GROUP FINANCIAL STATEMENTS

3

BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

Income Statements for Group and Segments

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		Group		Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)	
in € million	Note	2017	2016	2017	2016	2017	2016
Revenues	6	98,678	94,163	88,581	86,424	2,283	2,069
Cost of sales	7	–78,744	–75,442	–72,266	–70,973	–1,809	–1,639
Gross profit		19,934	18,721	16,315	15,451	474	430
Selling and administrative expenses	8	–9,560	–9,158	–7,927	–7,604	–256	–256
Other operating income	9	720	670	675	616	4	27
Other operating expenses	9	–1,214	–847	–1,200	–768	–15	–14
Profit / loss before financial result		9,880	9,386	7,863	7,695	207	187
Result from equity accounted investments	22	738	441	738	441	–	–
Interest and similar income	10	201	196	325	260	–	–
Interest and similar expenses	10	–412	–489	–530	–673	–2	–2
Other financial result	11	248	131	295	193	–	–
Financial result		775	279	828	221	–2	–2
Profit / loss before tax		10,655	9,665	8,691	7,916	205	185
Income taxes	12	–1,949	–2,755	–3,415	–2,475	–63	–53
Net profit / loss		8,706	6,910	5,276	5,441	142	132
Attributable to minority interest		86	47	22	10	–	–
Attributable to shareholders of BMW AG	29	8,620	6,863	5,254	5,431	142	132
Basic earnings per share of common stock in €	13	13.12	10.45				
Basic earnings per share of preferred stock in €	13	13.14	10.47				
Dilutive effects		–	–				
Diluted earnings per share of common stock in €	13	13.12	10.45				
Diluted earnings per share of preferred stock in €	13	13.14	10.47				

Statement of Comprehensive Income for Group

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in € million	Note	2017	2016
Net profit		8,706	6,910
Remeasurement of the net defined benefit liability for pension plans	30	693	–1,858
Deferred taxes		–218	529
Items not expected to be reclassified to the income statement in the future		475	–1,329
Available-for-sale securities		39	40
Financial instruments used for hedging purposes		1,914	2,008
Other comprehensive income from equity accounted investments		–30	43
Deferred taxes		–597	–721
Currency translation foreign operations		–1,171	–230
Items expected to be reclassified to the income statement in the future		155	1,140
Other comprehensive income for the period after tax	17	630	–189
Total comprehensive income		9,336	6,721
Total comprehensive income attributable to minority interests		86	47
Total comprehensive income attributable to shareholders of BMW AG	29	9,250	6,674

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2017	2016	2017	2016	2017	2016	
27,567	25,681	7	6	–19,760	–20,017	Revenues
–23,986	–22,135	–	–	19,317	19,305	Cost of sales
3,581	**3,546**	**7**	**6**	**–443**	**–712**	**Gross profit**
–1,370	–1,294	–27	–30	20	26	Selling and administrative expenses
96	35	130	110	–185	–118	Other operating income
–113	–103	–96	–103	210	141	Other operating expenses
2,194	**2,184**	**14**	**–17**	**–398**	**–663**	**Profit / loss before financial result**
–	–	–	–	–	–	Result from equity accounted investments
12	11	1,110	1,250	–1,246	–1,325	Interest and similar income
–10	–24	–986	–1,006	1,116	1,216	Interest and similar expenses
11	–5	–58	–57	–	–	Other financial result
13	**–18**	**66**	**187**	**–130**	**–109**	**Financial result**
2,207	**2,166**	**80**	**170**	**–528**	**–772**	**Profit / loss before tax**
1,840	–389	–19	–49	–292	211	Income taxes
4,047	**1,777**	**61**	**121**	**–820**	**–561**	**Net profit / loss**
64	37	–	–	–	–	Attributable to minority interest
3,983	**1,740**	**61**	**121**	**–820**	**–561**	**Attributable to shareholders of BMW AG**
						Basic earnings per share of common stock in €
						Basic earnings per share of preferred stock in €
						Dilutive effects
						Diluted earnings per share of common stock in €
						Diluted earnings per share of preferred stock in €

BMW GROUP BALANCE SHEET AT 31 DECEMBER 2017

in € million	Note	Group 2017	Group 2016	Automotive (unaudited supplementary information) 2017	Automotive (unaudited supplementary information) 2016	Motorcycles (unaudited supplementary information) 2017	Motorcycles (unaudited supplementary information) 2016
ASSETS							
Intangible assets	19	9,464	8,157	8,981	7,705	57	46
Property, plant and equipment	20	18,471	17,960	18,050	17,566	388	365
Leased products	21	36,257	37,789	–	–	–	–
Investments accounted for using the equity method	22	2,767	2,546	2,767	2,546	–	–
Other investments		690	560	4,985	5,195	–	–
Receivables from sales financing	23	48,321	48,032	–	–	–	–
Financial assets	24	2,369	2,705	1,302	1,287	–	–
Deferred tax	12	1,927	2,327	3,079	4,310	–	–
Other assets	26	1,635	1,595	3,671	4,043	32	28
Non-current assets		**121,901**	**121,671**	**42,835**	**42,652**	**477**	**439**
Inventories	27	12,707	11,841	12,103	11,344	580	492
Trade receivables	28	2,667	2,825	2,354	2,502	160	144
Receivables from sales financing	23	32,113	30,228	–	–	–	–
Financial assets	24	7,965	7,065	5,578	4,862	–	–
Current tax	25	1,566	1,938	714	1,000	–	–
Other assets	26	5,525	5,087	23,124	21,561	5	2
Cash and cash equivalents		9,039	7,880	7,157	4,794	8	–
Current assets		**71,582**	**66,864**	**51,030**	**46,063**	**753**	**638**
Total assets		**193,483**	**188,535**	**93,865**	**88,715**	**1,230**	**1,077**
EQUITY AND LIABILITIES							
Subscribed capital	29	658	657				
Capital reserves	29	2,084	2,047				
Revenue reserves	29	51,256	44,445				
Accumulated other equity	29	114	–41				
Equity attributable to shareholders of BMW AG	29	**54,112**	**47,108**				
Minority interest		436	255				
Equity		**54,548**	**47,363**	**39,441**	**36,624**	–	–
Pension provisions	30	3,252	4,587	2,405	2,911	69	83
Other provisions	31	5,437	5,039	4,980	4,570	101	103
Deferred tax	12	2,241	2,795	1,446	740	–	–
Financial liabilities	33	53,548	55,405	832	1,942	–	–
Other liabilities	34	5,410	5,357	6,793	6,530	487	442
Non-current provisions and liabilities		**69,888**	**73,183**	**16,456**	**16,693**	**657**	**628**
Other provisions	31	6,313	5,879	5,656	5,187	99	90
Current tax	32	1,124	1,074	874	770	–	–
Financial liabilities	33	41,100	42,326	947	1,481	–	–
Trade payables	35	9,731	8,512	8,516	7,483	355	303
Other liabilities	34	10,779	10,198	21,975	20,477	119	56
Current provisions and liabilities		**69,047**	**67,989**	**37,968**	**35,398**	**573**	**449**
Total equity and liabilities		**193,483**	**188,535**	**93,865**	**88,715**	**1,230**	**1,077**

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2017	2016	2017	2016	2017	2016	
						ASSETS
425	405	1	1	–	–	Intangible assets
33	29	–	–	–	–	Property, plant and equipment
44,285	45,134	–	–	–8,028	–7,345	Leased products
–	–	–	–	–	–	Investments accounted for using the equity method
2	3	7,160	6,585	–11,457	–11,223	Other investments
48,321	48,032	–	–	–	–	Receivables from sales financing
176	221	1,089	1,780	–198	–583	Financial assets
442	389	130	263	–1,724	–2,635	Deferred tax
3,082	3,093	26,628	27,120	–31,778	–32,689	Other assets
96,766	**97,306**	**35,008**	**35,749**	**–53,185**	**–54,475**	**Non-current assets**
24	5	–	–	–	–	Inventories
152	178	1	1	–	–	Trade receivables
32,113	30,228	–	–	–	–	Receivables from sales financing
1,531	1,504	1,163	1,329	–307	–630	Financial assets
55	44	797	894	–	–	Current tax
5,331	5,417	45,963	44,782	–68,898	–66,675	Other assets
1,856	3,046	18	40	–	–	Cash and cash equivalents
41,062	**40,422**	**47,942**	**47,046**	**–69,205**	**–67,305**	**Current assets**
137,828	**137,728**	**82,950**	**82,795**	**–122,390**	**–121,780**	**Total assets**
						EQUITY AND LIABILITIES
						Subscribed capital
						Capital reserves
						Revenue reserves
						Accumulated other equity
						Equity attributable to shareholders of BMW AG
						Minority interest
14,740	**11,049**	**18,102**	**16,744**	**–17,735**	**–17,054**	**Equity**
72	77	706	1,516	–	–	Pension provisions
356	353	–	13	–	–	Other provisions
4,302	6,755	38	48	–3,545	–4,748	Deferred tax
17,819	17,718	35,095	36,328	–198	–583	Financial liabilities
28,835	29,413	198	601	–30,903	–31,629	Other liabilities
51,384	**54,316**	**36,037**	**38,506**	**–34,646**	**–36,960**	**Non-current provisions and liabilities**
549	599	9	3	–	–	Other provisions
233	255	17	49	–	–	Current tax
24,853	27,368	15,607	14,107	–307	–630	Financial liabilities
849	702	11	24	–	–	Trade payables
45,220	43,439	13,167	13,362	–69,702	–67,136	Other liabilities
71,704	**72,363**	**28,811**	**27,545**	**–70,009**	**–67,766**	**Current provisions and liabilities**
137,828	**137,728**	**82,950**	**82,795**	**–122,390**	**–121,780**	**Total equity and liabilities**

BMW GROUP CASH FLOW STATEMENT

in € million	Group 2017	Group 2016
Net profit	**8,706**	6,910
Reconciliation between net profit and cash inflow / outflow from operating activities		
Current tax	**2,558**	2,670
Other interest and similar income / expenses[1]	**65**	131
Depreciation and amortisation of tangible, intangible and investment assets	**4,822**	4,998
Change in provisions	**696**	883
Change in leased products	**–1,134**	–2,526
Change in receivables from sales financing	**–7,440**	–8,368
Change in deferred taxes	**–609**	85
Other non-cash income and expense items	**–249**	–15
Gain / loss on disposal of tangible and intangible assets and marketable securities	**–43**	–4
Result from equity accounted investments	**–738**	–441
Changes in working capital	**166**	–104
Change in inventories	–1,293	–749
Change in trade receivables	45	–93
Change in trade payables	1,414	738
Change in other operating assets and liabilities	**1,285**	1,229
Income taxes paid	**–2,301**	–2,417
Interest received[1]	**125**	142
Cash inflow / outflow from operating activities	**5,909**	**3,173**
Investments in intangible assets and property, plant and equipment	**–7,112**	–5,823
Proceeds from the disposal of intangible assets and property, plant and equipment	**30**	10
Expenditure for investment assets	**–142**	–338
Proceeds from the disposal of investment assets and other business units	**1,236**[2]	140
Investments in marketable securities and investment funds	**–4,041**	–3,592
Proceeds from the sale of marketable securities and investment funds	**3,866**	3,740
Cash inflow / outflow from investing activities	**–6,163**	**–5,863**
Payments into equity	**38**	20
Payment of dividend for the previous year	**–2,324**	–2,121
Intragroup financing and equity transactions	**–**	–
Interest paid[1]	**–165**	–118
Proceeds from the issue of bonds	**12,061**	13,974
Repayment of bonds	**–9,374**	–10,374
Proceeds from new non-current other financial liabilities	**11,894**	8,952
Repayment of non-current other financial liabilities	**–7,427**	–8,443
Change in current other financial liabilities	**–4,084**	4,135
Change in commercial paper	**953**	–1,632
Cash inflow / outflow from financing activities	**1,572**	**4,393**
Effect of exchange rate on cash and cash equivalents	**–223**	**17**
Effect of changes in composition of Group on cash and cash equivalents	**64**	**38**
Change in cash and cash equivalents	**1,159**	**1,758**
Cash and cash equivalents as at 1 January	**7,880**	6,122
Cash and cash equivalents as at 31 December	**9,039**	**7,880**

[1] Interest relating to financial services business is classified as revenues / cost of sales.
[2] Includes €969 million from the sale of receivables from sales financing (multibrand portfolio) amounting to €939 million and other receivables and payables amounting to €22 million (2016: € – million) as well as dividends received from investment assets amounting to €258 million (2016: €134 million).

	Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)	
	2017	2016	2017	2016
Net profit	5,276	5,441	4,047	1,777
Reconciliation between net profit and cash inflow / outflow from operating activities				
Current tax	2,699	2,787	–114	–117
Other interest and similar income / expenses[1]	89	283	–5	12
Depreciation and amortisation of tangible, intangible and investment assets	4,699	4,876	35	29
Change in provisions	988	970	225	139
Change in leased products	–	–	–1,855	–3,532
Change in receivables from sales financing	–	–	–7,440	–8,368
Change in deferred taxes	906	–187	–1,872	275
Other non-cash income and expense items	25	11	46	11
Gain / loss on disposal of tangible and intangible assets and marketable securities	–41	–3	–2	–1
Result from equity accounted investments	–738	–441	–	–
Changes in working capital	78	–172	161	50
Change in inventories	–1,179	–758	–20	2
Change in trade receivables	43	–43	19	–12
Change in trade payables	1,214	629	162	60
Change in other operating assets and liabilities	–1,362	–246	705	–283
Income taxes paid	–1,896	–1,997	–315	164
Interest received[1]	125	142	–	–
Cash inflow / outflow from operating activities	**10,848**	**11,464**	**–6,384**	**–9,844**
Investments in intangible assets and property, plant and equipment	–6,972	–5,699	–15	–10
Proceeds from the disposal of intangible assets and property, plant and equipment	28	9	2	–
Expenditure for investment assets	–482	–122	–	–
Proceeds from the disposal of investment assets and other business units	1,037	140	970	–
Investments in marketable securities and investment funds	–3,810	–3,196	–231	–396
Proceeds from the sale of marketable securities and investment funds	3,655	3,436	211	304
Cash inflow / outflow from investing activities	**–6,544**	**–5,432**	**937**	**–102**
Payments into equity	38	20	–	–
Payment of dividend for the previous year	–2,324	–2,121	–	–
Intragroup financing and equity transactions	567	–1,833	4,315	6,191
Interest paid[1]	–165	–118	–	–
Proceeds from the issue of bonds	–	–	552	870
Repayment of bonds	–	–	–489	–1,160
Proceeds from new non-current other financial liabilities	–	67	11,385	8,295
Repayment of non-current other financial liabilities	–48	–520	–7,119	–7,215
Change in current other financial liabilities	73	–720	–4,181	4,425
Change in commercial paper	–	–	–129	195
Cash inflow / outflow from financing activities	**–1,859**	**–5,225**	**4,334**	**11,601**
Effect of exchange rate on cash and cash equivalents	**–82**	**10**	**–141**	**21**
Effect of changes in composition of Group on cash and cash equivalents	**–**	**25**	**64**	**11**
Change in cash and cash equivalents	**2,363**	**842**	**–1,190**	**1,687**
Cash and cash equivalents as at 1 January	4,794	3,952	3,046	1,359
Cash and cash equivalents as at 31 December	**7,157**	**4,794**	**1,856**	**3,046**

The reconciliation of liabilities from financing activities is presented in note 33.

BMW GROUP
STATEMENT OF CHANGES IN EQUITY

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2017	29	**657**	**2,047**	**44,445**
Net profit		–	–	8,620
Other comprehensive income for the period after tax		–	–	475
Comprehensive income 31 December 2017		**–**	**–**	**9,095**
Dividends paid		–	–	–2,300
Subscribed share capital increase out of Authorised Capital		1	–	–
Premium arising on capital increase relating to preferred stock		–	37	–
Other changes		–	–	16
31 December 2017	29	**658**	**2,084**	**51,256**

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2016	29	**657**	**2,027**	**41,027**
Net profit		–	–	6,863
Other comprehensive income for the period after tax		–	–	–1,329
Comprehensive income 31 December 2016		**–**	**–**	**5,534**
Dividends paid		–	–	–2,102
Subscribed share capital increase out of Authorised Capital		–	–	–
Premium arising on capital increase relating to preferred stock		–	20	–
Other changes		–	–	–14
31 December 2016	29	**657**	**2,047**	**44,445**

	Accumulated other equity						
	Currency translation differences	Securities	Derivative financial instruments	Equity attributable to shareholders of BMW AG	Minority interest	Total	
	–171	52	78	47,108	255	47,363	1 January 2017
	–	–	–	8,620	86	8,706	Net profit
	–1,323	41	1,437	630	–	630	Other comprehensive income for the period after tax
	–1,323	41	1,437	9,250	86	9,336	Comprehensive income 31 December 2017
	–	–	–	–2,300	–	–2,300	Dividends paid
	–	–	–	1	–	1	Subscribed share capital increase out of Authorised Capital
	–	–	–	37	–	37	Premium arising on capital increase relating to preferred stock
	–	–	–	16	95	111	Other changes
	–1,494	93	1,515	54,112	436	54,548	31 December 2017

	Accumulated other equity						
	Currency translation differences	Securities	Derivative financial instruments	Equity attributable to shareholders of BMW AG	Minority interest	Total	
	132	24	–1,337	42,530	234	42,764	1 January 2016
	–	–	–	6,863	47	6,910	Net profit
	–303	28	1,415	–189	–	–189	Other comprehensive income for the period after tax
	–303	28	1,415	6,674	47	6,721	Comprehensive income 31 December 2016
	–	–	–	–2,102	–	–2,102	Dividends paid
	–	–	–	–	–	–	Subscribed share capital increase out of Authorised Capital
	–	–	–	20	–	20	Premium arising on capital increase relating to preferred stock
	–	–	–	–14	–26	–40	Other changes
	–171	52	78	47,108	255	47,363	31 December 2016

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 2017 have been drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union, and the supplementary requirements of § 315 a (1) of the German Commercial Code (HGB). The Group Financial Statements and Combined Management Report will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. Bayerische Motoren Werke Aktiengesellschaft, which has its seat at Petuelring 130, Munich, is registered in the Commercial Register of the District Court of Munich under the number HRB 42243.

