise principal repayments and the related interest. The amounts disclosed for derivative instruments comprise only cash flows relating to derivatives that have a negative fair value at the balance sheet date. In the case of derivatives with a negative fair value, an overall positive cash flow can arise due to the various yield curves used.

At 31 December 2020 credit commitments available at short notice to dealerships which had not been called upon at the end of the reporting period amounted to €14,367 million (2019: €10,776 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 (2019: €8 billion) from a consortium of international banks is available to the BMW Group. Intra-group cash flow fluctuations are balanced out by the use of daily cash pooling arrangements.

Further information is provided in the Combined Management Report.

Market risks

The principal market risks to which the BMW Group is exposed are currency risk, interest rate risk and raw materials market price risk.

Protection against such risks is provided in the first instance though natural hedging which arises when the values of non-derivative financial instruments have matching maturities and amounts (netting). Derivative financial instruments are used to reduce the risk remaining after netting.

Currency, interest rate and raw materials market price risks of the BMW Group are managed at a corporate level.

Further information is provided in the "Report on outlook, risks and opportunities" section of the Combined Management Report.

Currency risk

As an enterprise with worldwide operations, the BMW Group conducts business in a variety of currencies, from which currency risks arise. In order to hedge currency risks, the BMW Group holds, as at 31 December 2020, derivative financial instruments mostly in the form of forward currency contracts and currency swaps.

As part of the implementation of the risk management strategy, the extent to which risk exposures should be hedged is decided at regular intervals. The economic relationship between the hedged item and the hedging instrument is based essentially on the fact that they are denominated in the same currency and have the same maturities. Items are hedged on the basis of a constant ratio of one to one between hedging instrument and risk exposure.

Causes of hedge ineffectiveness are seen potentially only for counterparty credit risk. However, in view of the processes that have been established for credit risk management, ineffectiveness is not expected to arise.

The BMW Group measures currency risk using a cash-flow-at-risk model. The analysis of currency risk is based on forecast foreign currency transactions which could result in exposures to surpluses of foreign currency cash inflows and cash outflows. At the end of the reporting period, the overall currency exposure – in each case for the following year and determined by aggregating the individual currency exposures based on their absolute amount – was as follows:

in € million	31.12.2020	31.12.2019
Currency exposure	33,975	33,950

Currency exposures include short positions amounting to €5,222 million (2019: €2,789 million).

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	31.12.2020	31.12.2019
Cash flow at risk	531	487

Interest rate risk

Interest rate risks arise when funds are borrowed and invested with differing fixed-rate periods or differing terms. At the BMW Group, all items subject to, or bearing, interest are exposed to interest rate risk and can therefore affect both the assets and liabilities side of the balance sheet.

The fair value of the Group's interest rate portfolios was as follows at the end of the reporting period:

in € million	31.12.2020	31.12.2019
Fair values of interest rate portfolios	58,545	55,697

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, for example start date, term and currency, are the same. Items are hedged on the basis of a constant ratio of one to one between hedging instrument and risk exposure.

In view of the fact that own credit risk is excluded from the hedging relationship, ineffectiveness is expected to be low.

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.

In view of the plans to reform and replace certain benchmark interest rates, the timing and exact nature of these changes is currently subject to uncertainty. Across the BMW Group, a considerable number of contracts are directly affected by the benchmark interest rates reform. Hedging relationships entered into by the BMW Group are mainly based on USD LIBOR and GBP LIBOR benchmark interest rates, which are designated as hedged risks in fair value hedging relationships. The hedging relationships affected are subject to uncertainty with respect to the identifiability of the designated benchmark interest rates.

The transition to the newly created or revised benchmark rates is being managed and monitored as part of a multidisciplinary project. The conversion project will involve making changes to systems, processes, risk and valuation models, as well as dealing with the associated accounting implications. The uncertainty arising from the benchmark interest rate reform is likely to continue to exist up to the end of 2021.

The BMW Group applies a value-at-risk approach throughout the Group for internal reporting purposes and to manage interest rate risk. This approach is based on a historical simulation in which the potential future fair value losses of the interest rate portfolios are compared across the Group with expected amounts on the basis of a holding period of 250 days and a confidence level of 99.98 %. The risk mitigating effect of correlations between the various portfolios is taken into account when the risks are aggregated.

In the following table, the potential volumes of fair value fluctuations – measured on the basis of the value-at-risk approach – are compared with the expected value for the interest-rate-sensitive exposures of the BMW Group:

in € million	31.12.2020	31.12.2019
Value at risk	1,160	1,094

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 uses 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. Items are hedged on the basis of a constant ratio of one to one between hedging instrument and risk exposure.

Causes of hedge ineffectiveness are seen potentially only for counterparty credit risk. However, in view of the processes that have been established for credit risk management, ineffectiveness is not expected to arise.

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	31.12.2020	31.12.2019
Raw material price exposures	4,204	4,382

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	31.12.2020	31.12.2019
Cash flow at risk	310	419

Disclosures on hedging measures

The following disclosures on hedging measures include derivatives of fully consolidated companies that are designated as a hedging instrument. The amounts shown in the table are stated before deferred taxes and take account of additional effects arising from the application of the modified closing rate method.

The nominal amounts of hedging instruments were as follows:

			31.12.2020
in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years
Currency risks	11,939	4,530	–
Interest rate risks	8,082	28,213	12,373
Raw material price risks	1,449	1,792	–
Nominal amounts of hedging instruments	**21,470**	**34,535**	**12,373**

			31.12.2019
in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years
Currency risks	14,823	9,020	–
Interest rate risks	6,672	29,691	12,938
Raw material price risks	1,651	1,920	–
Nominal amounts of hedging instruments	**23,146**	**40,631**	**12,938**

The following table shows the most significant average hedging rates of hedging transactions used by the BMW Group:

Currency risks	Average hedging rates 31.12.2020	31.12.2019
EUR/CNY	8.05	8.26
EUR/USD	–	1.16
EUR/GBP	0.87	0.87
EUR/KRW	1,334.86	1,328.59
EUR/JPY	124.20	124.92

A cash-flow-at-risk approach to risk management involves making use of portfolio effects. No USD-denominated hedging transactions were in hedging relationships at the balance sheet date.

