ANNUAL REPORT 2015

BMW GROUP

THE NEXT 100 YEARS

Rolls-Royce Motor Cars Limited

Contents

BMW Group in figures

	2011	2012	2013	2014	**2015**	Change in %
Key non-financial performance indicators						
BMW Group						
Workforce at year-end[1]	100,306	105,876	110,351	116,324	**122,244**	5.1
Automotive segment						
Sales volume[2]	1,668,982	1,845,186	1,963,798	2,117,965	**2,247,485**	6.1
Fleet emissions in g CO_2/km[3]	145	143	133	130	**127**	–2.3
Motorcycles segment						
Sales volume[4]	104,286	106,358	115,215	123,495	**136,963**	10.9
Further non-financial performance figures						
Automotive segment						
Sales volume						
BMW[2]	1,380,384	1,540,085	1,655,138	1,811,719	**1,905,234**	5.2
MINI	285,060	301,526	305,030	302,183	**338,466**	12.0
Rolls-Royce	3,538	3,575	3,630	4,063	**3,785**	–6.8
Total[2]	**1,668,982**	**1,845,186**	**1,963,798**	**2,117,965**	**2,247,485**	**6.1**
Production volume						
BMW[5]	1,440,315	1,547,057	1,699,835	1,838,268	**1,933,647**	5.2
MINI	294,120	311,490	303,177	322,803	**342,008**	5.9
Rolls-Royce	3,725	3,279	3,354	4,495	**3,848**	–14.4
Total[5]	**1,738,160**	**1,861,826**	**2,006,366**	**2,165,566**	**2,279,503**	**5.3**
Motorcycles segment						
Production volume[6]						
BMW	110,360	113,811	110,127	133,615	**151,004**	13.0
Financial Services segment						
New contracts with retail customers	1,196,610	1,341,296	1,471,385	1,509,113	**1,655,961**	9.7

[1] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2011: 94,400 units, 2012: 141,165 units, 2013: 198,542 units, 2014: 275,891 units, 2015: 282,000 units).
[3] EU-28.
[4] Excluding Husqvarna, sales volume up to 2013: 59,776 units.
[5] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2011: 98,241 units, 2012: 150,052 units, 2013: 214,920 units, 2014: 287,466 units, 2015: 287,755 units).
[6] Excluding Husqvarna, production up to 2013: 59,426 units.

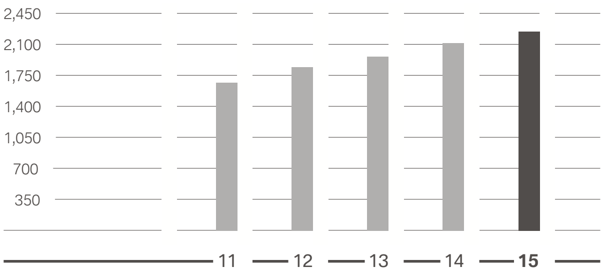
BMW Group in figures

		2011	2012	2013	2014	**2015**	Change in %
Key financial performance indicators							
BMW Group							
Profit before tax	€ million	7,383	7,803	7,893	8,707	**9,224**	**5.9**
Automotive segment							
Revenues	€ million	63,229	70,208	70,630	75,173	**85,536**	**13.8**
EBIT margin	% (change in %pts)	11.8	10.8	9.4	9.6	**9.2**	**–0.4**
RoCE	% (change in %pts)	77.3	73.7	63.0	61.7	**72.2**	**10.5**
Motorcycles segment							
RoCE	% (change in %pts)	10.2	1.8	16.4	21.8	**31.6**	**9.8**
Financial Services segment							
RoE	% (change in %pts)	29.4	21.2	20.0	19.4	**20.2**	**0.8**
Further financial performance figures							
in € million							
Capital expenditure		3,692	5,240	6,711	6,100	**5,890**	**–3.4**
Depreciation and amortisation		3,646	3,541	3,741	4,170	**4,659**	**11.7**
Operating cash flow Automotive segment		8,110	9,167	9,964	9,423	**11,836**	**25.6**
Revenues		**68,821**	**76,848**	**76,059**	**80,401**	**92,175**	**14.6**
Automotive		63,229	70,208	70,630	75,173	**85,536**	13.8
Motorcycles		1,436	1,490	1,504	1,679	**1,990**	18.5
Financial Services		17,510	19,550	19,874	20,599	**23,739**	15.2
Other Entities		5	5	6	7	**7**	–
Eliminations		–13,359	–14,405	–15,955	–17,057	**–19,097**	–12.0
Profit before financial result (EBIT)		**8,018**	**8,275**	**7,978**	**9,118**	**9,593**	**5.2**
Automotive		7,477	7,599	6,649	7,244	**7,836**	8.2
Motorcycles		45	9	79	112	**182**	62.5
Financial Services		1,763	1,558	1,643	1,756	**1,981**	12.8
Other Entities		–19	58	44	71	**169**	–
Eliminations		–1,248	–949	–437	–65	**–575**	–
Profit before tax		**7,383**	**7,803**	**7,893**	**8,707**	**9,224**	**5.9**
Automotive		6,823	7,170	6,561	6,886	**7,523**	9.3
Motorcycles		41	6	76	107	**179**	67.3
Financial Services		1,790	1,561	1,619	1,723	**1,975**	14.6
Other Entities		–168	3	164	154	**211**	37.0
Eliminations		–1,103	–937	–527	–163	**–664**	–
Income taxes		**–2,476**	**–2,692**	**–2,564**	**–2,890**	**–2,828**	**2.1**
Net profit		**4,907**	**5,111**	**5,329**	**5,817**	**6,396**	**10.0**
Earnings per share in €		**7.45/7.47**	**7.75/7.77**	**8.08/8.10**	**8.83/8.85**	**9.70/9.72**	**9.9/9.8**

BMW Group in figures

Sales volume of automobiles*

in thousand units

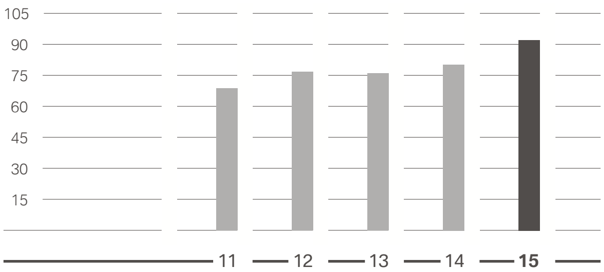


11	12	13	14	15
1,669.0	1,845.2	1,963.8	2,118.0	**2,247.5**

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2011: 94,400 units, 2012: 141,165 units, 2013: 198,542 units, 2014: 275,891 units, 2015: 282,000 units).