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

The BMW Group and segment income statements are presented using the cost of sales method.

In order to provide a better insight into the results of operations, financial position and net assets of the BMW Group, and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include income statements and balance sheets for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by statements of cash flows for the Automotive and Financial Services segments. This supplementary information is unaudited. Inter-segment transactions relate primarily to internal sales of products, the provision of funds for Group companies and the related interest. These items are eliminated in the relevant "Eliminations" columns. A description of the nature of the business and major operating activities of the BMW Group's segments is provided in → note 43 ("Explanatory notes to segment information").

→ see note 43

On 15 February 2018, the Board of Management granted approval for publication of the Group Financial Statements.

02
Group reporting entity and consolidation principles

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

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

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

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

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

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

In the case of a joint operation, the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Assets, liabilities, revenues and expenses of a joint operation are recognised proportionately in the Group Financial Statements on the basis of the BMW Group entity's rights and obligations (proportionate consolidation). Together with SGL Carbon SE, companies of the BMW Group are party to joint operations for the manufacture of carbon fibres and carbon fibre fabrics used in vehicle production. In November 2017, an agreement was signed with SGL Carbon SE concerning that entity's gradual acquisition of the BMW Group's 49 percent shareholding. Accordingly, between the beginning of 2018 and the end of 2020 at the latest, SGL Carbon SE will become the sole owner of the hitherto joint operations. As a consequence of the transaction, the joint operations will cease to be proportionately consolidated in the BMW Group Financial Statements with effect from the financial year 2018.

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

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

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

The following changes took place in the Group reporting entity in the financial year 2017:

	Germany	Foreign	Total
Included at 31 December 2016	21	178	**199**
Included for the first time in 2017	1	20	**21**
No longer included in 2017	1	11	**12**
Included at 31 December 2017	**21**	**187**	**208**

03 Foreign currency translation and measurement

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

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

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

	Closing rate		Average rate	
1 Euro =	31.12.2017	31.12.2016	2017	2016
US Dollar	1.20	1.06	1.13	1.11
British Pound	0.89	0.85	0.88	0.82
Chinese Renminbi	7.80	7.34	7.63	7.35
Japanese Yen	134.93	123.34	126.68	120.25
Korean Won	1,281.41	1,274.34	1,276.47	1,283.86

04 Accounting policies; assumptions, judgements and estimations

Revenues from the sale of products and services are recognised when the risks and rewards of ownership are transferred to the dealership or customer, provided that the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and costs incurred or to be incurred in respect of the sale can be measured reliably. Revenues are stated net of settlement discount, bonuses and rebates.

If the sale of products includes a determinable amount for services ("multiple-component contracts"), the related revenues are deferred and recognised as income over the service period. Amounts are normally recognised as income by reference to the pattern of related expenditure.

Profits arising on the sale of vehicles for which a Group company retains a repurchase commitment (buyback agreements) are not recognised immediately. The difference between the sales and buyback price is accounted for as deferred income and recognised in instalments as revenue over the contract term.

Revenues relating to operating lease arrangements are recognised on a straight-line basis over the lease term. Interest income arising on finance leases and on retail customer/dealership financing is recognised using the effective interest method.

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 same periods as the costs occur which 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 after minority interest, as attributable to each category of stock, by the average number of outstanding shares. The net profit is accordingly allocated to the different categories of stock. The portion of the Group net profit for the year which is not being distributed is allocated to each category of stock based on the number of outstanding shares. Profits available for distribution are determined directly on the basis of the dividend resolutions passed for common and preferred stock. Diluted earnings per share are calculated and separately disclosed in accordance with IAS 33.

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

Development costs for vehicle, module and architecture projects are capitalised at manufacturing cost, to the extent that attributable costs (including development-related overhead costs) can be measured reliably and both technical feasibility and successful marketing are assured. It must also be sufficiently probable that the development expenditure will generate future economic benefits. Capitalised development costs are amortised on a straight-line basis following the start of production over the estimated product life cycle (usually five to 12 years).

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

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

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

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 assessment of 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 the expectations.

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

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

in %	2017	2016
Automotive	12.0	12.0
Motorcycles	12.0	12.0
Financial Services	13.4	13.4

The risk-adjusted discount rate, calculated using a CAPM model, 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.

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

The following useful lives are applied throughout the BMW Group:

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

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

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

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

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

Assumptions and estimations are required regarding future residual values, since these represent a significant part of future cash inflows. Relevant factors to be considered include the trend in market prices and demand on the pre-owned vehicle market. The assumptions are based on internally available historical 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 recognised at the Group's share of their revalued equity capital, provided no impairment has been recognised.

Financial assets reported as **other investments** are recognised and measured at their fair value in accordance with the requirements of IAS 39. If this value is not available or cannot be determined reliably, they are measured at cost. Subsidiaries, joint arrangements and associated companies included in other investments, but which are not material to the BMW Group, do not fall within the scope of IAS 39.

A **financial instrument** is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are accounted for on the basis of the settlement date.

On initial recognition, financial assets are measured at their fair value. Transaction costs are included unless the financial assets are allocated to the category "financial assets measured at fair value through profit or loss".

The Group's financial assets are allocated to either cash funds or to the categories "loans and receivables", "available-for-sale", "held for trading" or "fair value option".

The fair value option is applied by the BMW Group for non-current marketable securities with embedded derivatives and non-current loans receivable from third parties. The related gains and losses are presented in the income statement line item Other financial result. Related interest income and expenses are presented in net interest result.

Subsequent to initial recognition, financial assets which are available-for-sale or held-for-trading or for which the fair value option is applied, are measured at their fair value. The fair values shown are determined on the basis of market information available at the balance sheet date, prices quoted by the contract partners or appropriate measurement methods, e.g. discounted cash flow models.

Those non-derivative financial assets that are not classified as "loans and receivables" or "held-to-maturity investments" or as items measured "at fair value through profit and loss" are classified as "available-for-sale". Financial assets that are classified as loans and receivables are measured at amortised cost using the effective interest method. All financial assets for which published price quotations in an active market are not available and whose fair value cannot be determined reliably are measured at cost.

Assessments are regularly made as to whether material objective evidence indicates that a financial asset or portfolio of assets is impaired. For the purposes of assessing possible impairment, the BMW Group takes account of all available information, such as market conditions and prices as well as the duration and magnitude of the decline in value. In the case of equity instruments that are listed on a stock market, it is assumed that an item is impaired if, for example, its fair value falls below acquisition cost significantly (more than 20 %) or on a prolonged basis (more than 5 % over nine months).

Receivables from sales financing are measured at amortised cost using the effective interest rate method. This also includes receivables arising on vehicle finance leases. Impairment allowances are recognised both on a specific-item and a group basis. For these purposes, the main factors taken into consideration are past experience and current market data (such as the level of arrears), as well as information on rating classes and scoring. Consideration is also given to current market data and macroeconomic conditions that could have an impact on the general creditworthiness of customers as well as the overall market environment for pre-owned vehicles. The market value of vehicles which serve as collateral changes when prices on pre-owned vehicle markets fall. Specific allowances are recognised if there is objective evidence of impairment. In the retail credit financing and leasing business, the existence of overdue balances or the incidence of similar events in the past are examples of such evidence. In the event of overdue receivables, allowances are always recognised individually based on the duration of the arrears. In the case of dealership financing receivables, the allocation to a corresponding rating category also represents objective evidence of impairment. If no objective evidence of impairment exists, allowances are recognised using a portfolio approach based on similar groups of assets. Company-specific loss probabilities and loss ratios, derived from historical data, are used to measure allowances on similar groups of assets.

The recognition of allowances on receivables relating to the industrial business is also based, as far as possible, on the same procedures applied in the financial services business. The impairment allowances are recorded in separate accounts and are derecognised at the same time the corresponding written-down receivables are derecognised.

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 arising from operating activities and the related financing requirements. All derivative financial instruments are measured at their fair value. The fair values of derivative financial instruments are determined using measurement models and are therefore subject to the risk that they could differ from realisable market prices on disposal. Observable financial market price spreads are taken into account in the measurement of derivative financial instruments. The supply of data for the model used to calculate fair values also takes account of tenor and currency basis spreads.

In addition, 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 of measuring the credit risk for a group of financial assets and financial liabilities on the basis of the net exposure of long and short positions. Portfolio-based value adjustments to the individual financial assets and financial liabilities are allocated using the relative fair value approach (net method).

Where hedge accounting is applied, changes in fair value are recognised in the income statement or in other comprehensive income as a component of accumulated other equity, depending on whether the hedging relationship is classified as a fair value hedge or a cash flow hedge. In the case of a fair value hedge, the results of the fair value measurement of the derivative financial instruments and the related hedged items are recognised in the income statement. Fair value hedges are mainly used to hedge the market prices of bonds, other financial liabilities and receivables from sales financing. In the case of a cash flow hedge, the effective portion of the fair value gain or loss on the derivative financial instrument is recognised directly in accumulated other equity. The ineffective portion of the fair value gain or loss is recognised in the income statement. Amounts recorded in accumulated other equity are recognised in the income statement when the hedged item or external revenue item is recognised in the income statement. If, contrary to the usual practice within the BMW Group, hedge accounting cannot be applied, the gains or losses arising on the fair value measurement of derivative financial instruments are recognised in the income statement.

Deferred taxes are recognised on all temporary differences between the tax and accounting bases of assets and liabilities and on consolidation procedures. The recoverability of deferred tax assets is assessed at each balance sheet date on the basis of planned taxable income in future financial years. If with a probability of more than 50 percent future tax benefits will not be realised, either in part or in total, a valuation allowance is recognised on the deferred tax assets. The calculation of deferred tax assets requires assumptions to be made with regard to the level of future taxable income and the timing of recovery of deferred tax assets. These assumptions take account of forecast operating results and the impact on earnings of the reversal of taxable temporary differences. Since future business developments cannot be predicted with certainty and to an extent cannot be influenced by the BMW Group, the measurement of deferred tax assets is subject to uncertainty. Deferred taxes are calculated on the basis of tax rates which are applicable or expected to apply in the relevant national jurisdictions when the amounts are recovered.

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

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

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

Cash and cash equivalents comprise mainly cash on hand and cash at bank with an original term of up to three months, and are measured at face value.

Assets held for sale and disposal groups held for sale are presented separately in the balance sheet in accordance with IFRS 5 if the carrying amount of the relevant assets will be recovered principally through a sale transaction rather than through continuing use. This applies only in cases in which the assets can be sold immediately in their present condition, the sale is expected to be completed within one year from the date of classification and the sale is highly probable. At the date of classification, property, plant and equipment, intangible assets and disposal groups which are being held for sale are measured at the lower of their carrying amount and their fair value less costs to sell, and are no longer subject to scheduled depreciation/amortisation. This does not apply, however, to items within the disposal group which are not covered by the measurement rules contained in IFRS 5. At the same time, liabilities directly related to the sale are presented separately on the equity and liabilities side of the balance sheet as Liabilities in conjunction with assets held for sale.

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

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

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

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

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

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

Other provisions are recognised when the BMW Group has a present legal or factual obligation towards a third party arising from past events, the settlement of which is probable, and when the amount of the obligation can be reliably estimated. Provisions with a remaining term 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 categories of guarantee depending on the product and sales market. These provisions are recognised when the risks and rewards of ownership of the goods are transferred to the dealership or retail customer or when a new category of warranty is introduced. With respect to the level of the provision, estimations are made in particular based on past experience of damage claims and processes. Future potential repair costs and price increases per product and market are also taken into account. Specific and expected warranty items, such as vehicle recalls, are also included. 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. Similar estimates are made in conjunction with the measurement of expected reimbursement claims, which are presented as separate assets.

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

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

Financial liabilities are measured on first-time recognition at their fair value. Transaction costs are also 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.

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 38 and in the list of investments disclosed in → note 44.

→ see notes 38 and 44

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 39.

→ see note 39

05
Financial reporting rules

(a) Standards and Revised Standards significant for the BMW Group applied for the first time in the financial year 2017:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU
IAS 7	Disclosures Initiative – Reconciliation of Liabilities From Financing Activities (Amendments to IAS 7)	29. 1. 2016	1. 1. 2017	1. 1. 2017

The amendments to **IAS 7 (Statement of Cash Flows)** require a reconciliation between the opening and closing balances of liabilities arising from financing activities, for which cash inflows and outflows are presented in the Statement of Cash Flows. The reconciliation is presented in → note 33.

→ see note 33

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

Standard/Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU
IFRS 9	Financial Instruments	24. 7. 2014	1. 1. 2018	1. 1. 2018
IFRS 15	Revenue from Contracts with Customers	28. 5. 2014 11. 9. 2015 12. 4. 2016	1. 1. 2018	1. 1. 2018
IFRS 16	Leases	13. 1. 2016	1. 1. 2019	1. 1. 2019

IFRS 9 (Financial Instruments) contains new requirements for the classification and measurement of financial assets that are based on the reporting entity's business model for the management of these financial instruments and the characteristics of its contractual cash flows ("Solely Payments of Principal and Interest" (SPPI) criterion). IFRS 9 also gives rise to a new model for determining impairment, which is based on expected credit losses. To date, impairments have been recognised when corresponding objective evidence existed. Furthermore, the requirements for hedge accounting were revised with the aim of bringing the accounting treatment more into line with risk management activities.

The BMW Group will apply IFRS 9 for the first time with effect from 1 January 2018. An exception is made in the accounting treatment of fair value hedging of a portfolio against interest rate risk, for which the requirements of IAS 39 will continue to be applied. IFRS 9 requires retrospective application in the areas of classification and measurement, while the new rules for hedge accounting are required to be applied prospectively, with few exceptions. The BMW Group will apply the exemption contained in IFRS 9, allowing unadjusted comparative information for prior periods.

The new requirements for the classification and measurement of financial assets and financial liabilities result in a number of cases to a change in measurement category for the BMW Group. In future, changes in the value of equity instruments falling within the scope of IFRS 9 which are held at the date of adoption, will be recognised through the income statement. Due to the change in the measurement category, an increase in the revenue reserves amounting to approximately €78 million is recognised at the date of adoption of the new rules, net of the deferred tax effect of approximately €1 million. This includes approximately €76 million for equity instruments which gives rise to a reduction in accumulated other equity of the same amount.

Implementation of the new impairment model has required substantial modifications to existing processes and systems, especially for the Financial Services segment. Receivables from sales financing have been measured using the three-stage model stipulated by IFRS 9. Operating lease receivables represent an exception, in which the simplified approach has been applied. For these receivables, expected losses are calculated for the remaining term. The transfer criteria for the three-stage impairment model is based in principle on a comparison of default probabilities pursuant to the definitions used in the internal risk management system for each financial instrument. In addition, qualitative indicators are taken into account in the transfer criteria, such as overdue period or significant changes in the internal credit rating. Impairment allowances are calculated in a central application. The risk models used were determined on the basis of internal historical default information and macroeconomic factors.

For trade receivables, the simplified approach has been applied. The parameters used to calculate impairment allowances are determined specifically for each portfolio.

Overall, the introduction of the new impairment model across the BMW Group with effect from 1 January 2018 results in a reduction in impairment allowances and an increase in revenue reserves of approximately €82 million net of deferred tax effects of approximately €31 million. Of this amount, approximately €86 million relates to receivables from sales financing net of deferred tax effects of approximately €33 million.

With regard to the accounting treatment of hedging relationships, it is expected that it will be possible in future to apply hedge accounting rules to the majority of commodity hedging instruments. Moreover, changes in the time value of options are required to be recognised as “cost of hedging” in accumulated other equity during the hedging period. These changes are expected to result in a significant reduction in the volatility of amounts reported for financial result and Group earnings.

In future, costs arising in conjunction with hedging will be reported in total in the income statement as part of the profit before financial result (EBIT). As the cost of options to hedge foreign currency exposures is currently reported in the financial result, this will have a negative impact on the Automotive segment’s EBIT. The scale of the impact will depend on the future volume of option contracts. The volume of option contracts at 31 December 2017 is not material.

At the date of the first-time application, the new accounting requirements for interest rate hedging instruments will result in an increase in revenue reserves of approximately €18 million, net of deferred tax effects of approximately €6 million.

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

The Standard will be applied retrospectively in its entirety with effect from 1 January 2018, meaning that all comparative information for prior periods will be adjusted in accordance with IFRS 15. The exemption provision, allowing contracts fulfilled prior to 1 January 2017 not to be newly assessed in accordance with IFRS 15, has been applied.

The new Standard is based on a five-step model, which sets out the rules for revenue from contracts with customers. Revenues are required to be recognised either over time or at a specific point in time.

A major difference to the previous Standard is the increased scope of discretion for estimates and the introduction of thresholds, thus influencing the amount and timing of revenue recognition.

As a result of the accounting treatment of buyback arrangements and rights of return for sales of vehicles which the Financial Services segment will subsequently lease to customers, intragroup eliminations within the BMW Group will be subject to earlier recognition. The application of IFRS 15 results in a retrospective decrease in Group revenue reserves as at 1 January 2017 amounting to approximately €499 million, net of deferred taxes of approximately €239 million (1 January 2018: reduction of revenue reserves by approximately €553 million, net of deferred taxes of approximately €192 million). No significant impact is expected to arise during the period of first-time application.

In the case of multi-component contracts with variable consideration components, changes in the allocation of transaction prices will result for the Automotive segment in higher amounts being recognised for vehicle sales and a lower level of amounts deferred for service contracts. The shift in the timing of revenue recognition results in a retrospective increase in Group revenue reserves as at 1 January 2017 of approximately €89 million, net of deferred taxes of approximately €38 million (1 January 2018: increase in revenue reserves of approximately €112 million, net of deferred taxes of approximately €42 million). The shift is not expected to have a significant impact on the income statement during the period of first-time application.

In accordance with IFRS 15, costs relating to sales promotion measures in the Automotive segment, such as sales support or residual value subsidies are to be treated as variable components of consideration and will therefore in future be recognised as revenue deductions. A part of these costs have been reported to date within cost of sales. The change in presentation in the income statement will result in a decrease in both revenues and cost of sales. For the financial year 2017, the amount subject to changed accounting presentation in the Automotive segment amounts to approximately €2.9 billion, and is insignificant for the Group.

