GROUP FINANCIAL STATEMENTS

3

BMW GROUP
INCOME STATEMENTS FOR GROUP AND SEGMENTS
STATEMENT OF COMPREHENSIVE INCOME FOR GROUP

Income Statements for Group and Segments

→ 59

in € million	Note	Group 2016	Group 2015	Automotive (unaudited supplementary information) 2016	Automotive (unaudited supplementary information) 2015	Motorcycles (unaudited supplementary information) 2016	Motorcycles (unaudited supplementary information) 2015
Revenues	6	94,163	92,175	86,424	85,536	2,069	1,990
Cost of sales	7	–75,442	–74,043	–70,973	–70,399	–1,639	–1,542
Gross profit		18,721	18,132	15,451	15,137	430	448
Selling and administrative expenses	8	–9,158	–8,633	–7,604	–7,219	–256	–239
Other operating income	9	670	914	616	689	27	–
Other operating expenses	9	–847	–820	–768	–771	–14	–27
Profit / loss before financial result		9,386	9,593	7,695	7,836	187	182
Result from equity accounted investments	22	441	518	441	518	–	–
Interest and similar income	10	196	185	260	327	–	–
Interest and similar expenses	10	–489	–618	–673	–762	–2	–3
Other financial result	11	131	–454	193	–396	–	–
Financial result		279	–369	221	–313	–2	–3
Profit / loss before tax		9,665	9,224	7,916	7,523	185	179
Income taxes	12	–2,755	–2,828	–2,475	–2,376	–53	–55
Net profit / loss		6,910	6,396	5,441	5,147	132	124
Attributable to minority interest		47	27	10	5	–	–
Attributable to shareholders of BMW AG	29	6,863	6,369	5,431	5,142	132	124
Basic earnings per share of common stock in €	13	10.45	9.70				
Basic earnings per share of preferred stock in €	13	10.47	9.72				
Dilutive effects		–	–				
Diluted earnings per share of common stock in €	13	10.45	9.70				
Diluted earnings per share of preferred stock in €	13	10.47	9.72				

Statement of Comprehensive Income for Group

→ 60

in € million	Note	2016	2015
Net profit		6,910	6,396
Remeasurement of the net defined benefit liability for pension plans	30	–1,858	1,413
Deferred taxes		529	–401
Items not expected to be reclassified to the income statement in the future		–1,329	1,012
Available-for-sale securities		40	–170
Financial instruments used for hedging purposes		2,008	–1,301
Other comprehensive income from equity accounted investments		43	71
Deferred taxes		–721	516
Currency translation foreign operations		–230	765
Items expected to be reclassified to the income statement in the future		1,140	–119
Other comprehensive income for the period after tax	17	–189	893
Total comprehensive income		6,721	7,289
Total comprehensive income attributable to minority interests		47	27
Total comprehensive income attributable to shareholders of BMW AG	29	6,674	7,262

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2016	2015	2016	2015	2016	2015	
25,681	23,739	6	7	–20,017	–19,097	Revenues
–22,135	–20,586	–	–	19,305	18,484	Cost of sales
3,546	**3,153**	**6**	**7**	**–712**	**–613**	**Gross profit**
–1,294	–1,164	–30	–30	26	19	Selling and administrative expenses
35	46	110	238	–118	–59	Other operating income
–103	–54	–103	–46	141	78	Other operating expenses
2,184	**1,981**	**–17**	**169**	**–663**	**–575**	**Profit / loss before financial result**
–	–	–	–	–	–	Result from equity accounted investments
11	4	1,250	1,177	–1,325	–1,323	Interest and similar income
–24	–7	–1,006	–1,080	1,216	1,234	Interest and similar expenses
–5	–3	–57	–55	–	–	Other financial result
–18	**–6**	**187**	**42**	**–109**	**–89**	**Financial result**
2,166	**1,975**	**170**	**211**	**–772**	**–664**	**Profit / loss before tax**
–389	–528	–49	–73	211	204	Income taxes
1,777	**1,447**	**121**	**138**	**–561**	**–460**	**Net profit / loss**
37	21	–	1	–	–	Attributable to minority interest
1,740	**1,426**	**121**	**137**	**–561**	**–460**	**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 SHEETS FOR GROUP AND SEGMENTS AT 31 DECEMBER 2016

		Group		Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)	
in € million	Note	2016	2015	2016	2015	2016	2015
ASSETS							
Intangible assets	19	8,157	7,372	7,705	6,899	46	48
Property, plant and equipment	20	17,960	17,759	17,566	17,416	365	313
Leased products	21	37,789	34,965	–	–	–	–
Investments accounted for using the equity method	22	2,546	2,233	2,546	2,233	–	–
Other investments		560	428	5,195	5,147	–	–
Receivables from sales financing	23	48,032	41,865	–	–	–	–
Financial assets	24	2,705	2,208	1,287	586	–	–
Deferred tax	12	2,327	1,945	4,310	4,114	–	–
Other assets	26	1,595	1,568	4,043	3,935	28	25
Non-current assets		**121,671**	**110,343**	**42,652**	**40,330**	**439**	**386**
Inventories	27	11,841	11,071	11,344	10,611	492	453
Trade receivables	28	2,825	2,751	2,502	2,453	144	139
Receivables from sales financing	23	30,228	28,178	–	–	–	–
Financial assets	24	7,065	6,635	4,862	4,859	–	–
Current tax	25	1,938	2,381	1,000	1,240	–	–
Other assets	26	5,087	4,693	21,561	19,907	2	–
Cash and cash equivalents		7,880	6,122	4,794	3,952	–	–
Current assets		**66,864**	**61,831**	**46,063**	**43,022**	**638**	**592**
Total assets		**188,535**	**172,174**	**88,715**	**83,352**	**1,077**	**978**
EQUITY AND LIABILITIES							
Subscribed capital	29	657	657				
Capital reserves	29	2,047	2,027				
Revenue reserves	29	44,445	41,027				
Accumulated other equity	29	–41	–1,181				
Equity attributable to shareholders of BMW AG	29	**47,108**	**42,530**				
Minority interest		255	234				
Equity		**47,363**	**42,764**	**36,624**	**33,460**	**–**	**–**
Pension provisions	30	4,587	3,000	2,911	1,770	83	45
Other provisions	31	5,039	4,621	4,570	4,141	103	136
Deferred tax	12	2,795	2,116	740	429	–	–
Financial liabilities	33	55,405	49,523	1,942	2,621	–	–
Other liabilities	34	5,357	4,559	6,530	5,545	442	401
Non-current provisions and liabilities		**73,183**	**63,819**	**16,693**	**14,506**	**628**	**582**
Other provisions	31	5,879	5,009	5,187	4,398	90	85
Current tax	32	1,074	1,441	770	810	–	–
Financial liabilities	33	42,326	42,160	1,481	3,211	–	–
Trade payables	35	8,512	7,773	7,483	6,856	303	263
Other liabilities	34	10,198	9,208	20,477	20,111	56	48
Current provisions and liabilities		**67,989**	**65,591**	**35,398**	**35,386**	**449**	**396**
Total equity and liabilities		**188,535**	**172,174**	**88,715**	**83,352**	**1,077**	**978**

	Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
	2016	2015	2016	2015	2016	2015	
							ASSETS
	405	424	1	1	–	–	Intangible assets
	29	30	–	–	–	–	Property, plant and equipment
	45,134	41,148	–	–	–7,345	–6,183	Leased products
	–	–	–	–	–	–	Investments accounted for using the equity method
	3	2	6,585	5,966	–11,223	–10,687	Other investments
	48,032	41,865	–	–	–	–	Receivables from sales financing
	221	236	1,780	1,985	–583	–599	Financial assets
	389	222	263	205	–2,635	–2,596	Deferred tax
	3,093	2,469	27,120	22,268	–32,689	–27,129	Other assets
	97,306	**86,396**	**35,749**	**30,425**	**–54,475**	**–47,194**	**Non-current assets**
	5	7	–	–	–	–	Inventories
	178	158	1	1	–	–	Trade receivables
	30,228	28,178	–	–	–	–	Receivables from sales financing
	1,504	1,354	1,329	1,121	–630	–699	Financial assets
	44	37	894	1,104	–	–	Current tax
	5,417	4,540	44,782	45,379	–66,675	–65,133	Other assets
	3,046	1,359	40	811	–	–	Cash and cash equivalents
	40,422	**35,633**	**47,046**	**48,416**	**–67,305**	**–65,832**	**Current assets**
	137,728	**122,029**	**82,795**	**78,841**	**–121,780**	**–113,026**	**Total assets**
							EQUITY AND LIABILITIES
							Subscribed capital
							Capital reserves
							Revenue reserves
							Accumulated other equity
							Equity attributable to shareholders of BMW AG
							Minority interest
	11,049	**9,948**	**16,744**	**15,225**	**–17,054**	**–15,869**	**Equity**
	77	55	1,516	1,130	–	–	Pension provisions
	353	313	13	31	–	–	Other provisions
	6,755	6,158	48	28	–4,748	–4,499	Deferred tax
	17,718	16,030	36,328	31,471	–583	–599	Financial liabilities
	29,413	23,613	601	835	–31,629	–25,835	Other liabilities
	54,316	**46,169**	**38,506**	**33,495**	**–36,960**	**–30,933**	**Non-current provisions and liabilities**
	599	518	3	8	–	–	Other provisions
	255	223	49	408	–	–	Current tax
	27,368	23,038	14,107	16,610	–630	–699	Financial liabilities
	702	630	24	24	–	–	Trade payables
	43,439	41,503	13,362	13,071	–67,136	–65,525	Other liabilities
	72,363	**65,912**	**27,545**	**30,121**	**–67,766**	**–66,224**	**Current provisions and liabilities**
	137,728	**122,029**	**82,795**	**78,841**	**–121,780**	**–113,026**	**Total equity and liabilities**

BMW GROUP
CASH FLOW STATEMENTS FOR GROUP AND SEGMENTS

	Group	
in € million	2016	2015
Net profit	6,910	6,396
Reconciliation between net profit and cash inflow / outflow from operating activities		
Current tax	2,670	2,751
Other interest and similar income / expenses	131	239
Depreciation and amortisation of other tangible, intangible and investment assets	4,998	4,686
Change in provisions	883	296
Change in leased products	–2,526	–3,299
Change in receivables from sales financing	–8,368	–6,637
Change in deferred taxes	85	77
Other non-cash income and expense items	–15	47
Gain / loss on disposal of tangible and intangible assets and marketable securities	–4	–144
Result from equity accounted investments	–441	–518
Changes in working capital	–104	–293
Change in inventories	–749	298
Change in trade receivables	–93	–566
Change in trade payables	738	–25
Change in other operating assets and liabilities	1,229	550
Income taxes paid	–2,417	–3,323
Interest received	142	132
Cash inflow / outflow from operating activities	**3,173**	**960**
Investment in intangible assets and property, plant and equipment	–5,823	–5,889
Proceeds from the disposal of intangible assets and property, plant and equipment	10	38
Expenditure for investments	–338	–746
Proceeds from the disposal of investments	140	215
Investments in marketable securities and investment funds	–3,592	–6,880
Proceeds from the sale of marketable securities and investment funds	3,740	5,659
Cash inflow / outflow from investing activities	**–5,863**	**–7,603**
Issue / buy-back of treasury shares	–	–
Payments into equity	20	23
Payment of dividend for the previous year	–2,121	–1,917
Intragroup financing and equity transactions	–	–
Interest paid	–118	–264
Proceeds from the issue of bonds	13,974	13,007
Repayment of bonds	–10,374	–8,908
Proceeds from new non-current other financial liabilities	8,952	9,715
Repayment of non-current other financial liabilities	–8,443	–8,802
Change in current other financial liabilities	4,135	2,648
Change in commercial paper	–1,632	–498
Cash inflow / outflow from financing activities	**4,393**	**5,004**
Effect of exchange rate on cash and cash equivalents	**17**	**73**
Effect of changes in composition of Group on cash and cash equivalents	**38**	**–**
Change in cash and cash equivalents	**1,758**	**–1,566**
Cash and cash equivalents as at 1 January	6,122	7,688
Cash and cash equivalents as at 31 December	**7,880**	**6,122**

[1] Interest relating to financial services business is classified as revenues / cost of sales.

Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)		
2016	2015	2016	2015	
5,441	5,147	1,777	1,447	Net profit
				Reconciliation between net profit and cash inflow / outflow from operating activities
2,787	2,893	–117	–125	Current tax
283	302	12[1]	1[1]	Other interest and similar income / expenses
4,876	4,577	29	31	Depreciation and amortisation of other tangible, intangible and investment assets
970	128	139	172	Change in provisions
–	3	–3,532	–4,026	Change in leased products
–	–	–8,368	–6,637	Change in receivables from sales financing
–187	–369	275	579	Change in deferred taxes
11	316	11	5	Other non-cash income and expense items
–3	–138	–1	–5	Gain / loss on disposal of tangible and intangible assets and marketable securities
–441	–518	–	–	Result from equity accounted investments
–172	–337	50	46	Changes in working capital
–758	367	2	1	Change in inventories
–43	–541	–12	–15	Change in trade receivables
629	–163	60	60	Change in trade payables
–246	2,295	–283	–1,706	Change in other operating assets and liabilities
–1,997	–2,595	164	–133	Income taxes paid
142	132	–[1]	–[1]	Interest received
11,464	**11,836**	**–9,844**	**–10,351**	**Cash inflow / outflow from operating activities**
–5,699	–5,791	–10	–6	Investment in intangible assets and property, plant and equipment
9	38	–	–	Proceeds from the disposal of intangible assets and property, plant and equipment
–122	–823	–	–	Expenditure for investments
140	144	–	–	Proceeds from the disposal of investments
–3,196	–6,498	–396	–387	Investments in marketable securities and investment funds
3,436	5,406	304	253	Proceeds from the sale of marketable securities and investment funds
–5,432	**–7,524**	**–102**	**–140**	**Cash inflow / outflow from investing activities**
–	–	–	–	Issue / buy-back of treasury shares
20	23	–	–	Payments into equity
–2,121	–1,917	–	–	Payment of dividend for the previous year
–1,833	–2,840	6,191	5,913	Intragroup financing and equity transactions
–118	–264	–[1]	–[1]	Interest paid
–	–	870	429	Proceeds from the issue of bonds
–	–	–1,160	–773	Repayment of bonds
67	108	8,295	8,787	Proceeds from new non-current other financial liabilities
–520	–521	–7,215	–7,671	Repayment of non-current other financial liabilities
–720	–719	4,425	3,343	Change in current other financial liabilities
–	–	195	–	Change in commercial paper
–5,225	**–6,130**	**11,601**	**10,028**	**Cash inflow / outflow from financing activities**
10	**18**	**21**	**39**	**Effect of exchange rate on cash and cash equivalents**
25	**–**	**11**	**–**	**Effect of changes in composition of Group on cash and cash equivalents**
842	**–1,800**	**1,687**	**–424**	**Change in cash and cash equivalents**
3,952	5,752	1,359	1,783	Cash and cash equivalents as at 1 January
4,794	**3,952**	**3,046**	**1,359**	**Cash and cash equivalents as at 31 December**

BMW GROUP
GROUP STATEMENT OF CHANGES IN EQUITY

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2016	29	**657**	**2,027**	**41,027**
Dividends paid		–	–	–2,102
Net profit		–	–	6,863
Other comprehensive income for the period after tax		–	–	–1,329
Comprehensive income 31 December 2016		**–**	**–**	**5,534**
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**

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2015	29	**656**	**2,005**	**35,621**
Dividends paid		–	–	–1,904
Net profit		–	–	6,369
Other comprehensive income for the period after tax		–	–	1,012
Comprehensive income 31 December 2015		**–**	**–**	**7,381**
Subscribed share capital increase out of Authorised Capital		1	–	–
Premium arising on capital increase relating to preferred stock		–	22	–
Other changes		–	–	–71
31 December 2015	29	**657**	**2,027**	**41,027**

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

	Accumulated other equity					
	Currency translation differences	Securities	Derivative financial instruments	Equity attributable to shareholders of BMW AG	Minority interest	Total
1 January 2015	**–723**	**141**	**–480**	**37,220**	**217**	**37,437**
Dividends paid	–	–	–	–1,904	–	**–1,904**
Net profit	–	–	–	6,369	27	**6,396**
Other comprehensive income for the period after tax	855	–117	–857	893	–	**893**
Comprehensive income 31 December 2015	**855**	**–117**	**–857**	**7,262**	**27**	**7,289**
Subscribed share capital increase out of Authorised Capital	–	–	–	1	–	**1**
Premium arising on capital increase relating to preferred stock	–	–	–	22	–	**22**
Other changes	–	–	–	–71	–10	**–81**
31 December 2015	**132**	**24**	**–1,337**	**42,530**	**234**	**42,764**

BMW GROUP NOTES TO THE GROUP FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND POLICIES

01
Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW AG Group Financial Statements or Group Financial Statements) at 31 December 2016 have been drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315a (1) of the German Commercial Code (HGB). The Group Financial Statements 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 net assets, financial position and performance of the BMW Group, and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include balance sheets and income statements 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 BMW Group's business and operating activities of segments is provided in → note 44 ("Explanatory notes to segment information").