Revenues

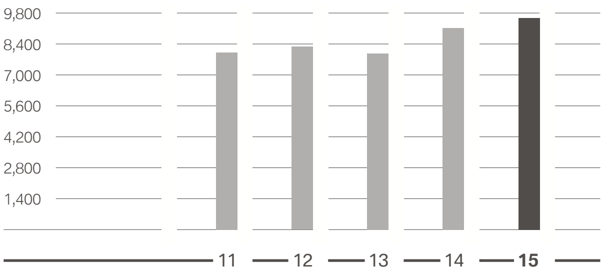
in € billion



11	12	13	14	15
68.8	76.8	76.1	80.4	**92.2**

Profit before financial result

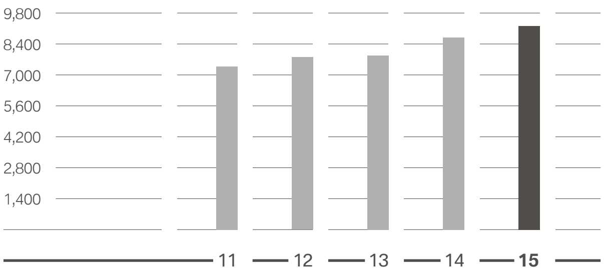
in € million



11	12	13	14	15
8,018	8,275	7,978	9,118	**9,593**

Profit before tax

in € million



11	12	13	14	15
7,383	7,803	7,893	8,707	**9,224**

Norbert Reithofer – Chairman of the Supervisory Board

Dear Shareholders,

Despite the volatile conditions prevailing on various markets, the BMW Group finished the financial year 2015 with another outstanding earnings performance, reaffirming its position as market leader in the premium segment.

The BMW Group is now headed by Harald Krüger, who became the new Chairman of the Board of Management on 13 May 2015. With this carefully planned generational change at the top of the Board of Management, the Supervisory Board has not only ensured personnel continuity, it has also made an important contribution to shaping the future strategy of the BMW Group.

Main emphases of the Supervisory Board's monitoring and advisory activities The Supervisory Board performed the duties charged to it in accordance with the law and the Articles of Incorporation with the utmost care. Throughout the financial year 2015, the Supervisory Board closely monitored the BMW Group's business performance and macroeconomic developments on important markets, diligently supervised the governance of the Board of Management and advised it on significant projects and plans.

In a total of five meetings, the Supervisory Board deliberated at great length on the current business and financial situation of the Group. Further topics of particular focus and consultation at Supervisory Board meetings were corporate strategy (including a whole range of key topics involving the future shape of business), corporate forecasts and the strategy and management of the Financial Services segment. In addition, decisions were taken regarding personnel changes on the Board of Management and with respect to corporate governance.

Furthermore, the Supervisory Board attentively monitored the BMW Group's business performance, both at scheduled meetings and at other times, as the need arose. In particular, the Board of Management provided regular reports on current sales and workforce figures. The Chairman of the Board of Management kept the Chairman of the Supervisory Board well informed, both promptly and directly, on the progress of important business projects and plans of strategic significance. In addition to scheduled meetings, Dr Friedrich Eichiner, member of the Board of Management responsible for Finance, and Dr Karl-Ludwig Kley, the Chairman of the Supervisory Board's Audit Committee, consulted with each other directly at other times.

In its regular reports on the financial condition of the Group, the Board of Management provided information on sales volume developments, market competition issues relevant for the Automotive and Motorcycles segments, and changes in the size of the workforce. The Board of Management also dealt with questions regarding economic developments and the prospects of the world's key regions. On the Financial Services side of the business, the Board of Management provided regular updates on new business with retail customers and changes in the portfolio of contracts with dealerships and retail customers as well as the total volume of business. In its regular reports on the financial condition of the Group, the Board of Management also reported to the Supervisory Board on any variances from budget.

Major transactions and projects were highlighted in the Board of Management's reports on business developments, and deliberated on in subsequent discussions. For example, the Supervisory Board was kept informed of the status of acquisition projects, such as the joint acquisition of the navigation data provider HERE in conjunction with other partners as well as the purchase of a leasing company in China. Furthermore, the Board of Management reported on the BMW Group's compliance with emissions limits and confirmed that no distinction is made between "dyno mode" and on-road testing when measuring the exhaust emissions of BMW Group vehicles. Over the course of the year under report, the two boards discussed at length economic developments and business performance in China. Other subjects of discussion were progress in the field of electric mobility, product quality and customer satisfaction.

Furthermore, the Board of Management provided detailed information on both the ongoing status and its plans for expanding capacities at various BMW Group production sites.

At the first Supervisory Board meeting of the year, the Board of Management presented the new and updated models scheduled for market launch in the course of 2015.

One of the Supervisory Board meetings was held at the Landshut (Germany) site, at which the focus was placed on purchasing strategy and the significance of BMW component-producing plants in terms of purchasing and production. The Board of Management also elaborated on the requirements that result from the distribution of sales volume and production sites across the world for the Group's purchasing team and discussed with the Supervisory Board the measures necessary to establish a capable supplier base in growth markets. During its visit to the plant, the Supervisory Board inspected the foundry as well as the production facilities for electric motors and CFRP components.

The main topics discussed at a two-day meeting of the Supervisory Board held during the second half of the year were business and product strategy as well as long-term corporate planning.