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

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

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

The following table shows a summary of the estimated effect on revenue reserves of the first-time application of IFRS 9 and IFRS 15.

in € million	Amendment	Impact on revenue reserves 1.1.2017	Impact on net profit 2017	Impact on revenue reserves 1.1.2018	Segment
IFRS 15	Elimination of buyback arrangements and rights	–499	–54	–553	Eliminations
IFRS 15	Change in transaction prices relating to multi-component contracts[1]	89	23	112	Automotive
IFRS 9	Change in measurement category	–	–	78	Automotive/Other
IFRS 9	Introduction of impairment model	–	–	82	Automotive/Financial Services
IFRS 9	Hedge accounting	–	–	18	Financial Services/Other
	Total impact of first-time application	**–410**	**–31**[2]	**–263**	

[1] Includes the effect of the adjustment relating to entities accounted for using the equity method.
[2] Includes effects relating to the reduction of the US federal corporate tax rate from 35 % to 21 % with effect from 1 January 2018. The pre-tax profit impact amounts to € + 20 million.

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

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

The accounting requirements for lessors, particularly in relation to the requirement to classify leases, will remain largely unchanged.

The impact on the BMW Group's results of operations, financial position and net assets is currently being analysed as part of a Group-wide implementation project. A reliable quantitative measurement of the impact is not possible at present, in particular because the compilation and assessment of contracts across the Group has not yet been completed. The BMW Group expects a slight increase in the balance sheet total and the result before financial result, as well as a slight improvement in the net cash flow from operating activities and a slight deterioration in the net cash flow from financing activities.

Other financial reporting standards issued by the IASB and not yet applied are not expected to have a significant impact on the BMW Group Financial Statements.

NOTES TO THE INCOME STATEMENT

06
Revenues

Revenues by activity comprise the following:

in € million	2017	2016
Sales of products and related goods	71,443	68,681
Sales of products previously leased to customers	10,208	9,258
Income from lease instalments	9,816	9,507
Interest income on loan financing	3,720	3,455
Other income	3,491	3,262
Revenues	**98,678**	**94,163**

An analysis of revenues by segment and region is shown in the segment information in → note 43.

→ see note 43

07
Cost of sales

Cost of sales comprises:

in € million	2017	2016
Manufacturing costs	43,877	43,175
Cost of sales relating to financial services business	22,932	20,723
thereof: Interest expense relating to financial services business	1,801	1,638
Research and development expenses	4,920	4,294
Service contracts, telematics and roadside assistance	2,081	2,018
Warranty expenditure	2,041	2,165
Other cost of sales	2,893	3,067
Cost of sales	**78,744**	**75,442**

Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to €61 million (2016: €69 million).

Research and development expenditure was as follows:

in € million	2017	2016
Research and development expenses	4,920	4,294
Amortisation	–1,236	–1,222
New expenditure for capitalised development costs	2,424	2,092
Total research and development expenditure	**6,108**	**5,164**

08
Selling and administrative expenses

Selling expenses amounted to €6,167 million (2016: €6,030 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative expenses amounted to €3,393 million (2016: €3,128 million) and relate mainly to personnel and IT costs.

09
Other operating income and expenses

Other operating income and expenses comprise the following items:

in € million	2017	2016
Exchange gains	282	262
Income from the reversal of provisions	138	115
Income from the reversal of impairment losses and write-downs	8	51
Gains on the disposal of assets	80	46
Sundry operating income	212	196
Other operating income	**720**	**670**
Exchange losses	–246	–249
Expense for additions to provisions	–580	–303
Expense for impairment losses and write-downs	–29	–28
Sundry operating expenses	–359	–267
Other operating expenses	**–1,214**	**–847**
Other operating income and expenses	**–494**	**–177**

Income from the reversal of and expenses for the recognition of impairment losses and write-downs relate primarily to impairment allowances on receivables.

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

10 Net interest result

in € million	2017	2016
Other interest and similar income	201	196
thereof from subsidiaries:	9	12
Interest and similar income	**201**	**196**
Expense relating to interest impact on other long-term provisions	– 66	– 84
Net interest expense on the net defined benefit liability for pension plans	– 81	– 78
Other interest and similar expenses	– 265	– 327
thereof subsidiaries:	– 2	– 4
Interest and similar expenses	**– 412**	**– 489**
Net interest result	**– 211**	**– 293**

11 Other financial result

in € million	2017	2016
Income from investments in subsidiaries and participations	14	13
thereof from subsidiaries:	13	13
Impairment losses on investments in subsidiaries and participations	–	– 192
Result on investments	**14**	**– 179**
Income (+) and expenses (–) from financial instruments	234	310
Sundry other financial result	**234**	**310**
Other financial result	**248**	**131**

12 Income taxes

Taxes on income of the BMW Group comprise the following:

in € million	2017	2016
Current tax expense	2,558	2,670
Deferred tax expense (+) / deferred tax income (–)	– 609	85
thereof relating to temporary differences	– 553	80
thereof relating to tax loss carryforwards and tax credits	– 56	5
Income taxes	**1,949**	**2,755**

Current tax expense includes tax income of €104 million (2016: €174 million) relating to prior periods.

The tax expense was reduced by €91 million (2016: €49 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 €67 million (2016: €38 million).

Deferred taxes are determined on the basis of **tax rates** which are 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 425.0 % (2016: 425.0 %), the underlying income tax rate for Germany was as follows:

in %	2017	2016
Corporation tax rate	15.0	15.0
Solidarity surcharge	5.5	5.5
Corporation tax rate including solidarity surcharge	15.8	15.8
Municipal trade tax rate	14.9	14.9
German income tax rate	**30.7**	**30.7**

Deferred taxes for non-German entities are calculated on the basis of the relevant country-specific tax rates. These range in the financial year 2017 between 9.0 % and 45.0 % (2016: between 12.5 % and 45.0 %). Changes in tax rates resulted in deferred tax income of €824 million (2016: €70 million). The principal reason for this development was the reduction in the US federal corporate income tax rate from 35.0 % to 21.0 % with effect from 1 January 2018.

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

in € million	2017	2016
Profit before tax	10,655	9,665
Tax rate applicable in Germany	30.7 %	30.7 %
Expected tax expense	3,271	**2,967**
Variances due to different tax rates	–1,071	–119
Tax increases (+) / tax reductions (–) as a result of non-deductible expenses and tax-exempt income	58	78
Tax expense (+) / benefits (–) for prior years	–104	–174
Other variances	–205	3
Actual tax expense	1,949	**2,755**
Effective tax rate	18.3 %	28.5 %

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

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

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

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

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

	Deferred tax assets		Deferred tax liabilities	
in € million	2017	2016	2017	2016
Intangible assets	18	13	2,593	2,234
Property, plant and equipment	88	26	195	305
Leased products	473	467	4,655	6,987
Other investments	3	3	10	17
Sundry other assets	613	1,448	3,629	2,861
Tax loss carryforwards and capital losses	608	536	–	–
Provisions	5,192	4,966	78	184
Liabilities	2,431	2,760	403	298
Eliminations	3,016	3,481	691	797
	12,442	**13,700**	12,254	**13,683**
Valuation allowances on tax loss carryforwards and capital losses	–502	–485	–	–
Netting	–10,013	–10,888	–10,013	–10,888
Deferred taxes	1,927	**2,327**	2,241	**2,795**
Net	–	–	314	468

Tax **loss carryforwards** – for the most part usable without restriction – amounted to €928 million (2016: €637 million). This includes an amount of €548 million (2016: €464 million), for which a valuation allowance of €186 million (2016: €158 million) was recognised on the related deferred tax asset. For entities with tax losses available for carryforward, a net surplus of deferred tax assets over deferred tax liabilities is reported at 31 December 2017 amounting to €131 million (2016: €90 million). Deferred tax assets are recognised on the basis of the management's assessment that there is material evidence that the entities will generate future taxable profits, against which deductible temporary differences can be offset.

Capital losses available for carryforward in the United Kingdom which do not relate to ongoing operations decreased to €1,854 million (2016: €1,926 million) due to currency factors. As in previous years, deferred tax assets recognised on these tax losses – amounting to €315 million at the end of the reporting period (2016: €327 million) – were fully written down since they can only be utilised against future capital gains.

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

Deferred taxes recognised directly in **equity** amounted to €997 million (2016: €1,812 million).

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

in € million	2017	2016
Deferred taxes at 1 January (assets (–) / liabilities (+))	**468**	171
Deferred tax expense (+) / income (–) recognised through income statement	**– 609**	85
Change in deferred taxes recognised directly in equity	**772**	163
thereof relating to fair value gains and losses on financial instruments and marketable securities recognised directly in equity	591	724
thereof relating to the remeasurements of net liabilities for defined benefit pension plans	181	– 561
Exchange rate impact and other changes	**– 317**	49
Deferred taxes at 31 December (assets (–) / liabilities (+))	**314**	**468**

As a result of currency translation, deferred taxes recognised directly in equity in the financial year decreased by €43 million (2016: €29 million).

Deferred taxes are not recognised on retained profits of €42.8 billion (2016: €38.7 billion) of foreign subsidiaries, as it is intended to invest these profits to maintain and expand the business volume of the relevant companies. No calculation was made of the potential impact of income taxes on the grounds of proportionality.

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

13
Earnings per share

		2017	2016
Net profit attributable to the shareholders of BMW AG	€ million	8,619.9	6,862.9
Profit attributable to common stock	€ million	7,895.9	6,289.2
Profit attributable to preferred stock	€ million	724.0	573.7
Average number of common stock shares in circulation	number	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	55,114,290	54,809,375
Basic earnings per share of common stock	€	13.12	10.45
Basic earnings per share of preferred stock	€	13.14	10.47
Dividend per share of common stock	€	4.00*	3.50
Dividend per share of preferred stock	€	4.02*	3.52

* Proposal by management.

Earnings per share of preferred stock are calculated on the basis of the number of shares of preferred stock 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.

14
Personnel expenses

The income statement includes personnel expenses as follows:

in € million	2017	2016
Wages and salaries	10,022	9,581
Pension and welfare expenses	1,211	1,152
Social insurance expenses	819	802
Personnel expenses	**12,052**	**11,535**

Personnel expenses include €54 million (2016: €61 million) of costs relating to workforce measures. The total pension expense for defined contribution plans of the BMW Group amounted to €105 million (2016: €90 million). Employer contributions paid to state pension insurance schemes totalled €630 million (2016: €607 million).

The average number of employees during the year was:

	2017	2016
Employees	119,611	115,842
thereof at proportionately-consolidated entities	182	204
Apprentices and students gaining work experience	7,913	7,913
thereof at proportionately-consolidated entities	1	1
Average number of employees	**127,524**	**123,755**

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

15
Fee expense for the Group auditor

The fee expense pursuant to § 314 (1) no. 9 HGB recognised in the financial year 2017 for the Group auditor and its network of audit firms amounted to €25 million (2016: €23 million) and consists of the following:

in € million	2017	2016*
Audit of financial statements	**17**	**16**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	5	4
Other attestation services	**4**	**4**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	3	4
Tax advisory services	**2**	**2**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	–	–
Other services	**2**	**1**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	1	–
Fee expense	**25**	**23**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	9	8

* Prior year figures have been adjusted.

Services provided by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, on behalf of BMW AG and subsidiaries under its control relate to the audit of the financial statements, other attestation services, tax advisory services and other services.

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

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

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

Other services include mainly preparation of studies.

16
Government grants and government assistance

Income from asset-related and performance-related grants, amounting to €30 million (2016: €31 million) and €112 million (2016: €126 million) respectively, was recognised in the income statement in 2017.

These amounts mainly relate to public sector grants aimed at the promotion of regional structures as well as subsidies received for plant expansions.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

17

Disclosures relating to the statement of comprehensive income

Other comprehensive income for the period after tax comprises the following:

in € million	2017	2016
Remeasurement of the net defined benefit liability for pension plans	693	–1,858
Deferred taxes	–218	529
Items not expected to be reclassified to the income statement in the future	**475**	**–1,329**
Available-for-sale securities	**39**	**40**
thereof gains / losses arising in the period under report	83	79
thereof reclassifications to the income statement	–44	–39
Financial instruments used for hedging purposes	**1,914**	**2,008**
thereof gains / losses arising in the period under report	2,017	1,458
thereof reclassifications to the income statement	–103	550
Other comprehensive income from equity accounted investments	**–30**	**43**
Deferred taxes	**–597**	**–721**
Currency translation foreign operations	**–1,171**	**–230**
Items expected to be reclassified to the income statement in the future	**155**	**1,140**
Other comprehensive income for the period after tax	**630**	**–189**

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

	2017			2016		
in € million	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	693	–218	475	–1,858	529	–1,329
Available-for-sale securities	39	2	41	40	–12	28
Financial instruments used for hedging purposes	1,914	–568	1,346	2,008	–680	1,328
Other comprehensive income from equity accounted investments	–30	–31	–61	43	–29	14
Currency translation foreign operations	–1,171	–	–1,171	–230	–	–230
Other comprehensive income	**1,445**	**–815**	**630**	**3**	**–192**	**–189**

Other comprehensive income arising from equity accounted investments is reported in the Statement of Changes in Equity within currency translation differences with an amount of € –152 million (2016: € –73 million) and within derivative financial instruments used for hedging purposes with an amount of €91 million (2016: €87 million).

NOTES TO THE BALANCE SHEET

18
Analysis of changes in Group tangible, intangible and investment assets 2017

in € million	Acquisition and manufacturing cost 1.1.2017[1]	Translation differences	Additions	Reclassi-fications	Disposals	31.12.2017
Development costs	11,484	–	2,424	–	943	**12,965**
Goodwill	386	–1	–	–	–	**385**
Other intangible assets	1,530	–37	286	–	29	**1,750**
Intangible assets	**13,400**	**–38**	**2,710**	**–**	**972**	**15,100**
Land, titles to land, buildings, including buildings on third party land	10,940	–299	271	228	52	**11,088**
Plant and machinery	35,924	–681	2,123	1,027	1,560	**36,833**
Other facilities, factory and office equipment	2,674	–91	314	70	168	**2,799**
Advance payments made and construction in progress	2,255	–97	1,694	–1,325	2	**2,525**
Property, plant and equipment	**51,793**	**–1,168**	**4,402**	**–**	**1,782**	**53,245**
Leased products	**45,595**	**–3,047**	**18,281**	**–**	**16,686**	**44,143**
Investments accounted for using the equity method	**2,546**	**–**	**639**	**–**	**418**	**2,767**
Investments in non-consolidated subsidiaries	501	–8	74	–	129	**438**
Participations	710	–7	118	–	1	**820**
Non-current marketable securities	28	–	–	–	–	**28**
Other investments	**1,239**	**–15**	**192**	**–**	**130**	**1,286**

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

Analysis of changes in Group tangible, intangible and investment assets 2016

in € million	Acquisition and manufacturing cost 1.1.2016[1]	Translation differences	Additions	Reclassi-fications	Disposals	31.12.2016
Development costs	10,522	–	2,092	–	1,130	**11,484**
Goodwill	369	–	–	–	–	**369**
Other intangible assets	1,455	–2	100	–	58	**1,495**
Intangible assets	**12,346**	**–2**	**2,192**	**–**	**1,188**	**13,348**
Land, titles to land, buildings, including buildings on third party land	10,458	–15	300	231	34	**10,940**
Plant and machinery	35,497	–185	1,510	691	1,589	**35,924**
Other facilities, factory and office equipment	2,606	22	234	32	222	**2,672**
Advance payments made and construction in progress	1,600	23	1,587	–954	3	**2,253**
Property, plant and equipment	**50,161**	**–155**	**3,631**	**–**	**1,848**	**51,789**
Leased products	**42,334**	**316**	**18,339**	**–**	**15,401**	**45,588**
Investments accounted for using the equity method	**2,233**	**–**	**513**	**–**	**200**	**2,546**
Investments in non-consolidated subsidiaries	233	2	321	–	56	**500**
Participations	656	–	56	–	2	**710**
Non-current marketable securities	28	–	–	–	–	**28**
Other investments	**917**	**2**	**377**	**–**	**58**	**1,238**

[1] Including first-time consolidation.
[2] Including assets under construction of €1,760 million.