→ see note 44

The Board of Management authorised the Group Financial Statements for issue on 14 February 2017.

02 Group reporting entity and consolidation principles

The BMW Group Financial Statements include BMW AG, all material subsidiaries including one special purpose securities fund and 40 structured entities, over which BMW AG – either directly or indirectly – exercises control. The structured entities are used exclusively in conjunction with the BMW Group's asset-backed financing arrangements.

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 all relevant contractual arrangements and other circumstances, and not just the structure and legal form of the entity. The ultimate classification may require the use of judgement. A new assessment is made whenever there is an indication of a change in the previous assessment regarding (joint) control.

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 its involvement with the entity and has the ability to influence those returns through its power over the entity.

An entity is classified as an associated company if BMW AG – either directly or indirectly – has the ability to exert significant influence over the entity's operating and financial policies. As a general rule, there is a rebuttable assumption that the Group has significant influence if it holds between 20 % and 50 % of the associated company'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 on the basis of a contractual agreement with a third party.

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, Wiesbaden, companies of the BMW Group are party to three joint operations that manufacture carbon fibres and carbon fibre cores used in vehicle production.

The BMW Group is also collaborating with Toyota Motor Corporation, Toyota City, to develop a sports car. This collaboration 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.

As a general rule, 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 2016:

	Germany	Foreign	Total
Included at 31 December 2015	21	157	**178**
Included for the first time in 2016	–	28	**28**
No longer included in 2016	–	7	**7**
Included at 31 December 2016	**21**	**178**	**199**

03 Foreign currency translation

The financial statements of consolidated companies which are drawn up 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".

Foreign currency receivables and payables in the single entity accounts of BMW AG and subsidiaries 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 the subsequent realised gains and losses arising on settlement, are recognised in the income statement in accordance with the underlying substance of the relevant transactions.

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

	Closing rate		Average rate	
	31.12.2016	31.12.2015	**2016**	2015
US Dollar	**1.06**	1.09	**1.11**	1.11
British Pound	**0.85**	0.74	**0.82**	0.73
Chinese Renminbi	**7.34**	7.07	**7.35**	6.97
Japanese Yen	**123.34**	130.74	**120.25**	134.28
Korean Won	**1,274.34**	1,278.92	**1,283.86**	1,255.38

04 Accounting policies; assumptions, judgements and estimations

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods 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 contracts), are not immediately recognised. 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 periods necessary to match them with the related costs 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 interests, 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 and/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 and engine 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 probable that the development expenditure will generate future economic benefits. Capitalised development costs are amortised systematically over the estimated product life (usually four to eleven years) following the start of production.

Goodwill arises on first-time consolidation of an acquired business when the cost of acquisition exceeds the Group's share of the fair value of the individually identifiable assets acquired and liabilities and contingent liabilities assumed.

If there is any indication of **impairment of intangible assets**, or if an annual impairment test is required to be carried out (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 cannot be distinguished to a large degree 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 purposes of the impairment test, the carrying amount of an asset (or a cash-generating unit) is compared with the recoverable amount. The first step of the impairment test is to determine the value in use. If the value in use is lower than the carrying amount, the next step is to determine the fair value less costs to sell and compare the amount so determined with the asset's carrying amount. If the fair value is lower than the carrying amount, an impairment loss is recognised, reducing the carrying amount to the higher of the asset's value in use or fair value less costs to sell.

If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed up to the level of the recoverable amount, capped at the level of rolled-forward amortised cost. Impairment losses on goodwill are not reversed.

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

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

Cash flows of the Automotive and Motorcycles cash-generating units are discounted using a risk-adjusted pre-tax cost of capital (WACC). In the case of the Financial Services cash-generating unit, a sector-compatible pre-tax cost of equity capital is used. Calculations were based on the following discount factors:

in %	2016	2015
Automotive	12.0	12.0
Motorcycles	12.0	12.0
Financial Services	13.4	13.4

The risk-adjusted interest rates, calculated using a CAPM model, also take 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 conceivable changes to the assumptions used to determine the recoverable amount would result in the requirement to recognise an impairment loss.

All items of **property, plant and equipment** are measured at acquisition or manufacturing cost less accumulated depreciation and accumulated impairment losses. The cost of internally constructed plant and equipment comprises all costs which are directly attributable to the manufacturing process as well as an appropriate proportion of production-related overheads. This includes production-related depreciation and amortisation as well as an appropriate proportion of administrative and social costs. As a general rule, borrowing 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 recording 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 uniform 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.

The use of judgement is required when the BMW Group enters into **lease arrangements**, in particular when assessing the transfer of economic ownership of a leased item.

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

Where Group products are recognised by BMW Group entities as **leased products** under operating leases, they are measured at manufacturing cost, plus 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. Changes in residual value expectations are recognised – in situations where the recoverable amount of the lease exceeds the asset's carrying amount – 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 these cases, the carrying amount of the asset is increased to the recoverable amount, at a maximum up to the amount of the asset's amortised cost. Assumptions need to be made regarding future residual values, given that they represent a significant portion of future cash inflows. In this context, internally available historical data, current market data and forecasts of external institutions are taken into account. The assumptions applied are regularly validated by comparison with external data.

Investments accounted for using the equity method are (except when the investment is impaired) measured at the Group's share of equity, taking account of fair value adjustments on acquisition.

Investments in **non-consolidated subsidiaries**, non-consolidated joint operations and interests in associated companies, joint ventures and participations not accounted for using the equity method, are reported as **other investments**, measured at their fair value. If this value is not available or cannot be determined reliably, they are measured at cost.

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 in the fair value 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. The related gains and losses are presented in the income statement line item "Other financial result". Related interest income and expenses are presented in the 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 computed using market information available at the balance sheet date, on the basis of prices quoted by the contract partners or using appropriate measurement methods, e.g. discounted cash flow models.

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.

An assessment is made on a regular basis whether there is any objective evidence that a financial asset or group of assets may be 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 length of time and the scale of the decline in value. In the case of equity capital instruments that are listed on a stock market, it is assumed that an item is impaired if its fair value falls significantly (more than 20 %) or on a prolonged basis (more than 5 % over nine months) below acquisition cost.

Receivables from sales financing are measured at amortised cost using the effective interest rate method. 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, current market data (such as the level of arrears), rating classes and scoring information. Specific allowances are recognised if there is objective evidence of impairment. In the retail customer credit financing and leasing lines of business, the existence of overdue balances or the incidence of similar events in the past are examples of such objective evidence. In the event of overdue receivables, allowances are always recognised individually based on the length of period of the arrears. In the case of dealership financing receivables, the allocation of the dealership to a corresponding rating category is also deemed to represent objective evidence of impairment. If there is no objective evidence of impairment, 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 impairment losses on receivables relating to the industrial side of the business is also, as far as possible, based on the same procedures applied to financial services business. The impairment losses 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, as a consequence of which there is a risk that the amounts calculated 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 to the model used to calculate fair values also takes account of tenor and currency basis spreads.

In addition, the Group's own default 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 its net exposure. Portfolio-based value adjustments to the individual financial assets and financial liabilities are allocated using the relative fair value approach (net method).

In those cases 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 subsequently in the income statement when the hedged item (usually external revenue) is recognised in the income statement. If, contrary to the normal case 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 immediately 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. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax losses available for carryforward to the extent that future usage is probable. The calculation of deferred tax assets requires assumptions to be made with regard to the level of future taxable income and the timing of recovery of deferred tax assets. These assumptions take account of forecast operating results and the impact on earnings of the reversal of taxable temporary differences. Since future business developments cannot be predicted with certainty and to some extent cannot be influenced by the BMW Group, the measurement of deferred tax assets is subject to uncertainty.

Current income taxes are computed throughout the BMW Group in accordance with tax legislation applicable in each relevant country. In situations where judgement was necessary to determine the amount of a tax exposure to be recognised in the financial statements, there is always a possibility that local tax authorities may reach a different conclusion.

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. Borrowing costs are not included in the acquisition or manufacturing cost of inventories.

Cash and cash equivalents, comprising mainly cash on hand and cash at bank with an original term of up to three months, are measured at fair 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 situation only arises if 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 scheduled depreciation/amortisation ceases. This does not apply, however, to items within the disposal group which are not covered by the measurement rules contained in IFRS 5. Simultaneously, 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 and similar obligations 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 an independent actuarial valuation which takes into account all relevant biometric factors.

In the case of externally 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. If the plan is externally funded, a liability is recognised under pension provisions where the obligation exceeds fund assets.

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

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

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

Remeasurements of the net liability arise from changes in the present value of the defined benefit obligation, the fair value of the plan assets or the asset ceiling. Reasons for remeasurements include changes in financial and demographic assumptions as well as changes in the detailed composition of beneficiaries. 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 obligation (legal or constructive) arising from past events, the settlement of which is probable and when a reliable estimate can be made of the amount of the obligation. Provisions with a remaining period of more than one year are measured at their net present value.

The measurement of provisions for **statutory and non-statutory warranty obligations (statutory, contractual and voluntary)** involves estimations. In addition to statutorily prescribed manufacturer warranties, the BMW Group also offers various categories of guarantee depending on the product and sales market concerned. 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. In order to determine the level of the provision, various factors are taken into consideration, including estimations based on past experience with the nature and amount of claims. The future level of potential repair costs and price increases per product and market are also taken into account. Provisions for warranties are adjusted regularly to take account of new circumstances and the impact of any changes recognised in the income statement. Specific and expected warranty items, such as vehicle recall actions, are also included. Similar estimates are also made in conjunction with the measurement of expected reimbursement claims, which, if recognised, are presented as separate assets.

The recognition and measurements of provisions for **litigation and liability risks** necessitates making assumptions regarding the probability of occurrence, the amount involved and the duration of the legal dispute. These assumptions, especially the assumption about the outcome of legal proceedings, are subject to a high degree of uncertainty.

If the recognition and measurement criteria relevant for provisions are not fulfilled and the outflow of resources to settle the matter is not probable, 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 for financial liabilities allocated to the category "financial liabilities 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 related individuals or entities which control the BMW Group or which are controlled by the BMW Group, unless such parties are already included in the Group Financial Statements of BMW AG as consolidated companies. Control is defined as ownership of more than one half of the voting power of BMW AG or the power to direct, by statute or agreement, the financial and operating policies of the management of the Group. In addition, the disclosure requirements also cover transactions with associated companies, joint ventures and individuals that have the ability to exercise significant influence over the financial and operating policies of the BMW Group. This also includes close relatives and intermediary entities. Significant influence over the financial and operating policies of the BMW Group is presumed when a party holds 20 % or more of the voting power of BMW AG. In addition, the requirements contained in IAS 24 relating to key management personnel and close members of their families or intermediary entities are also applied. In the case of the BMW Group, this applies to members of the Board of Management and the Supervisory Board. Non-consolidated subsidiaries, joint ventures and associated companies also qualify as related parties. Details relating to these entities are provided in the list of investments in → note 45.

→ see note 45

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 in the income statement (as personnel expense) over the vesting period, with a contra (credit) entry recorded 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 for such programmes is recognised in the income statement (as personnel expense) over the vesting period of the programmes and presented in the balance sheet as a provision.

The share-based remuneration programmes 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. Following 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 and applied for the first time in the financial year 2016:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU
IAS 1	Presentation of Financial Statements (Initiative to Improve Disclosure Requirements – Amendments to IAS 1)	18.12.2014	1.1.2016	1.1.2016

The Amendments to **IAS 1 (Presentation of Financial Statements)** relate primarily to clarifications concerning the presentation of, and disclosures in, financial statements. The amendments emphasise the principle that it is only necessary to disclosure information if it is material for users of the financial statements, even in cases where specific disclosures in an IFRS are explicitly defined as minimum requirements.

In this context, the BMW Group has examined the contents of the Notes to the Group Financial Statements and the Combined Management Report and applied the principle of materiality in the Group Financial Statements for the year ended 31 December 2016, mainly by revising the presentation and eliminating redundancies.

(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	No

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 and its contractual cash flow characteristics ("Solely Payments of Principal and Interest" (SPPI) criterion). IFRS 9 also gives rise to a new model for determining impairment based on expected credit losses. Furthermore, the requirements for hedge accounting were revised with the aim of bringing the accounting treatment more into line with the reporting entity's risk management activities.

The impact of adoption of IFRS 9 on the Group Financial Statements is currently being investigated. Based on analyses to date, the accounting treatment for specific financial assets that do not comply with the stipulated cash flow criteria may have to be changed, by reclassifying them from the "measured at amortised cost" category to the "measured at fair value" category. Based on the current assessment, the change would only affect a limited volume of assets, with the consequence that the impact on measurement is not expected to be material.