Raw material price risks	Average hedging rates 31.12.2020	31.12.2019
Aluminium (EUR/t)	1,573	1,833
Copper (EUR/t)	4,568	5,173
Nickel (EUR/t)	11,188	12,307
Palladium (EUR/oz)	1,350	1,022
Platinum (EUR/oz)	701	916

Information on average interest hedge rates is not provided, since interest rate derivatives designated as hedging instruments are used exclusively to hedge items in fair value hedges. The hedge rates therefore correspond in each case to current market interest rate levels. Most of the hedges used in this context relate to variable yield curves relating to the euro, US dollar and British pound currency areas.

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

	31.12.2020				31.12.2019			
		Carrying Amounts				Carrying Amounts		
in € million	Nominal amounts	Assets	Liabilities	Change in fair value of designated components	Nominal amounts	Assets	Liabilities	Change in fair value of designated components
Cash Flow Hedges								
Currency risks	16,469	277	54	1,169	23,843	60	590	–479
Raw material price risks	3,241	574	58	466	3,571	266	215	250
Fair Value Hedges								
Interest rate risks	59,774	1,992	248	723	59,999	1,244	271	758

The following table shows key information on hedged items for each risk category as well as the balances of designated components within accumulated other equity:

in € million	31.12.2020 Carrying Amounts Assets	31.12.2020 Carrying Amounts Liabilities	31.12.2020 Change in value of hedged items	31.12.2020 Balances in accumulated other equity Continuing hedge relationships	31.12.2020 Balances in accumulated other equity Terminated hedge relationships	31.12.2019 Carrying Amounts Assets	31.12.2019 Carrying Amounts Liabilities	31.12.2019 Change in value of hedged items	31.12.2019 Balances in accumulated other equity Continuing hedge relationships	31.12.2019 Balances in accumulated other equity Terminated hedge relationships
Cash Flow Hedges										
Currency risks	–	–	–1,169	532	–	–	–	479	–23	–
Raw material price risks	–	–	–467	510	–	–	–	–250	1	–
Fair Value Hedges										
Interest rate risks	8,483	58,714	–720	–	–	8,631	58,723	–759	–	–

The accumulated amount of hedge-related fair value adjustments is €10 million (2019: €8 million) for assets and €1,680 million (2019: €1,012 million) for liabilities.

Hedge relationships give rise to the following effects:

in € million	2020 Change of designated components in other comprehensive income	2020 Change in costs of hedging in other comprehensive income	2020 Hedge ineffectiveness recognised in income statement	2019 Change of designated components in other comprehensive income	2019 Change in costs of hedging in other comprehensive income	2019 Hedge ineffectiveness recognised in income statement
Cash Flow Hedges						
Currency risks	554	198	–	–961	117	–
Raw material price risks	509	–5	–	264	–7	–
Fair Value Hedges						
Interest rate risks	–	2	3	–	9	–1

Designated components and costs of hedging within accumulated other equity changed as follows:

in € million	Currency risks		Interest rate risk	Raw material price risk	
	Designated component	Costs of hedging	Costs of hedging	Designated component	Costs of hedging
Opening balance at 1 January 2020	– 22	– 497	– 4	1	5
Change in fair value during the reporting period	1,170	– 443	5	466	1
Reclassification to profit or loss					
for continuing hedge relationships	– 512	557	– 3	–	–
for terminated hedge relationships	– 104	84	–	– 29	–
Reclassification to acquisition costs for inventories	–	–	–	72	– 6
Closing balance at 31 December 2020	**532**	**– 299**	**– 2**	**510**	**–**

in € million	Currency risks		Interest rate risk	Raw material price risk	
	Designated component	Costs of hedging	Costs of hedging	Designated component	Costs of hedging
Opening balance at 1 January 2019	940	– 614	– 13	– 262	12
Change in fair value during the reporting period	– 480	– 622	13	250	– 1
Reclassification to profit or loss					
for continuing hedge relationships	– 491	716	– 4	–	–
for terminated hedge relationships	9	23	–	5	–
Reclassification to acquisition costs for inventories	–	–	–	8	– 6
Closing balance at 31 December 2019	**– 22**	**– 497**	**– 4**	**1**	**5**

The nominal amount of hedging instruments directly affected by the reform of benchmark interest rates is €14,469 million (of which USD LIBOR €11,581 million and GBP LIBOR €2,500 million).

40 RELATED PARTY RELATIONSHIPS

The following individuals and entities are related parties in accordance with IAS 24:

— Stefan Quandt and Susanne Klatten, as well as companies controlled by them,

— The Board of Management and the Supervisory Board of the BMW Group,

— Associated companies, joint ventures, non-consolidated subsidiaries, BMW Trust e.V. and BMW Foundation Herbert Quandt

Transactions of the Group companies with related parties were carried out, without exception, in the normal course of business of each of the parties concerned and conducted at market conditions, i.e. conditions that are also granted to other third-party manufacturers.

During the year under report, members of the Board of Management and the Supervisory Board concluded vehicle purchase contracts and related service contracts as well as vehicle rental, vehicle leasing and vehicle financing contracts with BMW Group entities on market conditions.

Stefan Quandt, Germany, is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Boards of DELTON Health AG, Bad Homburg v.d.H., and DELTON Technology SE, Bad Homburg v.d.H., as well as the sole shareholder of DELTON Logistics S.à r.l., Grevenmacher, which via its subsidiaries, performed logistic-related services for the BMW Group during the financial year 2020. In addition, the DELTON companies held by Stefan Quandt acquired vehicles from the BMW Group by way of leasing.

Stefan Quandt, Germany, is also the indirect majority shareholder of SOLARWATT GmbH, Dresden. Cooperation arrangements are in place between 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 2020 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 2020, 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 2020, 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 Corp., Shakopee, Minnesota. Stefan Quandt is also a member of the supervisory board of this entity. In 2020, Entrust 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	2020	2019	2020	2019	2020	2019	2020	2019
DELTON Health AG (formerly DELTON AG)	1,950	2,065	–	–	1	20	–	–
DELTON Logistics S.à r.l.	1,235	1,473	19,068	21,596	5	14	1,574	1,871
DELTON Technology SE	6	6	–	–	–	–	–	–
SOLARWATT GmbH	2,363	453	–	–	287	8	–	–
ALTANA AG	2,425	2,529	273	462	243	355	80	65
UnternehmerTUM GmbH	37	104	1,310	2,651	–	27	510	693
EnviroChemie GmbH	11	28	–	107	–	–	–	–
Entrust Corp.	134	154	–	–	9	10	–	–

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	2020	2019	2020	2019	2020	2019	2020	2019
BMW Brilliance Automotive Ltd.	9,701	9,227	155	107	2,045	2,639	804	496

For the most part, this involves the sale of vehicle components to BMW Brilliance Automotive Ltd. for further processing. BMW Group entities also perform services on behalf of BMW Brilliance Automotive Ltd.