During the first part of the meeting, the Board of Management reported on the results of the annual Number ONE corporate strategy review. The Board of Management also provided information on the planned further development of the Group's vehicle portfolio and its intention to continue its collaboration with Toyota. In view of the increasing regulation of toxic emissions on key markets, the two boards discussed the challenges facing the Group in the field of alternative drive technologies going forward and the strategic importance of electric mobility. The Board of Management also reported in depth on topics relating to the changing market environment and potential business opportunities emerging in connection with digitalisation and vehicle connectivity, and provided an overview of its plans and activities in this field. The Supervisory Board also gathered facts and figures on the BMW lightweight construction strategy.

As part of a series of vehicle presentations, members of the Supervisory Board took the opportunity to drive selected BMW and MINI models on a test track, including the latest BMW 7 Series. Furthermore, the current state of progress of selected vehicle development projects was presented and explained to the Supervisory Board.

In the second part of the meeting, the Supervisory Board deliberated at length on the long-term corporate forecast presented by the Board of Management for the years 2016 to 2021. The Board of Management also described various crisis scenarios to the Supervisory Board. The Supervisory Board lauded the management team's efforts to keep a tight control over fixed costs. After thorough examination and lengthy discussion, the Supervisory Board gave the plans its formal approval.

The performance and strategic direction of the Financial Services segment as well as risk management in this area were also reported on. The consequences of stricter regulation of financial services were also discussed.

The Supervisory Board deliberated on the annual budget presented by the Board of Management for the financial year 2016, including the main external influencing factors identified.

Again in 2015, the Personnel Committee and the full Supervisory Board examined both the structure and the amount of compensation that Board of Management members receive. In addition to reviewing trends in business performance and board compensation on a multi-year basis, consideration was also given to the development of the remuneration of senior management and employees of BMW AG within Germany over the course of time. An external compensation consultant, independent of both the Board of Management and BMW AG, was called upon to provide expert advice and assist the Supervisory Board in the evaluation of DAX compensation studies. After a careful review, the Supervisory Board concluded that the level of compensation of board members, including pension entitlements, is appropriate and that the compensation system has proved its worth. The Supervisory Board therefore resolved not to propose any changes to the system of Board of Management compensation in 2015.

Further information on the compensation of Board of Management members is provided in the Compensation Report (see section “Statement on Corporate Governance”).

In 2015, the Board of Management and the Supervisory Board again conducted an in-depth review of the corporate governance standards currently in place in the BMW Group as well as the rules set out in the German Corporate Governance Code. In the most recent Declaration of Compliance issued in December 2015, both boards decided that the BMW Group should comply with all of the recommendations issued by the German Government Corporate Governance Code Commission on 12 June 2015, except for the disclosure of Board of Management members’ compensation in prescribed model tables, as the Supervisory Board is of the opinion that these tables do not improve the clarity and comprehensibility of the Compensation Report. The wording of the Declaration of Compliance is contained in the Corporate Governance Report.

Both the Personnel Committee and the Supervisory Board again asked the Board of Management to describe the state of progress in implementing the BMW Group’s diversity concept. This programme not only relates to gender diversity, it also promotes both cultural diversity and a balanced mixture of age groups among staff. The Board of Management also reported on the percentage of and development of female executives at various management levels within the Group and the targets determined by the Board of Management for the two executive levels immediately below it. In addition, the Board of Management reported to the Supervisory Board on measures to develop young talent for future strategic fields of expertise.

The Supervisory Board also consulted on the consequences of legislation relating to the equal participation of women and men in management positions in Germany for the BMW Group’s two boards. As its target for the proportion of women on the Board of Management by 31 December 2016, the Supervisory Board has stipulated that the Board of Management should continue to have at least one female member. Assuming the Board of Management continues to comprise eight members, this would correspond to a ratio of at least 12.5 %. The fact that the Supervisory Board considers it desirable to increase the proportion of women on the board further supports the Board of Management’s current raft of measures, which is also aimed at increasing the proportion of women at the highest executive management levels of the BMW Group.

The legal minimum of 30 per cent of female and male members in the Supervisory Board that came into force on 1 January 2016 is already being complied with, both in terms of the Supervisory Board in its entirety and also for both shareholder and employee representatives.

The Supervisory Board decided upon specific appointment objectives for its own composition based on a detailed composition profile, a description of which is provided in the Corporate Governance Report. In line with a new recommendation contained in the German Corporate Governance Code, the appointment objectives have been supplemented to include a maximum length of office on the Supervisory Board. Based on a self-assessment, the Supervisory Board determined that its composition at 31 December 2015 complied with its appointment objectives.

In the financial year 2015, the Personnel Committee took the decision to disburse any costs to current and former members of the Board of Management that could arise in connection with a civil action brought by a former supplier in the USA. As a former member of the Board of Management, I did not personally vote on this resolution, which was taken as a precautionary measure.

Apart from this matter, there were no indications of possible conflicts of interest on the part of Supervisory Board members in the financial year 2015. Significant transactions with Supervisory Board members and other related parties as defined by IAS 24, including close relatives and intermediate entities, are monitored in the form of quarterly requests for relevant information.

The Supervisory Board endeavours to assess and continuously improve the efficiency of its work, including that of its committees. Once a year, the efficiency examination is dealt with as a separate agenda point, at which the members of the Board of Management are not present. Preparations for the examination are facilitated by means of a questionnaire. As a result of the efficiency examination, suggestions for additional topics of report were made during the year under report.

Each of the five Supervisory Board meetings in 2015 was attended on average by 95 per cent of its members, a fact that can be corroborated by the analysis of attendance fees for individual members, as disclosed in the Compensation Report. None of the members of the Supervisory Board took part in only half or less than half of the meetings of the Supervisory Board, the Presiding Board or the committees to which the members belong during their terms of office in the period under report.

Description of Presiding Board activities and committee work In order to work more efficiently and prepare complex issues and decisions with greater thoroughness, the Supervisory Board has established a Presiding Board and several committees. A description of the duties, composition and working procedures of these committees is provided in the Corporate Governance Report.

The relevant chairmen reported at length on the status of Presiding Board and committee work at the subsequent Supervisory Board meeting.

In a total of four meetings, the Presiding Board focused mainly on preparing topics for the meetings of the full Supervisory Board, unless these fell under the remit of one of the committees. The treatment of more extensive issues, such as the Long-term Business Forecast and the Annual Strategic Review, was prepared by the Presiding Board on the basis of written and oral reports provided by Board of Management members and senior department heads. The Presiding Board selected further topics of discussion for Supervisory Board meetings and made suggestions to the Board of Management regarding items to be included in its reports to the full Supervisory Board.