Implementation of the new impairment model requires substantial modifications to existing processes and systems, especially for the Financial Services segment. These modifications have been stipulated centrally and implemented to a large extent at subsidiary level. The overall impact cannot be quantified reliably as yet, however, given that the procedures for providing data by the subsidiaries still requires validation and some of the major implementation aspects of the new standard – in particular the transfer criterion for impairment levels – are not expected to be definitively established until a later stage in the financial year 2017. Based on preliminary findings, significant changes to impairment amounts are not expected.

As far as the accounting for hedging relationships is concerned, analyses to date indicate that it will be possible to account for the majority of commodity hedging contracts using hedge accounting rules. 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. This approach to accounting for hedging relationships could significantly reduce the volatility in the amounts reported for financial result and Group earnings. The presentation of the cost of hedging in the income statement has not yet been definitively clarified. It is therefore possible that shifts could arise between the line items "Profit before financial result" and "Financial result".

IFRS 9 contains a requirement that it should be applied retrospectively for classification and measurement, whereas the new rules for hedge accounting are generally required to be applied prospectively. The BMW Group intends to apply the exception granted by the Standard not to restate comparatives for earlier periods for classification and measurement (including impairment).

The objective of the new Standard **IFRS 15 (Revenue from Contracts with Customers)** is to assimilate all the various 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 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.

Accounting for buyback arrangements and rights of return for vehicles sold, but which the Financial Services segment will subsequently lease to customers, will result in the earlier recognition of eliminations. The adoption of IFRS 15 will result in a one-time reduction in equity, which will be recognised retrospectively as of the date of the beginning of the first accounting period presented on the basis of the new requirements. The actual impact of adopting the new Standard will depend on the level of inventories of vehicles held by dealerships, the expected number of leases to be concluded and the amount of inter-segment profits requiring to be eliminated at the date of first-time adoption. Based on analyses to date and the assumptions applied, it is estimated that equity at 31 December 2016 will be reduced by €650 million. The impact in the period following first-time adoption and in subsequent periods is not expected to be significant.

In the case of multi-component contracts with variable consideration components, changes in the allocation of transaction prices will result in higher amounts being recognised for vehicle sales and a lower level of amounts deferred for service contracts. However, the shift in the timing of revenue recognition is not expected to have a significant impact at the date of first-time adoption or in subsequent periods.

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.

The BMW Group intends to apply the new Standard entirely retrospectively at the adoption date.

The new Standard **IFRS 16 (Leases)** stipulates a completely new approach to accounting for leases by lessees. Whereas 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 will be required to be accounted for as a general rule by the lessee in a similar way to finance leases. Recognition exemptions are available for short-term leases and for leasing assets with a low value.

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

Given that the BMW Group is still in a very early phase of considering the implications of introducing IFRS 16, the impact of the Standard on the Group Financial Statements from a lessee and lessor perspective cannot be wholly foreseen at present. Similarly, the transition method to be used on first-time adoption of the Standard has not yet been stipulated.

Early adoption of all of the new IFRS requirements is permitted. Currently, the BMW Group does not intend to adopt any of the new requirements early.

NOTES TO THE INCOME STATEMENT

06
Revenues

Revenues by activity comprise the following:

in € million	2016	2015
Sales of products and related goods	68,681	68,643
Income from lease instalments	9,507	8,965
Sales of products previously leased to customers	9,258	8,181
Interest income on loan financing	3,455	3,253
Other income	3,262	3,133
Revenues	**94,163**	**92,175**

An analysis of revenues by segment and region is shown in the segment information in → note 44.

→ see note 44

07
Cost of sales

Cost of sales comprises:

in € million	2016	2015
Manufacturing costs	43,175	43,685
Cost of sales relating to financial services business	20,723	19,449
thereof: Interest expense relating to financial services business	1,638	1,495
Research and development expenses	4,294	4,271
Warranty expenditure	2,165	1,891
Service contracts	1,435	1,325
Telematics and roadside assistance	583	446
Other cost of sales	3,067	2,976
Cost of sales	**75,442**	**74,043**

Warranty expenses include the accrued expense for vehicle recall actions, the cost of which is expected to exceed amounts previously recognised. Accordingly, a further amount of €678 million was allocated to the warranty provision for various issues, including airbags supplied by the Takata group of companies, the ISOFIX attachment system used for child car seats, and costs relating to the provision of the network service for telematics (2G).

Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to €69 million (2015: €71 million).

Research and development expenditure was as follows:

in € million	2016	2015
Research and development expenses	4,294	4,271
Amortisation	–1,222	–1,166
New expenditure for capitalised development costs	2,092	2,064
Total research and development expenditure	**5,164**	**5,169**

08
Selling and administrative expenses

Selling expenses amounted to €6,030 million (2015: €5,758 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative expenses amounted to €3,128 million (2015: €2,875 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	2016	2015
Exchange gains	262	323
Income from the reversal of provisions	115	172
Income from the reversal of impairment losses and write-downs	51	27
Gains on the disposal of assets	46	173
Sundry operating income	196	219
Other operating income	**670**	**914**
Exchange losses	–249	–311
Expense for additions to provisions	–303	–192
Expense for impairment losses and write-downs	–28	–76
Sundry operating expenses	–267	–241
Other operating expenses	**–847**	**–820**
Other operating income and expenses	**–177**	**94**

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

10 Net interest result

in € million	2016	2015
Other interest and similar income	196	185
thereof from subsidiaries:	12	19
Interest and similar income	**196**	**185**
Expense relating to interest impact on other long-term provisions	–84	–72
Net interest expense on the net defined benefit liability for pension plans	–78	–123
Other interest and similar expenses	–327	–423
thereof to subsidiaries:	–4	–5
Interest and similar expenses	**–489**	**–618**
Net interest result	**–293**	**–433**

11 Other financial result

in € million	2016	2015
Income from investments in subsidiaries and participations	13	1
thereof from subsidiaries:	13	–
Impairment losses on investments in subsidiaries and participations	–192	–25
Result on investments	**–179**	**–24**
Income (+) and expenses (-) from financial instruments	310	–430
Sundry other financial result	**310**	**–430**
Other financial result	**131**	**–454**

12
Income taxes

Taxes on income comprise the following:

in € million	2016	2015
Current tax expense	2,670	2,751
Deferred tax expense	85	77
thereof relating to temporary differences	80	52
thereof relating to tax loss carryforwards and tax credits	5	25
Income taxes	**2,755**	**2,828**

Current tax expense includes tax income of €174 million (2015: tax expenses of €164 million) relating to prior periods.

The tax expense was reduced by €49 million (2015*: €41 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 change in the valuation allowance on deferred tax assets relating to tax losses available for carryforward and temporary differences resulted in a tax expense of €38 million (2015*: €82 million).

* Previous year's figures adjusted.

Deferred taxes are computed using enacted or planned tax rates which are 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 % (2015: 425.0 %), the underlying income tax rate for Germany was as follows:

in %	2016	2015
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, ranging in the financial year 2016 between 12.5 % and 45.0 % (2015: between 12.5 % and 46.9 %). Changes in tax rates resulted in a deferred tax expense of €70 million (2015: €36 million).

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	2016	2015
Profit before tax	9,665	9,224
Tax rate applicable in Germany	30.7 %	30.7 %
Expected tax expense	**2,967**	**2,832**
Variances due to different tax rates	–119	–119
Tax increases (+) / tax reductions (–) as a result of non-deductible expenses and tax-exempt income	78	42
Tax expense (+) / benefits (–) for prior years	–174	164
Other variances	3	–91
Actual tax expense	**2,755**	**2,828**
Effective tax rate	28.5 %	30.7 %

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

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

The line "Other variances" comprises various reconciling items, including the Group's share of taxes on the 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	2016	2015	2016	2015
Intangible assets	13	10	2,234	1,977
Property, plant and equipment	26	20	305	376
Leased products	467	367	6,987	6,260
Other investments	3	5	17	11
Sundry other assets	1,448	1,363	2,861	2,109
Tax loss carryforwards and capital losses	536	548	–	–
Provisions	4,966	4,187	184	178
Liabilities	2,760	2,654	298	478
Eliminations	3,481	3,281	797	715
	13,700	**12,435**	**13,683**	**12,104**
Valuation allowances on tax loss carryforwards and capital losses	–485	–502	–	–
Netting	–10,888	–9,988	–10,888	–9,988
Deferred taxes	**2,327**	**1,945**	**2,795**	**2,116**
Net	–	–	468	171

Tax loss carryforwards – for the most part usable without restriction – amounted to €637 million (2015: €468 million). This includes an amount of €464 million (2015: €345 million), for which a valuation allowance of €158 million (2015: €100 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 2016 amounting to €90 million (2015: €104 million). Deferred tax assets are recognised on the basis of management's assessment of whether it is probable that the relevant entities will generate sufficient 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 €1,926 million (2015: €2,234 million) due to currency factors. As in previous years, deferred tax assets recognised on these tax losses – amounting to €327 million at the end of the reporting period (2015: €402 million) – were fully written down since they can only be utilised against future capital gains.

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

Deferred taxes recognised directly in **equity** amounted to €1,812 million (2015: €2,004 million).

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

in € million	2016	2015
Deferred taxes at 1 January (assets (–) / liabilities (+))	171	–87
Deferred tax expense (+) / income (–) recognised through income statement	85	77
Change in deferred taxes recognised directly in equity	163	–72
thereof relating to fair value gains and losses on financial instruments and marketable securities recognised directly in equity	724	–520
thereof relating to the remeasurements of net liabilities for defined benefit pension plans	–561	448
Exchange rate impact and other changes	49	253
Deferred taxes at 31 December (assets (–) / liabilities (+))	**468**	**171**

Deferred taxes recognised directly in equity in the financial year 2016 decreased by an additional €29 million (2015: increased by €43 million) on currency translation.

Deferred taxes are not recognised on retained profits of €38.7 billion (2015: €33.7 billion) of foreign subsidiaries, as it is intended to invest these profits to maintain and expand the business volume of the relevant companies. A computation was not made of the potential impact of income taxes on the grounds of disproportionate expense.

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

13
Earnings per share

		2016	2015
Net profit for the year after minority interest	€ million	6,862.9	6,369.4
Profit attributable to common stock	€ million	6,289.2	5,839.6
Profit attributable to preferred stock	€ million	573.7	529.8
Average number of common stock shares in circulation	number	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	54,809,375	54,499,460
Basic earnings per share of common stock	€	10.45	9.70
Basic earnings per share of preferred stock	€	10.47	9.72
Dividend per share of common stock	€	3.50*	3.20
Dividend per share of preferred stock	€	3.52*	3.22

* Proposal by management.

Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years. As in the previous year, diluted earnings per share correspond to basic earnings per share.

14 Personnel expenses

The income statement includes personnel expenses as follows:

in € million	2016	2015
Wages and salaries	9,581	8,887
Pension and welfare expenses	1,152	1,250
Social insurance expenses	802	733
Personnel expenses	**11,535**	**10,870**

Personnel expenses include €61 million (2015: €48 million) of costs incurred to adjust the workforce size. The total pension expense for defined contribution plans of the BMW Group amounted to €90 million (2015: €71 million). Employer contributions paid to state pension insurance schemes totalled €607 million (2015: €571 million).

The average number of employees during the year was:

	2016	2015
Employees	115,842	111,905
thereof at proportionately-consolidated entities	204	214
Apprentices and students gaining work experience	7,913	7,783
thereof at proportionately-consolidated entities	1	2
Average number of employees	**123,755**	**119,688**

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 2016 for the Group auditor and its network of audit firms amounted to €23 million (2015: €23 million) and consists of the following:

in € million	2016	2015
Audit of financial statements	**15**	**15**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	4	4
Other attestation services	**5**	**4**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	4	2
Tax advisory services	**2**	**3**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	–	–
Other services	**1**	**1**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	–	1
Fee expense	**23**	**23**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin	8	7

The fee expense shown for KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, relates only to services provided on behalf of BMW AG and its German subsidiaries.

16 Government grants and government assistance

Income from asset-related and performance-related grants, amounting to €31 million (2015: €33 million) and €126 million (2015: €132 million) respectively, were recognised in the income statement in 2016.

A large part of these amounts relate to public sector grants for the promotion of regional structures and to subsidies received for plant expansions.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

17

Disclosures relating to the statement of total comprehensive income

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

in € million	2016	2015
Remeasurement of the net defined benefit liability for pension plans	–1,858	1,413
Deferred taxes	529	–401
Items not expected to be reclassified to the income statement in the future	**–1,329**	**1,012**
Available-for-sale securities	**40**	**–170**
thereof gains / losses arising in the period under report	79	–26
thereof reclassifications to the income statement	–39	–144
Financial instruments used for hedging purposes	**2,008**	**–1,301**
thereof gains / losses arising in the period under report	1,458	–2,619
thereof reclassifications to the income statement	550	1,318
Other comprehensive income from equity accounted investments	**43**	**71**
Deferred taxes	**–721**	**516**
Currency translation foreign operations	**–230**	**765**
Items expected to be reclassified to the income statement in the future	**1,140**	**–119**
Other comprehensive income for the period after tax	**–189**	**893**

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

	2016			2015		
in € million	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	–1,858	529	–1,329	1,413	–401	1,012
Available-for-sale securities	40	–12	28	–170	53	–117
Financial instruments used for hedging purposes	2,008	–680	1,328	–1,301	459	–842
Other comprehensive income from equity accounted investments	43	–29	14	71	4	75
Currency translation foreign operations	–230	–	–230	765	–	765
Other comprehensive income	**3**	**–192**	**–189**	**778**	**115**	**893**

Other comprehensive income arising at the level of equity accounted investments is reported in the Statement of Changes in Equity within "Currency translation foreign operations" with a negative amount of €73 million (2015: positive amount of €90 million) and within "Financial instruments used for hedging purposes" with a positive amount of €87 million (2015: negative amount of €15 million).

NOTES TO THE BALANCE SHEET

18
Analysis of changes in Group tangible, intangible and investment assets 2016

in € million	Acquisition and manufacturing cost 1.1.2016[1]	Translation differences	Additions	Reclassifications	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.

Analysis of changes in Group tangible, intangible and investment assets 2015

in € million	Acquisition and manufacturing cost 1.1.2015[1]	Translation differences	Additions	Reclassifications	Disposals	31.12.2015
Development costs	9,341	–	2,064	–	883	**10,522**
Goodwill	369	–	–	–	–	**369**
Other intangible assets	1,445	15	146	–	152	**1,454**
Intangible assets	**11,155**	**15**	**2,210**	**–**	**1,035**	**12,345**
Land, titles to land, buildings, including buildings on third party land	9,806	164	240	295	75	**10,430**
Plant and machinery	32,770	551	1,954	1,362	1,168	**35,469**
Other facilities, factory and office equipment	2,517	47	218	34	215	**2,601**
Advance payments made and construction in progress	2,020	4	1,268	–1,691	4	**1,597**
Property, plant and equipment	**47,113**	**766**	**3,680**	**–**	**1,462**	**50,097**
Leased products	**36,969**	**1,738**	**18,011**	**–**	**14,452**	**42,266**
Investments accounted for using the equity method	**1,088**	**–**	**1,293**	**–**	**148**	**2,233**
Investments in non-consolidated subsidiaries	226	3	68	–	64	**233**
Participations	641	–	15	–	–	**656**
Non-current marketable securities	–	–	28	–	–	**28**
Other investments	**867**	**3**	**111**	**–**	**64**	**917**

[1] Including mergers.
[2] Including assets under construction of €1,187 million.