	Depreciation and amortisation							Carrying amount		
	1.1.2017[1]	Translation differences	Current year	Reclassi-fications	Value adjustments[3]	Disposals	31.12.2017	31.12.2017	31.12.2016	
	4,263	–	1,236	–	–	943	**4,556**	**8,409**	7,221	Development costs
	5	–	–	–	–	–	**5**	**380**	364	Goodwill
	928	–16	191	–	–	28	**1,075**	**675**	572	Other intangible assets
	5,196	**–16**	**1,427**	**–**	**–**	**971**	**5,636**	**9,464**	**8,157**	**Intangible assets**
	4,786	–115	337	–5	–	37	**4,966**	**6,122**	6,154	Land, titles to land, buildings, including buildings on third party land
	27,092	–531	2,820	5	–	1,548	**27,838**	**8,995**	8,832	Plant and machinery
	1,952	–62	238	–	–	158	**1,970**	**829**	721	Other facilities, factory and office equipment
	–	–	–	–	–	–	**–**	**2,525**[2]	2,253	Advance payments made and construction in progress
	33,830	**–708**	**3,395**	**–**	**–**	**1,743**	**34,774**	**18,471**	**17,960**	**Property, plant and equipment**
	7,801	**–379**	**3,633**	**–**	**–**	**3,169**	**7,886**	**36,257**	**37,789**	**Leased products**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**2,767**	**2,546**	**Investments accounted for using the equity method**
	192	–3	–	–	–	–	**189**	**249**	308	Investments in non-consolidated subsidiaries
	484	–	–	–	–76	–	**408**	**412**	226	Participations
	2	–	–	–	–3	–	**–1**	**29**	26	Non-current marketable securities
	678	**–3**	**–**	**–**	**–79**	**–**	**596**	**690**	**560**	**Other investments**

	Depreciation and amortisation							Carrying amount		
	1.1.2016[1]	Translation differences	Current year	Reclassi-fications	Value adjustments	Disposals	31.12.2016	31.12.2016	31.12.2015	
	4,171	–	1,222	–	–	1,130	**4,263**	**7,221**	6,351	Development costs
	5	–	–	–	–	–	**5**	**364**	364	Goodwill
	797	3	181	–	–	58	**923**	**572**	657	Other intangible assets
	4,973	**3**	**1,403**	**–**	**–**	**1,188**	**5,191**	**8,157**	**7,372**	**Intangible assets**
	4,516	–28	320	4	–	26	**4,786**	**6,154**	5,915	Land, titles to land, buildings, including buildings on third party land
	25,891	–100	2,865	2	–	1,566	**27,092**	**8,832**	9,593	Plant and machinery
	1,942	9	218	–4	–	214	**1,951**	**721**	660	Other facilities, factory and office equipment
	2	–	–	–2	–	–	**–**	**2,253**[2]	1,591	Advance payments made and construction in progress
	32,351	**–119**	**3,403**	**–**	**–**	**1,806**	**33,829**	**17,960**	**17,759**	**Property, plant and equipment**
	7,308	**19**	**3,306**	**–**	**–**	**2,834**	**7,799**	**37,789**	**34,965**	**Leased products**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**2,546**	**2,233**	**Investments accounted for using the equity method**
	76	–	116	–	–	–	**192**	**308**	157	Investments in non-consolidated subsidiaries
	411	–	76	–	–	3	**484**	**226**	245	Participations
	2	–	–	–	–	–	**2**	**26**	26	Non-current marketable securities
	489	**–**	**192**	**–**	**–**	**3**	**678**	**560**	**428**	**Other investments**

19
Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle, module and architecture projects as well as subsidies for tool costs, licences, purchased development projects, software and purchased customer lists.

Other intangible assets include a brand-name right amounting to €41 million (2016: €42 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 year-on-year change is solely due to currency effects. Intangible assets also include goodwill of €33 million (2016: €33 million) allocated to the Automotive cash-generating unit (CGU) and goodwill of €347 million (2016: €331 million) allocated to the Financial Services CGU.

Intangible assets amounting to €41 million (2016: €42 million) are subject to restrictions on title.

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on intangible assets in 2017.

As in the previous year, no borrowing costs were recognised as a cost component of intangible assets in 2017.

20
Property, plant and equipment

No impairment losses were recognised in 2017, as in the previous year.

As in the previous year, no borrowing costs were recognised as a cost component of property, plant and equipment in 2017.

Property, plant and equipment include an amount of €94 million (2016: €107 million) relating to land and buildings, for which economic ownership is attributable to the BMW Group (finance leases). Leases to which BMW AG is party, with a carrying amount of €78 million (2016: €90 million), run for periods up to 2030 at the latest and contain price adjustment clauses in the form of index-linked rentals as well as extension and purchase options.

Minimum lease payments are as follows:

in € million	31.12.2017	31.12.2016
Total of future minimum lease payments		
due within one year	19	23
due between one and five years	73	73
due later than five years	100	127
	192	223
Interest portion of the future minimum lease payments		
due within one year	10	11
due between one and five years	32	36
due later than five years	40	50
	82	97
Present value of future minimum lease payments		
due within one year	9	12
due between one and five years	41	37
due later than five years	60	77
	110	126

21
Leased products

Minimum lease payments of non-cancellable operating leases amounting to €17,982 million (2016: €17,850 million) fall due as follows:

in € million	31.12.2017	31.12.2016
within one year	8,586	8,692
between one and five years	9,383	9,154
later than five years	13	4
Minimum lease payments	**17,982**	**17,850**

Contingent rents of €52 million (2016: €46 million), based principally on the distance driven, were recognised in income. The agreements have, in part, extension and purchase options.

Impairment losses amounting to €148 million (2016: €384 million) were recognised on leased products in 2017 as a consequence of changes in residual value expectations. No income was recognised in 2017 from the reversal of impairment losses (2016: € – million).

22
Investments accounted for using the equity method

Investments accounted for using the equity method comprise the joint venture BMW Brilliance Automotive Ltd. (BMW Brilliance), the joint ventures DriveNow GmbH & Co. KG and DriveNow Verwaltungs GmbH (DriveNow), the joint venture IONITY Holding GmbH & Co. KG (IONITY) and the interest in the associated company THERE Holding B.V. (THERE).

BMW Brilliance produces mainly BMW brand models for the Chinese market and also has engine manufacturing facilities, which supply the joint venture's two plants with petrol engines.

The BMW Group maintains the joint ventures DriveNow GmbH & Co. KG and DriveNow Verwaltungs GmbH together with Sixt SE, Pullach. DriveNow offers car-sharing services in major German cities and abroad. In January 2018, the BMW Group signed an agreement with Sixt SE for the complete acquisition of the shares in DriveNow. The agreement was signed subject to the approval of the antitrust authorities. DriveNow is valued at €418 million in total. Apart from a one-time positive earnings impact, the purchase is not expected to have a significant impact on the results of operations, financial position or net assets of the BMW Group.

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

In the financial year 2015, BMW AG, Daimler AG and AUDI AG, Ingolstadt (Audi AG) jointly acquired the mapping and location-based services business (HERE Group) of Nokia Corporation, Helsinki. HERE's digital maps are laying the foundations for the next generation of mobility and location-based services, providing the basis for new assistance systems and, ultimately, fully automated driving.

In December 2016, THERE signed contracts relating to the sale of shares in HERE International B.V., Amsterdam (HERE). The sale of 15 % of the shares to Intel Holdings B.V., Schiphol-Rijk was completed on 31 January 2017. The sale of the shares resulted in a loss of control, as defined by IFRS 10, at the level of THERE. For this reason, at 31 December 2016 THERE reported its investment in HERE as "held-for-sale". Since THERE continues to have a significant influence over HERE, the latter is included in THERE's consolidated financial statements as an associated company using the equity method. The loss of control and the subsequent deconsolidation of HERE and its subsidiaries led to a positive earnings effect at the level of THERE. The BMW Group portion amounted to €183 million, which was recognised in the result from equity accounted investments.

It was planned to sell a 10 % stake in HERE to a consortium consisting of NavInfo Co. Ltd., Beijing, Tencent Holdings Ltd., Shenzhen, and GIC Private Ltd. of Singapore. The sale will not be completed, however, as no practicable approach was found to obtain approval from the relevant authorities during a regulatory review process. The transaction will therefore not be pursued.

In December 2017, BMW AG, Audi AG and Daimler AG signed contracts for the sale of shares in THERE. It is planned to sell 5.9 % stakes each to Robert Bosch Investment Nederland B.V., Boxtel, and Continental Automotive Holding Netherlands B.V., Maastricht. The sale is to be executed in equal parts by BMW AG, Audi AG and Daimler AG. Completion of the transaction depends on approval from the relevant authorities and is expected to take place in the first quarter of 2018. The sale is expected to have no significant impact on the results of operations, financial position and net assets of the BMW Group.

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

	BMW Brilliance		THERE		DriveNow		IONITY	
in € million	2017	2016	2017	2016	2017	2016	2017	2016
DISCLOSURES RELATING TO THE INCOME STATEMENT								
Revenues	14,628	12,991	71*	1,240	71	58	–	–
Scheduled depreciation	637	486	–	52	–	–	–	–
Profit / loss before financial result	1,619	1,328	–1	–149	–17	–15	–12	–
Interest income	46	30	–	1	–	–	–	–
Interest expenses	–	2	–	22	–	–	–	–
Income taxes	454	363	–	3	–	–	2	–
Profit / loss after tax	1,337	1,031	362	–167	–17	–15	–10	–
thereof from continuing operations	–	–	–151	–1	–	–	–	–
thereof from discontinued operations	–	–	513	–166	–	–	–	–
Other comprehensive income	–121	30	2	–4	–	–	–	–
Total comprehensive income	1,216	1,061	364	–171	–17	–15	–10	–
Dividends received by the Group	258	134	–	–	–	–	–	–

* Revenues relate only to the month of January up to the time of loss of control of HERE.

	BMW Brilliance		THERE		DriveNow		IONITY	
in € million	2017	2016	2017	2016	2017	2016	2017	2016
DISCLOSURES RELATING TO THE BALANCE SHEET								
Non-current assets	5,910	5,779	1,906	2,802	–	–	4	–
Cash and cash equivalents	2,617	2,106	289	209	9	20	45	–
Current assets	5,212	4,405	289	592	26	33	46	–
Equity	5,377	4,678	2,195	1,832	4[1]	15[1]	40	–
Non-current financial liabilities	–	–	–	525	–	–	–	–
Non-current provisions and liabilities	962	670	–	1,044	–	–	–	–
Current financial liabilities	6	87	–	73	–	–	–	–
Current provisions and liabilities	4,783	4,835	–	518	22	18	10	–
RECONCILIATION OF AGGREGATED FINANCIAL INFORMATION								
Assets	11,122	10,183	2,195	3,394	26	33	50	–
Provisions and liabilities	5,745	5,505	–	1,562	22	18	10	–
Net assets	5,377	4,678	2,195	1,832	4	15	40	–
Group's interest in net assets	2,689	2,339	732	611	2[2]	10[2]	10	–
Eliminations	–666	–414	–	–	–	–	–	–
Carrying amount	2,023	1,925	732	611	2	10	10	–

[1] Corresponds to the consolidated equity capital provided by the shareholders of DriveNow GmbH & Co. KG and its subsidiaries.
[2] The BMW Group holds 52.8 % (2016: 67.2 %) of the net assets at 31 December 2017. Due to the allocation of voting power within the decision-making bodies of the two entities, operations remain subject to joint control.

23
Receivables from sales financing

Receivables from sales financing comprise the following:

in € million	31.12.2017	31.12.2016
Credit financing for retail customers and dealerships	62,401	61,602
Finance lease receivables	18,033	16,658
Receivables from sales financing	**80,434**	**78,260**

Non-guaranteed residual values that fall to the benefit of the lessor amounted to €140 million (2016: €118 million).

In December 2017, the Financial Services segment sold a multi-brand portfolio amounting to €939 million for strategic reasons.

Impairment allowances

in € million	31.12.2017	31.12.2016
Gross carrying amount of items with impairment allowances recognised on a specific-item basis	12,983	14,440
Impairment allowances recognised on a specific-item basis	–701	–934
thereof for finance lease receivables	–105	–141
Gross carrying amount of items with impairment allowances recognised on a group basis	59,588	52,951
Impairment allowances recognised on a group basis	–446	–467
Carrying amount without impairment allowances	9,010	12,270
Net carrying amount	**80,434**	**78,260**

Allowances on receivables from sales financing, which arise only within the Financial Services segment, developed as follows:

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

* Balance at 1 January adjusted due to initial consolidation of entities.

	2016		
	Allowance for impairment recognised on a		
in € million	specific item basis	group basis	Total
Balance at 1 January	963	535	1,498
Allocated (+)/reversed (–)	248	–25	223
Utilised	–304	–41	–345
Exchange rate impact and other changes	27	–2	25
Balance at 31 December	**934**	**467**	**1,401**

The estimated fair value of collateral for receivables on which impairment losses were recognised totalled €35,060 million (2016: €30,542 million) at the reporting date. This collateral related primarily to vehicles. The carrying amount of assets held as collateral and taken back as a result of payment default amounted to €45 million (2016: €153 million).

Finance leases are analysed as follows:

in € million	31.12.2017	31.12.2016
Gross investment in finance leases		
due within one year	6,122	5,921
due between one and five years	13,772	12,574
due later than five years	21	32
	19,915	18,527
Present value of future minimum lease payments		
due within one year	5,655	5,348
due between one and five years	12,358	11,278
due later than five years	20	32
	18,033	16,658
Unrealised interest income	1,882	1,869

24 Financial assets

Financial assets comprise:

in € million	31.12.2017	31.12.2016
Marketable securities and investment funds	5,447	5,287
Derivative instruments	4,341	3,922
Credit card receivables	248	287
Loans to third parties	114	129
Other	184	145
Financial assets	10,334	9,770
thereof non-current	2,369	2,705
thereof current	7,965	7,065

With effect from the financial year 2017, credit balances arising in conjunction with pre-retirement part-time working arrangements are secured by bank guarantees. For this reason, the corresponding assets are not reported at the balance sheet date. In the previous year, the amount by which the value of investment funds exceeded obligations for part-time working arrangements (€17 million) was reported under other financial assets.

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

in € million	31.12.2017	31.12.2016
Fixed income securities	4,662	4,449
Stocks and other equity capital instruments	534	734
Other debt securities	251	104
Marketable securities and investment funds	5,447	5,287

The contracted maturities of debt securities are as follows:

in € million	31.12.2017	31.12.2016
Fixed income securities		
due within three months	628	780
due later than three months	4,034	3,669
Other debt securities		
due within three months	251	104
due later than three months	–	–
Debt securities	4,913	4,553

Allowances for impairment and credit risk

Receivables relating to credit card business comprise the following:

in € million	31.12.2017	31.12.2016
Gross carrying amount	258	296
Allowance for impairment	–10	–9
Net carrying amount	**248**	**287**

Allowances for impairment losses on receivables relating to credit card business developed as follows during the year under report:

	2017		
	Allowance for impairment recognised on a		
in € million	specific item basis	group basis	Total
Balance at 1 January	9	–	9
Allocated (+)/reversed (–)	11	–	11
Utilised	–9	–	–9
Exchange rate impact and other changes	–1	–	–1
Balance at 31 December	**10**	**–**	**10**

	2016		
	Allowance for impairment recognised on a		
in € million	specific item basis	group basis	Total
Balance at 1 January	8	–	8
Allocated (+)/reversed (–)	8	–	8
Utilised	–8	–	–8
Exchange rate impact and other changes	1	–	1
Balance at 31 December	**9**	**–**	**9**

25
Income tax assets

Income tax assets totalling €1,566 million (2016: €1,938 million) include claims amounting to €364 million (2016: €351 million), which are expected to be settled after more than one year. Claims may be settled earlier than this depending on the timing of proceedings.

26
Other assets

Other assets comprise:

in € million	31.12.2017	31.12.2016
Prepayments	2,018	1,914
Other taxes	1,537	1,135
Receivables from companies in which an investment is held	1,334	1,217
Expected reimbursement claims	847	779
Collateral receivables	316	387
Receivables from subsidiaries	276	422
Sundry other assets	832	828
Other assets	**7,160**	**6,682**
thereof non-current	1,635	1,595
thereof current	5,525	5,087

Prepayments relate mainly to prepaid interest, commission paid to dealerships and amounts paid in advance to suppliers and contract manufacturers. Prepayments of €1,136 million (2016: €1,018 million) have a maturity of less than one year.

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

27 Inventories

Inventories comprise the following:

in € million	31.12.2017	31.12.2016
Finished goods and goods for resale	10,436	9,684
Work in progress, unbilled contracts	1,125	1,157
Raw materials and supplies	1,146	1,000
Inventories	**12,707**	**11,841**

Out of the total amount recognised for inventories at 31 December 2017, inventories measured at net realisable value amounted to €541 million (2016: €871 million). Write-downs to net realisable value amounting to €27 million (2016: €101 million) were recognised in 2017.

The expense recorded in conjunction with inventories during the financial year 2017 amounted to €55,969 million (2016: €55,129 million).

28 Trade receivables

Trade receivables comprise the following:

in € million	31.12.2017	31.12.2016
Gross carrying amount	2,723	2,882
Allowance for impairment	–56	–57
Net carrying amount	**2,667**	**2,825**

Impairment allowances on trade receivables developed during the year under report as follows:

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

	2016		
	Allowance for impairment recognised on a		
in € million	specific item basis	group basis	Total
Balance at 1 January	84	12	**96**
Allocated (+) / reversed (–)	–21	–	**–21**
Utilised	–19	–1	**–20**
Exchange rate impact and other changes	2	–	**2**
Balance at 31 December	**46**	**11**	**57**

In addition, trade receivables exist which are overdue but for which no impairment allowance has been recognised. Receivables that are overdue by between one and 30 days do not normally result in bad debt losses since the overdue nature of the receivables is mainly due to the timing of receipts. Overdue balances fall into the following time windows:

in € million	31.12.2017	31.12.2016
1–30 days overdue	187	174
31–60 days overdue	43	23
61–90 days overdue	19	29
91–120 days overdue	25	17
More than 120 days overdue	75	64
Balance at 31 December	**349**	**307**

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.

29
Equity
Number of shares issued

	Preferred stock		Common stock	
	2017	2016	2017	2016
Shares issued / in circulation at 1 January	55,114,404	54,809,404	601,995,196	601,995,196
Shares issued in conjunction with Employee Share Programme	491,114	305,029	–	–
Less: shares repurchased and re-issued	114	29	–	–
Shares issued / in circulation at 31 December	55,605,404	55,114,404	601,995,196	601,995,196

All Company stock is issued to bearer and each share has a par value of €1.00. Preferred stock, to which no voting rights are attached, bear an additional dividend of €0.02 per share.

In 2017, a total of 491,114 shares of preferred stock was sold to employees at a reduced price of €55.05 per share in conjunction with the Company's Employee Share Programme. These shares are entitled to receive dividends for the first time with effect from the financial year 2018.

Issued share capital increased by €0.5 million as a result of the issue to employees of 491,000 shares of non-voting preferred stock. BMW AG is authorised up to 14 May 2019 to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million. At the end of the reporting period, 3.7 million of these shares amounting to nominal €3.7 remained available for issue.

In addition, 114 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 €2,084 million (2016: €2,047 million). The change related to the share capital increase arising in conjunction with the issue of shares of preferred stock to employees amounting to €37 million.

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

It is proposed that the unappropriated profit of BMW AG for the financial year 2017 amounting to €2,630 million according to HGB be utilised as follows:

- Distribution of a dividend of €4.02 per share of preferred stock (€222 million).
- Distribution of a dividend of €4.00 per share of common stock (€2,408 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 and 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 its 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	31.12.2017	31.12.2016
Equity attributable to shareholders of BMW AG	54,112	47,108
Proportion of total capital	36.4 %	32.5 %
Non-current financial liabilities	53,548	55,405
Current financial liabilities	41,100	42,326
Total financial liabilities	94,648	97,731
Proportion of total capital	63.6 %	67.5 %
Total capital	**148,760**	**144,839**

The equity ratio attributable to shareholders of BMW AG increased during the financial year by 3.9 percentage points, primarily reflecting the increase in revenue reserves.