The Audit Committee held four meetings and three telephone conference calls during 2015. In those telephone conference calls, the Audit Committee deliberated with the Board of Management on each of the BMW Group's Quarterly Reports, prior to their publication. Representatives of the external auditors were present during the telephone conference call held to present the Interim Financial Report for the six-month period ended 30 June 2015. The report had been subjected to review by the external auditors.

The Audit Committee meeting held in spring 2015 was primarily dedicated to preparing the Supervisory Board meeting at which the financial statements were examined. Prior to proposing KPMG AG Wirtschaftsprüfungsgesellschaft for election as Company and Group auditor at the Annual General Meeting 2015, the Audit Committee obtained a Declaration of Independence from the proposed auditor. The Audit Committee also considered the scope and composition of non-audit services, including tax advisory services provided by KPMG entities to the BMW Group. There were no indications of conflicts of interest, grounds for exclusion or lack of independence on the part of the auditor.

The fee proposals for the audit of the year-end Company and Group Financial Statements 2015 and the review of the six-month Interim Financial Report were deemed appropriate by the Audit Committee. Subsequent to the Annual General Meeting 2015, the Audit Committee therefore appointed KPMG AG for the relevant engagements and specified audit focus areas.

The Head of Group Controlling reported to the Audit Committee on the current risk profile and on risk management processes and developments within the BMW Group.

The Head of Group Financial Reporting provided a description of various aspects of the internal control system (ICS) underlying financial reporting and explained measures being taken to further improve the system. Testing performed during the year under report did not highlight any material ICS weaknesses that could jeopardise the system's effectiveness.

The Chairman of the BMW Group Compliance Committee reported to the Audit Committee on the current compliance situation, which, as in the previous year, was deemed satisfactory overall. None of the information received relating to potential non-compliance or actual incidences of non-compliance identified in specific cases give any indication of serious or systematic non-compliance with applicable requirements. Moreover, the Audit Committee requested and received information regarding the further expansion of the BMW Group Compliance Organisation.

The Head of Group Internal Audit reported to the Audit Committee on significant findings of audits conducted by Group Internal Audit on the industrial and financial services sides of the business. In addition, he provided information on the main topics of planned audits in both areas.

The Audit Committee has already obtained detailed information regarding audit reforms within the EU, particularly with respect to preparing the selection of the auditor.

The Audit Committee and Supervisory Board obtained an auditor's assurance report regarding compliance with regulatory requirements for off-market transactions made by BMW AG involving derivatives. The effectiveness of the system that BMW AG currently employs to ensure compliance with regulatory requirements was confirmed. With an addition to its procedural rules, the Supervisory Board transferred tasks related to examinations of this type to the Audit Committee.

The Audit Committee concurred with the decision of the Board of Management to raise the Company's share capital in accordance with § 4 (5) of the Articles of Incorporation (Authorised Capital 2014) by €309,860 and to issue a corresponding number of new non-voting bearer shares of preferred stock, each with a par value of €1, at favourable conditions to employees.

The Personnel Committee convened four times during the financial year 2015. One of its tasks is to prepare decisions relating to the composition of the Board of Management. In one case, the Personnel Committee gave its approval for a member of the Board of Management to accept a mandate for membership of the supervisory board of a non-BMW Group entity.

The Nomination Committee convened twice in 2015 to deliberate on successor planning for mandates of the shareholders' representatives and adopt recommendations for proposals for election at the 2015 and 2016 Annual General Meetings, taking the composition objectives stipulated by the Supervisory Board into due account.

The statutory Mediation Committee was not required to convene during the financial year 2015.

Composition and organisation of the Board of Management After the Annual General Meeting held on 13 May 2015, I resigned from the Board of Management as previously announced and Harald Krüger took over as Chairman of the Board of Management. The Supervisory Board had previously appointed Oliver Zipse as member of the Board of Management for the first time with effect from the end of the Annual General Meeting. Mr Zipse has worked for the BMW Group since 1991, most recently as head of Group Planning and Product Strategy. He took over responsibility for Production from Harald Krüger. In the financial year 2015, the Supervisory Board resolved to extend the mandate of one Board of Management member.

Composition of the Supervisory Board, the Presiding Board and Supervisory Board Committees In order to facilitate the generational change at the top of the Board of Management and the Supervisory Board, which he both planned and personally supported, Professor Joachim Milberg resigned from the Supervisory Board immediately after the 2015 Annual General Meeting. As previously announced, he will be playing a leading role in the worldwide social engagement and philanthropic work of BMW AG, in particular as Chairman of the Board of Trustees of the BMW Foundation Herbert Quandt. Professor Milberg has faithfully served and had a major influence on the BMW Group over a period of many years, beginning in 1993, first as member and then as Chairman of the Board of Management from 1999. As from 2002 he served firstly as member and finally, from 2005, as Chairman of the Supervisory Board. The Supervisory Board wishes to take this opportunity to express its great respect for, and appreciation of, Professor Milberg's achievements.

Wolfgang Mayrhuber also resigned from the Supervisory Board at his own request at the end of the 2015 Annual General Meeting. The Supervisory Board wishes to thank Mr Mayrhuber for his more than ten years of valuable, trusted cooperation.

Simone Menne was elected to the Supervisory Board as new shareholder representative. Professor Dr Henning Kagermann was re-elected as member of the Supervisory Board at the Annual General Meeting in 2015.

After my election to the Supervisory Board by the Annual General Meeting in 2015, the Supervisory Board members elected me as their new Chairman. In this capacity, and in accordance with the relevant terms of reference, I remained Chairman of the Personnel and Nomination Committees. I was also elected member of the Audit Committee. The Corporate Governance Report contains a summary of the composition of the Supervisory Board and its committees.