1.1.2016[1]	Translation differences	Current year	Reclassifications	Disposals	31.12.2016	31.12.2016	31.12.2015	
Depreciation and amortisation						Carrying amount		
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**

1.1.2015[1]	Translation differences	Current year	Reclassifications	Disposals	31.12.2015	31.12.2015	31.12.2014	
Depreciation and amortisation						Carrying amount		
3,888	–	1,166	–	883	**4,171**	**6,351**	5,453	Development costs
5	–	–	–	–	**5**	**364**	364	Goodwill
763	11	175	–	152	**797**	**657**	682	Other intangible assets
4,656	**11**	**1,341**	**–**	**1,035**	**4,973**	**7,372**	**6,499**	**Intangible assets**
4,181	77	319	–	62	**4,515**	**5,915**	5,625	Land, titles to land, buildings, including buildings on third party land
23,841	390	2,795	–	1,150	**25,876**	**9,593**	8,930	Plant and machinery
1,902	43	204	–	208	**1,941**	**660**	613	Other facilities, factory and office equipment
6	–	–	–	–	**6**	**1,591**[2]	2,014	Advance payments made and construction in progress
29,930	**510**	**3,318**	**–**	**1,420**	**32,338**	**17,759**	**17,182**	**Property, plant and equipment**
6,804	**238**	**3,536**	**–**	**3,277**	**7,301**	**34,965**	**30,165**	**Leased products**
–	**–**	**–**	**–**	**–**	**–**	**2,233**	**1,088**	**Investments accounted for using the equity method**
62	2	12	–	–	**76**	**157**	164	Investments in non-consolidated subsidiaries
398	–	13	–	–	**411**	**245**	244	Participations
–	–	2	–	–	**2**	**26**	–	Non-current marketable securities
460	**2**	**27**	**–**	**–**	**489**	**428**	**408**	**Other investments**

19 Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle and engine 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 €42 million (2015: €48 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 due entirely to currency factors. This line item also includes goodwill of €33 million (2015: €33 million) allocated to the Automotive cash-generating unit (CGU) and goodwill of €331 million (2015: €331 million) allocated to the Financial Services CGU.

Intangible assets amounting to €42 million (2015: €48 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 2016.

As in the previous year, no borrowing costs were recognised as a cost component of intangible assets in 2016.

20 Property, plant and equipment

No impairment losses were recognised in 2016 (2015: €3 million).

As in the previous year, no borrowing costs were recognised as a cost component of property, plant and equipment in 2016.

Property, plant and equipment include a total of €107 million (2015: €110 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 €90 million (2015: €102 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	31.12.2016	31.12.2015
Total of future minimum lease payments		
due within one year	23	22
due between one and five years	73	69
due later than five years	127	99
	223	190
Interest portion of the future minimum lease payments		
due within one year	11	10
due between one and five years	36	32
due later than five years	50	27
	97	69
Present value of future minimum lease payments		
due within one year	12	12
due between one and five years	37	37
due later than five years	77	72
	126	121

21
Leased products

Minimum lease payments of non-cancellable operating leases amounting to €17,850 million (2015: €16,527 million) fall due as follows:

in € million	31.12.2016	31.12.2015
within one year	8,692	8,079
between one and five years	9,154	8,445
later than five years	4	3
Minimum lease payments	**17,850**	**16,527**

Contingent rents of €46 million (2015: €54 million), based principally on the distance driven, were recognised in income. The agreements have, in part, extension and purchase options.

Impairment losses amounting to €384 million (2015: €119 million) were recognised on leased products in 2016 as a consequence of changes in residual value expectations. No income was recognised in 2016 from the reversal of impairment losses (2015: €24 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) and the interest in the associated company THERE Holding B.V. (THERE).

BMW Brilliance (in which the BMW Group has a 50.0 % shareholding) 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.

DriveNow (in which the BMW Group has a 50.0 % shareholding) offers car-sharing services in major German cities and abroad.

In August 2015, BMW AG, Daimler AG, Stuttgart, and AUDI AG, Ingolstadt, agreed with Nokia Corporation, Helsinki, to acquire that entity's maps and location-based services business (HERE Group). The HERE Group's digital maps are fundamental for the next generation of mobility and location-based services, providing the basis for new assistance systems and, ultimately, fully autonomous driving.

THERE Holding B.V. and its wholly owned subsidiary, HERE International B.V. (until 28 January 2016: THERE Acquisition B.V.) were founded in connection with the acquisition. HERE International B.V. acquired all of the shares of the HERE Group. Via BMW International Holding B.V., the BMW Group has a 33.3 % shareholding in THERE Holding B.V. THERE acquired the HERE Group with effect from 4 December 2015. The total purchase price of €2.6 billion was financed by using capital contributions (€2.0 billion) and via bank loans taken up by HERE International B.V. (€0.6 billion). The BMW Group's share of the purchase price was approximately €0.67 billion.

THERE is included in the BMW AG Group Financial Statements as an associated company using the equity method and allocated for segment reporting purposes to the Automotive segment. In view of the proximity of the reporting date and on the grounds of immateriality, no fair value adjustments were recorded in conjunction with the at-equity carrying amount at 31 December 2015, at which stage the investment was accounted for at cost. During 2016, the Group's share of earnings was accounted for with one month's delay, which was caught up at 31 December 2016. The purchase price allocation was completed during the first quarter of 2016.

In December 2016, THERE Holding B.V. signed contracts for the sale of a total of 25 % of the shares of HERE International B.V. The contract relating to the sale of 15 % of the shares to Intel Holdings B.V., Schiphol-Rijk, was completed in January 2017. 10 % of the shares were sold to a consortium comprising NavInfo Co. Ltd., Beijing, Tencent Holdings Ltd., Shenzhen, and GIC Private Ltd., Singapore. After receipt of the approval of the relevant regulatory agencies, the transaction is expected to be completed during the first half of 2017.

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

in € million	BMW Brilliance 2016	BMW Brilliance 2015	THERE 2016	THERE 2015	DriveNow 2016	DriveNow 2015
DISCLOSURES RELATING TO THE INCOME STATEMENT						
Revenues	12,991	13,220	1,240	–	58	47
Scheduled depreciation	486	380	52	–	–	–
Profit / loss before financial result	1,328	1,399	–149	–	–15	–6
Interest income	30	40	1	–	–	–
Interest expenses	2	15	22	–	–	–
Income taxes	363	369	3	–	–	–
Other comprehensive income	30	150	–4	–	–	–
Total comprehensive income	1,061	1,081	–171	–	–15	–6
Dividends received by the Group	134	144	–	–	–	–

in € million	BMW Brilliance 2016	BMW Brilliance 2015	THERE 2016	THERE 2015	DriveNow 2016	DriveNow 2015
DISCLOSURES RELATING TO THE BALANCE SHEET						
Non-current assets	5,779	5,415	2,802	3,115	–	–
Cash and cash equivalents	2,106	1,663	209	96	20	23
Current assets	4,405	3,841	592	365	33	32
Equity	4,678	3,853	1,832	2,003	15[1]	20[1]
Non-current financial liabilities	–	–	525	598	–	–
Non-current provisions and liabilities	670	589	1,044	1,093	–	–
Current financial liabilities	87	641	73	48	–	–
Current provisions and liabilities	4,835	4,814	518	384	18	12
RECONCILIATION OF AGGREGATED FINANCIAL INFORMATION						
Assets	10,183	9,256	3,394	3,480	33	32
Provisions and liabilities	5,505	5,403	1,562	1,477	18	12
Net assets	4,678	3,853	1,832	2,003	15	20
Group's interest in net assets	2,339	1,927	611	668	10[2]	14[2]
Eliminations	–414	–376	–	–	–	–
Carrying amount	1,925	1,551	611	668	10	14

[1] Corresponds to the consolidated equity capital provided by the shareholders of DriveNow GmbH & Co. KG and its subsidiaries.
[2] The BMW Group holds 67.2 % (2015: 73.8 %) of the net assets at 31 December 2016. 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	31.12.2016	31.12.2015
Credit financing for retail customers and dealerships	61,602	52,915
Finance lease receivables	16,658	17,128
Receivables from sales financing	**78,260**	**70,043**

Non-guaranteed residual values that fall to the benefit of the lessor amounted to €118 million (2015: €165 million).

Impairment allowances

in € million	31.12.2016	31.12.2015
Gross carry amount of items with impairment allowances recognised on a specific-item basis	14,440	13,742
Impairment allowances recognised on a specific-item basis	–934	–963
thereof for finance lease receivables	–141	–174
Gross carrying amount of items with impairment allowances recognised on a group basis	52,951	44,473
Impairment allowances recognised on a group basis	–467	–530
Carrying amount without impairment allowances	12,270	13,321
Net carrying amount	**78,260**	**70,043**

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

	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**

* Balance at 1 January adjusted due to deconsolidation of entities.

	2015		
	Allowance for impairment recognised on a		
in € million	specific item basis	group basis	Total
Balance at 1 January	1,000	515	**1,515**
Allocated (+) / reversed (–)	265	30	**295**
Utilised	–319	–22	**–341**
Exchange rate impact and other changes	17	7	**24**
Balance at 31 December	**963**	**530**	**1,493**

The estimated fair value of collateral received for receivables on which impairment losses were recognised totalled €30,542 million (2015: €26,992 million). 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 €153 million (2015: €40 million).

Finance leases are analysed as follows:

in € million	31.12.2016	31.12.2015
Gross investment in finance leases		
due within one year	5,921	5,974
due between one and five years	12,574	12,816
due later than five years	32	134
	18,527	18,924
Present value of future minimum lease payments		
due within one year	5,348	5,429
due between one and five years	11,278	11,572
due later than five years	32	127
	16,658	17,128
Unrealised interest income	**1,869**	**1,796**

24 Financial assets

Financial assets comprise:

in € million	31.12.2016	31.12.2015
Marketable securities and investment funds	5,287	5,261
Derivative instruments	3,922	3,030
Credit card receivables	287	272
Loans to third parties	129	133
Other	145	147
Financial assets	**9,770**	**8,843**
thereof non-current	2,705	2,208
thereof current	7,065	6,635

The amount by which the value of investment funds exceeds obligations for part-time working arrangements (€17 million; 2015: €12 million) is reported under other financial assets. Investment funds are held to secure obligations relating to pre-retirement part-time work arrangements. These funds are managed by BMW Trust e.V., Munich, as part of Contractual Trust Arrangements (CTA) and are therefore netted against the corresponding settlement arrears for pre-retirement part-time work arrangements.

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

in € million	31.12.2016	31.12.2015
Fixed income securities	4,449	4,356
Stocks	734	561
Other debt securities	104	344
Marketable securities and investment funds	**5,287**	**5,261**

The contracted maturities of debt securities are as follows:

in € million	31.12.2016	31.12.2015
Fixed income securities		
due within three months	780	699
due later than three months	3,669	3,657
Other debt securities		
due within three months	104	344
due later than three months	–	–
Debt securities	**4,553**	**4,700**

Allowances for impairment and credit risk

Receivables relating to credit card business comprise the following:

in € million	31.12.2016	31.12.2015
Gross carrying amount	296	280
Allowance for impairment	–9	–8
Net carrying amount	**287**	**272**

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

	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**

	2015		
	Allowance for impairment recognised on a		
in € million	specific item basis	group basis	Total
Balance at 1 January	8	–	8
Allocated (+) / reversed (–)	7	–	7
Utilised	–8	–	–8
Exchange rate impact and other changes	1	–	1
Balance at 31 December	**8**	**–**	**8**

25
Income tax assets

Income tax assets totalling €1,938 million (2015: €2,381 million) include claims amounting to €351 million (2015: €519 million), which are expected to be settled after more than twelve months. Some of the claims may be settled earlier than this depending on the timing of proceedings.

26
Other assets

Other assets comprise:

in € million	31.12.2016	31.12.2015
Prepayments	1,914	1,527
Receivables from companies in which an investment is held	1,217	893
Other taxes	1,135	1,036
Expected reimbursement claims	779	711
Receivables from subsidiaries	422	716
Collateral receivables	387	412
Sundry other assets	828	966
Other assets	**6,682**	**6,261**
thereof non-current	1,595	1,568
thereof current	5,087	4,693

Prepayments relate mainly to prepaid interest and commission paid to dealerships. Prepayments of €1,018 million (2015: €795 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	31.12.2016	31.12.2015
Finished goods and goods for resale	9,684	8,969
Work in progress, unbilled contracts	1,157	1,098
Raw materials and supplies	1,000	1,004
Inventories	**11,841**	**11,071**

At 31 December 2016, inventories measured at their net realisable value amounted to €871 million (2015: €1,054 million). Write-downs to net realisable value amounting to €101 million (2015: €486 million) were recognised in 2016. The write-down recorded in the previous year resulted primarily from accidents and natural disasters.

The expense recorded in conjunction with inventories during the financial year 2016 amounted to €55,129 million (2015: €55,536 million).

28 Trade receivables

Trade receivables comprise the following:

in € million	31.12.2016	31.12.2015
Gross carrying amount	2,882	2,847
Allowance for impairment	–57	–96
Net carrying amount	**2,825**	**2,751**

The impairment allowance on trade receivables developed during the year under report as follows:

	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**

	2015		
	Allowance for impairment recognised on a		
in € million	specific item basis	group basis	Total
Balance at 1 January	76	7	**83**
Allocated (+) / reversed (–)	36	7	**43**
Utilised	–27	–1	**–28**
Exchange rate impact and other changes	–1	–1	**–2**
Balance at 31 December	**84**	**12**	**96**

Some trade receivables were overdue for which an impairment allowance was not recognised. Overdue balances are analysed into the following time windows:

in € million	31.12.2016	31.12.2015
1 – 30 days overdue	174	128
31 – 60 days overdue	23	20
61 – 90 days overdue	29	10
91 – 120 days overdue	17	15
More than 120 days overdue	64	22
Balance at 31 December	**307**	**195**

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 primarily attributable to the timing of receipts around the month-end. 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 extremely low.

29
Equity
Number of shares issued

Number of shares issued	Preferred stock 2016	Preferred stock 2015	Common stock 2016	Common stock 2015
Shares issued / in circulation at 1 January	54,809,404	54,499,544	601,995,196	601,995,196
Shares issued in conjunction with Employee Share Programme	305,029	309,944	–	–
Less: shares repurchased and re-issued	29	84	–	–
Shares issued / in circulation at 31 December	55,114,404	54,809,404	601,995,196	601,995,196

All of the 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, bears an additional dividend of €0.02 per share.

In 2016, a total of 305,029 shares of preferred stock was sold to employees at a reduced price of €44.14 per share in conjunction with the Company's Employee Share Programme. These shares are entitled to receive dividends with effect from the financial year 2017. 29 shares of preferred stock were bought back in 2016 via the stock exchange in conjunction with the Company's Employee Share Programme.