In total, the following amounts of goods and services were supplied to or received from other joint ventures and associated companies:

in € million	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
Other joint ventures and associated companies	32	28	64	78	8	1	9	9

Business relationships with non-consolidated companies are small in scale.

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.

The BMW Foundation Herbert Quandt, Munich, is an independent corporate foundation and due to the BMW Group's significant influence, qualifies as a related party according to IAS 24. BMW Group made donations to the BMW Foundation Herbert Quandt during the financial year 2020 totaling €6.3 million (2019: €6.4 million). No other significant transactions took place.

For disclosures relating to key management personnel, please see note 43 and the Remuneration Report.

41 SHARE-BASED REMUNERATION

The BMW Group provides three share-based programmes: one for eligible employees, one for senior heads of department and one for members of the Board of Management.

Employee Share Programme

In connection with the Employee Share Programme, non-voting shares of preferred stock in BMW AG were granted in 2020 to qualifying employees at favourable conditions (see note 31 for the number and price of issued shares). Participants in the programme were entitled in 2020 to acquire packages of 8, 18 or 28 shares of preferred stock (2019: 10, 17 or 25) with a discount in each case of €11.50 (2019: €13.00) per share compared to the market price (average closing price in Xetra trading in the period from 3 November to 6 November 2020: €48.05). The programme was open to employees who have been in an employment relationship with BMW AG or by a wholly-owned BMW AG subsidiary in Germany, provided that the management of the subsidiary concerned has decided to participate in the programme. At the date of the announcement of the programme, there was a requirement for the employment relationship to have existed without interruption for at least one year and for it to continue until the transfer of the shares of preferred stock. Shares of preferred stock acquired in conjunction with the Employee Share Programme are subject to a vesting period of four years, starting from 1 January of the year in which the shares were acquired. In the financial year under report, 822,124 (2019: 744,447) shares of preferred stock were acquired by employees. This figure includes 822,000 (2019: 740,400) shares out of Authorised Capital 2019, with the remainder bought back via the stock exchange. Every year the Board of Management of BMW AG decides whether the scheme is to be continued.

In the financial year 2020, the BMW Group recorded a personnel expense of €9 million (2019: €10 million) for the Employee Share Programme, corresponding to the difference between the market price and the reduced price of the shares of preferred stock purchased by employees.

Programme for senior heads of department and members of the Board of Management

The share-based remuneration programme for qualifying department heads, introduced with effect for financial years beginning after 1 January 2012, is closely based on the programme for Board of Management members and is aimed at rewarding a long-term, entrepreneurial approach to running the business on a sustainable basis. Under the terms of the programme, participants give a commitment to invest an amount equivalent to 20 % of their performance-based bonus in BMW common stock and to hold the shares so acquired for a minimum of four years. With effect from 1 July 2019, the share-based compensation programme was revised and the investment requirement increased to 26 % of the earnings-related bonus. In return for the investment requirement, BMW AG pays 100 % of the investment amount as a net subsidy. Once the four-year holding period requirement has been fulfilled, the participants receive – for each three common stock shares held and at the Company's option – one additional share of common stock or the cash equivalent, to be decided at BMW AG's discretion.

For financial years beginning after 1 January 2011, BMW AG has added a share-based remuneration component to the existing compensation system for Board of Management members.

Members of the Board of Management receive a cash compensation (investment component) for the specific purpose of investment – after tax and contributions – in shares of common stock of BMW AG. For the financial years 2018 to 2020, the investment component corresponds to 45 % of the gross bonus. The investment component is paid after the end of the Annual General Meeting, at which the separate financial statements of BMW AG for the relevant financial year are presented. The shares of common stock are purchased immediately after the investment component has been paid out. Shares of common stock purchased in this way by Board members are required to be held for a period of four years. Under the compensation system valid up to the financial year 2020, Board members receive from BMW AG, for every three shares of common stock held, either one additional share of common stock or the cash equivalent, to be decided at BMW AG's discretion. In the event of death or invalidity, special rules apply for early payment of share-based remuneration components based on the target amounts. Insofar the service contract is prematurely terminated and the Company has an extraordinary right of termination, or if the Board member resigns without the Company's agreement, entitlements to amounts as yet unpaid relating to share-based remuneration are forfeited.

The members of the Board of Management in office at the end of the reporting period hold 44,037 shares of BMW common stock based on holding requirements arising from share-based remuneration for the financial years 2016 to 2019 (2019: 36,921).

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 2020).

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 2020 was €6,383,766 (2019: €5,851,703).

The total expense recognised in 2020 for the share-based remuneration component of current and former Board of Management members and senior heads of department was €1,820,265 (2019: €1,979,477).

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 €987,759 (2019: €1,374,798), based on a total of 13,444 shares (2019: 19,983 shares) of BMW AG common stock or a corresponding cash-based settlement measured at the relevant market share price prevailing on the grant date.

Further details on the remuneration of the Management Board are provided in the Remuneration Report, which is part of the Combined Management Report.

42 DECLARATION WITH RESPECT TO THE CORPORATE GOVERNANCE CODE

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft have issued the prescribed Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act. It is included in the Corporate Governance Statement, which is on the BMW Group website at **www.bmwgroup.com/ezu.**

43 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 2020 in accordance with IFRS comprised the following:

in € million	2020	2019
Compensation to members of the Board of Management	18.8	30.0
Fixed remuneration	7.3	8.1
Variable remuneration	10.9	20.9
thereof Performance Cash Plan	1.3	8.3
Share-based remuneration component	0.6	1.0
Allocation to pension provisions	2.6	2.9
Benefits in conjunction with the termination of board activity	0.6	7.1
Compensation to members of the Supervisory Board	5.6	5.6
Fixed compensation and attendance fees	5.6	2.0
Variable compensation	–	3.6
Total expense	**27.6**	**45.6**
thereof due within one year	23.1	28.6

Since the financial year 2018 and up to and including the financial year 2020, variable cash compensation has been supplemented by a multi-year and future-oriented Performance Cash Plan (PCP). The PCP evaluation period comprises three years, the grant year and the two subsequent years. The PCP is paid out after the end of the three-year assessment period. The total remuneration of former members of the Board of Management and their dependants amounted to €13.1 million (2019: €16.0 million).