Examination of financial statements and the profit distribution proposal KPMG AG Wirtschaftsprüfungsgesellschaft conducted a review of the abridged Interim Group Financial Statements and Interim Group Management Report for the six-month period ended 30 June 2015. The results of the review were presented to the Audit Committee by representatives of KPMG AG Wirtschaftsprüfungsgesellschaft. No issues were identified that might indicate that the abridged Interim Group Financial Statements and Interim Group Management Report had not been prepared, in all material respects, in accordance with the applicable provisions.

The Group and Company Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the year ended 31 December 2015 and the Combined Management Report – as authorised for issue by the Board of Management on 18 February 2016 – were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and given an unqualified audit opinion.

The Financial Statements and the Combined Management Report, the long-form audit reports of the external auditors and the Board of Management's profit distribution proposal were made available to all members of the Supervisory Board in a timely manner.

In a first step, the Audit Committee dutifully examined and discussed these documents at a meeting held on 25 February 2016. The Supervisory Board subsequently examined the relevant drafts of the Board of Management at its meeting on 9 March 2016, after hearing the committee chairman's report on the meeting of the Audit Committee. In both meetings, the Board of Management gave a detailed explanation of the financial reports it had prepared. Representatives of the external auditors attended both meetings, reported on significant findings and answered any additional questions raised by the members of the Supervisory Board. They also confirmed that the risk management system established by the Board of Management is capable of identifying any events or developments that might impair the going-concern status of the Company and that no material weaknesses in the internal control system and risk management system were found with regard to the financial reporting process. Similarly, they confirmed that they had not identified any facts in the course of their audit work that were inconsistent with the contents of the Declaration of Compliance issued jointly by the two boards.

Based on thorough examinations at both Audit Committee and full Supervisory Board level, the Supervisory Board concurred with the results of the external audit. In accordance with the conclusion reached after the examination by the Audit Committee and Supervisory Board, no objections were raised. The Group and Company Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the financial year 2015 prepared by the Board of Management were approved at the Supervisory Meeting held on 9 March 2016. The separate financial statements have therefore been adopted.

The Supervisory Board also examined the proposal of the Board of Management to use the unappropriated profit to pay an increased dividend of €3.20 per share of common stock and €3.22 per share of non-voting preferred stock. The Supervisory Board considers the proposal appropriate and therefore concurs with it.

Expression of appreciation by the Supervisory Board The financial year 2015 has again been a record year for the BMW Group. The Supervisory Board wishes to thank the members of the Board of Management and the entire staff of the BMW Group worldwide for their outstanding work and concerted performance.

Munich, 9 March 2016

On behalf of the Supervisory Board

Yours

Norbert Reithofer
Chairman of the Supervisory Board

Harald Krüger – Chairman of the Board of Management

Dear Shareholders,

The 7 March 2016 marked an historic milestone in the history of our company. 100 years of Bayerische Motoren Werke is the achievement of all the company's associates since its founding in 1916 right up until today. Our experiences and strengths establish the foundation for our future. However, we also know that it is not past accomplishments but profitable growth, strength in innovation and competitiveness that determine the success of a company. This is why we are using the occasion of our centenary as a springboard for "The Next 100 Years". This makes it clear that the company's strategy is and remains geared towards the long term.

Successful development continued in the financial year 2015 The financial year 2015 was a successful year for the BMW Group. We achieved new all-time highs for performance indicators such as sales, Group revenues, Group profit before tax and net profit.

The strength of our premium brands is the backbone of our success Our three premium brands fascinate people all around the world. In 2015, more than 2.2 million customers chose a BMW, MINI or Rolls-Royce, more than in any other year. This was a solid increase of 6.1 per cent over the previous year. For the first time in our corporate history, the BMW brand sold more than 1.9 million vehicles. With almost 137,000 motorcycles and scooters, BMW Motorrad also achieved a new record in sales. The MINI brand also reported the best year ever, with over 338,400 vehicles sold. Rolls-Royce Motor Cars delivered 3,785 vehicles to customers, making 2015 the second-best year in its 112-year history.

We continue to strive for a globally balanced distribution of value creation We continue to pursue a balanced distribution of sales between the world's three major regions, Europe, Asia and America. In view of the heterogeneous and volatile development of the markets, our distribution strategy allows us to respond more swiftly to fluctuations and to avoid overdependence on any single region. Europe is still our largest sales region. Last year we surpassed the mark of one million vehicles sold there for the very first time. Overall, close to 45 per cent of our cars were delivered to customers in Europe. Asia accounted for approximately 30 per cent of sales, the Americas for 22 per cent.

We are strategically expanding our global production network of currently 30 sites in 14 countries. Our second engine plant in Shenyang opened in January 2016. In Mexico, preparations for the construction of our new plant in San Luis Potosí are proceeding according to schedule. On top of that, we are currently expanding the company's largest production site in Spartanburg, USA in order to be able to meet the high demand for our premium sports activity vehicles.

Positive sales development reflected in key financials Our successful development in sales is reflected in our key financials: with over 92 billion euros in sales revenues, the BMW Group posted a significant growth of 14.6 per cent over the previous year. As forecasted, the Group profit before tax achieved solid growth of 5.9 per cent to a new high of 9.2 billion euros. The annual net profit increased by 10 per cent to around 6.4 billion euros. The EBIT margin in the Automotive segment stands at 9.2 per cent and therefore remains within our strategic target range.

With over 1.65 million new contracts with customers and a profit before tax of 1.98 billion euros, the Financial Services segment once again made a significant contribution to the Group result. The EBT in the segment grew significantly to 14.6 per cent and stands well above the previous year's level.

The Motorcycle segment is profitable due to its successful growth strategy. Based on an operating result of 182 million euros in 2015, the segment reported an EBIT margin of 9.1 per cent.

Therefore, we achieved the goals we set for the 2015 financial year and we managed to do so in an environment characterised by intense competition as well as economic and political volatility.

We continue to fascinate our customers with new models and technologies In 2015, we launched a total of 15 new models and model revisions in the market, among them the new BMW 2 Series Gran Tourer, the new BMW X1 and the new MINI Clubman. At Rolls-Royce, the new Drophead Coupe called Dawn celebrated its world premiere at the International Motor Show in Frankfurt. The model is scheduled to be introduced in 2016. Most importantly, the model year 2015 was marked by the launch of the sixth generation of the new BMW 7 Series. With its high-end innovations, our flagship has set new benchmarks in driving dynamics, efficiency as well as driver assistance systems.