Issued share capital increased by €0.3 million as a result of the issue to employees of 305,000 shares of non-voting preferred stock. The number of authorised shares and the Authorised Capital of BMW AG amounted to 4.2 million shares and €4.2 million respectively at the end of the reporting period. The Company is authorised to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million prior to 14 May 2019.

Capital reserves
Capital reserves include premiums arising from the issue of shares and totalled €2,047 million (2015: €2,027 million). The change related to the share capital increase arising in conjunction with the issue of shares of preferred stock to employees amounting to €20.1 million.

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

A proposal will be made that the unappropriated profit of BMW AG for the financial year 2016 amounting to €2,300 million be utilised as follows:

- Distribution of a dividend of €3.52 per share of preferred stock (€193 million).
- Distribution of a dividend of €3.50 per share of common stock (€2,107 million).

The proposed distribution was not recognised as a liability in the Group Financial Statements.

Accumulated other equity
Accumulated other equity comprises all amounts recognised directly in equity resulting from the translation of the financial statements of foreign subsidiaries, the effects of recognising changes in the fair value of derivative financial instruments and marketable securities directly in equity and the related deferred taxes recognised directly in equity.

Capital management disclosures
The BMW Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in the long-term and to provide an adequate return to shareholders.

The BMW Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of the underlying assets.

The BMW Group is not subject to any 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 set by relevant regulatory banking agencies.

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 pro-actively manages debt capital, determining levels of debt capital transactions with a target debt structure in mind. An important aspect of 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	31.12.2016	31.12.2015
Equity attributable to shareholders of BMW AG	47,108	42,530
Proportion of total capital	32.5 %	31.7 %
Non-current financial liabilities	55,405	49,523
Current financial liabilities	42,326	42,160
Total financial liabilities	97,731	91,683
Proportion of total capital	67.5 %	68.3 %
Total capital	**144,839**	**134,213**

The equity ratio attributable to shareholders of BMW AG increased during the financial year by 0.8 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 funded or unfunded, the latter sometimes covered by accounting provisions. Pension commitments in Germany are mostly covered by assets contributed to BMW Trust e.V., Munich, in conjunction with a contractual trust arrangement (CTA). The main other countries with funded plans were the UK, the USA, Switzerland, the Netherlands, Belgium and Japan.

In the meantime, most of the defined benefit plans have been closed to new entrants.

The assumptions stated below, all of 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 %	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Discount rate	1.80	2.51	2.51	3.58	3.70	3.83
Pension level trend	1.78	1.60	2.55	2.43	–	0.02
Weighted duration of all pension obligations in years	21.3	20.5	20.9	19.2	17.6	18.4

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	SP2 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	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Present value of defined benefit obligations	11,112	9,215	10,311	9,327	1,476	1,384	22,899	19,926
Fair value of plan assets	8,643	7,855	8,714	8,153	958	922	18,315	16,930
Effect of limiting net defined benefit asset to asset ceiling	–	–	–	–	3	3	3	3
Carrying amounts at 31 December	**2,469**	**1,360**	**1,597**	**1,174**	**521**	**465**	**4,587**	**2,999**
thereof pension provision	2,469	1,360	1,597	1,174	521	466	4,587	3,000
thereof assets	–	–	–	–	–	–1	–	–1

Numerous **defined benefit plans** are in place throughout the BMW Group.

Under the motto "THE NEXT 100 YEARS", almost all of the workforce received a special bonus in conjunction with the BMW Group's centenary anniversary. Depending on opportunities available in each country, the bonus was contributed to the relevant pension plan or paid to the recipient in a one-off amount.

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

Germany
Both employer- and employee-funded benefit plans are in place in Germany. Benefits paid in conjunction with these plans comprise old-age retirement pensions as well as invalidity and surviving dependents' benefits. The Deferred Remuneration Retirement Plan is an employee-financed defined contribution plan with a minimum rate of return. The fact that the plan involves a minimum rate of return means that it is classified as a defined benefit plan. Employees have the option to waive payment of certain remuneration components in return for a future benefit. When the benefit falls due, it is paid on the basis of the higher of the value of the depot account or a guaranteed minimum amount. Defined benefit obligations also remain in Germany, for which benefits are determined either by multiplying a fixed amount by the number of years of service or on the basis of an employee's final salary.

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. Under the motto "THE NEXT 100 YEARS", this entitlement was enhanced by a special centenary bonus to employees, made in the form of a starting contribution to a new BMW supplementary benefit plan.

The assets of the German pension plans are administered by BMW Trust e.V., Munich, (German registered association) 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 Board of Directors members 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 recovery requirements. Benefits paid in conjunction with these plans comprise old-age retirement pensions as well as invalidity and surviving dependents' benefits. The defined benefit plans have been closed to new entrants, who, since 1 January 2014, are covered by 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 11 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. Recovery contributions to the funds are determined in agreement with the BMW Group.

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

in € million	Defined benefit obligation	Plan assets	Total	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 the discount factor	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					**–**

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 2015	20,462	–15,861	**4,601**	2	**4,603**
EXPENSE/INCOME					
Current service cost	494	–	**494**	–	**494**
Interest expense (+)/income (–)	591	–468	**123**	–	**123**
Past service cost	–9	–	**–9**	–	**–9**
Gains (–) or losses (+) arising from settlements	–	–	**–**	–	**–**
REMEASUREMENTS					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	325	**325**	–	**325**
Gains (–) or losses (+) arising from changes in the discount factor	–1,181	–	**–1,181**	–	**–1,181**
Gains (–) or losses (+) arising from changes in demographic assumptions	–224	–	**–224**	–	**–224**
Gains (–) or losses (+) arising from experience adjustments	–429	–	**–429**	–	**–429**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	1	**1**
Transfers to fund	–	–872	**–872**	–	**–872**
Employee contributions	79	–79	**–**	–	**–**
Pensions and other benefits paid	–540	554	**14**	–	**14**
Translation differences and other changes	683	–529	**154**	–	**154**
31 December 2015	**19,926**	**–16,930**	**2,996**	**3**	**2,999**
thereof pension provision					**3,000**
thereof assets					**–1**

Past service cost results from a change in the defined benefit pension plan in Germany. In future, 12 monthly pension payments will be paid to all plan beneficiaries, with a guaranteed 1 % increase in pension entitlements for benefits awarded since 1999.

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:

	Germany		United Kingdom		Other		Total	
in € million	2016	2015	2016	2015	2016	2015	2016	2015
COMPONENTS OF PLAN ASSETS								
Equity instruments	**1,726**	1,807	**611**	1,340	**235**	224	**2,572**	3,371
Debt instruments	**5,439**	4,834	**6,071**	4,623	**458**	420	**11,968**	9,877
thereof investment grade	3,752	3,525	5,564	4,437	422	383	9,738	8,345
thereof non-investment grade	1,687	1,309	507	186	36	37	2,230	1,532
Real estate	**–**	–	**–**	–	**25**	20	**25**	20
Money market funds	**–**	–	**26**	255	**11**	19	**37**	274
Absolute return funds	**–**	–	**82**	33	**–**	–	**82**	33
Other	**–**	–	**–**	–	**5**	–	**5**	–
Total with quoted market price	**7,165**	**6,641**	**6,790**	**6,251**	**734**	**683**	**14,689**	**13,575**
Debt instruments	**543**	367	**408**	207	**3**	3	**954**	577
thereof investment grade	195	189	2	2	1	1	198	192
thereof mixed funds (funds without a rating)	348	178	179	–	–	–	527	178
thereof non-investment grade	–	–	227	205	2	2	229	207
Real estate	**183**	172	**697**	783	**123**	105	**1,003**	1,060
Cash and cash equivalents	**17**	17	**9**	24	**1**	–	**27**	41
Absolute return funds	**419**	376	**745**	705	**46**	34	**1,210**	1,115
Other	**316**	282	**65**	183	**51**	97	**432**	562
Total without quoted market price	**1,478**	**1,214**	**1,924**	**1,902**	**224**	**239**	**3,626**	**3,355**
31 December	**8,643**	**7,855**	**8,714**	**8,153**	**958**	**922**	**18,315**	**16,930**

Employer contributions to plan assets are expected to amount to €1,190 million in the coming year.

The BMW Group is exposed to **risks** arising from defined benefit plans on the one hand and defined contribution plans with a minimum return guarantee on the other. 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 on using a deficit-value-at-risk approach. The investment strategy is also subjected to regular review together with external consultants, with the aim of ensuring that investments are structured to coincide with the timing of pension payments and the expected pattern of pension obligations. Each of these measures helps to reduce fluctuations in pension funding shortfalls.

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

in € million	Germany 31.12.2016	Germany 31.12.2015	United Kingdom 31.12.2016	United Kingdom 31.12.2015	Other 31.12.2016	Other 31.12.2015
Current employees	67.3	66.3	26.7	23.4	79.1	75.0
Pensioners	27.8	28.6	43.1	48.6	17.5	16.7
Former employees with vested benefits	4.9	5.1	30.2	28.0	3.4	8.3
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 obligations does not follow a 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 non-proportional change in the defined benefit obligation.

		Change in defined benefit obligation			
		31.12.2016		31.12.2015	
		in € million	in %	in € million	in %
	increase of 0.75 %	–2,939	–12.8	–2,577	–12.9
Discount rate	decrease of 0.75 %	4,031	17.6	3,253	16.3
	increase of 0.25 %	747	3.3	655	3.3
Pension level trend	decrease of 0.25 %	–713	–3.1	–610	–3.1
	increase of 1 year	853	3.7	632	3.2
Average life expectancy	decrease of 1 year	–854	–3.7	–633	–3.2
	increase of 0.25 %	165	0.7	134	0.7
Pension entitlement trend	decrease of 0.25 %	–158	–0.7	–128	–0.6

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	1.1.2016	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2016	thereof due within one year
Obligations for personnel and social expenses	1,939	5	1,705	1	–1,436	–23	2,191	1,661
Obligations for ongoing operational expenses	5,811	48	3,219	51	–2,313	–289	6,527	2,824
Other obligations	1,880	21	938	6	–362	–283	2,200	1,394
Other provisions	**9,630**	**74**	**5,862**	**58**	**–4,111**	**–595**	**10,918**	**5,879**

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 obligations for on-going operational expenses comprise primarily warranty obligations. Depending on when claims are made, it is possible that the BMW Group may be called upon to fulfil obligations over the whole period of the warranty or guarantee. Expected reimbursement claims at 31 December 2016 amounted to €779 million at the end of the reporting period (2015: €711 million). Also included are other provisions for expected payments for bonuses, rebates and other price deductions.

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

Income from the reversal of other provisions amounting to €480 million (2015: €550 million) is recorded in cost of sales and in selling and administrative expenses.

32
Income tax liabilities

Current income tax liabilities totalling €1,074 million (2015: €1,441 million) include €33 million (2015: 485 €million), which is expected to be settled after more than twelve months. Some of the liabilities may be settled earlier than this depending on the timing of proceedings.

Current income tax liabilities of €1,074 million (2015: €1,441 million) comprise €269 million (2015: €288 million) for taxes payable and €805 million (2015: €1,153 million) for tax provisions.

33
Financial liabilities

Financial liabilities include all liabilities of the BMW Group at the relevant balance sheet dates relating to financing activities. Financial liabilities comprise the following:

	31.12.2016			
in € million	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 to banks	10,251	3,997	644	**14,892**
Liabilities from customer deposits (banking)	10,063	3,316	133	**13,512**
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**

	31.12.2015			
in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	10,124	23,283	6,912	**40,319**
Asset backed financing transactions	5,046	8,585	–	**13,631**
Liabilities to banks	9,030	3,194	496	**12,720**
Liabilities from customer deposits (banking)	9,719	3,657	133	**13,509**
Commercial paper	5,415	–	–	**5,415**
Derivative instruments	2,198	2,245	107	**4,550**
Other	628	325	586	**1,539**
Financial liabilities	**42,160**	**41,289**	**8,234**	**91,683**

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

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 6,101 million	2.2	0.1
	variable	GBP 67 million	1.0	0.7
	variable	SEK 1,950 million	3.0	0.0
	fixed	AUD 690 million	5.4	4.0
	fixed	CHF 300 million	6.0	1.8
	fixed	CNH 300 million	3.0	4.2
	fixed	EUR 15,214 million	7.2	2.0
	fixed	GBP 2,700 million	5.2	2.5
	fixed	HKD 1,093 million	4.1	1.9
	fixed	JPY 49,100 million	3.7	0.4
	fixed	NOK 1,650 million	3.9	2.1
BMW Finance N. V.	fixed	SEK 1,750 million	5.0	1.9
	variable	EUR 1,500 million	3.2	0.0
	variable	GBP 250 million	1.8	0.7
	variable	NZD 30 million	3.0	2.9
	variable	USD 1,295 million	3.0	1.4
	fixed	AUD 130 million	3.8	2.8
	fixed	EUR 3,500 million	6.6	0.9
	fixed	GBP 300 million	5.0	2.0
	fixed	HKD 834 million	3.0	1.6
	fixed	JPY 30,000 million	3.0	0.2
	fixed	NZD 100 million	3.0	4.4
BMW US Capital, LLC	fixed	USD 8,210 million	6.2	2.3
	variable	CAD 500 million	2.7	0.9
BMW Canada Inc.	fixed	CAD 1,600 million	4.6	2.1
	variable	AUD 700 million	3.0	2.4
	fixed	CNY 2,000 million	3.0	3.3
	fixed	INR 3,500 million	5.0	10.3
Other	fixed	KRW 260,000 million	3.9	2.8

The following details apply to the commercial paper:

Issuer	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in days)	Weighted average nominal interest rate (in %)
	EUR 380 million	76	–0.32
BMW Finance N. V.	GBP 300 million	74	0.37
BMW Malta Finance Ltd.	EUR 350 million	13	–0.30
BMW US Capital, LLC	USD 2,722 million	20	0.67
BMW India Financial Services Private Ltd.	INR 14,000 million	91	7.33

34

Other liabilities

Other liabilities comprise the following items:

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**
Deposits received	501	387	5	**893**
Other taxes	807	–	–	**807**
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**

in € million	31.12.2015 Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Deferred income	2,399	3,640	215	**6,254**
Advance payments from customers	681	121	–	**802**
Deposits received	492	374	5	**871**
Other taxes	1,080	–	–	**1,080**
Payables to other companies in which an investment is held	107	–	–	**107**
Payables to subsidiaries	86	–	–	**86**
Social security	71	17	1	**89**
Other	4,292	176	10	**4,478**
Other liabilities	**9,208**	**4,328**	**231**	**13,767**

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	31.12.2016 Total	31.12.2016 thereof due within one year	31.12.2015 Total	31.12.2015 thereof due within one year
Deferred income relating to service contracts	4,412	1,474	3,910	1,397
Deferred income from lease financing	2,241	1,037	1,922	915
Grants	382	30	299	32
Other deferred income	221	58	123	55
Deferred income	**7,256**	**2,599**	**6,254**	**2,399**

Deferred income relating to service contracts arises in conjunction with service and repair work as well as telematics services and roadside assistance to be provided under commitments given at the time of the sale of a vehicle (multi-component arrangements). Deferred income from lease financing relates primarily to upfront lease payments.