Pension obligations to current members of the Board of Management are covered by provisions amounting to €14.7 million (2019: €14.6 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 €118.8 million (2019: €113.1 million).

The compensation arrangements applicable for members of the Supervisory Board for the financial year 2020 do not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components. Apart from an advance amount paid out of the Performance Cash Plan 2019 – 2021 to individual members of the Board of Management, no loans or advances were granted to members of the Board of Management and the Supervisory Board by BMW AG or its subsidiaries in the financial year 2020, nor were any contingent liabilities entered into in their favour. During the year under report, members of the Board of Management and the Supervisory Board concluded vehicle purchase contracts and related service contracts as well as vehicle rental, vehicle leasing and vehicle financing contracts with BMW Group entities on market conditions.

Further details about the remuneration of current members of the Board of Management and the Supervisory Board can be found in the Remuneration Report, which is part of the Combined Management Report.

44 EVENTS AFTER THE END OF THE REPORTING PERIOD

The coronavirus pandemic will continue to influence the course of business for the BMW Group in 2021. The situation remains volatile and could have an impact on the results of operations, financial position and net assets of BMW AG and the BMW Group.

The further course of the pandemic and implications for the BMW Group's business performance is being continually monitored.

Current estimates and assumptions for the financial year 2021, to the extent already known to the BMW Group, have been taken into account and described in the Report on Outlook. Apart from these assessments, no further significant negative effects are known or can be estimated at the present time. However, further negative effects could arise in the course of the year.

No other events have occurred since the end of the financial year 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

45 EXPLANATORY NOTES TO SEGMENT INFORMATION

Information on reportable segments

For the purposes of presenting segment information, the activities of the BMW Group are divided into operating segments in accordance with IFRS 8. The segmentation follows the internal management and reporting system and takes account of the organisational structure of the BMW Group based on the various products and services of the reportable segments.

The activities of the BMW Group are broken down into the operating segments Automotive, Motorcycles, Financial Services and Other Entities.

Within the Automotive segment, the BMW Group develops, manufactures, assembles and sells automobiles and off-road vehicles, under the brands BMW, MINI and Rolls-Royce as well as spare parts, accessories and mobility services. BMW and MINI brand products are sold in Germany through branches of BMW AG and by independent, authorised dealerships. Sales outside Germany are handled mainly by subsidiary companies and by independent import companies in some markets. Rolls-Royce brand vehicles are sold in selected markets via subsidiary companies and elsewhere by independent, authorised dealers.

Activities relating to the development, manufacture, assembly and sale of motorcycles as well as spare parts and accessories are reported in the Motorcycles segment.

Automobile leasing, fleet business, multi-brand business, retail and dealership financing, customer deposit business and insurance activities are the main activities allocated to the Financial Services segment.

Holding and Group financing companies are reported in the Other Entities segment. This segment also includes the operating companies BMW (UK) Investments Ltd. and Bavaria Lloyd Reisebüro GmbH, which are not allocated to one of the other segments.

Internal management and reporting

Segment information is prepared as a general rule in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. Exceptions to this general principle include the treatment of inter-segment warranties, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business. In addition, intragroup repurchase agreements between the Automotive and Financial Services segments pursuant to IFRS 15, impairment allowances on intragroup receivables and changes in the value of consolidated other investments pursuant to IFRS 9 are also excluded. Intragroup leasing arrangements are not reflected in the internal management and reporting system on an IFRS 16 basis and therefore, in accordance with IFRS 8, do not give rise to any changes in the presentation of segment information. Inter-segment receivables and payables, provisions, income, expenses and profits are eliminated upon consolidation. Inter-segment revenues are based on market prices. Centralised functions are included in the segments concerned. Expenses for centralised administrative functions allocated to the Financial Services segment are not settled in cash.

The role of "chief operating decision maker" with respect to resource allocation and performance assessment of the reportable segment is embodied in the full Board of Management. For this purpose, different measures of segment performance as well as segment assets are taken into account in the operating segments.

The Automotive and Motorcycles segments are managed on the basis of return on capital employed (RoCE). The relevant measure of segment results used is therefore profit before financial result. Capital employed is the corresponding measure of segment assets used to determine how to allocate resources and comprises all current and non-current operational assets after deduction of liabilities used operationally which are generally not subject to interest (e.g. trade payables).

The success of the Financial Services segment is measured on the basis of return on equity (RoE). Profit before tax therefore represents the relevant measure of segment earnings. The measure of segment assets in the Financial Services segment corresponds to net assets, defined as total assets less total liabilities.

The success of the Other Entities segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Other Entities segment is total assets less asset-side income tax items and intragroup investments.

Segment information by operating segment is as follows:

	Automotive		Motorcycles		Financial Services		Other Entities		Reconciliation to Group figures		Group	
in € million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
SEGMENT INFORMATION BY OPERATING SEGMENT												
External revenues	68,106	73,624	2,293	2,374	28,590	28,210	1	2	–	–	98,990	104,210
Inter-segment revenues	12,747	18,058	–9	–6	1,454	1,388	2	3	–14,194	–19,443	–	–
Total revenues	**80,853**	**91,682**	**2,284**	**2,368**	**30,044**	**29,598**	**3**	**5**	**–14,194**	**–19,443**	**98,990**	**104,210**
Segment result	2,162	4,499	103	194	1,725	2,272	–235	–96	1,467	249	5,222	7,118
Result from equity accounted investments	920	136	–	–	–	–	–	–	–	–	920	136
Capital expenditure on non-current assets	6,041	7,607	146	149	24,146	27,544	–	–	–6,291	–7,003	24,042	28,297
Depreciation and amortisation on non-current assets	5,978	5,853	119	110	12,054	11,142	–	–	–6,175	–6,356	11,976	10,749

	Automotive		Motorcycles		Financial Services		Other Entities		Reconciliation to Group figures		Group	
in € million	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Segment assets	15,779	16,193	681	712	15,555	15,545	98,226	106,038	86,417	89,546	216,658	228,034
Investments accounted for using the equity method	3,585	3,199	–	–	–	–	–	–	–	–	3,585	3,199

Write-downs on inventories to their net realisable value amounting to €59 million (2019: €126 million) were recognised by the Automotive segment in the financial year 2020. The reversal of impairment losses had a positive impact of €2 million (2019: €22 million) on the segment result of the Automotive segment.