BMW i attracts new customer groups to the BMW brand With Efficient Dynamics technology and especially with the BMW i models, the BMW Group has irreversibly charted the course towards sustainable mobility. At the end of 2015, average emissions for our new car fleet stood at 127 grams of CO_2 per kilometre. Last year, we sold close to 30,000 BMW i vehicles – up around 66 per cent year-on-year. The fully electric BMW i3 is already available in 50 countries; it is also the only vehicle with a certified carbon balance for the supply chain, production, use and recycling. It has attracted new customers to the BMW brand – 80 per cent of i3 buyers have never driven a BMW before. We have repeatedly stressed that electromobility is not a sprint but a marathon. In order to enable access to e-mobility to many people, the BMW i3 has been included in our DriveNow car-sharing fleet. Furthermore, the BMW Group and its partners support the establishment of a comprehensive charging infrastructure in Europe, China and the USA.

Consistent technology transfer from BMW i to the BMW core brand The technologies developed for BMW i are now also being incorporated in the models of our BMW core brand. This includes battery cells, the electronic control unit and electric drives from the i3 and i8 as well as our expertise in lightweight construction. A good example of this technology transfer is the Carbon Core of the new BMW 7 Series, a mixed-material design for the car body structure made of carbon fibre reinforced plastics (CFRP), aluminum and steel. This Carbon Core received the EuroCarBody Award 2015, the world's most prestigious recognition for innovations in car body construction.

A broad range of innovative, efficient drivetrains plays a crucial role in adhering to the increasingly stringent requirements for the reduction of emissions. BMW's first plug-in hybrid series model has already been released: the X5 xDrive40e. As of July 2016, all BMW plug-in hybrid models will be offered under the label of "iPerformance" – from the BMW 2 Series Active Tourer to the BMW 7 Series. Furthermore, our iPerformance customers will benefit from a 360° Electric offer, including a wall-mounted charging box and more.

Realignment of the company with Strategy NUMBER ONE>NEXT Our Strategy Number ONE has been the guideline for our actions since autumn 2007. Since the global economic and financial crisis, the company has developed successfully. At the same time, our environment has changed at a rapid pace. Digitalisation, in particular, has brought about new technological opportunities for the automobile industry, ranging from automated driving to connectivity in production.

Long-term growth targets up to 2020 In the light of these developments, we have revised and updated our strategy for the future. We are operating from a solid basis: the BMW Group successfully combines financial strength, innovation and profitability with further growth, and we intend to pursue this path further with Strategy NUMBER ONE>NEXT.

Our business model will continue to focus on individual mobility in the premium segment – combined with attractive mobility services. The customer is at the heart of everything we do. We are setting out long-term targets that will guide us up to 2020 and are gradually implementing the related action plan.

Highly automated driving is becoming a part of the intelligent car of the future With BMW ConnectedDrive, the BMW Group has been in a leading position when it comes to driver assistance systems for the past two decades. These systems improve safety and comfort for our customers.

At the 2015 Consumer Electronics Show (CES) in Las Vegas we presented our self-driving BMW i3, which is able to avoid obstacles and park itself. At the CES 2016, we showcased the BMW i8 Vision Future Interaction, which can be integrated into our customers' digital lifestyle via a cloud-based set-up and various mobile end devices. The vehicle provides the personalised digital assistant BMW Connected that makes it possible, among other things, to control smart-home functions. The BMW Group is the first car company to offer such a comprehensive digital service package.

Connectivity is one of the major trends in our industry. Vehicles, their drivers and their environment will be even more closely connected in the future. The next logical step is highly and then fully automated driving. Once again, we see ourselves here as both a driver and an innovator. The new BMW 7 Series is the first series vehicle that offers fully automated parking. Many things are technologically feasible today. However, beyond the technical dimension we also require fundamental legal and transport-related policy decisions that will clearly define the rights and obligations of an extended mobile value chain. The BMW Group takes a clear position: we want to assist drivers in certain situations. We also want to improve people's safety. And by protecting their data, we protect their privacy as well.

Strategic acquisition of the map service HERE Highly and fully automated driving is based on high-accuracy maps. Together with partners, we acquired the map service HERE in 2015 to safeguard our access to cloud-based real-time maps and location-based services. We want HERE to become an independent platform for the automotive industry and remain accessible beyond that. The combination of high-accuracy maps and data from the vehicle's environment makes driving safer and more comfortable for everyone. Already today, HERE provides maps and location-based data for almost 200 countries in over 50 languages.

Our highly motivated associates are our number one success factor Individual mobility satisfies a fundamental human need and will remain a strong trend. To ensure our further growth, we need capable and motivated people as well as new ideas and skills. In 2015, the BMW Group recruited more than 5,900 new associates. At the end of last year, 4,700 young people were in vocational training with the BMW Group, more than ever before. On behalf of the Board of Management, I would like to thank all of our 122,244 associates for their accomplishments in the business year 2015. I would also like to thank our business partners and our suppliers as well as the entire dealership organisation. We can only deliver on our premium claim thanks to the close and trustful cooperation with our partners and dealers.

We are looking ahead – to the next 100 years of the BMW Group At the BMW Group, we regard every day as a new opportunity to challenge ourselves and to excel. At our official centenary ceremony on 7 March 2016, we deliberately chose to look forward to the future: how will people move about 30 years from now? Obviously, no one can predict precisely how our mobility behavior is going to develop. However, those who do not try to imagine the future will simply not have one. We are presenting our ideas for mobility of the future with our vision vehicle, the BMW VISION NEXT 100.

Dear Shareholders Due to its financial strength and the long-term focus of its Strategy NUMBER ONE>NEXT, the BMW Group will continue to be an attractive investment. We want our shareholders to continue to participate in our success. For the financial year 2015, the Board of Management and the Supervisory Board will propose to the Annual General Meeting to make our anniversary year 2016 the first time in the company's history to pay dividends totalling over two billion euros. I would like to thank all our shareholders for their vote of confidence and hope that you will continue to accompany us on our journey into the future.