30 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. Pension commitments in Germany are mostly covered by assets contributed to BMW Trust e.V., Munich, in conjunction with a contractual trust arrangement (CTA). Funded plans also exist in the UK, the USA, Switzerland, Belgium and Japan. In the meantime, most 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. The following weighted average values have been used for Germany, the United Kingdom and other countries:

	Germany		United Kingdom		Other	
in %	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Discount rate	**1.79**	1.80	**2.34**	2.51	**3.13**	3.70
Pension level trend	**1.82**	1.78	**2.44**	2.55	**–**	–
Weighted duration of all pension obligations in years	**20.8**	21.3	**21.3**	20.9	**18.3**	17.6

The following mortality tables are applied in countries, in which the BMW Group has significant defined benefit plans:

Germany	Mortality Table 2005 G issued by Prof. K. Heubeck (with invalidity rates reduced by 50 %)
United Kingdom	S2PA tables and S2PA light tables with weightings

In Germany, the so-called "pension entitlement trend" (Festbetragstrend) also represents a significant actuarial assumption for the purposes of determining benefits payable at retirement and was left unchanged at 2.0 %.

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	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Present value of defined benefit obligations	**11,641**	11,112	**9,594**	10,311	**1,475**	1,476	**22,710**	22,899
Fair value of plan assets	**9,604**	8,643	**8,908**	8,714	**965**	958	**19,477**	18,315
Effect of limiting net defined benefit asset to asset ceiling	**–**	–	**–**	–	**3**	3	**3**	3
Carrying amounts at 31 December	**2,037**	**2,469**	**686**	**1,597**	**513**	**521**	**3,236**	**4,587**
thereof pension provision	**2,037**	2,469	**702**	1,597	**513**	521	**3,252**	4,587
thereof assets	**–**	–	**–16**	–	**–**	–	**–16**	–

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

The most significant of the BMW Group's pension plans are described below.

Germany
Both employer- and employee-funded benefit plans exist in Germany. Benefits paid in conjunction with these plans comprise old-age retirement pensions as well as invalidity and surviving dependants' benefits.

The defined benefit plans have been closed to new entrants. With effect from 1 January 2014, new employees receive a defined contribution entitlement with a minimum rate of return. In addition, employees are given the option of transferring deferred remuneration to a "deferred remuneration retirement plan". The fact that the plan involves a minimum rate of return means that both the defined contribution entitlement and the deferred remuneration retirement plan 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 administered 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, senior executives and members of the Board of Directors. 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
In the United Kingdom, the BMW Group has defined benefit plans, which are primarily employer-funded combined with employee-funded components based on the conversion of employee remuneration. These plans are subject to statutory minimum funding requirements. Benefits paid in conjunction with these plans comprise old-age retirement pensions as well as invalidity and surviving dependants' benefits. On 30 September 2017, the defined benefit plans were closed for all plan participants, with vested benefits remaining in place. New benefits will be covered by contributions made to a defined contribution plan.

The pension plans are administered by BMW Pension Trustees Limited, Hams Hall, and BMW (UK) Trustees Limited, Hams Hall, both trustee companies which act independently of the BMW Group. BMW (UK) Trustees Limited, Hams Hall, is represented by nine trustees, and BMW Pension Trustees Limited, Hams Hall, 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 are determined in agreement with the BMW Group.

The **change in the net defined benefit liability for pension plans** can be derived as follows:

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

in € million	Defined benefit obligation	Plan assets	Total	Limitation of the net defined benefit asset to the asset ceiling	Net defined benefit liability
1 January 2016	19,926	–16,930	**2,996**	3	**2,999**
EXPENSE/INCOME					
Current service cost	557	–	**557**	–	**557**
Interest expense (+) / income (–)	557	–479	**78**	–	**78**
Past service cost	–171	–	**–171**	–	**–171**
Gains (–) or losses (+) arising from settlements	–8	–	**–8**	–	**–8**
REMEASUREMENTS					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	–1,836	**–1,836**	–	**–1,836**
Gains (–) or losses (+) arising from changes in financial assumptions	4,093	–	**4,093**	–	**4,093**
Gains (–) or losses (+) arising from changes in demographic assumptions	–40	–	**–40**	–	**–40**
Gains (–) or losses (+) arising from experience adjustments	–118	–	**–118**	–	**–118**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	–	**–**
Transfers to fund	–	–827	**–827**	–	**–827**
Employee contributions	85	–85	**–**	–	**–**
Pensions and other benefits paid	–643	676	**33**	–	**33**
Translation differences and other changes	–1,339	1,166	**–173**	–	**–173**
31 December 2016	**22,899**	**–18,315**	**4,584**	**3**	**4,587**
thereof pension provision					**4,587**
thereof assets					**–**

Allocations to pension plans in the financial year 2017 include a transfer from plan assets for pre-retirement part-time working arrangements to plan assets for pension plans amounting to €353 million.

Group Financial Statements

Notes to the Group Financial Statements

→ Notes to the Balance Sheet

Gains on plan settlements resulted from the closure of defined benefit plans in the UK. Vested benefits from these plans will be increased in line with inflation in the future. Compensation amounting to €140 million was paid in conjunction with the closure of the plans. The net gain arising on plan settlement amounted to €72 million.

Depending on the cash flow profile and risk structure of the pension obligations involved, pension plan assets are invested in various investment classes.

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

in € million	Germany 2017	Germany 2016	United Kingdom 2017	United Kingdom 2016	Other 2017	Other 2016	Total 2017	Total 2016
COMPONENTS OF PLAN ASSETS								
Equity instruments	1,682	1,726	478	611	222	235	2,382	2,572
Debt instruments	5,668	5,439	6,354	6,071	469	458	12,491	11,968
thereof investment grade	3,231	3,752	5,734	5,564	434	422	9,399	9,738
thereof non-investment grade	2,437	1,687	620	507	35	36	3,092	2,230
Real estate funds	–	–	–	–	93	25	93	25
Money market funds	–	–	191	26	42	11	233	37
Absolute return funds	–	–	51	82	–	–	51	82
Other	–	–	–	–	5	5	5	5
Total with quoted market price	**7,350**	**7,165**	**7,074**	**6,790**	**831**	**734**	**15,255**	**14,689**
Debt instruments	935	543	404	408	1	3	1,340	954
thereof investment grade	198	195	–	2	–	1	198	198
thereof mixed funds (funds without a rating)	737	348	404	179	–	–	1,141	527
thereof non-investment grade	–	–	–	227	1	2	1	229
Real estate	240	183	662	697	–	123	902	1,003
Cash and cash equivalents	16	17	10	9	1	1	27	27
Absolute return funds	708	419	617	745	47	46	1,372	1,210
Other	354	316	141	65	86	51	581	432
Total without quoted market price	**2,253**	**1,478**	**1,834**	**1,924**	**135**	**224**	**4,222**	**3,626**
31 December	**9,603**	**8,643**	**8,908**	**8,714**	**966**	**958**	**19,477**	**18,315**

Employer contributions to plan assets are expected to amount to €573 million in the coming year.

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

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

in %	Germany		United Kingdom		Other	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Current employees	66.6	67.3	23.9	26.7	78.5	79.1
Pensioners	28.3	27.8	45.0	43.1	17.8	17.5
Former employees with vested benefits	5.1	4.9	31.1	30.2	3.7	3.4
Defined benefit obligation	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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

It is only possible, however, 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			
		31.12.2017		31.12.2016	
		in € million	in %	in € million	in %
Discount rate	increase of 0.75 %	–3,055	–13.5	–2,939	–12.8
	decrease of 0.75 %	3,878	17.1	4,031	17.6
Pension level trend	increase of 0.25 %	712	3.1	747	3.3
	decrease of 0.25 %	–672	–3.0	–713	–3.1
Average life expectancy	increase of 1 year	856	3.8	853	3.7
	decrease of 1 year	–855	–3.8	–854	–3.7
Pension entitlement trend	increase of 0.25 %	162	0.7	165	0.7
	decrease of 0.25 %	–155	–0.7	–158	–0.7

In the UK, the sensitivity analysis for the pension level trend also takes account of restrictions due to caps and floors.

31
Other provisions

Other provisions changed during the year as follows:

in € million	1.1.2017	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2017	thereof due within one year
Statutory and non-statutory warranty obligations, product guarantees	4,813	–307	2,221	43	–1,875	–70	4,825	1,300
Obligations for personnel and social expenses	2,191	–19	2,261	–	–1,624	–27	2,782	1,933
Other obligations	2,200	–81	1,110	–	–459	–247	2,523	1,738
Other obligations for ongoing operational expenses	1,714	–119	755	–	–614	–116	1,620	1,342
Other provisions	**10,918**	**–526**	**6,347**	**43**	**–4,572**	**–460**	**11,750**	**6,313**

Depending on when claims occur, it is possible that the BMW Group may be called upon to fulfil the warranty or guarantee obligations over the whole period of the warranty or guarantee. Expected reimbursement claims at 31 December 2017 amounted to €847 million (2016: €779 million).

Provisions for obligations for personnel and social expenses comprise mainly performance-related remuneration components, early retirement part-time working arrangements and employee long-service awards.

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

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

Income from the reversal of other provisions amounting to €322 million (2016: €480 million) is recorded in cost of sales and in selling and administrative expenses.

32
Income tax liabilities

Current income tax liabilities totalling €1,124 million (2016: €1,074 million) include liabilities of €68 million (2016: €33 million) which are expected to be settled after more than twelve months. Liabilities may be settled earlier than this depending on the timing of proceedings.

33
Financial liabilities

Financial liabilities of the BMW Group comprises the following:

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

in € million	31.12.2016			
	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	9,242	25,496	9,683	**44,421**
Asset-backed financing transactions	6,765	9,709	–	**16,474**
Liabilities from customer deposits (banking)	10,063	3,316	133	**13,512**
Liabilities to banks	10,251	3,997	644	**14,892**
Commercial paper	3,852	–	–	**3,852**
Derivative instruments	1,656	1,496	179	**3,331**
Other	497	130	622	**1,249**
Financial liabilities	**42,326**	**44,144**	**11,261**	**97,731**

Customer deposit liabilities arise in the BMW Group's own banks, notably in Germany and the USA, which offer deposit and investment products.

Liabilities related to financing activities can be reconciled as follows:

in € million	1.1.2017	Cash inflows/outflows	Changes due to the acquisition or disposal of companies	Changes due to exchange rate factors	Changes in fair values	Other changes	31.12.2017
Bonds	44,421	2,687	–	–1,901	–328	1	**44,880**
Asset-backed financing transactions	16,474	1,338	–	–957	–	–	**16,855**
Liabilities from customer deposits (banking)	13,512	656	–	–596	–	–	**13,572**
Liabilities to banks	14,892	–1,579	–	–655	–	–	**12,658**
Commercial paper	3,852	953	–	–344	–	–	**4,461**
Financial liabilities towards companies in which an investment is held	615	124	–	–	–	–	**739**
Other (excluding interest payable)	811	–156	151	–88	–	–	**718**
Liabilities relating to financing activities	**94,577**	**4,023**	**151**	**–4,541**	**–328**	**1**	**93,883**

Bonds comprise:

Issuer	Interest	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in years)	Weighted average nominal interest rate (in %)
	variable	EUR 6,519 million	2.1	0.0
	variable	GBP 220 million	1.1	0.6
	variable	USD 40 million	2.0	2.1
	fixed	AUD 490 million	5.9	3.8
	fixed	USD 300 million	4.0	2.6
	fixed	CNH 1,300 million	3.0	4.3
	fixed	EUR 17,450 million	6.8	1.5
	fixed	GBP 1,900 million	6.2	2.3
	fixed	HKD 1,842 million	4.2	2.0
	fixed	JPY 19,100 million	5.8	0.4
	fixed	NOK 2,400 million	3.8	1.9
BMW Finance N.V.	fixed	SEK 1,750 million	5.0	1.9
	variable	EUR 1,500 million	3.0	0.1
	variable	NZD 30 million	3.0	1.9
	variable	USD 958 million	3.9	1.4
	fixed	AUD 130 million	3.5	2.8
	fixed	EUR 2,500 million	7.6	3.2
	fixed	GBP 300 million	5.0	2.0
	fixed	HKD 334 million	3.0	2.0
	fixed	JPY 30,000 million	3.0	0.2
BMW US Capital, LLC	fixed	USD 9,270 million	6.1	2.1
	variable	CAD 300 million	3.0	2.2
BMW Canada Inc.	fixed	CAD 1,850 million	4.2	2.0
	variable	AUD 500 million	3.0	2.5
	variable	GBP 925 million	1.8	0.8
	fixed	CNY 2,000 million	3.0	3.3
	fixed	INR 8,000 million	2.0	8.0
	fixed	GBP 250 million	4.5	1.1
Other	fixed	KRW 380,000 million	3.6	2.7

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 1,125 million	60	– 0.4
BMW International Investment B.V.	GBP 450 million	59	0.5
BMW US Capital, LLC	USD 3,325 million	22	1.4
BMW India Financial Services Private Ltd.	INR 4,500 million	155	7.1

34
Other liabilities

Other liabilities comprise the following items:

in € million	31.12.2017 Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Deferred income	2,427	4,276	471	**7,174**
Advance payments from customers	934	122	–	**1,056**
Other taxes	934	–	–	**934**
Deposits received	505	346	5	**856**
Payables to other companies in which an investment is held	744	–	–	**744**
Payables to subsidiaries	129	–	–	**129**
Social security	75	23	–	**98**
Other	5,031	160	7	**5,198**
Other liabilities	**10,779**	**4,927**	**483**	**16,189**

in € million	31.12.2016 Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Deferred income	2,599	4,238	419	**7,256**
Advance payments from customers	847	130	–	**977**
Other taxes	807	–	–	**807**
Deposits received	501	387	5	**893**
Payables to other companies in which an investment is held	615	–	–	**615**
Payables to subsidiaries	99	–	–	**99**
Social security	71	21	–	**92**
Other	4,659	147	10	**4,816**
Other liabilities	**10,198**	**4,923**	**434**	**15,555**

Sundry other liabilities include mainly bonuses for services already performed as well as sales promotions, commission payable and credit balances on customers' accounts.

Deferred income comprises the following items:

in € million	31.12.2017 Total	31.12.2017 thereof due within one year	31.12.2016 Total	31.12.2016 thereof due within one year
Deferred income relating to service contracts	4,167	1,371	4,412	1,474
Deferred income from lease financing	2,361	973	2,241	1,037
Grants	332	28	382	30
Other deferred income	314	55	221	58
Deferred income	**7,174**	**2,427**	**7,256**	**2,599**

Deferred income relating to service contracts comprises service and repair work as well as telematics services and roadside assistance agreed to as part of the sale of a vehicle (in some cases multi-component arrangements). Deferred income from lease financing relates primarily to down payments on leases.

Grants comprise mainly public sector funds to support regional structures and which have been invested in the production plants in Brazil, Mexico, Leipzig and Berlin. The grants are partly subject to holding periods for the assets concerned of up to five years and/or minimum employment figures. Grant income is recognised in the income statement over the useful lives of the assets to which they relate.

35
Trade payables

Trade payables have the following maturities:

in € million	31.12.2017	31.12.2016
Maturity within one year	9,731	8,512
Maturity between one and five years	–	–
Maturity later than five years	–	–
Trade payables	**9,731**	**8,512**

OTHER DISCLOSURES

36
Contingent liabilities and other financial commitments

Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	31.12.2017	31.12.2016
Investment subsidies	399	26
Litigation	204	199
Guarantees*	10	11
Other	203	249
Contingent liabilities	**816**	**485**

* Prior year's figure has been adjusted.

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 information available at the reporting date. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. A part of risks is covered by insurance.

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

In July 2017, cartel allegations against five German car manufacturers appeared in the press. The BMW Group subsequently launched an internal investigation, which has not yet been completed. In October 2017, the European Commission began an inspection at the BMW Group. A number of class action lawsuits were brought in the USA and Canada. Possible risks for the BMW Group cannot be quantified at present; further disclosures pursuant to IAS 37.86 cannot be provided at present.

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

Other financial commitments

In addition to liabilities, provisions and contingent liabilities, other financial commitments consist in particular of rental and leasing contracts for buildings, property, machinery, tools, offices and other facilities. Contracts have a term of between one and 84 years and include in part renewal and purchase options or price adjustments in the form of index-linked or graduated rent, for example to compensate inflation.

In 2017, an expense amounting to €430 million (2016: €432 million) was recognised for payments on operating leases.

The total minimum future leasing payments from uncancellable rental contracts and operating leases is represented by maturity as follows:

in € million	31.12.2017	31.12.2016
due within one year	446	447
due between one and five years	1,179	1,102
due later than five years	849	895
Other financial obligations	**2,474**	**2,444**

In addition, the following commitments exist for the BMW Group at the reporting date:

in € million	31.12.2017	31.12.2016
Purchase commitments for property, plant and equipment	4,137	3,141
Purchase commitments for intangible assets	1,804	1,363

37
Financial instruments

The carrying amounts of financial instruments are assigned to IAS 39 categories and cash funds as follows:*

in € million	Cash funds 31.12.2017	Cash funds 31.12.2016	Loans and receivables 31.12.2017	Loans and receivables 31.12.2016	Available for sale 31.12.2017	Available for sale 31.12.2016
ASSETS						
Other investments	–	–	–	–	366	534
Receivables from sales financing	–	–	80,434	78,260	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	–	–	5,447	5,287
Loans to third parties	–	–	112	129	–	–
Credit card receivables	–	–	248	287	–	–
Other	–	–	184	145	–	–
Cash and cash equivalents	9,039	7,880	–	–	–	–
Trade receivables	–	–	2,667	2,825	–	–
Other assets						
Receivables from subsidiaries	–	–	276	422	–	–
Receivables from companies in which an investment is held	–	–	1,334	1,217	–	–
Collateral receivables	219	287	–	–	97	100
Other	–	–	1,108	1,124	–	–
Total	**9,258**	**8,167**	**86,363**	**84,409**	**5,910**	**5,921**
LIABILITIES						
Financial liabilities						
Bonds	–	–	–	–	–	–
Liabilities to banks	–	–	–	–	–	–
Liabilities from customer deposits (banking)	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Asset-backed financing transactions	–	–	–	–	–	–
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Other	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Other liabilities						
Payables to subsidiaries	–	–	–	–	–	–
Payables to other companies in which an investment is held	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**

* The carrying amounts of cash flow and fair value hedges are allocated to the category "Held for trading" for the sake of clarity.