The result of the Financial Services segment was negatively impacted by impairment losses totalling €362 million (2019: €254 million) recognised on leased products. Income from the reversal of impairment losses on leased products amounted to €126 million (2019: €95 million).

The Other Entities' segment result includes interest and similar income amounting to €1,169 million (2019: €1,515 million) and interest and similar expenses amounting to €1,232 million (2019: €1,419 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	2020	2019
Reconciliation of segment result		
Total for reportable segments	3,755	6,869
Financial result of Automotive segment	560	– 32
Financial result of Motorcycles segment	– 3	– 7
Elimination of inter-segment items	910	288
Group profit before tax from continuing operations	**5,222**	**7,118**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	30,333	35,300
Elimination of inter-segment items	– 6,291	– 7,003
Total Group capital expenditure on non-current assets	**24,042**	**28,297**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	18,151	17,105
Elimination of inter-segment items	– 6,175	– 6,356
Total Group depreciation and amortisation on non-current assets	**11,976**	**10,749**

in € million	31.12.2020	31.12.2019
Reconciliation of segment assets		
Total for reportable segments	130,241	138,488
Non-operating assets – Automotive	59,677	58,612
Liabilities of Automotive segment not subject to interest	35,769	38,257
Non-operating assets – Motorcycles	39	47
Liabilities of Motorcycles segment not subject to interest	782	688
Total liabilities – Financial Services segment	132,062	140,955
Non-operating assets – Other Entities segment	7,007	6,859
Elimination of inter-segment items	–148,919	–155,872
Total Group assets	**216,658**	**228,034**

The reconciliation of segment figures to the corresponding total Group figures shows the elimination of inter-segment items. Revenues with other segments result mainly from the sale of vehicles, for which the Financial Services segment has concluded a financing or lease contract. Eliminations of inter-segment items in the reconciliation to the Group profit before tax, capital expenditure and depreciation and amortisation mainly result from the sale of vehicles in the Automotive segment, which are subsequently accounted for as leased products in the Financial Services segment. In the reconciliation of segment assets to Group assets, eliminations relate mainly to intragroup financing balances.

In the information by region, external sales are based on the location of the customer. The information disclosed for non-current assets relates to property, plant and equipment, intangible assets and leased products. Eliminations disclosed for non-current assets relate to leased products.

Information by region in € million	External revenues		Non-current assets	
	2020	2019	2020	2019
Germany	13,638	13,428	40,254	39,237
China	21,315	20,564	170	199
USA	17,837	19,720	19,487	22,470
Rest of Europe	30,258	32,805	17,630	17,373
Rest of Asia	10,433	11,344	1,599	1,756
Rest of the Americas	3,379	3,904	3,192	3,834
Other regions	2,130	2,445	619	453
Eliminations	–	–	–6,764	–7,739
Group	**98,990**	**104,210**	**76,187**	**77,583**

LIST OF INVESTMENTS AT 31 DECEMBER 2020

46 LIST OF INVESTMENTS AT 31 DECEMBER 2020

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 2020

Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[1]			
BMW Beteiligungs GmbH & Co. KG, Munich[6]	6,897	797	100
BMW INTEC Beteiligungs GmbH, Munich[3,6]	3,558	–	100
BMW Bank GmbH, Munich[3]	2,075	–	100
BMW Finanz Verwaltungs GmbH, Munich	210	–	100
BMW Verwaltungs GmbH, Munich[3,6]	153	–	100
Parkhaus Oberwiesenfeld GmbH, Munich	–	–	100
BMW High Power Charging Beteiligungs GmbH, Munich[4,6]	–	–	100
Alphabet Fuhrparkmanagement GmbH, Munich[4]	–	–	100
Alphabet International GmbH, Munich[4,5,6]	–	–	100
BMW Hams Hall Motoren GmbH, Munich[4,5,6]	–	–	100
BMW Vertriebszentren Verwaltungs GmbH, Munich	–	–	100
BMW Fahrzeugtechnik GmbH, Eisenach[3,5,6]	–	–	100
BMW Anlagen Verwaltungs GmbH, Munich[3,6]	–	–	100
Bavaria Wirtschaftsagentur GmbH, Munich[3,5,6]	–	–	100
Rolls-Royce Motor Cars GmbH, Munich[4,5,6]	–	–	100
BAVARIA-LLOYD Reisebüro GmbH, Munich	–	–	51
BMW M GmbH Gesellschaft für individuelle Automobile, Munich[3,5,6]	–	–	100
BMW Vermögensverwaltungs GmbH, Munich	–	–	100
Bürohaus Petuelring GmbH, Munich	–	–	100
LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Munich	–	–	100
FOREIGN[2]			
Europe[10]			
BMW Holding B.V., The Hague	21,742	2,634	100
BMW International Holding B.V., The Hague	9,477	1,165	100
BMW Österreich Holding GmbH, Steyr	3,041	761	100
BMW International Investment B.V., The Hague	1,706	–1	100