Yours

Harald Krüger
Chairman of the Board of Management

General Information on the BMW Group
Business Model

This Combined Management Report incorporates the management reports of Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and the BMW Group.

General information on the BMW Group
General information on the BMW Group is provided below. There have been no significant changes compared to the previous year.

Business model
Bayerische Motoren Werke Aktiengesellschaft (BMW AG), based in Munich, Germany, is the parent company of the BMW Group. The primary business objective of the BMW Group is the development, manufacture and sale of engines as well as all vehicles equipped with those engines. The BMW Group is subdivided into the Automotive, Motorcycles, Financial Services and Other Entities segments (the latter primarily comprising holding companies and Group financing companies).

Bayerische Motoren Werke G. m. b. H. came into being in 1917. Having been originally founded in 1916 as Bayerische Flugzeugwerke AG (BFW), it finally became Bayerische Motoren Werke Aktiengesellschaft (BMW AG) in 1918. The BMW Group comprises BMW AG itself and all subsidiaries over which BMW AG has either direct or indirect control. BMW AG is also responsible for managing the BMW Group as a whole. General conditions on the world's automobile and motorcycle markets (such as the competitive situation, government policies, statutory regulations), underlying trends within society as well as changes in raw materials prices, exchange rates and interest rates are some of the major external factors that exert influence on business performance.

The BMW Group is one of the most successful makers of cars and motorcycles worldwide and among the largest industrial companies in Germany. With BMW, MINI and Rolls-Royce, the BMW Group owns three of the strongest premium brands in the automotive industry. The vehicles manufactured by the BMW Group set exceptionally high standards in terms of aesthetics, dynamics, technology and quality and are the culmination of concerted expertise in engineering and innovation. In addition to its strong position in the motorcycles market, the BMW Group also offers its customers a successful range of financial services. In recent years, it has also established itself as a leading provider of premium services for individual mobility. At the end of the reporting period, the BMW Group employed a workforce of 122,244 people worldwide.

Long-term thinking and responsible action have long been the cornerstones of the BMW Group's success. Striving for ecological and social sustainability along the entire value-added chain, taking full responsibility for products and giving an unequivocal commitment to preserving resources are prime objectives firmly embedded in the BMW Group's corporate strategy. As a result of these endeavours, the BMW Group has ranked among the most sustainable companies in the automotive industry for many years.

The BMW Group operates on a global scale and is represented in more than 150 countries worldwide. Its research and innovation network spans 13 locations in five countries. At 31 December 2015, the Group's production network comprised a total of 30 locations in 14 countries.

BMW 3 Series and 4 Series models as well as petrol and diesel engines are manufactured at the BMW Group plant in Munich. BMW 1, 3 and 4 Series models as well as the 2 Series Gran Tourer, the Z4 Roadster and the X1 are produced at the Regensburg plant. The BMW 3 Series Gran Turismo, the BMW 4 Series Gran Coupé, models of the BMW 5, 6 and 7 Series and also hybrid BMW 5 and 7 Series vehicles are manufactured at the BMW Group plant in Dingolfing. Chassis and drive components are also produced at this plant. Models of the BMW 1 and 2 Series as well as the electrically powered BMW i3 and the BMW i8 hybrid sports car are manufactured at the Group's Leipzig site. The BMW 3 Series Sedan is assembled at the plant in Rosslyn (South Africa). The BMW X3, X4, X5 and X6 models are all manufactured at the Group's plant in Spartanburg (USA). The BMW X1 and various models of the BMW 3 and 5 Series are built exclusively for the Chinese market at the two plants operated by the BMW Brilliance Automotive Ltd. joint venture in Shenyang (China). Various models are also produced at the BMW Group plants in Chennai (India) and Rayong (Thailand). Production at the BMW Group's newest plant in Araquari (Brazil) currently includes the BMW 3 Series Sedan, the 1 Series 5-door model, the X3 and the X1 as well as the MINI Countryman.

A variety of components that supply the Group's worldwide production network are manufactured at the plants in Landshut and Wackersdorf. The Eisenach site makes special-purpose metalworking tools for the production network. The manufacturing sites in Moses Lake (USA) and Wackersdorf – both part of the SGL Automotive Carbon Fibers (ACF) joint operations – supply carbon fibre and carbon fibre fabrics for the production of BMW i models and the new BMW 7 Series. The BMW Group's largest engine manufacturing plant in Steyr (Austria) makes both petrol and diesel engines for the various BMW and MINI plants. In 2016, the joint venture BMW Brilliance Automotive Ltd. opened an engine plant in Shenyang (China), which supplies petrol engines to its neighbouring plants.

The primary function of the BMW Group's partner plants is to serve nearby regional markets. BMW and MINI cars are currently also produced in Jakarta (Indonesia), Cairo (Egypt), Kaliningrad (Russia) and Kulim (Malaysia).

MINI 3- and 5-door models and the MINI Clubman are currently manufactured at the site in Oxford (United Kingdom). The UK production triangle also includes the components plant in Swindon and the engine plant at Hams Hall, where petrol engines are manufactured for MINI and BMW. In Graz (Austria), Magna Steyr Fahrzeugtechnik manufactures the MINI Countryman and, since 2012, the MINI Paceman for the BMW Group. The Dutch car manufacturer, VDL Nedcar bv (Born), has been producing the MINI 3-door since 2014 and the MINI Convertible since 2015 on behalf of the BMW Group.

The Rolls-Royce Phantom, Ghost, Wraith and – since the end of 2015 – the Dawn Convertible models are manufactured exclusively at the Goodwood plant (United Kingdom).

BMW motorcycles are manufactured primarily at the BMW Group plant in Berlin. Car brake discs are also produced at this location. Two further motorcycle production plants are located in Manaus (Brazil) and Rayong (Thailand).

The worldwide distribution network currently consists of around 3,310 BMW, 1,550 MINI and 140 Rolls-Royce dealerships. In China alone, around 60 BMW dealerships were opened in 2015. Products and services are sold in Germany through BMW Group branches and by independent authorised dealers. Sales outside Germany are handled primarily by subsidiary companies and by independent import companies in a number of markets. The dealership and agency network for BMW i currently covers some 950 locations. The BMW motorcycles sales network is organised in a similar way to that of the Group's automobile business. Currently, there are around 1,150 BMW Motorrad dealerships worldwide.