	Fair value option		Other liabilities		Held for trading	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
ASSETS						
Other investments	29	26	–	–	–	–
Receivables from sales financing	–	–	–	–	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	2,187	1,758
Fair value hedges	–	–	–	–	814	949
Other derivative instruments	–	–	–	–	1,340	1,215
Marketable securities and investment funds	–	–	–	–	–	–
Loans to third parties	2	–	–	–	–	–
Credit card receivables	–	–	–	–	–	–
Other	–	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	–	–
Trade receivables	–	–	–	–	–	–
Other assets						
Receivables from subsidiaries	–	–	–	–	–	–
Receivables from companies in which an investment is held	–	–	–	–	–	–
Collateral receivables	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**31**	**26**	**–**	**–**	**4,341**	**3,922**
LIABILITIES						
Financial liabilities						
Bonds	–	–	44,880	44,421	–	–
Liabilities to banks	–	–	12,658	14,892	–	–
Liabilities from customer deposits (banking)	–	–	13,572	13,512	–	–
Commercial paper	–	–	4,461	3,852	–	–
Asset-backed financing transactions	–	–	16,855	16,474	–	–
Derivative instruments						
Cash flow hedges	–	–	–	–	190	1,694
Fair value hedges	–	–	–	–	571	870
Other derivative instruments	–	–	–	–	329	767
Other	–	–	1,132	1,249	–	–
Trade payables	–	–	9,731	8,512	–	–
Other liabilities						
Payables to subsidiaries	–	–	129	99	–	–
Payables to other companies in which an investment is held	–	–	744	615	–	–
Other	–	–	5,949	5,535	–	–
Total	**–**	**–**	**110,111**	**109,161**	**1,090**	**3,331**

The following table shows the fair values and carrying amounts of financial assets and liabilities that are measured at cost or amortised cost and whose carrying amounts differ from their fair value. For some balance sheet items it is assumed, due to their generally short maturity, that their fair value corresponds to the carrying amount.

in € million	31.12.2017 Fair value	31.12.2017 Carrying amount	31.12.2016 Fair value	31.12.2016 Carrying amount
Receivables from sales financing	83,853	80,434	81,621	78,260
Bonds	45,566	44,880	45,140	44,421
Liabilities to banks	12,724	12,658	14,942	14,892
Liabilities from customer deposits (banking)	13,588	13,572	13,545	13,512
Asset-backed financing transactions	17,005	16,855	16,556	16,474

Fair value measurement of financial instruments

The following interest rate curves were used to discount financial instruments at 31 December 2017:

in %	ISO Code EUR	USD	GBP	JPY	CNY
Interest rate for six months	–0.33	1.82	0.86	–0.08	4.87
Interest rate for one year	–0.26	1.88	0.65	0.03	4.71
Interest rate for five years	0.32	2.24	1.04	0.12	4.74
Interest rate for ten years	0.91	2.40	1.29	0.33	4.88

Interest rates taken from interest rate curves were adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument.

Commodity derivatives were measured on the basis of the following quoted market prices:

Raw material		31.12.2017	31.12.2016
Copper	USD/t	7,212.25	5,537.00
Aluminium	USD/t	2,258.75	1,695.13
Palladium	USD/oz	1,057.00	680.96
Platinum	USD/oz	925.00	903.50
Coking coal	USD/t	265.00	230.00
Iron ore	USD/t	72.40	79.65

Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 13. This includes financial instruments that are

1. measured at their fair values in an active market for identical financial instruments (Level 1),

2. measured at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (Level 2), or

3. using input factors not based on observable market data (Level 3).

The following table shows the amounts allocated to each measurement level at the end of the reporting period:

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

	31.12.2016		
	Level hierarchy in accordance with IFRS 13		
in € million	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral assets – available-for-sale	5,387	–	–
Other investments – available-for-sale / fair value option	213	–	–
Loans to third parties	–	–	–
Derivative instruments (assets)			
Interest rate risks	–	1,933	–
Currency risks	–	1,842	–
Raw materials price risks	–	147	–
Other risks	–	–	–
Derivative instruments (liabilities)			
Interest rate risks	–	1,402	–
Currency risks	–	1,479	–
Raw materials price risks	–	450	–

As in the previous year, there were no reclassifications within the level hierarchy during the financial year 2017.

In situations where a fair value was required for disclosure purposes only, this was determined using the discounted cash flow method and taking account of the BMW Group's own credit risk. For this reason, the fair values calculated can be allocated to Level 2.

Financial instruments recognised at fair value for which no market price is available are allocated to Level 3. Fair values are determined in accordance with the following table:

in € million	Fair value 31.12.2017	Valuation method	Input Parameter
Unquoted equity instruments	105	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
			Contractual rights by share class
Convertible bonds	2	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
			Contractual rights by share class
Options on unquoted equity instruments	2	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
		Consideration of exercise price	Contractual rights by share class
			Exercise price

Level 3 financial assets relate to investments within a private equity fund that was newly established during the financial year under report. Private equity companies are valued on the basis of net asset value, which is determined using relevant information that is not available in the public domain. The fund manager assesses the underlying individual companies in accordance with the guidelines for international private equity and venture capital valuations (IPEV). Detailed listing and quantification of potential sensitivities of the input parameters is not considered meaningful in view of the valuation methodology applied. An increase in input parameters would generally also lead to a similar increase in valuation.

The balance sheet carrying amount of Level 3 financial instruments developed as follows:

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

No Level 3 financial instruments existed at the end of the previous financial year.

Offsetting of financial instruments

In the BMW Group, offsetting of financial assets and liabilities relating to derivative financial instruments is generally to be considered. No offsetting is recognised in the financial statements, however, as the necessary criteria are not met. Since legally enforceable master netting agreements or similar contracts are in place, actual offsetting would be possible in principle, for instance in the case of insolvency. Offsetting would have the following impact on the carrying amounts of derivatives:

in € million	31.12.2017 Reported on assets side	31.12.2017 Reported on equity and liabilities side	31.12.2016 Reported on assets side	31.12.2016 Reported on equity and liabilities side
Balance sheet amounts as reported	4,341	1,090	3,922	3,331
Gross amount of derivatives which can be offset in case of insolvency	–835	–835	–1,169	–1,169
Net amount after offsetting	3,506	255	2,753	2,162

Gains and losses on financial instruments

The following table shows the net gains and losses arising for each of the categories of financial instrument defined by IAS 39:

in € million	2017	2016
Held for trading		
Gains / losses from the use of derivative instruments	961	1,265
Fair value option		
Gains / losses on investments measured at fair value through profit and loss	3	–
Available-for-sale		
Gains and losses on sale and fair value measurement of marketable securities held for sale (including investments in subsidiaries and participations measured at cost)	48	–155
Net income from participations and investments in subsidiaries	14	13
Accumulated other equity		
Balance at 1 January	52	24
Total change during the year	41	28
thereof recognised in the income statement during the period under report	–44	–39
Balance at 31 December	93	52
Loans and receivables		
Impairment losses / reversals of impairment losses	–162	–210
Other income / expenses	–94	–38
Other liabilities		
Income / expenses	162	586

Gains/losses from the use of derivatives relate primarily to fair value gains or losses arising on stand-alone derivatives.

In the case of financial instruments for which the fair value option is applied, no significant changes in fair values arose in the financial year 2017 or on an accumulated basis which were attributable to changes in the default risk. Such credit-risk related changes in fair values are calculated as a general rule by deducting changes relating to the market risk from the change in fair value.

Net interest expenses from interest rate and interest rate/currency swaps amounted to €108 million (2016: €120 million).

No impairment losses were recorded in the income statement during the year under report (2016: €76 million) on available-for-sale marketable securities reported as investments for which value changes are recognised directly in equity. Reversals of impairment losses on marketable securities reported as investments amounting to €67 million (2016: € – million) were recognised directly in equity.

The disclosure of interest income resulting from the unwinding of discount on future expected receipts applies at BMW Group only where assets have been discounted as part of the process of determining impairment losses of financial assets. Due to the assumption that the major part of income that is subsequently recovered is received within one year, the discounted interest is considered insignificant and is not taken into account in determining impairment losses.

Cash flow hedges

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

in € million	2017	2016
Balance at 1 January	78	–1,337
Total changes during the year	1,437	1,415
thereof reclassified to the income statement	–103	550
Balance at 31 December	**1,515**	**78**

Fair value gains and losses recognised on derivatives and recorded initially in accumulated other equity are reclassified to cost of sales when the derivatives mature.

No effects were recognised in financial result in 2017 in connection with forecasting errors and resulting overhedging (2016: losses of €2 million). Gains due to the ineffective portion of cash flow hedges amounting to €17 million were recognised in financial result (2016: losses of €11 million). As in the previous year, no effects were recognised in financial result in connection with forecasting errors relating to cash flow hedges for commodities. Losses attributable to the ineffective portion of cash flow hedges amounting to €1 million were recognised in financial result (2016: gains of €17 million).

At 31 December 2017, the BMW Group held derivative financial instruments (mainly forward currency contracts) in order to hedge currency risks attached to future or existing transactions. These derivative instruments are intended to hedge forecast sales denominated in a foreign currency over the coming 32 months (2016: 44 months). The income statement impact of the hedged cash flows will be recognised as a general rule in the same periods in which external revenues are recognised. It is expected that €336 million of net gains, recognised in equity at the end of the reporting period, will be reclassified to profit and loss in the new financial year (2016: net losses of €113 million).

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

At 31 December 2017, the BMW Group held derivative financial instruments, mainly commodity swaps, with terms of up to 46 months (2016: 58 months) to hedge raw materials price risks. The income statement impact of the hedged cash flows will be recognised as a general rule in the same periods in which the derivative instruments mature. It is expected that €55 million of net gains, recognised in equity at the end of the reporting period, will be reclassified to profit and loss in the new financial year (2016: net losses of €94 million).

Fair value hedges

The following table shows gains and losses from fair value hedge relationships on hedging instruments and hedged items:

in € million	31.12.2017	31.12.2016
Gains / losses on hedging instruments designated as part of a fair value hedge relationship	–335	–158
Gains / losses from hedged items	328	134
Ineffectiveness of fair value hedges	**–7**	**–24**

The difference between the gains/losses on hedging instruments, mainly interest rate swaps and combined interest rate/currency swaps, and the results recognised on the underlying hedged items represents the ineffective portion of fair value hedges.

Credit risk

Notwithstanding the existence of collateral, the carrying amounts of financial assets generally take account of the maximum credit risk arising from the possibility that counterparties will not be able to fulfil their contractual obligations. The maximum credit risk for irrevocable credit commitments amounts to €1,217 million for the credit card business (2016: €1,461 million) and €27,953 million (2016: €27,494 million) for dealership financing.

In the case of all relationships underlying primary 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.

Within the financial services business, in the retail customer and dealership areas, financed items, for example vehicles, equipment and property, serve as first-ranking collateral with a recoverable value. Security is also put up in the form of collateral asset pledges, asset assignment and first-ranking mortgages, supplemented where appropriate by warranties and guarantees. If an item previously accepted as collateral is acquired, it undergoes a multi-stage process of repossession and disposal in accordance with the legal situation prevailing in the relevant market. As the assets involved are mainly vehicles, they can be converted into cash at any time through the dealership organisation.

Impairment losses are recorded as soon as credit risks are identified on individual financial assets, using a methodology specifically designed by the BMW Group. More detailed information regarding this methodology is provided in the section on accounting policies → note 4.

→ see note 4

Creditworthiness testing is an important aspect of the BMW Group's credit risk management. Every borrower's creditworthiness is tested for all credit financing and lease contracts entered into by the BMW Group. In the case of retail customer financing, creditworthiness is assessed using validated scoring systems integrated into the acquisition process. In the area of dealership financing, creditworthiness is assessed by means of ongoing credit monitoring and an internal rating system that takes account not only of the material credit standing of the borrower, but also of qualitative factors such as past reliability in business relations.

The credit risk relating to derivative financial instruments is minimised by the fact that the Group only enters into such contracts with parties of first-class credit standing. The general credit risk on derivative financial instruments utilised by the BMW Group is therefore considered to be insignificant.

A concentration of credit risk with particular borrowers or groups of borrowers has not been identified in conjunction with financial instruments.

Further disclosures relating to credit risk – in particular with regard to the amounts of impairment losses recognised – are provided in the explanatory notes to the relevant categories of receivables in → notes 23, 24 and 28.

→ see notes 23, 24 and 28

Liquidity risk

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

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

in € million	31.12.2016 Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	9,954	26,766	10,089	**46,809**
Asset-backed financing transactions	7,161	9,938	–	**17,099**
Liabilities to banks	11,238	4,234	558	**16,030**
Liabilities from customer deposits (banking)	10,140	3,446	133	**13,719**
Trade payables	8,512	–	–	**8,512**
Commercial paper	3,853	–	–	**3,853**
Derivative instruments	1,983	2,395	187	**4,565**
Other financial liabilities	72	178	601	**851**
Total	**52,913**	**46,957**	**11,568**	**111,438**

The cash flows comprise principal repayments and the related interest. The amounts disclosed for derivative instruments comprise only cash flows relating to derivatives that have a negative fair value at the balance sheet date. At 31 December 2017, irrevocable credit commitments to dealerships which had not been called upon at the end of the reporting period amounted to €8,812 million (2016: €9,194 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 secured 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. The BMW Group enjoys favourable access to capital markets as a result of its continued solid financial position and a diversified refinancing strategy. This is supported by the longstanding long- and short-term ratings issued by Moody's and Standard & Poor's.

Depending on financing requirements and market conditions, the BMW Group issues commercial paper and corporate bonds in various currencies. Asset-backed securities also continue to be issued in various currencies. Refinancing is supplemented by customer deposits at the Group's own banks and loans from international banks.

As a further reduction of risk, a syndicated credit line totalling €8 billion (2016: €6 billion) assured by 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.

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

Protection against such risks is provided in the first instance through 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. Financial instruments are used exclusively to hedge underlying positions or planned transactions.

The scope of action, responsibilities, financial reporting procedures and control mechanisms used for financial instruments are set out in detailed internal guidelines. This includes, in particular, a clear separation of duties between trading and processing of transactions. Currency, interest rate and raw materials price risks of the BMW Group are managed at a corporate level.

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

Currency risks
As an enterprise with worldwide operations, the BMW Group conducts business in a variety of currencies, from which currency risks arise. Since a significant portion of Group revenues is generated outside the euro currency region and procurement of production materials and funding is also carried out on a worldwide basis, currency risk is an extremely important factor for Group earnings.

In order to hedge currency risks, the BMW Group holds, as at 31 December 2017, derivative financial instruments mostly in the form of forward currency contracts.

A description of the management of this risk is provided in the Combined Management Report. The BMW Group measures currency risk using a cash-flow-at-risk model.

The starting point for analysis of currency risk in this model are the planned foreign currency transactions or "exposures". At the end of the reporting period, the main exposures for the relevant coming year were as follows:

in € million	31.12.2017	31.12.2016
Euro / Chinese Renminbi	10,160	10,467
Euro / British Pound	4,425	4,785
Euro / Korean Won	2,460	1,926
Euro / Japanese Yen	1,618	1,510
Euro / US Dollar	1,152	3,319

These exposures are 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 allocating the impact of potential exchange rate fluctuations to operating cash flows on the basis of probability distributions. Volatilities and correlations serve as 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% and a holding period of up to one year. 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 resulting from unfavourable changes in exchange rates, measured on the basis of the cash-flow-at-risk approach. The impact for the main currencies, in each case for the following financial year, is as follows:

in € million	31.12.2017	31.12.2016
Euro / Chinese Renminbi	193	249
Euro / British Pound	154	134
Euro / Japanese Yen	98	70
Euro / US Dollar	50	278
Euro / Korean Won	35	30

Currency risk for the BMW Group is concentrated on the currencies referred to above.

Interest rate risks

The BMW Group's financial management involves the use of standard financial instruments such as short-term deposits, investments in variable and fixed-income securities as well as securities funds. The BMW Group is therefore exposed to risks resulting from changes in interest rates.

Interest rate risks arise when funds are borrowed and invested with differing fixed-rate periods or differing terms. All items subject to interest are exposed to interest rate risk. Interest rate risks can affect either side of the balance sheet.

The fair values of the Group's interest rate portfolios for the five main currencies were as follows at the end of the reporting period:

in € million	31.12.2017	31.12.2016
Euro	28,374	28,063
US Dollar	15,454	14,340
British Pound	5,262	5,708
Chinese Renminbi	4,326	3,124
Japanese Yen	691	571

Interest rate risks can be managed by the use of interest rate derivatives. The interest rate contracts used for hedging purposes comprise mainly swaps, which, if hedge accounting is applied, are accounted for as fair value hedges. A description of the management of interest rate risks is provided in the Combined Management Report.

As stated there, the BMW Group applies a value-at-risk approach throughout the Group for internal reporting purposes and to manage interest rate risks. This is based on an advanced historical simulation, in which the potential future fair value losses of the interest rate portfolios compared to expected amounts are measured throughout the Group on the basis of a holding period of 250 days and a confidence level of 99.98 %. Through the aggregation, risk reduction effects are identified which are due to correlations between the various portfolios.

The following table shows for interest-rate-sensitive exposures of the BMW Group the potential fair value fluctuation compared with the expected value, measured on the basis of the value-at-risk approach:

in € million	31.12.2017	31.12.2016
Euro	557	532
US Dollar	504	545
British Pound	253	244
Chinese Renminbi	29	16
Japanese Yen	19	14

Raw material price risk

The BMW Group is exposed to the risk of price fluctuations for raw materials. A description of the management of these risks is provided in the Combined Management Report.