BMW España Finance S.L., Madrid	1,190	65	100
BMW Financial Services (GB) Ltd., Farnborough	1,157	242	100
BMW (UK) Holdings Ltd., Farnborough	1,111	417	100
BMW (Schweiz) AG, Dielsdorf	1,050	20	100
BMW Motoren GmbH, Steyr	927	143	100
BMW Finance S.N.C., Guyancourt	530	35	100
BMW (UK) Manufacturing Ltd., Farnborough	496	51	100
BMW i Ventures SCS SICAV-RAIF, Senningerberg	340	54	100
ALPHABET (GB) Ltd., Farnborough	272	63	100
BMW Finance N.V., The Hague	225	16	100
BMW (UK) Ltd., Farnborough	223	46	100
BMW France S.A., Montigny-le-Bretonneux	216	2	100
Rolls-Royce Motor Cars Ltd., Farnborough	202	54	100
BMW Iberica S.A., Madrid	195	1	100
BMW Austria Leasing GmbH, Salzburg	193	17	100
BMW Russland Trading OOO, Moscow	189	134	100
BMW Italia S.p.A., San Donato Milanese	156	–5	100
BMW Austria Bank GmbH, Salzburg	148	11	100
Alphabet Nederland B.V., Breda	122	13	100
BMW Finanzdienstleistungen (Schweiz) AG, Dielsdorf	100	13	100
BMW Financial Services Scandinavia AB, Sollentuna	–	–	100
BMW Vertriebs GmbH, Salzburg	–	–	100
Alphabet Belgium Long Term Rental NV, Aartselaar	–	–	100
BMW Bank OOO, Moscow	–	–	100
Bavaria Reinsurance Malta Ltd., Floriana	–	–	100
BMW Malta Ltd., Floriana	–	–	100
BMW Financial Services Belgium S.A./N.V., Bornem	–	–	100
BMW Belgium Luxembourg S.A./N.V., Bornem	–	–	100
BMW Northern Europe AB, Stockholm	–	–	100
BMW Financial Services B.V., The Hague	–	–	100
BMW Norge AS, Fornebu	–	–	100
Alphabet Italia Fleet Management S.p.A., Rome	–	–	100

Alphabet España Fleet Management S.A.U., Madrid	–	–	100
Swindon Pressings Ltd., Farnborough	–	–	100
BMW Financial Services Polska Sp. z o.o., Warsaw	–	–	100
BMW Austria GmbH, Salzburg	–	–	100
BMW Services Ltd., Farnborough	–	–	100
Alphabet France Fleet Management S.N.C., Saint-Quentin-en-Yvelines	–	–	100
Alphabet Austria Fuhrparkmanagement GmbH, Salzburg	–	–	100
Alphabet Fuhrparkmanagement (Schweiz) AG, Dielsdorf	–	–	100
BMW Portugal Lda., Porto Salvo	–	–	100
BMW Financial Services (Ireland) DAC, Dublin	–	–	100
BMW Financial Services Denmark A/S, Copenhagen	–	–	100
BMW Hellas Trade of Cars A.E., Kifissia	–	–	100
BMW Nederland B.V., The Hague	–	–	100
Oy BMW Suomi AB, Helsinki	–	–	100
BMW Distribution S.A.S., Vélizy-Villacoublay	–	–	100
Park Lane Ltd., Farnborough	–	–	100
BMW Renting (Portugal) Lda., Porto Salvo	–	–	100
BMW Hungary Kft., Vecsés[9]	–	–	100
BMW Romania S.R.L., Bucharest	–	–	100
BMW Italia Retail S.r.l., Rome	–	–	100
BMW Automotive (Ireland) Ltd., Dublin	–	–	100
BMW Danmark A/S, Copenhagen	–	–	100
BMW Czech Republic s.r.o., Prague	–	–	100
BMW Madrid S.L., Madrid	–	–	100
BMW Slovenská republika s.r.o., Bratislava	–	–	100
BMW Slovenia distribucija motornih vozil d.o.o., Ljubljana	–	–	100
BMW Bulgaria EOOD, Sofia	–	–	100
Alphabet Polska Fleet Management Sp. z o.o., Warsaw	–	–	100
BMW (UK) Investments Ltd., Farnborough	–	–	100
BiV Carry I SCS, Senningerberg	–	–	100
BMW (UK) Capital plc, Farnborough	–	–	100
Alphabet Luxembourg S.A., Leudelange	–	–	100

Riley Motors Ltd., Farnborough	–	–	100
Triumph Motor Company Ltd., Farnborough	–	–	100
BMW Central Pension Trustees Ltd., Farnborough	–	–	100
BLMC Ltd., Farnborough	–	–	100
Bavarian Sky S.A., Compartment German Auto Loans 7, Luxembourg[11]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 8, Luxembourg[11]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 9, Luxembourg[11]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 10, Luxembourg[11]	–	–	0
Bavarian Sky S.A., Compartment German Auto Leases 5, Luxembourg[11]	–	–	0
Bavarian Sky S.A., Compartment A, Luxembourg[11]	–	–	0
Bavarian Sky S.A., Compartment B , Luxembourg[11]	–	–	0
Bavarian Sky Europe S.A. Compartment A, Luxembourg[11]	–	–	0
Bavarian Sky UK 2 plc, London[11]	–	–	0
Bavarian Sky UK 3 plc, London[11]	–	–	0
Bavarian Sky UK A Ltd., London[11]	–	–	0
Bavarian Sky UK B Ltd., London[11]	–	–	0
Bavarian Sky UK C Ltd., London[11]	–	–	0
Bavarian Sky UK D Ltd., London[11]	–	–	0
The Americas			
BMW (US) Holding Corp., Wilmington, Delaware	2,873	164	100
BMW Manufacturing Co. LLC, Wilmington, Delaware	2,150	208	100
BMW Bank of North America Inc., Salt Lake City, Utah	1,304	80	100
BMW Financial Services NA LLC, Wilmington, Delaware	1,127	738	100
BMW of North America LLC, Wilmington, Delaware	769	309	100
BMW Canada Inc., Richmond Hill, Ontario	550	89	100
Financial Services Vehicle Trust, Wilmington, Delaware	293	– 521	100
BMW do Brasil Ltda., Araquari	125	– 6	100
BMW SLP, S.A. de C.V., Villa de Reyes	109	59	100
BMW US Capital LLC, Wilmington, Delaware	–	–	100
BMW Financeira S.A. Credito, Financiamento e Investimento, São Paulo	–	–	100
BMW de Mexico S.A. de C.V., Mexico City	–	–	100