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

35
Trade payables

Trade payables have the following maturities:

in Mio. €	31.12.2016	31.12.2015
Maturity within one year	8,512	7,701
Maturity between one and five years	–	72
Maturity later than five years	–	–
Trade payables	**8,512**	**7,773**

OTHER DISCLOSURES

36
Contingent liabilities and other financial commitments

Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	31.12.2016	31.12.2015
Guarantees	67	93
Performance guarantees	–	–
Other	474	213
Contingent liabilities	**541**	**306**

Other contingent liabilities comprise mainly legal disputes as well as risks relating to taxes and customs duties.

Regulatory agencies have ordered the BMW Group to recall various vehicle models that are fitted with airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within warranty provisions. It cannot be ruled out, however, that further BMW Group vehicles will be affected by future recall actions. Further disclosures pursuant to IAS 37.86 cannot be provided at present in view of the fact that technical tests have not yet been completed.

In June 2016, Germany's Federal Cartel Agency conducted searches at various carmakers and suppliers, including the BMW AG, as part of an investigation into the purchase of steel in the automotive industry. The investigations have not yet been completed. More detailed information is currently not available.

The BMW Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of the Group Financial Statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. Some of the risks are insured. In accordance with IAS 37, the BMW Group does not disclose information relating to legal disputes and risks relating to taxes and customs duties, if such disclosures could be expected to prejudice seriously the position of the BMW Group or if disclosure is not practicable. From today's perspective, the BMW Group does not expect these proceedings to have a significant adverse impact on the results of operations, financial position or net assets of the Group.

Other financial obligations

In addition to liabilities, provisions and contingent liabilities, the BMW Group also has other financial commitments, primarily under rental and lease contracts for land, buildings, plant and machinery, tools, office and other facilities. These contracts run for periods of one to 85 years. Some of them contain extension and purchase options as well as price adjustment clauses, based on index-linked or graduated rentals, including adjustments for inflation.

In the financial year 2016, an amount of €432 million (2015: €315 million) was recognised as expense in conjunction with operating leases.

The total of future minimum payments under non-cancellable leases and rental contracts can be analysed by maturity as follows:

in € million	31.12.2016	31.12.2015
due within one year	447	371
due between one and five years	1,102	1,003
due later than five years	895	816
Other financial obligations	**2,444**	**2,190**

The following obligations also existed for the BMW Group at the end of the reporting period:

in € million	31.12.2016	31.12.2015
Purchase commitments for property plant and equipment	3,141	2,217
Purchase commitments for intangible assets	1,363	757

37
Financial instruments

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

in € million	Cash funds		Loans and receivables		Available for sale	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
ASSETS						
Other investments	–	–	–	–	534	402
Receivables from sales financing	–	–	78,260	70,043	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	–	100	5,287	5,161
Loans to third parties	–	–	129	133	–	–
Credit card receivables	–	–	287	272	–	–
Other	–	–	145	147	–	–
Cash and cash equivalents	7,880	6,122	–	–	–	–
Trade receivables	–	–	2,825	2,751	–	–
Other assets						
Receivables from subsidiaries	–	–	422	716	–	–
Receivables from companies in which an investment is held	–	–	1,217	893	–	–
Collateral receivables	287	314	–	–	100	98
Other	–	–	1,124	1,050	–	–
Total	**8,167**	**6,436**	**84,409**	**76,105**	**5,921**	**5,661**
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		
31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	
						ASSETS
26	26	–	–	–	–	Other investments
–	–	–	–	–	–	Receivables from sales financing
						Financial assets
						Derivative instruments
–	–	–	–	1,758	830	Cash flow hedges
–	–	–	–	949	1,194	Fair value hedges
–	–	–	–	1,215	1,006	Other derivative instruments
–	–	–	–	–	–	Marketable securities and investment funds
–	–	–	–	–	–	Loans to third parties
–	–	–	–	–	–	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
26	**26**	**–**	**–**	**3,922**	**3,030**	**Total**
						LIABILITIES
						Financial liabilities
–	–	44,421	40,319	–	–	Bonds
–	–	14,892	12,720	–	–	Liabilities to banks
–	–	13,512	13,509	–	–	Liabilities from customer deposits (banking)
–	–	3,852	5,415	–	–	Commercial paper
–	–	16,474	13,631	–	–	Asset backed financing transactions
						Derivative instruments
–	–	–	–	1,694	2,535	Cash flow hedges
–	–	–	–	870	563	Fair value hedges
–	–	–	–	767	1,452	Other derivative instruments
–	–	1,249	1,539	–	–	Other
–	–	8,512	7,773	–	–	Trade payables
						Other liabilities
–	–	99	86	–	–	Payables to subsidiaries
–	–	615	107	–	–	Payables to other companies in which an investment is held
–	–	5,535	5,075	–	–	Other
–	**–**	**109,161**	**100,174**	**3,331**	**4,550**	**Total**

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. Based on the fact that maturities of some balance sheet items are generally short, it is assumed in this case that their fair value corresponds to the carrying amount.

in € million	31.12.2016 Fair value	31.12.2016 Carrying amount	31.12.2015 Fair value	31.12.2015 Carrying amount
Receivables from sales financing	81,621	78,260	72,309	70,043
Bonds	45,140	44,421	40,701	40,319
Liabilities to banks	14,942	14,892	12,783	12,720
Liabilities from customer deposits (banking)	13,545	13,512	13,543	13,509
Asset-backed financing transactions	16,556	16,474	13,611	13,631

Fair value measurement of financial instruments
The following interest rate structures were used to discount financial instruments at 31 December 2016:

in %	ISO Code EUR	USD	GBP	JPY	CNY
Interest rate for six months	–0.23	1.21	0.60	–0.20	2.94
Interest rate for one year	–0.20	1.18	0.55	0.02	3.77
Interest rate for five years	0.08	1.98	0.87	0.08	4.44
Interest rate for ten years	0.67	2.37	1.25	0.23	4.85

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		31.12.2016	31.12.2015
Iron ore	USD/t	79.65	43.05
Coke/coal	USD/t	230.00	76.45
Aluminium	USD/t	1,695.13	1,507.00
Palladium	USD/oz	680.96	561.70

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:

in € million	31.12.2016 Level hierarchy in accordance with IFRS 13		
	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	–	–
Derivative instruments (assets)			
Interest rate risks	–	1,933	–
Currency risks	–	1,842	–
Raw materials price risks	–	147	–
Derivative instruments (liabilities)			
Interest rate risks	–	1,402	–
Currency risks	–	1,479	–
Raw materials price risks	–	450	–

in € million	31.12.2015 Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral assets – available-for-sale	5,259	–	–
Other investments – available-for-sale / fair value option	244	–	–
Derivative instruments (assets)			
Interest rate risks	–	1,939	–
Currency risks	–	1,086	–
Raw materials price risks	–	5	–
Derivative instruments (liabilities)			
Interest rate risks	–	1,352	–
Currency risks	–	2,136	–
Raw materials price risks	–	1,062	–

Other investments (available-for-sale) amounting to €347 million (2015: €184 million) are measured at amortised cost since quoted market prices are not available or cannot be determined reliably. These are therefore not included in the level hierarchy shown above. In addition, other investments amounting to €213 million (2015: €244 million) are measured at fair value since quoted market prices are available. These items are included in Level 1.

As in the previous year, there were no reclassifications within the level hierarchy during the financial year 2016.

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

Offsetting of financial instruments

In the BMW Group, financial assets and liabilities relating to derivative financial instruments would normally be required to be offset. No offsetting takes place for accounting purposes, however, since 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	31.12.2016 Reported on assets side	31.12.2016 Reported on equity and liabilities side	31.12.2015 Reported on assets side	31.12.2015 Reported on equity and liabilities side
Balance sheet amounts as reported	3,922	3,331	3,030	4,550
Gross amount of derivatives which can be offset in case of insolvency	–1,169	–1,169	–1,285	–1,285
Net amount after offsetting	2,753	2,162	1,745	3,265

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	2016	2015
Held for trading		
Gains / losses from the use of derivative instruments	1,265	–717
Fair value option		
Gains / losses on investments measured at fair value through profit and loss	–	–2
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)	–155	129
Net income from participations and investments	13	1
Accumulated other equity		
Balance at 1 January	24	141
Total change during the year	28	–117
thereof recognised in the income statement during the period under report	–39	–144
Balance at 31 December	52	24
Loans and receivables		
Impairment losses / reversals of impairment losses	–210	–345
Other income / expenses	–38	–77
Other liabilities		
Income / expenses	586	32

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 2016 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 market-related changes in fair value from the overall change in fair value.

Net interest expenses from interest rate and interest rate/currency swaps amounted to €120 million (2015: €22 million).

Impairment losses of €76 million (2015: €13 million) were recognised in the income statement in 2016 on available-for-sale securities accounted for as participations, for which fair value changes had previously been recognised directly in equity. As in the previous year, no reversals of impairment losses on marketable securities occurred.

The disclosure of interest income resulting from the unwinding of interest on future expected receipts would normally only be relevant for the BMW Group where assets have been discounted as part of the process of determining impairment losses. However, as a result of the assumption that most of the income that is subsequently recovered is received within one year and the fact that the impact is not material, the BMW Group does not discount assets for the purposes of determining impairment losses.

Cash flow hedges

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

in € million	2016	2015
Balance at 1 January	–1,337	–480
Total changes during the year	1,415	–857
thereof reclassified to the income statement	550	1,318
Balance at 31 December	**78**	**–1,337**

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.

An amount of €2 million (2015: €8 million) attributable to forecasting errors (and the resulting over-hedging of currency exposures) was recognised as a loss in "Financial Result" in the year under report. Losses attributable to the ineffective portion of cash flow hedges amounting to €11 million were recognised in "Financial Result" (2015: gains of €9 million). As in the previous year, no gains or losses were recognised in "Financial Result" in 2016 in connection with forecasting errors relating to cash flow hedges for commodities. Gains attributable to the ineffective portion of cash flow hedges amounting to €17 million were recognised in "Financial Result" (2015: losses of €13 million).

At 31 December 2016, the BMW Group held derivative financial instruments (mainly forward currency contracts) in order to hedge currency risks attached to future or existing transactions/items. These derivative instruments are intended to hedge forecast sales denominated in a foreign currency over the coming 44 months (2015: 55 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 €113 million of net losses, recognised in equity at the end of the reporting period, will be reclassified to the income statement in the new financial year (2015: net losses of €623 million).

The BMW Group did not hold any derivative financial instruments at 31 December 2016, which had been designated at cash flow hedges to hedge against interest-rate risks.

At 31 December 2016, the BMW Group held derivative financial instruments (mostly commodity swaps) with terms of up to 58 months (2015: 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 €94 million of net losses, recognised in equity at the end of the reporting period, will be reclassified to the income statement in the new financial year (2015: net losses of €127 million).

Fair value hedges

The following table shows gains and losses on hedging instruments and hedged items which are deemed to be part of a fair value hedge relationship:

in € million	31.12.2016	31.12.2015
Gains/losses on hedging instruments designated as part of a fair value hedge relationship	–158	–269
Gains/losses from hedged items	134	276
Ineffectiveness of fair value hedges	**–24**	**7**

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

Credit risk

Notwithstanding the existence of collateral accepted, the carrying amounts of financial assets generally take account of the maximum credit risk arising from the possibility that the counterparties will not be able to fulfil their contractual obligations. The maximum credit risk for irrevocable credit commitments relating to credit card business amounts to €1,461 million (2015: €2,011 million). The equivalent figure for dealership financing is €27,494 million (2015: €24,733 million).

In the case of performance relationships underlying non-derivative financial instruments, collateral will be required, information on the credit standing of the counterparty obtained or historical data based on the existing business relationship (i.e. payment patterns to date) reviewed in order to minimise the credit risk, all depending on the nature and amount of the exposure that the BMW Group is proposing to enter into.

Within the financial services business, the financed items (e.g. vehicles, equipment and property) in the retail customer and dealership lines of business serve as first-ranking collateral with a recoverable value. Security is also put up by customers in the form of collateral asset pledges, asset assignment and first-ranking mortgages, supplemented where appropriate by warranties and guarantees. 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. The assets involved are generally vehicles which can be converted into cash at any time via 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 purchasing process. In the area of dealership financing, creditworthiness is assessed by means of ongoing credit monitoring and an internal rating system that takes account not only of the tangible situation 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 not considered to be significant.

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:

	31.12.2016			
in € million	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**
Derivative instruments	1,983	2,395	187	**4,565**
Commercial paper	3,853	–	–	**3,853**
Other financial liabilities	72	178	601	**851**
Total	**52,913**	**46,957**	**11,568**	**111,438**

	31.12.2015			
in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	10,774	24,241	7,230	**42,245**
Asset backed financing transactions	5,195	8,849	–	**14,044**
Liabilities to banks	9,464	3,485	405	**13,354**
Liabilities from customer deposits (banking)	9,805	3,990	133	**13,928**
Trade payables	7,701	72	–	**7,773**
Derivative instruments	2,564	3,366	174	**6,104**
Commercial paper	5,416	–	–	**5,416**
Other financial liabilities	261	372	570	**1,203**
Total	**51,180**	**44,375**	**8,512**	**104,067**

The cash flows shown comprise principal repayments and the related interest. The amounts disclosed for derivatives comprise only cash flows relating to derivatives that have a negative fair value at the balance sheet date. At 31 December 2016, irrevocable credit commitments to dealerships which had not been called upon at the end of the reporting period amounted to €9,194 million (2015: 7,552 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. The objective is to minimise risk by matching maturities for the Group's financing requirements within the framework of the target debt structure. The BMW Group has good access to capital markets as a result of its solid financial position and a diversified refinancing strategy. Depending on financing requirements and market conditions, the BMW Group issues commercial paper on the money markets, corporate bonds and asset-backed financial securities in various currencies. Customer deposits at the Group's in-house banks are also used as a supplementary source of financing.

These refinancing activities are underpinned by the longstanding long- and short-term ratings issued by Moody's and Standard & Poor's.

Also reducing liquidity risk, additional secured and unsecured lines of credit are in place with international banks, including a syndicated credit line totalling €6 billion (2015: €6 billion). Intra-group cash flow fluctuations are evened 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 only used to hedge underlying positions or forecast transactions.

The scope of permitted transactions, responsibilities, financial reporting procedures and control mechanisms used for financial instruments are set out in detailed internal guidelines. This includes, above all, a clear separation of duties between trading and processing. 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, business is conducted 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 the procurement of production materials and funding is also organised on a worldwide basis, the currency risk is an extremely important factor for Group earnings.

At 31 December 2016, derivative financial instruments, mostly in the form of forward currency contracts, were in place.