The starting point for the analysis of raw materials price risk are planned purchases of raw materials or components containing raw materials, i.e. the exposure. At the reporting date exposures for the following financial year amounted to:

in € million	31.12.2017	31.12.2016
Raw material price exposures	3,969	3,150

These exposures are 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 allocating the impact of potential fluctuations in raw material prices to operating cash flows on the basis of probability distributions. Volatilities and correlations serve as input factors to determine 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 % and a holding period of up to one year. 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 cost 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 the reporting date for the following financial year was as follows:

in € million	31.12.2017	31.12.2016
Cash flow at risk	409	135

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Related parties

Transactions of Group entities with related parties were carried out without exception in the normal course of business of each of the parties concerned and at market conditions.

A significant proportion of the BMW Group's transactions with related parties relates to the joint venture BMW Brilliance Automotive Ltd.

	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
in € million	2017	2016	2017	2016	2017	2016	2017	2016
BMW Brilliance Automotive Ltd.	5,946	5,316	63	50	1,333	1,215	739	615

Business relationships of the BMW Group with other associated companies and joint ventures as well as with non-consolidated subsidiaries are small in scale.

Stefan Quandt, Germany, is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v.d.H., which, via its subsidiaries, performed logistic-related services for the BMW Group during the financial year 2017. In addition, companies of the DELTON Group acquired vehicles from the BMW Group by way of leasing.

Stefan Quandt, Germany, is also the indirect majority shareholder of SOLARWATT GmbH, Dresden. A cooperation exists between BMW Group and SOLARWATT GmbH, Dresden, within the field of electric mobility. The focus of the cooperation is the provision of complete photovoltaic solutions for rooftop systems and carports to BMW i customers. In 2017, 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 2017, 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 2017, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, mainly in the form of consultancy and workshop services.

In addition, Susanne Klatten, Germany, and Stefan Quandt, Germany, are indirectly sole shareholders of Entrust Datacard Corp., Shakopee, Minnesota. Stefan Quandt is also a member of the supervisory board of this entity. In 2017, Entrust Datacard Corp., Shakopee, Minnesota, acquired vehicles from the BMW Group by way of leasing.

Seen from the perspective of BMW Group entities, the volume of transactions with the above-mentioned entities was as follows:

	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
in € thousand	2017	2016	2017	2016	2017	2016	2017	2016
DELTON AG	3,393	3,546	29,816	22,554	94	64	4,464	1,331
SOLARWATT GmbH	36	309	–	–	5	1	–	–
ALTANA AG	2,421	2,690	296	458	360	337	36	50
UnternehmerTUM GmbH	27	29	1,435	1,227	–	–	255	585
Entrust Datacard Corp.	106	97	–	–	5	5	–	–

Apart from vehicle leasing and financing contracts at usual conditions, companies of the BMW Group concluded no further transactions with members of the Board of Management or Supervisory Board of BMW AG. This also applies to close members of the families of those persons.

BMW Trust e.V., Munich, administers assets on a trustee basis to secure obligations relating to pensions in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity has no assets of its own. It had no income or expenses during the period under report. BMW AG bears expenses on an immaterial scale and performs services for BMW Trust e.V., Munich.

For disclosures relating to key management personnel, please see → note 41 and the Compensation Report.

→ see note 41

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Share-based remuneration

The BMW Group provides three share-based programmes: the Employee Share Programme for entitled employees of the BMW Group, a share-based remuneration programme for members of the Board of Management and a share-based remuneration programme for senior heads of department of BMW AG.

As part of the Employee Share Programme, non-voting shares of preferred stock in BMW AG were granted in 2017 to qualifying employees at favourable conditions (see → note 29 for the number and price of issued shares). The holding period for these shares is up to 31 December 2020. In the financial year 2017, the BMW Group recorded a personnel expense of €10 million (2016: €7 million) for the Employee Share Programme, corresponding to the difference between the market price and the reduced price of the shares of preferred stock purchased by employees. The Board of Management reserves the right to decide anew each year with respect to an Employee Share Programme.

→ see note 29

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.

Each member of the Board of Management is required to invest 20 % of his or her total bonus after tax in shares of BMW AG common stock, which are recorded in a custodian account of the member concerned (annual tranche). Each annual tranche is subject to a holding period of four years. On completion of the holding period, BMW AG grants one additional share of BMW AG common stock for every three held or pays the equivalent amount in cash (share-based remuneration component). Separate rules apply in the case of death or invalidity of a Board of Management member or early termination of the contractual relationship before fulfilment of the holding period.

With effect from the financial year 2012, qualifying senior heads of department are also entitled to select a share-based remuneration component, which is largely comparable to the share-based remuneration arrangements for Board of Management members.

The share-based remuneration component is measured at its fair value at each balance sheet date between grant and settlement date, and on the settlement date. The amounts are recognised as personnel expense on a straight-line basis over the vesting period and reported in the balance sheet as a provision.

The cash-settlement 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 on the Xetra system at 31 December 2017).

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 2017 was €6,301,785 (2016: €5,473,219).

The total expense recognised in 2017 for the share-based remuneration component of current and former Board of Management members and senior heads of department was €1,642,936 (2016: €1,443,227).

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 €2,311,946 (2016: €1,950,853), based on a total of 25,694 shares (2016: 21,201 shares) of BMW AG common stock or a corresponding cash-based settlement measured at the relevant market share price on the grant date.

Further details on the remuneration of the Board of Management are provided in the Compensation Report for the financial year 2017.

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Declaration with respect to the Corporate Governance Code

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft have issued the prescribed Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act. It is reproduced in the Annual Report 2017 of the BMW Group and is also permanently available to shareholders on the BMW Group website at → www.bmwgroup.com/ir.

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Compensation of members of the Board of Management and Supervisory Board

The total compensation of the current members of the Board of Management and the Supervisory Board of BMW AG expensed for the financial year 2017 in accordance with IFRS comprised the following:

in € million	2017	2016
Compensation to members of the Board of Management	**40.2**	37.6
Fixed remuneration	7.7	7.8
Variable remuneration	31.7	29.0
Share-based remuneration component	0.8	0.8
Allocation to pension provisions	**3.1**	2.8
Benefits in conjunction with the termination of an employment relationship	**0.9**	1.1
Compensation to members of the Supervisory Board	**5.6**	5.4
Fixed compensation and attendance fees	2.0	2.0
Variable compensation	3.6	3.4
Total expense	**49.8**	**46.9**
thereof due within one year	**45.9**	43.3

The total remuneration of former members of the Board of Management and their dependants amounted to €6.7 million (2016: €6.5 million).

Pension obligations to current members of the Board of Management are covered by provisions amounting to €22.0 million (2016: €23.6 million), determined in accordance with IAS 19 (Employee Benefits). Pension obligations to former members of the Board of Management and their surviving dependants, also determined in accordance with IAS 19, amounted to €90.1 million (2016: €86.4 million).

The compensation systems for members of the Supervisory Board include no stock options, value appreciation rights comparable to stock options or other stock-based compensation components. Apart from vehicle lease and financing contracts at customary conditions, no advances or loans were granted to members of the Board of Management and the Supervisory Board of BMW AG or its subsidiaries, nor were any contingent liabilities entered into on their behalf.

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

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Events after the end of the reporting period

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

SEGMENT INFORMATION

43
Explanatory notes to segment information
Information on reportable segments
For the purposes of presenting segment information, the activities of the BMW Group are divided into operating segments in accordance with IFRS 8 (Operating Segments). The segmentation follows the internal management and reporting system and takes account of the organisational structure of the BMW Group based on the various products and services of the reportable segments.

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

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

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

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

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

Internal management and reporting
Segment information is prepared as a general rule in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. Exceptions to this general principle are the treatment of inter-segment warranties, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business, and cross-segment impairment losses on investments in subsidiaries. Inter-segment receivables and payables, provisions, income, expenses and profits are eliminated upon consolidation. Inter-segment sales take place at market prices.

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 earnings is therefore profit before financial result. Capital employed is the corresponding measure of segment assets used to assess allocation of resources and comprises all current and non-current operational assets after deduction of liabilities used operationally which are not subject to interest (e.g. trade payables).

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

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

Segment information by operating segment is as follows:

in € million	Automotive 2017	Automotive 2016	Motorcycles 2017	Motorcycles 2016	Financial Services 2017	Financial Services 2016
SEGMENT INFORMATION BY OPERATING SEGMENT						
External revenues	70,546	67,977	2,272	2,062	25,857	24,122
Inter-segment revenues	18,035	18,447	11	7	1,710	1,559
Total revenues	**88,581**	**86,424**	**2,283**	**2,069**	**27,567**	**25,681**
Segment result	7,863	7,695	207	187	2,207	2,166
Result from equity accounted investments	738	441	–	–	–	–
Capital expenditure on non-current assets	6,972	5,699	125	114	25,024	25,105
Depreciation and amortisation on non-current assets	4,699	4,702	88	75	9,992	9,606

in € million	Automotive 31.12.2017	Automotive 31.12.2016	Motorcycles 31.12.2017	Motorcycles 31.12.2016	Financial Services 31.12.2017	Financial Services 31.12.2016
Segment assets	11,072	9,411	618	600	14,740	11,049
Investments accounted for using the equity method	2,767	2,546	–	–	–	–

SEGMENT INFORMATION BY OPERATING SEGMENT

	Other Entities 2017	Other Entities 2016	Reconciliation to Group figures 2017	Reconciliation to Group figures 2016	Group 2017	Group 2016
External revenues	3	2	–	–	98,678	94,163
Inter-segment revenues	4	4	–19,760	–20,017	–	–
Total revenues	**7**	**6**	**–19,760**	**–20,017**	**98,678**	**94,163**
Segment result	80	170	298	–553	10,655	9,665
Result from equity accounted investments	–	–	–	–	738	441
Capital expenditure on non-current assets	–	–	–6,728	–6,756	25,393	24,162
Depreciation and amortisation on non-current assets	–	–	–6,324	–6,271	8,455	8,112

	Other Entities 31.12.2017	Other Entities 31.12.2016	Reconciliation to Group figures 31.12.2017	Reconciliation to Group figures 31.12.2016	Group 31.12.2017	Group 31.12.2016
Segment assets	75,121	75,363	91,932	92,112	193,483	188,535
Investments accounted for using the equity method	–	–	–	–	2,767	2,546

Write-downs on inventories to their net realisable value amounting to €27 million (2016: €101 million) were recognised by the Automotive segment in the financial year 2017. The write-downs recorded in the previous year related mainly to accidents and natural disasters.

Financial Services segment result was negatively impacted by impairment losses totalling €215 million (2016: €384 million) recognised on leased products. Income from the reversal of impairment losses on leased products totalled €11 million (2016: €211 million).

The Other Entities' segment result includes interest and similar income amounting to €1,110 million (2016: €1,250 million) and interest and similar expenses amounting to €986 million (2016: €1,006 million). The segment result includes no impairment losses on other investments (2016: €18 million).

The information disclosed on 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	2017	2016
Reconciliation of segment result		
Total for reportable segments	10,357	10,218
Financial result of Automotive segment and Motorcycles segment	826	219
Elimination of inter-segment items	–528	–772
Group profit before tax	**10,655**	**9,665**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	32,121	30,918
Elimination of inter-segment items	–6,728	–6,756
Total Group capital expenditure on non-current assets	**25,393**	**24,162**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	14,779	14,383
Elimination of inter-segment items	–6,324	–6,271
Total Group depreciation and amortisation on non-current assets	**8,455**	**8,112**

in € million	31.12.2017	31.12.2016
Reconciliation of segment assets		
Total for reportable segments	101,551	96,423
Non-operating assets – Other Entities segment	7,829	7,432
Total liabilities – Financial Services segment	123,088	126,679
Non-operating assets – Automotive and Motorcycles segments	48,193	45,923
Liabilities of Automotive and Motorcycles segments not subject to interest	35,212	33,858
Elimination of inter-segment items	–122,390	–121,780
Total Group assets	**193,483**	**188,535**

In the information by region, external sales are based on the location of the customer. Revenues with major customers were not material overall. The information disclosed for non-current assets relates to property, plant and equipment, intangible assets and leased products. Eliminations disclosed for non-current assets relate to leased products.

Information by region in € million	External revenues		Non-current assets	
	2017	2016	2017	2016
Germany	13,553	13,776	31,678	29,741
China	18,295	16,619	85	23
USA	17,110	16,000	20,766	23,249
Rest of Europe	31,473	30,544	14,807	13,910
Rest of Asia	11,434	10,466	1,588	1,439
Rest of the Americas	3,838	3,507	2,941	2,628
Other regions	2,975	3,251	355	261
Eliminations	–	–	–8,028	–7,345
Group	**98,678**	**94,163**	**64,192**	**63,906**

LIST OF INVESTMENTS AT 31 DECEMBER 2017

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List of investments at 31 December 2017

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 2017

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Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[1,12]			
BMW Beteiligungs GmbH & Co. KG, Munich[6]	5,289	– 5	100
BMW INTEC Beteiligungs GmbH, Munich[3,6]	3,558	–	100
BMW Bank GmbH, Munich[3]	1,988	–	100
BMW Finanz Verwaltungs GmbH, Munich	326	1	100
BMW Verwaltungs GmbH, Munich[3,6]	153	–	100
Alphabet International GmbH, Munich[4,5,6]	–	–	100
Alphabet Fuhrparkmanagement GmbH, Munich[4]	–	–	100
Parkhaus Oberwiesenfeld GmbH, Munich	–	–	100
BMW Hams Hall Motoren GmbH, Munich[4,5,6]	–	–	100
BMW High Power Charging Beteiligungs GmbH, Munich[4,6,11]	–	–	100
LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Munich	–	–	100
BMW Vertriebszentren Verwaltungs GmbH, Munich	–	–	100
BMW Fahrzeugtechnik GmbH, Eisenach[3,5,6]	–	–	100
BMW Anlagen Verwaltungs GmbH, Munich[3,6]	–	–	100
Bürohaus Petuelring GmbH, Munich	–	–	100
Bavaria Wirtschaftsagentur GmbH, Munich[3,5,6]	–	–	100
BAVARIA-LLOYD Reisebüro GmbH, Munich	–	–	51
Rolls-Royce Motor Cars GmbH, Munich[4,5,6]	–	–	100
BMW Vermögensverwaltungs GmbH, Munich	–	–	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich[3,5,6]	–	–	100
FOREIGN[2]			
Europe[12]			
BMW Holding B.V., The Hague	16,655	1,959	100
BMW International Holding B.V., Rijswijk[10]	7,913	15	100
BMW Österreich Holding GmbH, Steyr	3,026	824	100
BMW (UK) Holdings Ltd., Farnborough	1,489	413	100
BMW España Finance S.L., Madrid	999	110	100
BMW Financial Services (GB) Ltd., Farnborough	894	261	100
BMW Motoren GmbH, Steyr	879	172	100
BMW (Schweiz) AG, Dielsdorf	794	45	100
BMW Malta Ltd., Floriana	728	29	100
BMW (UK) Manufacturing Ltd., Farnborough	603	94	100
BMW Coordination Center V.o.F., Bornem	594	2	100

BMW Finance S.N.C., Guyancourt	419	56	100
BMW Italia S.p.A., San Donato Milanese	360	15	100
BMW (UK) Ltd., Farnborough	330	77	100
BMW Belgium Luxembourg S.A./N.V., Bornem	298	22	100
ALPHABET (GB) Ltd., Farnborough	244	50	100
BMW France, Montigny-le-Bretonneux	223	23	100
BMW Financial Services Scandinavia AB, Sollentuna	218	11	100
BMW Iberica S.A., Madrid	210	19	100
BMW Finance N.V., The Hague	154	20	100
BMW Austria Leasing GmbH, Salzburg	136	13	100
Rolls-Royce Motor Cars Ltd., Farnborough	135	24	100
Alphabet Nederland B.V., Breda[10]	131	41	100
BMW Russland Trading OOO, Moscow	130	150	100
BMW i Ventures SCS SICAV-RAIF, Senningerberg[11]	115	–3	100
BMW Austria Bank GmbH, Salzburg	115	12	100
Alphabet Belgium Long Term Rental NV, Aartselaar	113	17	100
BMW International Investment B.V., The Hague	107	7	100
BMW Vertriebs GmbH, Salzburg	102	27	100
Bavaria Reinsurance Malta Ltd., Floriana	–	–	100
APD Industries plc, Farnborough	–	–	100
BMW Austria Ges.m.b.H., Salzburg	–	–	100
Alphabet UK Ltd., Glasgow	–	–	100
BMW Bank OOO, Moscow	–	–	100
Alphabet España Fleet Management S.A.U., Madrid	–	–	100
BMW Finanzdienstleistungen (Schweiz) AG, Dielsdorf	–	–	100
BMW Northern Europe AB, Stockholm	–	–	100
BMW Financial Services Belgium S.A./N.V., Bornem	–	–	100
Swindon Pressings Ltd., Farnborough	–	–	100
BMW Financial Services (Ireland) DAC, Dublin	–	–	100
BMW Financial Services B.V., Rijswijk	–	–	100
BMW Norge AS, Fornebu	–	–	100
Alphabet France Fleet Management S.N.C., Rueil-Malmaison	–	–	100
BMW Services Ltd., Farnborough	–	–	100
Alphabet Italia Fleet Management S.p.A., Rome	–	–	100
BMW Portugal Lda., Porto Salvo	–	–	100
Alphabet Austria Fuhrparkmanagement GmbH, Salzburg	–	–	100
BMW Retail Nederland B.V., Delft	–	–	100
BMW Hellas Trade of Cars A.E., Kifissia	–	–	100
Alphabet Fuhrparkmanagement (Schweiz) AG, Dielsdorf	–	–	100
BMW Nederland B.V., Rijswijk	–	–	100
BMW Financial Services Polska Sp. z o.o., Warsaw	–	–	100
BMW Automotive (Ireland) Ltd., Dublin	–	–	100
Alphabet France SAS, Rueil-Malmaison	–	–	100
BMW Amsterdam B.V., Amsterdam	–	–	100
Alphabet Polska Fleet Management Sp. z o.o., Warsaw	–	–	100
BMW Financial Services Denmark A/S, Copenhagen	–	–	100
Park Lane Ltd., Farnborough	–	–	100
BMW Distribution S.A.S., Montigny-le-Bretonneux	–	–	100
BMW Services Belgium N.V., Bornem	–	–	100
BMW Renting (Portugal) Lda., Porto Salvo	–	–	100
BMW Roma S.r.l., Rome	–	–	100
BMW Danmark A/S, Copenhagen	–	–	100
Oy BMW Suomi AB, Helsinki	–	–	100
BMW Den Haag B.V., The Hague	–	–	100