BMW of Manhattan Inc., Wilmington, Delaware	–	–	100
Rolls-Royce Motor Cars NA LLC, Wilmington, Delaware	–	–	100
BMW Financial Services de Mexico S.A. de C.V. SOFOM, Mexico City	–	–	100
BMW Leasing de Mexico S.A. de C.V., Mexico City	–	–	100
BMW Insurance Agency Inc., Wilmington, Delaware	–	–	100
BMW de Argentina S.A., Buenos Aires	–	–	100
BMW Consolidation Services Co. LLC, Wilmington, Delaware	–	–	100
BMW Leasing do Brasil S.A., São Paulo	–	–	100
BMW Acquisitions Ltda., São Paulo	–	–	100
BMW Manufacturing Indústria de Motos da Amazônia Ltda., Manaus	–	–	100
SB Acquisitions LLC, Wilmington, Delaware	–	–	100
BMW Auto Leasing LLC, Wilmington, Delaware	–	–	100
BMW FS Securities LLC, Wilmington, Delaware	–	–	100
BMW FS Funding Corporation, Wilmington, Delaware	–	–	100
BMW Facility Partners LLC, Wilmington, Delaware	–	–	100
BMW Manufacturing LP, Woodcliff Lake, New Jersey	–	–	100
BMW FS Receivables Corporation, 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 Corporation, Wilmington, Delaware	–	–	100
BMW Vehicle Lease Trust 2018-1, Wilmington, Delaware[11]	–	–	0
BMW Vehicle Lease Trust 2019-1, Wilmington, Delaware[11]	–	–	0
BMW Vehicle Owner Trust 2018-A, Wilmington, Delaware[11]	–	–	0
BMW Vehicle Owner Trust 2019-A, Wilmington, Delaware[11]	–	–	0
BMW Vehicle Owner Trust 2020-A, Wilmington, Delaware[11]	–	–	0
BMW Floorplan Master Owner Trust Series 2018-1, Wilmington, Delaware[11]	–	–	0
BMW 2020-A Lease Conduit, Wilmington, Delaware[11]	–	–	0
BMW Canada 2018-A, Richmond Hill, Ontario[11]	–	–	0
BMW Canada Auto Trust 2018-1, Richmond Hill, Ontario[11]	–	–	0
BMW Canada Auto Trust 2019-1, Richmond Hill, Ontario[11]	–	–	0
BMW Canada Auto Trust 2020-1, Richmond Hill, Ontario[11]	–	–	0

Africa			
BMW (South Africa) (Pty) Ltd., Pretoria	839	81	100
BMW Financial Services (South Africa) (Pty) Ltd., Midrand	154	7	100
SuperDrive Investments (RF) Ltd., Cape Town[11]	–	–	0
Asia			
BMW Automotive Finance (China) Co. Ltd., Beijing	2,664	280	58
BMW Financial Services Korea Co. Ltd., Seoul	610	55	100
BMW Japan Finance Corp., Tokyo	583	62	100
BMW China Automotive Trading Ltd., Beijing	522	477	100
Herald International Financial Leasing Co. Ltd., Tianjin	259	36	58
BMW Korea Co. Ltd., Seoul	207	14	100
BMW Leasing (Thailand) Co. Ltd., Bangkok	184	10	100
BMW Manufacturing (Thailand) Co. Ltd., Rayong	140	84	100
BMW Japan Corp., Tokyo	108	–35	100
BMW (Thailand) Co. Ltd., Bangkok	–	–	100
BMW India Financial Services Private Ltd., Gurgaon	–	–	100
BMW Malaysia Sdn Bhd, Kuala Lumpur	–	–	51
BMW China Services Ltd., Beijing	–	–	100
BMW China Investment Ltd., Beijing[9]	–	–	100
BMW Asia Technology Centre Sdn Bhd, Kuala Lumpur	–	–	100
PT BMW Indonesia, Jakarta	–	–	100
BMW Holding Malaysia Sdn Bhd, Kuala Lumpur	–	–	100
BMW Asia Pte. Ltd., Singapore	–	–	100
BMW India Private Ltd., Gurgaon	–	–	100
BMW Credit (Malaysia) Sdn Bhd, Kuala Lumpur	–	–	100
BMW Asia Pacific Capital Pte Ltd., Singapore	–	–	100
BMW Lease (Malaysia) Sdn Bhd, Kuala Lumpur	–	–	100
BMW Tokio Corp., Tokyo	–	–	100
2016-2 ABL, Tokyo[11]	–	–	0
2017-1 ABL, Tokyo[11]	–	–	0
2017-2 ABL, Tokyo[11]	–	–	0

2017-3 ABL, Tokyo[11]	–	–	0
2018-1 ABL, Tokyo[11]	–	–	0
2018-2 ABL, Tokyo[11]	–	–	0
2018-3 ABL, Tokyo[11]	–	–	0
2019-1 ABL, Tokyo[11]	–	–	0
2019-2 ABL, Tokyo[11]	–	–	0
2019-3 ABL, Tokyo[11]	–	–	0
2020-1 ABL, Tokyo[11]	–	–	0
Bavarian Sky China 2018-2, Beijing[11]	–	–	0
Bavarian Sky China 2019-1, Beijing[11]	–	–	0
Bavarian Sky China 2019-2, Beijing[11]	–	–	0
Bavarian Sky China 2019-3, Beijing[11]	–	–	0
Bavarian Sky China 2020-1, Beijing[11]	–	–	0
Bavarian Sky China 2020-2, Beijing[11]	–	–	0
Bavarian Sky China Leasing 2019-1, Tianjin[11]	–	–	0
Bavarian Sky China Leasing 2019-2, Tianjin[11]	–	–	0
Bavarian Sky China Leasing 2020-1, Tianjin[11]	–	–	0
Oceania			
BMW Australia Finance Ltd., Mulgrave	323	21	100
BMW Australia Ltd., Melbourne	115	22	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[11]	–	–	0
Bavarian Sky Australia Trust A, Mulgrave[11]	–	–	0