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 analysing currency risk with this model is the identification of forecast foreign currency transactions or "exposures". At the end of the reporting period, the principal exposures for the relevant coming year were as follows:

in € million	31.12.2016	31.12.2015
Euro / Chinese Renminbi	10,467	9,973
Euro / US Dollar	3,319	4,770
Euro / British Pound	4,785	5,396
Euro / Korean Won	1,926	1,985
Euro / Japanese Yen	1,510	1,162

In the next stage, 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 assess the relevant probability distributions.

The potential negative impact on earnings is computed for each currency for the following financial year on the basis of current market prices and exposures to a confidence level of 95 % and a holding period of up to one year. Correlations between the various currencies are taken into account when the risks are aggregated, thus reducing the overall risk.

The following table shows the potential negative impact for the BMW Group – measured on the basis of the cash-flow-at-risk approach – attributable to unfavourable changes in exchange rates. The impact for the principal currencies, in each case for the following financial year, is as follows:

in € million	31.12.2016	31.12.2015
Euro / Chinese Renminbi	249	163
Euro / US Dollar	278	48
Euro / British Pound	134	86
Euro / Korean Won	30	99
Euro / Japanese Yen	70	68

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

Interest rate risks

The BMW Group's financial management system 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 with differing fixed-rate periods or differing terms are borrowed and invested. All items subject to, or bearing, 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	31.12.2016	31.12.2015
Euro*	28,063	25,772
US Dollar	14,340	10,742
British Pound	5,708	4,220
Chinese Renminbi	3,124	1,006
Japanese Yen	571	536

* Previous year's figures adjusted.

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 Group-wide value-at-risk approach for internal reporting purposes and to manage interest rate risks. This is based on a state-of-the-art historical simulation, in which the potential future fair value losses of the interest rate portfolios are compared across the Group, with expected amounts measured on the basis of a holding period of 250 days and a confidence level of 99.98 %. Aggregation of these results creates a risk reduction effect due to correlations between the various portfolios.

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

in € million	31.12.2016	31.12.2015
Euro*	532	475
US Dollar	545	449
British Pound	244	186
Chinese Renminbi	16	33
Japanese Yen	14	12

* Previous year's figures adjusted.

Raw materials 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 first step in the analysis of the raw materials price risk is to determine the volume of planned purchases of raw materials (and components containing those raw materials). These amounts, which represent the gross exposure, were as follows at each reporting date for the following financial year:

in € million	31.12.2016	31.12.2015
Raw materials price exposures	3,150	3,720

In the next stage, 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 materials prices to operating cash flows on the basis of probability distributions. Volatilities and correlations serve as input factors to assess the relevant probability distributions.

The potential negative impact on earnings is computed for each raw materials category for the following financial year on the basis of current market prices and exposure to a confidence level of 95 % and a holding period of up to one year. Correlations between the various categories of raw materials are taken into account when the risks are aggregated, thus reducing the overall risk.

The following table shows the potential negative impact for the BMW Group – measured on the basis of the cash-flow-at-risk approach – attributable to fluctuations in prices across all categories of raw materials.

The risk at each reporting date for the following financial year was as follows:

in € million	31.12.2016	31.12.2015
Cash flow at risk	135	155

38
Related party relationship

Transactions of Group entities with related parties arise, without exception, in the normal course of the business of each of the parties concerned and are conducted on the basis of arm's length principles.

A significant proportion of the BMW Group's transactions with related parties relates to the joint venture BMW Brilliance Automotive Ltd. and the associated company THERE Holding B.V.

	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
in € million	2016	2015	2016	2015	2016	2015	2016	2015
BMW Brilliance Automotive Ltd.	5,316	4,815	50	43	1,215	892	615	107
THERE Holding B.V.	–	–	58	7	–	–	9	3

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 2016. 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. Cooperation arrangements are in place between BMW AG and SOLARWATT GmbH, Dresden, within the field of electric mobility. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. SOLARWATT GmbH, Dresden, leased vehicles from the BMW Group in 2016.

Susanne Klatten, Germany, is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairman of the Supervisory Board of ALTANA AG, Wesel. ALTANA AG, Wesel, acquired vehicles from the BMW Group during the financial year 2016, mostly in the form of lease contracts.

Susanne Klatten, Germany, is also the sole shareholder and Chairwoman of the Supervisory Board of UnternehmerTUM GmbH, Garching. During the financial year 2016, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, primarily in the form of consultancy and workshop services.

Seen from the BMW Group's perspective, the transactions of BMW Group companies with the above-mentioned entities were as follows:

	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
in € thousand	2016	2015	2016	2015	2016	2015	2016	2015
DELTON AG	3,546	3,617	22,554	22,818	64	37	1,331	2,476
SOLARWATT GmbH	309	287	–	3	1	7	–	–
ALTANA AG	2,690	2,764	458	324	337	312	50	–
UnternehmerTUM GmbH	29	–	1,227	769	–	–	585	276

Apart from vehicle leasing and credit financing contracts concluded on an arm's length basis, companies of the BMW Group have not entered into any contracts with members of the Board of Management or Supervisory Board of BMW AG. The same 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 and pre-retirement part-time working arrangements in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity, which is a registered association (eingetragener Verein) under German law, does not have any assets of its own. It did not have any 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 42 and the Compensation Report.

→ see note 42

39
Share-based remuneration

Three share-based remuneration programmes are in place within the BMW Group, namely 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.

In the case of the Employee Share Programme, non-voting shares of preferred stock in BMW AG were granted to qualifying employees during the financial year 2016 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 2019. In the financial year 2016, the BMW Group recorded a personnel expense of €7 million (2015: €6 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 Board of Management member is required to invest 20 % of his/her total bonus (after tax) in shares of BMW AG common stock, which are recorded in a separate custodian account for each member concerned (annual tranche). Each annual tranche is subject to a holding period of four years. Once the holding period is fulfilled, BMW AG grants one additional share of BMW AG common stock for each three held or pays the equivalent amount in cash (share-based remuneration component). Special 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 heads of department are also entitled to opt for a share-based remuneration component, which, in most respects, is 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 itself. The appropriate amounts are recognised as personnel expense on a straight-line basis over the vesting period and reported in the balance sheet as a provision.

The cash-settlement obligation for the share-based remuneration component is measured at its fair value at the balance sheet date (based on the closing price of BMW AG common stock in Xetra trading at 31 December 2016).

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 2016 was €5,473,219 (2015: €4,989,668).

The total expense recognised in 2016 for the share-based remuneration component of current and former Board of Management members and senior heads of department was €1,443,227 (2015: €1,892,994).

The fair value of the programmes for Board of Management members and senior heads of department at the date of grant of the share-based remuneration components was €1,950,853 (2015: €1,605,147), based on a total of 21,201 shares (2015: 18,143 shares) of BMW AG common stock or a corresponding cash-based settlement measured at the relevant market share price prevailing on the grant date.

Further details on the remuneration of the Board of Management are provided in the Compensation Report for the financial year 2016.

40
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 2016 of the BMW Group and is also available to shareholders on the BMW Group website at → www.bmwgroup.com/ir.

41 Shareholdings of members of the Board of Management and Supervisory Board

The members of the Supervisory Board of BMW AG hold in total 27.99 % (2015: 43.00 %) of the issued common and preferred stock shares, of which 16.25 % (2015: 31.26 %) relates to Stefan Quandt, Germany, and 11.73 % (2015: 26.74 %) to Susanne Klatten, Germany. The differences compared to the previous year resulted almost entirely from the fact that the shares held by Johanna Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v.d. Höhe, are no longer attributed to Stefan Quandt and Susanne Klatten following the dissolution of the community of heirs. As at the end of the previous financial year, shareholdings of members of the BMW AG Board of Management account, in total, for less than 1 % of issued shares.

42 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 for the financial year 2016 in accordance with IFRS amounted to €46.9 million (2015: €43.6 million) and comprised the following:

in € million	2016	2015
Compensation to members of the Board of Management	**37.6**	35.9
Fixed remuneration	7.8	7.7
Variable remuneration	29.0	27.1
Share-based remuneration component	0.8	1.1
Allocation to pension provisions	**2.8**	2.6
Benefits in conjunction with the termination of an employment relationship	**1.1**	–
Compensation to members of the Supervisory Board	**5.4**	5.1
Fixed compensation and attendance fees	2.0	2.0
Variable compensation	3.4	3.1
Total expense	**46.9**	**43.6**
thereof due within one year	**43.3**	39.9

The total remuneration of former members of the Board of Management and their dependants amounted to €6.5 million (2015: €8.0 million).

Pension obligations to current members of the Board of Management are covered by provisions amounting to €23.6 million (2015: €23.2 million), computed in accordance with IAS 19 (Employee Benefits). Pension obligations to former members of the Board of Management and their surviving dependants, also computed in accordance with IAS 19, amounted to €86.4 million (2015: €71.8 million).

The compensation systems for members of the Supervisory Board do not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components. Apart from vehicle lease and financing contracts entered into on customary market conditions, no advances or loans were granted to members of the Board of Management and the Supervisory Board of BMW AG or its subsidiaries, nor were any contingent liabilities entered into on their behalf.

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

43 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

44
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). Operating segments are identified on the same basis that is used internally to manage and report on performance. The allocation also 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.

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

The Motorcycles segment develops, manufactures, assembles and sells motorcycles as well as spare parts and accessories.

The principal lines of business of the Financial Services segment are car leasing, fleet business, multi-brand business, retail customer and dealership financing, customer deposit business and insurance activities.

Holding and Group financing companies are included in the Other Entities segment. This segment also includes operating companies – BMW Services Ltd., BMW (UK) Investments Ltd., Bavaria Lloyd Reisebüro GmbH, and MITEC Mikroelektronik Mikrotechnik Informatik 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. The only 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 in the column "Eliminations". Inter-segment sales take place at arm's length 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. In order to assist the decision-taking process, different measures of segment performance as well as segment assets have been set for the operating segments.

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

The performance of the Financial Services segment is measured on the basis of return on equity (RoE), with profit before tax therefore representing the measure of segment result used. For this reason, the measure of segment assets in the Financial Services segment corresponds to net assets, defined as total assets less total liabilities.

The performance 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 2016	Automotive 2015	Motorcycles 2016	Motorcycles 2015	Financial Services 2016	Financial Services 2015
SEGMENT INFORMATION BY OPERATING SEGMENT						
External revenues	67,977	68,045	2,062	1,984	24,122	22,144
Inter-segment revenues	18,447	17,491	7	6	1,559	1,595
Total revenues	**86,424**	**85,536**	**2,069**	**1,990**	**25,681**	**23,739**
Segment result	7,695	7,836	187	182	2,166	1,975
Result from equity accounted investments	441	518	–	–	–	–
Capital expenditure on non-current assets	5,699	5,792	114	92	25,105	23,689
Depreciation and amortisation on non-current assets	4,702	4,559	75	69	9,606	8,686

in € million	Automotive 31.12.2016	Automotive 31.12.2015	Motorcycles 31.12.2016	Motorcycles 31.12.2015	Financial Services 31.12.2016	Financial Services 31.12.2015
Segment assets	9,411	10,024	600	557	11,049	9,948
Investments accounted for using the equity method	2,546	2,233	–	–	–	–

SEGMENT INFORMATION BY OPERATING SEGMENT

	Other Entities 2016	Other Entities 2015	Reconciliation to Group figures 2016	Reconciliation to Group figures 2015	Group 2016	Group 2015
External revenues	2	2	–	–	94,163	92,175
Inter-segment revenues	4	5	–20,017	–19,097	–	–
Total revenues	**6**	**7**	**–20,017**	**–19,097**	**94,163**	**92,175**
Segment result	170	211	–553	–980	9,665	9,224
Result from equity accounted investments	–	–	–	–	441	518
Capital expenditure on non-current assets	–	–	–6,756	–5,672	24,162	23,901
Depreciation and amortisation on non-current assets	–	–	–6,271	–5,119	8,112	8,195

	Other Entities 31.12.2016	Other Entities 31.12.2015	Reconciliation to Group figures 31.12.2016	Reconciliation to Group figures 31.12.2015	Group 31.12.2016	Group 31.12.2015
Segment assets	75,363	71,709	92,112	79,936	188,535	172,174
Investments accounted for using the equity method	–	–	–	–	2,546	2,233

Write-downs on inventories to their net realisable value amounting to €101 million (2015: €486 million) were recognised by the Automotive segment in the financial year 2016. The write-down recorded in the previous year resulted primarily from accidents and natural disasters.

Impairment losses and fair value changes on other investments amounting to €174 million (2015: €17 million) relating to the Automotive segment and recognised in the financial result are not included in the segment result.

Financial Services segment result was negatively impacted by impairment losses totalling €384 million (2015: €406 million) recognised on leased products. Income from the reversal of impairment losses on leased products amounted to €211 million (2015: €81 million). No impairment losses were recognised on other financial assets in the year under report (2015: €3 million).

The Other Entities' segment result includes interest and similar income amounting to €1,250 million (2015: €1,177 million) and interest and similar expenses amounting to €1,006 million (2015: €1,080 million) as well as impairment losses on other investments totalling €18 million (2015: €7 million).

The information disclosed for capital expenditure and depreciation and amortisation relates to non-current property, plant and equipment, intangible assets and leased products.

Segment figures can be reconciled to the corresponding Group figures as follows:

in € million	2016	2015
Reconciliation of segment result		
Total for reportable segments	10,218	10,204
Financial result of Automotive segment and Motorcycles segment	219	–316
Elimination of inter-segment items	–772	–664
Group profit before tax	**9,665**	**9,224**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	30,918	29,573
Elimination of inter-segment items	–6,756	–5,672
Total Group capital expenditure on non-current assets	**24,162**	**23,901**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	14,383	13,314
Elimination of inter-segment items	–6,271	–5,119
Total Group depreciation and amortisation on non-current assets	**8,112**	**8,195**

in € million	31.12.2016	31.12.2015
Reconciliation of segment assets		
Total for reportable segments	96,423	92,238
Non-operating assets – Other Entities segment	7,432	7,132
Total liabilities – Financial Services segment	126,679	112,081
Non-operating assets – Automotive and Motorcycles segments	45,923	41,932
Liabilities of Automotive and Motorcycles segments not subject to interest	33,858	31,817
Elimination of inter-segment items	–121,780	–113,026
Total Group assets	**188,535**	**172,174**

In the case of information by geographical region, external sales are based on the location of the customer's registered office. 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 2016	External revenues 2015	Non-current assets 2016	Non-current assets 2015
Germany	13,776	13,394	29,741	28,786
China	16,619	15,856	23	23
USA	16,000	18,155	23,249	21,000
Rest of Europe	30,544	28,617	13,910	13,099
Rest of Asia	10,466	9,582	1,439	1,197
Rest of the Americas	3,507	3,361	2,628	2,053
Other regions	3,251	3,210	261	121
Eliminations	–	–	–7,345	–6,183
Group	**94,163**	**92,175**	**63,906**	**60,096**

LIST OF INVESTMENTS AT 31 DECEMBER 2016

45 List of investments at 31 December 2016

The List of Investments of BMW AG pursuant to § 285 and § 313 HGB is presented below. Figures for equity and earnings are not disclosed 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 or if financial statements for a company are not yet available. 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.