BMW Madrid S.L., Madrid	–	–	100
BMW Milano S.r.l., San Donato Milanese	–	–	100
Société Nouvelle WATT Automobiles SARL, Rueil-Malmaison	–	–	100
Alphabet Luxembourg S.A., Leudelange	–	–	100
BMW (UK) Investments Ltd., Farnborough	–	–	100
BMW Malta Finance Ltd., Floriana	–	–	100
BiV Carry I SCS, Senningerberg[11]	–	–	100
BMW (UK) Capital plc, Farnborough	–	–	100
Riley Motors Ltd., Farnborough	–	–	100
BMW Central Pension Trustees Ltd., Farnborough	–	–	100
Triumph Motor Company Ltd., Farnborough	–	–	100
BLMC Ltd., Farnborough	–	–	100
Bavarian Sky FTC, Pantin[14]	–	–	0
Bavarian Sky UK 1 PLC, London[14]	–	–	0
Bavarian Sky UK A Limited, London[14]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 3, Luxembourg[14]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 4, Luxembourg[14]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 5, Luxembourg[14]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 6, Luxembourg[14]	–	–	0
Bavarian Sky S.A., Compartment German Auto Loans 7, Luxembourg[14]	–	–	0
Bavarian Sky S.A., Compartment German Auto Leases 4, Luxembourg[14]	–	–	0
Bavarian Sky S.A., Compartment A, Luxembourg[14]	–	–	0
Bavarian Sky S.A., Compartment B, Luxembourg[14]	–	–	0
Bavarian Sky Europe S.A. Compartment A, Luxembourg[14]	–	–	0
Bavarian Sky Europe S.A., Luxembourg[14]	–	–	0

The Americas			
BMW Financial Services NA, LLC, Wilmington, Delaware	2,444	2,320	100
BMW (US) Holding Corp., Wilmington, Delaware	2,280	220	100
BMW Manufacturing Co., LLC, Wilmington, Delaware	1,431	303	100
BMW Bank of North America, Inc., Salt Lake City, Utah	1,358	121	100
Financial Services Vehicle Trust, Wilmington, Delaware	1,135	247	100
BMW US Capital, LLC, Wilmington, Delaware	333	41	100
BMW do Brasil Ltda., São Paulo	226	10	100
BMW SLP, S.A. de C.V., Villa de Reyes	187	–84	100
BMW of North America, LLC, Wilmington, Delaware	–288	–679	100
BMW Extended Service Corporation, Wilmington, Delaware	–	–	100
Rolls-Royce Motor Cars NA, LLC, Wilmington, Delaware	–	–	100
BMW Auto Leasing, LLC, Wilmington, Delaware	–	–	100
BMW Facility Partners, LLC, Wilmington, Delaware	–	–	100
BMW FS Securities LLC, Wilmington, Delaware	–	–	100
BMW FS Funding Corp., Wilmington, Delaware	–	–	100
BMW Manufacturing LP, Woodcliff Lake, New Jersey	–	–	100
BMW FS Receivables Corp, Wilmington, Delaware	–	–	100
SB Acquisitions, LLC, Wilmington, Delaware	–	–	100
BMW Consolidation Services Co., LLC, Wilmington, Delaware	–	–	100
BMW Acquisitions Ltda., São Paulo	–	–	100
BMW Leasing de Mexico S.A. de C.V., Mexico City	–	–	100
BMW Insurance Agency, Inc., Wilmington, Delaware	–	–	100
BMW Manufacturing Indústria de Motos da Amazônia Ltda., Manaus	–	–	100
BMW Leasing do Brasil, S.A., São Paulo	–	–	100
BMW de Argentina S.A., Buenos Aires	–	–	100
BMW Financial Services de Mexico S.A. de C.V. SOFOM, Mexico City	–	–	100
BMW de Mexico, S.A. de C.V., Mexico City	–	–	100

BMW Financeira S.A. Credito, Financiamento e Investimento, São Paulo	–	–	100
BMW Receivables 2 Inc., Richmond Hill, Ontario	–	–	100
BMW Receivables Limited Partnership, Richmond Hill, Ontario	–	–	100
BMW Receivables 1 Inc., Richmond Hill, Ontario	–	–	100
BMW of Manhattan, Inc., Wilmington, Delaware	–	–	100
BMW Canada Inc., Richmond Hill, Ontario	–	–	100
BMW Vehicle Lease Trust 2015-2, Wilmington, Delaware[14]	–	–	0
BMW Vehicle Lease Trust 2016-1, Wilmington, Delaware[14]	–	–	0
BMW Vehicle Lease Trust 2016-2, Wilmington, Delaware[14]	–	–	0
BMW Vehicle Lease Trust 2017-1, Wilmington, Delaware[14]	–	–	0
BMW Vehicle Lease Trust 2017-2, Wilmington, Delaware[14]	–	–	0
BMW Vehicle Lease Trust 2016-A, Wilmington, Delaware[14]	–	–	0
BMW Vehicle Lease Trust 2017-A, Wilmington, Delaware[14]	–	–	0
BMW Vehicle Owner Trust 2014-A, Wilmington, Delaware[14]	–	–	0
BMW Vehicle Owner Trust 2016-A, Wilmington, Delaware[14]	–	–	0
BMW Floorplan Master Owner Trust, Wilmington, Delaware[14]	–	–	0
BMW Canada 2015-A, Richmond Hill, Ontario[14]	–	–	0
BMW Canada Auto Trust 2015, Richmond Hill, Ontario[14]	–	–	0
BMW Canada Auto Trust 2016, Richmond Hill, Ontario[14]	–	–	0
BMW Canada Auto Trust 2017-1, Richmond Hill, Ontario[14]	–	–	0

Africa			
BMW (South Africa) (Pty) Ltd., Pretoria	721	54	100
BMW Financial Services (South Africa) (Pty) Ltd., Midrand	167	–6	100
Bavarian Sky South Africa (RF) Ltd., Johannesburg[14]	–	–	0
SuperDrive Investments (RF) Limited, Cape Town[14]	–	–	0

Asia			
BMW Automotive Finance (China) Co., Ltd., Beijing	1,860	289	58
BMW China Automotive Trading Ltd., Beijing	799	752	100
BMW Financial Services Korea Co., Ltd., Seoul	475	68	100
BMW Japan Finance Corp., Chiba	414	63	100
BMW Japan Corp., Tokyo	280	0	100
BMW Korea Co., Ltd., Seoul	214	16	100
BMW India Financial Services Private Ltd., Gurgaon	122	10	100
BMW (Thailand) Co., Ltd., Bangkok	114	88	100
BMW Manufacturing (Thailand) Co., Ltd., Rayong	106	63	100
Herald International Financial Leasing Co., Ltd., Tianjin[11]	–	–	100
BMW Malaysia Sdn Bhd, Kuala Lumpur	–	–	51
BMW Asia Pte. Ltd., Singapore	–	–	100
BMW Leasing (Thailand) Co., Ltd., Bangkok	–	–	74
BMW India Private Ltd., Gurgaon	–	–	100
BMW China Services Ltd., Beijing	–	–	100
BMW Asia Technology Centre Sdn Bhd, Kuala Lumpur	–	–	100
BMW Holding Malaysia Sdn Bhd, Kuala Lumpur	–	–	100
PT BMW Indonesia, Jakarta	–	–	100
BMW Asia Pacific Capital Pte Ltd., Singapore	–	–	100
BMW Credit (Malaysia) Sdn Bhd, Kuala Lumpur	–	–	100
BMW Tokyo Corp., Tokyo	–	–	100
BMW Lease (Malaysia) Sdn Bhd, Kuala Lumpur	–	–	100
Bavarian Sky Korea Auto Receivable 1 Pte. Ltd., Singapore[14]	–	–	0
Bavarian Sky Korea 2016-1, Seoul[14]	–	–	0
Bavarian Sky Korea 2017-1, Seoul[14]	–	–	0
Bavarian Sky China 2016-1, Beijing[14]	–	–	0

Bavarian Sky China 2016-2, Beijing[14]	–	–	0
Bavarian Sky China 2017-1, Beijing[14]	–	–	0
Bavarian Sky China 2017-2, Beijing[14]	–	–	0
Bavarian Sky China 2017-3, Beijing[14]	–	–	0
2014-2 ABL, Tokyo[14]	–	–	0
2015-1 ABL, Tokyo[14]	–	–	0
2015-2 ABL, Tokyo[14]	–	–	0
2016-1 ABL, Tokyo[14]	–	–	0
2016-2 ABL, Tokyo[14]	–	–	0
2017-1 ABL, Tokyo[14]	–	–	0
2017-2 ABL, Tokyo[14]	–	–	0
2017-3 ABL, Tokyo[14]	–	–	0
Oceania			
BMW Australia Finance Ltd., Mulgrave	380	13	100
BMW Australia Ltd., Melbourne	134	15	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, Mulgrave, Victoria[14]	–	–	0

BMW AG's non-consolidated companies at 31 December 2017

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Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[7]			
Alphabet Fleetservices GmbH, Munich	–	–	100
BMW i Ventures GmbH, Munich	–	–	100
Automag GmbH, Munich	–	–	100
Digital Charging Solutions GmbH, Munich	–	–	100
BMW Car IT GmbH, Munich[4]	–	–	100
ParkNow GmbH, Munich	–	–	100
PM Parking Ventures GmbH, Munich	–	–	100
FOREIGN[7]			
Europe			
Alphabet Insurance Services Polska Sp. z o.o., Warsaw	–	–	100
BMW (GB) Ltd., Farnborough	–	–	100
BMW (P + A) Ltd., Farnborough	–	–	100
BMW (UK) Pensions Services Ltd., Hams Hall	–	–	100
BMW Car Club Ltd., Farnborough	–	–	100
BMW Drivers Club Ltd., Farnborough	–	–	100
BMW Group Benefit Trust Ltd., Farnborough	–	–	100
BMW i Ventures B.V., The Hague	–	–	100
BMW Motorsport Ltd., Farnborough	–	–	100
Cobalt Holdings Ltd., Basingstoke	–	–	100
Cobalt Telephone Technologies Ltd., Basingstoke	–	–	100
Content4all BV, Amsterdam	–	–	100
John Cooper Garages Ltd., Farnborough	–	–	100
John Cooper Works Ltd., Farnborough	–	–	100
OOO BMW Leasing, Moscow	–	–	100

BMW Russland Automotive OOO, Kaliningrad	–	–	100
Park-line Aqua B.V., The Hague	–	–	100
Park-line B.V., The Hague	–	–	100
Park-line Holding B.V., The Hague	–	–	100
Parkmobile International Holding B.V., Utrecht	–	–	100
Parkmobile International B.V., Utrecht	–	–	100
Parkmobile (UK) Ltd., Basingstoke	–	–	100
Parkmobile Belgium BvBa, Antwerpen	–	–	100
Parkmobile Benelux B.V., Amsterdam	–	–	100
ParkNow France SAS, Versailles	–	–	100
Parkmobile Group BV, Amsterdam	–	–	100
Parkmobile Group Holding BV, Amsterdam	–	–	100
Parkmobile Hellas SA, Athens	–	–	60
Parkmobile Licenses B.V., Amsterdam	–	–	100
Parkmobile Ltd., Basingstoke	–	–	100
Parkmobile Software BV, Amsterdam	–	–	100
ParkNow Suisse SA, Bulle	–	–	100
U.T.E. Alphabet España-Bujarkay, Sevilla	–	–	90
The Americas			
217-07 Northern Boulevard Corporation, Wilmington, Delaware	–	–	100
BMW Experience Centre Inc., Richmond Hill, Ontario	–	–	100
BMW i Ventures, LLC, Wilmington, Delaware	–	–	100
BMW i Ventures, Inc., Wilmington, Delaware	–	–	100
BMW Leasing de Argentina S.A., Buenos Aires	–	–	100
BMW Operations Corp., Wilmington, Delaware	–	–	100
BMW Technology Corporation, Wilmington, Delaware	–	–	100
Designworks/USA, Inc., Newbury Park, California	–	–	100
MINI Business Innovation, LLC, Wilmington, Delaware	–	–	100
Mini Urban X Accelerator SPV, LLC, Wilmington, Delaware	–	–	100
ReachNow, LLC, Wilmington, Delaware	–	–	100
Parkmobile Montgomery County, LLC, Baltimore, Maryland[13]	–	–	65
Parkmobile, LLC, Wilmington, Delaware[13]	–	–	65
Parkmobile USA, Inc., Atlanta, Georgia	–	–	100
Parkmobile Electronic Parking Solutions Canada, Inc., Vancouver	–	–	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 Limited, Hong Kong	–	–	51
BMW Hong Kong Services Limited, Hong Kong	–	–	100
BMW Financial Services Singapore Pte Ltd., Singapore	–	–	100
BMW India Leasing Pvt. Ltd., Gurgaon	–	–	100
BMW India Foundation, Gurgaon	–	–	100
BMW Insurance Services Korea Co. Ltd., Seoul	–	–	100
BMW Philippines Corp., Manila	–	–	70
Herald Hezhong (Beijing) Automotive Trading Co., Ltd., Beijing	–	–	100
THEPSATRI Co., Ltd., Bangkok[9]	–	–	49
Oceania			
Parkmobile International (Australia) Pty. Ltd., Sydney	–	–	100

BMW AG's associated companies, joint ventures and joint operations at 31 December 2017

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Companies	Equity in € million	Profit/loss in € million	Capital investment in %
Joint ventures – equity accounted			
DOMESTIC			
DriveNow GmbH & Co. KG, Munich[8]	42	–2	50
DriveNow Verwaltungs GmbH, Munich[8]	–	–	50
IONITY Holding GmbH & Co. KG, Munich[8]	39	–11	25
FOREIGN			
BMW Brilliance Automotive Ltd., Shenyang[8]	5,377	1,337	50
Associated companies – equity accounted			
FOREIGN			
THERE Holding B.V., Amsterdam[8]	2,195	362	33
Joint operations – proportionately consolidated entities			
DOMESTIC			
SGL Automotive Carbon Fibers GmbH & Co. KG, Munich[8]	52	9	49
FOREIGN			
SGL Automotive Carbon Fibers, LLC, Dover, Delaware[8]	41	2	49
Not equity accounted or proportionately consolidated entities			
DOMESTIC[7]			
Encory GmbH, Unterschleißheim	–	–	50
Digital Energy Solutions GmbH & Co. KG, Munich	–	–	50
The Retail Performance Company GmbH, Munich	–	–	50
Abgaszentrum der Automobilindustrie GbR, Weissach	–	–	25
PDB – Partnership for Dummy Technology and Biomechanics GbR, Gaimersheim	–	–	20
FOREIGN[7]			
BMW Albatha Leasing LLC, Dubai	–	–	40
BMW Albatha Finance PSC, Dubai	–	–	40
BMW AVTOTOR Holding B.V., Amsterdam	–	–	50
Stadspasparkeren B.V., Deurne	–	–	30
IP Mobile N.V., Brussels	–	–	25
DSP Concepts, Inc., Dover, Delaware	–	–	20
Bavarian & Co. Ltd., Incheon	–	–	20

BMW AG's participations at 31 December 2017

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Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[7]			
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern	–	–	4.6
GSB Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen	–	–	3.1
Hubject GmbH, Berlin	–	–	17.8
IVM Industrie-Verband Motorrad GmbH & Co. Dienstleistungs KG, Essen	–	–	18.9
Joblinge gemeinnützige AG Berlin, Berlin	–	–	9.8
Joblinge gemeinnützige AG Leipzig, Leipzig	–	–	16.7
Joblinge gemeinnützige AG München, Munich	–	–	6.2
RA Rohstoffallianz GmbH i.L., Berlin	–	–	10.5
Racer Benchmark Group GmbH, Landsberg am Lech	–	–	9.1
SGL Carbon SE, Wiesbaden	–	–	18.3
FOREIGN[7]			
Gios Holding B.V., Oss	–	–	12.0

[1] The amounts shown for the German subsidiaries correspond to the annual financial statements drawn up in accordance with German accounting requirements (HGB).
[2] The amounts shown for the foreign subsidiaries correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity and earnings not denominated in euro are translated into euro using the closing exchange rate at the balance sheet date.
[3] Profit and Loss Transfer Agreement with BMW AG.
[4] Profit and Loss Transfer Agreement with a subsidiary of BMW AG.
[5] Exemption from drawing up a management report applied in accordance with § 264 (3) and § 264 b HGB.
[6] Exemption from publication of financial statements applied in accordance with § 264 (3) and § 264 b HGB.
[7] These entities are neither consolidated nor accounted for using the equity method due to their overall immateriality for the Group Financial Statements.
[8] The amounts shown for entities accounted for using the equity method and for proportionately consolidated entities correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity not denominated in euro is translated into euro using the closing exchange rate at the balance sheet date, earnings are translated using the average rate.
[9] Including power to appoint representative bodies.
[10] Exemption pursuant to Article 2:403 of the Civil Code of the Netherlands (Burgerlijk Wetboek).
[11] First-time consolidation.
[12] Deconsolidation in the financial year 2017: BMW Osaka Corp., Tokyo, MITEC Mikroelektronik Mikrotechnik Informatik GmbH, Munich (merger).
[13] 100 % acquisition on 3 January 2018.
[14] Control on basis of economic dependence.

Munich, 15 February 2018

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree

Markus Duesmann

Klaus Fröhlich

Pieter Nota

Dr. Nicolas Peter

Peter Schwarzenbauer

Oliver Zipse