BMW AG'S NON-CONSOLIDATED COMPANIES AT 31 DECEMBER 2020

Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[7]			
Alphabet Fleetservices GmbH, Munich[4]	–	–	100
Automag GmbH, Munich	–	–	100
BMW Car IT GmbH, Munich[4]	–	–	100
BMW i Ventures GmbH, Munich	–	–	100
IDEALworks GmbH, Munich	–	–	100
FOREIGN[7]			
Europe			
Alphabet Insurance Services Polska Sp. z o.o., Warsaw	–	–	100
BMW (GB) Ltd., Farnborough	–	–	100
BMW (UK) Pensions Services Ltd., Hams Hall	–	–	100
BMW Car Club Ltd., Farnborough	–	–	100
BMW Drivers Club Ltd., Farnborough	–	–	100
BMW Poland sp. z o.o., Warsaw	–	–	100
BMW Financial Services Slovakia s.r.o., Bratislava			100
BMW Financial Services Czech Republic s.r.o., Prague	–	–	100
BMW Group Benefit Trust Ltd., Farnborough	–	–	100
BMW i Ventures B.V., Den Haag	–	–	100
BMW Manufacturing Hungary Kft., Vecsés	–	–	100
BMW Manufacturing Russland OOO, Kaliningrad	–	–	100
BMW Mobility Development Center s.r.o., Prague	–	–	100
BMW Motorsport Ltd., Farnborough	–	–	100
BMW Russland Automotive OOO, Kaliningrad	–	–	100
Cezwei PL GmbH, Salzburg	–	–	100
John Cooper Garages Ltd., Farnborough	–	–	100
John Cooper Works Ltd., Farnborough	–	–	100
OOO BMW Leasing, Moscow	–	–	100
U.T.E. Alphabet España-Bujarkay, Seville	–	–	90

The Americas			
217-07 Northern Boulevard Corporation, Wilmington, Delaware	–	–	100
BMW Experience Centre Inc., Richmond Hill, Ontario	–	–	100
BMW i Ventures Inc., Wilmington, Delaware	–	–	100
BMW i Ventures LLC, Wilmington, Delaware	–	–	100
BMW Leasing de Argentina S.A., Buenos Aires	–	–	100
BMW Operations Corp., Wilmington, Delaware	–	–	100
BMW Technology Corp., Wilmington, Delaware	–	–	100
Designworks/USA Inc., Newbury Park, California	–	–	100
MINI Business Innovation LLC, Wilmington, Delaware	–	–	100
Urban X Accelerator SPV LLC, Wilmington, Delaware	–	–	100
BMW Shared Services LLC, Wilmington, Delaware	–	–	100
BMW Mobility Services LLC, Wilmington, Delaware	–	–	100
Toluca Planta de Automoviles S.A. de C.V., Mexico City	–	–	100
Africa			
BMW Automobile Distributors (Pty) Ltd., Midrand	–	–	100
BPF Midrand Property Holdings (Pty) Ltd., Midrand	–	–	100
Multisource Properties (Pty) Ltd., Midrand	–	–	100
Asia			
BMW Finance (United Arab Emirates) Ltd., Dubai	–	–	100
BMW Financial Services Hong Kong Ltd., Hong Kong	–	–	51
BMW Financial Services Singapore Pte Ltd., Singapore	–	–	100
BMW Hong Kong Services Ltd., Hong Kong	–	–	100
BMW India Foundation, Gurgaon	–	–	100
BMW India Leasing Private Ltd., Gurgaon	–	–	100
BMW Insurance Services Korea Co. Ltd., Seoul	–	–	100
BMW Middle East Retail Competency Centre DWC-LLC, Dubai	–	–	100
BMW Mobility Services Ltd., Sichuan Tianfu New Area (Chengdu Section)	–	–	100
BMW Philippines Corp., Manila	–	–	70
BMW Technology Office Israel Ltd., Tel Aviv	–	–	100
Herald Hezhong (Beijing) Automotive Trading Co. Ltd., Beijing	–	–	100
THEPSATRI Co. Ltd., Bangkok	–	–	100

BMW AG'S ASSOCIATED COMPANIES, JOINT VENTURES AND JOINT OPERATIONS AT 31 DECEMBER 2020

Companies	Equity in € million	Profit/loss in € million	Capital investment in %
Joint ventures – equity accounted			
DOMESTIC			
YOUR NOW Holding GmbH, Munich[8]	1,226	–749	50
IONITY Holding GmbH & Co. KG, Munich[8]	244	–37	20
FOREIGN			
BMW Brilliance Automotive Ltd., Shenyang[8]	7,388	2,560	50
Associated companies – equity accounted			
FOREIGN			
THERE Holding B.V., Amsterdam[8]	1,214	206	30
Joint operations – proportionately consolidated entities			
FOREIGN			
Spotlight Automotive Ltd., Zhangjiagang[8]	217	–	50
Not equity accounted or proportionately consolidated entities			
DOMESTIC[7]			
Encory GmbH, Unterschleißheim	–	–	50
The Retail Performance Company GmbH, Munich	–	–	50
PDB – Partnership for Dummy Technology and Biomechanics GbR, Gaimersheim	–	–	20
FOREIGN[7]			
Bavarian & Co Co. Ltd., Incheon	–	–	20
BMW Albatha Finance PSC, Dubai	–	–	40
BMW Albatha Leasing LLC, Dubai	–	–	40
BMW AVTOTOR Holding B.V., Amsterdam	–	–	50
Critical TW S.A., Porto	–	–	50

BMW AG'S PARTICIPATIONS AT 31 DECEMBER 2020

Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[7]			
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern	–	–	5
GSB Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen	–	–	3
Hubject GmbH, Berlin	–	–	16
IVM Industrie-Verband Motorrad GmbH & Co. Dienstleistungs KG, Essen	–	–	20
Joblinge gemeinnützige AG Berlin, Berlin	–	–	10
Joblinge gemeinnützige AG Leipzig, Leipzig	–	–	17
Joblinge gemeinnützige AG München, Munich	–	–	6
Racer Benchmark Group GmbH, Landsberg am Lech	–	–	9
SGL Carbon SE, Wiesbaden	–	–	18
Mobimeo GmbH, Berlin	–	–	10
FOREIGN[7]			
Northvolt AB, Stockholm	–	–	4

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 First-time consolidation.
10 Deconsolidation in the financial year 2020: Sutum ROM GmbH (merger), Société Nouvelle WATT Automobiles S.A.R.L. (merger), Alphabet France SAS (merger), Alphabet (UK) Ltd. (liquidation), BMW Retail Nederland B.V. (liquidation), BMW Amsterdam B.V. (sale).
11 Control on basis of economic dependence.

Munich, 9 March 2021

Bayerische Motoren Werke
Aktiengesellschaft

THE BOARD OF MANAGEMENT

OLIVER ZIPSE

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