BMW AG's subsidiary at 31 December 2016

→ 61

Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[1]			
BMW Beteiligungs GmbH & Co. KG, Munich[6]	5,794	– 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	325	–1	100
BMW Verwaltungs GmbH, Munich[3, 6]	153	–	100
BMW Hams Hall Motoren GmbH, Munich[4, 5, 6]	–	–	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich[3, 5, 6]	–	–	100
MITEC Mikroelektronik Mikrotechnik Informatik GmbH, Munich[4, 6]	–	–	100
Alphabet International GmbH, Munich[4, 5, 6]	–	–	100
Alphabet Fuhrparkmanagement GmbH, Munich[4]	–	–	100
Rolls-Royce Motor Cars GmbH, Munich[4, 5, 6]	–	–	100
BMW Vermögensverwaltungs GmbH, Munich	–	–	100
BMW Fahrzeugtechnik GmbH, Eisenach[3, 5, 6]	–	–	100
BMW Anlagen Verwaltungs GmbH, Munich[3, 6]	–	–	100
BMW Vertriebszentren Verwaltungs GmbH, Munich	–	–	100
Parkhaus Oberwiesenfeld GmbH, Munich	–	–	100
Bürohaus Petuelring GmbH, Munich	–	–	100
LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Munich	–	–	100
Bavaria Wirtschaftsagentur GmbH, Munich[3, 5, 6]	–	–	100
BAVARIA-LLOYD Reisebüro GmbH, Munich	–	–	51
FOREIGN[2]			
Europe[13]			
BMW Holding B.V., The Hague	14,696	1,180	100
BMW International Holding B.V., Rijswijk[11]	7,898	–	100
BMW Österreich Holding GmbH, Steyr	2,502	267	100
BMW Malta Ltd., Floriana	1,541	73	100
BMW Malta Finance Ltd., Floriana	1,366	48	100
BMW Motoren GmbH, Steyr	948	179	100
BMW Financial Services (GB) Ltd., Farnborough	881	282	100
BMW España Finance S.L., Madrid	775	14	100
BMW (UK) Holdings Ltd., Farnborough	749	460	100
BMW (UK) Manufacturing Ltd., Farnborough	723	136	100

BMW (Schweiz) AG, Dielsdorf	719	49	100
BMW Coordination Center V.o.F., Bornem	592	–	100
BMW France, Montigny-le-Bretonneux	374	39	100
BMW Finance S.N.C., Guyancourt	364	40	100
BMW Italia S.p.A., San Donato Milanese	345	35	100
BMW Iberica S.A., Madrid	302	24	100
BMW Belgium Luxembourg S.A./N.V., Bornem	277	21	100
BMW (UK) Ltd., Farnborough	213	65	100
ALPHABET (GB) Ltd., Farnborough	202	36	100
BMW Financial Services Scandinavia AB, Sollentuna	180	12	100
Rolls-Royce Motor Cars Ltd., Farnborough	136	16	100
Alphabet Nederland B.V., Breda[11]	135	59	100
BMW Finance N.V., The Hague	134	8	100
BMW Austria Leasing GmbH, Salzburg	123	7	100
BMW Russland Trading OOO, Moscow	119	94	100
Alphabet Belgium Long Term Rental NV, Aartselaar	112	21	100
BMW International Investment B.V., 's-Gravenhage	104	156	100
BMW Austria Bank GmbH, Salzburg	103	6	100
APD Industries plc, Farnborough	–	–	100
BMW Financial Services Belgium S.A./N.V., Bornem	–	–	100
BMW Austria Ges.m.b.H., Salzburg	–	–	100
Alphabet UK Ltd., Glasgow	–	–	100
Bavaria Reinsurance Malta Ltd., Floriana	–	–	100
BMW Vertriebs GmbH, Salzburg	–	–	100
BMW Bank OOO, Moscow	–	–	100
BMW Finanzdienstleistungen (Schweiz) AG, Dielsdorf	–	–	100
Swindon Pressings Ltd., Farnborough	–	–	100
BMW Sverige AB, Stockholm	–	–	100
BMW Financial Services (Ireland) DAC, Dublin	–	–	100
BMW Norge AS, Fornebu	–	–	100
Alphabet España Fleet Management S.A.U., Madrid	–	–	100
BMW Services Ltd., Farnborough	–	–	100
BMW Financial Services B.V., Rijswijk	–	–	100
Alphabet France Fleet Management S.N.C., Rueil-Malmaison	–	–	100
Alphabet France SAS, Rueil-Malmaison	–	–	100
BMW Retail Nederland B.V., Delft	–	–	100
BMW Hellas Trade of Cars A.E., Kifissia	–	–	100
BMW Financial Services Denmark A/S, Copenhagen	–	–	100
Alphabet Austria Fuhrparkmanagement GmbH, Salzburg	–	–	100
Alphabet Polska Fleet Management Sp. z o.o., Warsaw	–	–	100
Alphabet Fuhrparkmanagement (Schweiz) AG, Dielsdorf	–	–	100
BMW Portugal Lda., Porto Salvo	–	–	100
Alphabet Italia Fleet Management S.p.A., Rome	–	–	100
BMW Amsterdam B.V., Amsterdam	–	–	100
BMW Renting (Portugal) Lda., Porto Salvo	–	–	100
BMW Automotive (Ireland) Ltd., Dublin	–	–	100
Park Lane Ltd., Farnborough	–	–	100
BMW Services Belgium N.V., Bornem	–	–	100
BMW Roma S.r.l., Rome	–	–	100
BMW Financial Services Polska Sp. z o.o., Warsaw[12]	–	–	100
BMW Distribution S.A.S., Montigny-le-Bretonneux	–	–	100
BMW Danmark A/S, Copenhagen	–	–	100
BMW Nederland B.V., Rijswijk	–	–	100

BMW Den Haag B.V., The Hague	–	–	100
Oy BMW Suomi AB, Helsinki	–	–	100
BMW Madrid S.L., Madrid	–	–	100
BMW Milano S.r.l., San Donato Milanese	–	–	100
Alphabet Luxembourg S.A., Leudelange	–	–	100
Société Nouvelle WATT Automobiles SARL, Rueil-Malmaison	–	–	100
BMW (UK) Investments Ltd., Farnborough	–	–	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
The Americas			
BMW (US) Holding Corp., Wilmington, Delaware	2,339	667	100
BMW Bank of North America, Inc., Salt Lake City, Utah	1,545	148	100
BMW Manufacturing Co., LLC, Wilmington, Delaware	1,429	289	100
Financial Services Vehicle Trust, Wilmington, Delaware	1,007	– 49	100
BMW of North America, LLC, Wilmington, Delaware	558	353	100
BMW US Capital, LLC, Wilmington, Delaware	332	59	100
BMW Financial Services NA, LLC, Wilmington, Delaware	315	555	100
BMW SLP, S.A. de C.V., Villa de Reyes[12]	197	– 31	100
BMW do Brasil Ltda., São Paulo	–	–	100
BMW Financeira S.A. Credito, Financiamento e Investimento, São Paulo	–	–	100
BMW de Mexico, S.A. de C.V., Mexico D.F.	–	–	100
BMW de Argentina S.A., Buenos Aires	–	–	100
BMW Financial Services de Mexico S.A. de C.V. SOFOM, Mexico City	–	–	100
BMW Manufacturing Indústria de Motos da Amazônia Ltda., Manaus[12]	–	–	100
BMW Leasing do Brasil, S.A., São Paulo	–	–	100
BMW Insurance Agency, Inc., Wilmington, Delaware	–	–	100
BMW Leasing de Mexico S.A. de C.V., Mexico City	–	–	100
BMW Acquisitions Ltda., São Paulo	–	–	100
Rolls-Royce Motor Cars NA, LLC, Wilmington, Delaware	–	–	100
BMW Consolidation Services Co., LLC, Wilmington, Delaware	–	–	100
SB Acquisitions, LLC, Wilmington, Delaware	–	–	100
BMW Extended Service Corporation, Wilmington, Delaware	–	–	100
BMW Auto Leasing, LLC, Wilmington, Delaware	–	–	100
BMW Facility Partners, LLC, Wilmington, Delaware	–	–	100
BMW FS Securities LLC, Wilmington, Delaware	–	–	100
BMW FS Funding Corp., Wilmington, Delaware	–	–	100
BMW Manufacturing LP, Woodcliff Lake, New Jersey	–	–	100
BMW FS Receivables Corp, Wilmington, Delaware	–	–	100
BMW Receivables 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

Africa			
BMW (South Africa) (Pty) Ltd., Pretoria	682	63	100
BMW Financial Services (South Africa) (Pty) Ltd., Midrand	177	5	100
Asia			
BMW Automotive Finance (China) Co., Ltd., Beijing	987	154	58
BMW China Automotive Trading Ltd., Beijing	535	160	100
BMW Japan Finance Corp., Chiba	384	66	100
BMW Financial Services Korea Co., Ltd., Seoul	320	54	100
BMW Japan Corp., Tokyo	310	151	100
BMW Korea Co., Ltd., Seoul	196	20	100
BMW (Thailand) Co., Ltd., Bangkok	108	83	100
BMW India Financial Services Private Ltd., Gurgaon	107	7	100
BMW Manufacturing (Thailand) Co., Ltd., Rayong	–	–	100
BMW Malaysia Sdn Bhd, Kuala Lumpur	–	–	51
BMW Asia Pte. Ltd., Singapore	–	–	100
BMW India Private Ltd., Gurgaon	–	–	100
BMW Leasing (Thailand) Co., Ltd., Bangkok	–	–	74
BMW China Services Ltd., Beijing	–	–	100
PT BMW Indonesia, Jakarta	–	–	100
BMW Asia Technology Centre Sdn Bhd, Kuala Lumpur	–	–	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
BMW Holding Malaysia Sdn Bhd, Kuala Lumpur	–	–	100
BMW Osaka Corp., Osaka	–	–	100
Oceania			
BMW Australia Finance Ltd., Mulgrave	394	–12	100
BMW Australia Ltd., Melbourne	194	20	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 AG's non-consolidated companies at 31 December 2016

→ 62

Companies	Equity in € million	Profit/loss in € million	Capital investment in %
DOMESTIC[7]			
Alphabet Fleetservices GmbH, Munich	–	–	100
Automag GmbH, Munich	–	–	100
Bavaria Betriebs-Gastronomie GmbH, Munich[4]	–	–	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., 's-Gravenhage	–	–	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
Park-line Aqua B.V., 's-Gravenhage	–	–	100
Park-line B.V., 's-Gravenhage	–	–	100
Park-line Holding B.V., 's-Gravenhage	–	–	100
Park-Mobile (UK) Limited, Basingstoke	–	–	100
Parkmobile Belgium BvBa, Antwerpen	–	–	100
Parkmobile Benelux B.V., Amsterdam	–	–	100
Parkmobile 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 Limited, Basingstoke	–	–	100
Parkmobile Software BV, Amsterdam	–	–	100
Parkmobile 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 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
ReachNow, LLC, Wilmington, Delaware	–	–	100
Toluca Planta de Automoviles, S.A. de C.V., Mexico City	–	–	100
Africa			
BMW Automobile Distributors (Pty) Ltd., Midrand	–	–	100
BPF Midrand Property Holdings (Pty) Ltd., Midrand	–	–	100
Multisource Properties (Pty) Ltd., Midrand	–	–	100
Asia			
BMW Finance (United Arab Emirates) Ltd., Dubai	–	–	100
BMW Financial Services Hong Kong Limited, Hong Kong	–	–	51
BMW Financial Services Singapore Pte Ltd., Singapore	–	–	100
BMW India Leasing Pvt. Ltd., Gurgaon	–	–	100
BMW Insurance Services Korea Co. Ltd., Seoul	–	–	100
BMW Philippines Corp., Manila	–	–	70
Herald International Financial Leasing Co., Ltd., Tianjin	–	–	100
THEPSATRI Co., Ltd., Bangkok[9]	–	–	49

BMW AG's associated companies, joint ventures and joint operations at 31 December 2016

→ 63

Companies	Equity in € million	Profit/loss in € million	Capital investment in %
Joint ventures – equity accounted			
DOMESTIC			
DriveNow GmbH & Co. KG, Munich[8]	38	– 2	50
DriveNow Verwaltungs GmbH, Munich[8]	–	–	50
FOREIGN			
BMW Brilliance Automotive Ltd., Shenyang[8]	4,678	1,061	50
Associated companies – equity accounted			
FOREIGN			
THERE Holding B.V., Amsterdam[8]	2,003	–	33
Joint operations – proportionately-consolidated entities			
DOMESTIC			
SGL Automotive Carbon Fibers GmbH & Co. KG, Munich[8]	43	10	49
SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich[8]	–	–	49
FOREIGN			
SGL Automotive Carbon Fibers, LLC, Dover, Delaware[8]	44	2	49
Not equity accounted or proportionately-consolidated entities			
DOMESTIC[1]			
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[1]			
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
Parkmobile International Holding BV, Utrecht[10]	–	–	18
Mini Urban X Accelerator SPV, LLC, Wilmington, Delaware	–	–	46
Bavarian & Co. Ltd., Incheon	–	–	20

BMW AG's participations at 31 December 2016

→ 64

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	-	-	16.7
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]			
Chargemaster Plc., Luton	-	-	1.5
Gios Holding B.V., Oss	-	-	12.0
JustPark Parking Limited, London	-	-	6.7
Parkopedia Ltd., Birmingham	-	-	10.6
Carbon, Inc., Wilmington, Delaware	-	-	1.1
ChargePoint, Inc., Wilmington, Delaware	-	-	3.6
Desktop Metal, Inc., Wilmington, Delaware	-	-	0.3
Life360, Inc., Dover, Delaware	-	-	3.3
Nauto, Inc., Dover, Delaware	-	-	1.1
Rever Moto, Inc., Wilmington, Delaware	-	-	16.9
RideCell, Inc., Wilmington, Delaware	-	-	18.6
Scoop Technologies, Inc., Wilmington, Delaware	-	-	9.1
Srividya Tech, Inc., Wilmington, Delaware	-	-	11.8
striVB Labs., Inc., Camden, Delaware	-	-	1.7
Turo, Inc., Dover, Delaware	-	-	0.9
Zendrive, Inc., Dover, Delaware	-	-	2.7
ZIRX Technologies, Inc., Dover, Delaware	-	-	2.6
Moovit App Global Ltd., St. Ness Ziona	-	-	1.2

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 Significant influence.
11 Exemption pursuant to Article 2:403 of the Civil Code of the Netherlands applied.
12 First-time consolidation.
13 First-time consolidation in the financial year 2016: BMW Leasing (GB) Ltd., Farnborough.

Munich, 14 February 2017

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree

Markus Duesmann

Klaus Fröhlich

Dr. Nicolas Peter

Dr. Ian Robertson (HonDSc)

Peter Schwarzenbauer

Oliver Zipse