The BMW Group's premium brands (BMW, MINI and Rolls-Royce) are widely known and highly admired around the globe for their innovative technologies and state-of-the-art design. The BMW Group provides the full spectrum of individual mobility, ranging from premium-segment small vehicles through to highly luxurious and powerful vehicles. The MINI brand is a veritable icon in the premium small car segment, offering unrivalled driving pleasure in its class. Rolls-Royce has a long tradition in the ultra-luxury segment stretching back over 112 years. Our core BMW brand caters to a broad array of customer wishes, ranging from fuel-efficient and innovative models equipped with Efficient Dynamics through to high-performance, efficient BMW M vehicles, which help bring the flair of motorsport to the roads. All BMW vehicles share one thing in common – their impressive driving dynamics.

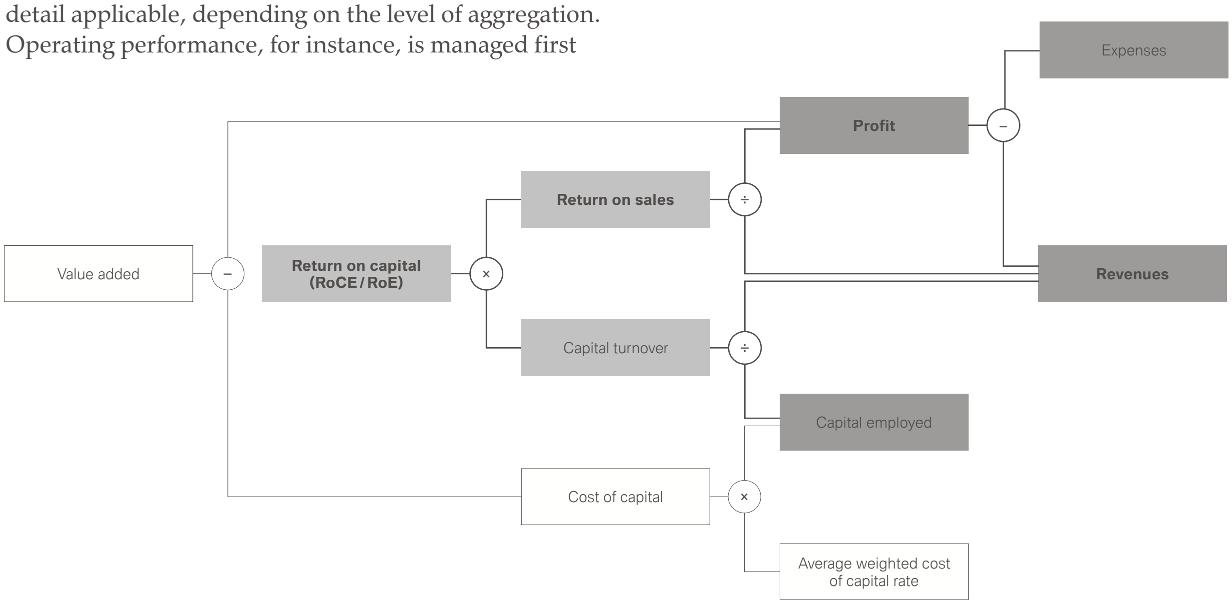
At the same time, the BMW Group continues to push the boundaries of "premium" to a new level with its BMW i models. Inspired to the core by the desire for even greater sustainability, the BMW i epitomises the vehicle of the future – with its electric drivetrain, revolutionary lightweight construction, exceptional design and an entirely newly conceived range of mobility services.

BMW Motorrad also focuses on the premium segment with its range of products, comprising motorcycles for the Sport, Tour, Roadster, Heritage, Adventure and Urban Mobility segments. A wide range of accessories and equipment is also available to provide customers with additional safety and comfort.

The Financial Services segment comprises more than 50 entities and cooperation arrangements with local financial services providers and importers on all continents, making it one of the world's leading financial service providers in the automobile sector. Its main line of business is providing credit financing and leasing for BMW Group brand cars and motorcycles to retail customers. It also provides customers with access to a wide range of insurance and banking products. The BMW Group's international multi-brand fleet business, operating under the brand name "Alphabet", provides fleet financing products and comprehensive management services for corporate car fleets in 18 countries. Within the multi-brand financing line of business, credit financing, leasing and other services are marketed to retail customers under the brand name "Alphera". Providing support to the dealer organisation, such as by financing dealership vehicle inventories, rounds off the segment's product range.

The business management system applied by the BMW Group follows a value-based approach, with a clear focus on achieving profitable growth, increasing the value of the business for capital providers and safeguarding jobs. Corporate autonomy can only be ensured in the long term if the available capital is profitably employed. For this to be the case, the profit generated must sustainably exceed the cost of equity and debt capital.

The BMW Group's internal management system is based on a multilayered structure, with varying degrees of detail applicable, depending on the level of aggregation. Operating performance, for instance, is managed first and foremost at segment level. In order to manage long-term performance and assess strategic issues, additional key performance figures are taken into account at Group level for controlling purposes. In this context, the contribution made to business value growth during the financial year is measured in terms of "value added". This approach is translated for operational purposes at both Group and segment level by means of key financial and non-financial performance indicators ("value drivers"). The link between value added and the relevant value drivers is shown in a simplified form in the following diagram.



Due to the extremely high aggregate impact of various factors, it is difficult to manage a business proactively simply by focusing on value added. This key indicator therefore only serves for intermediate reporting purposes.

Relevant value drivers which could have a significant impact on profitability and the value of the business are defined for each controlling level. The financial and non-financial value drivers referred to above are reflected in the key performance indicators used to manage the business.

In the case of project-related decisions, the system incorporates a project-oriented control logic focused on value-based and return-based performance indicators, which provide a crucial basis for decision-making.

Management of operating performance at segment level
Operating performance at segment level is managed in its most aggregated form on the basis of capital rates of return. Depending on the business model, the segments are measured on the basis of total return or the return on equity capital, namely the return on capital employed (RoCE) for the Automotive and Motorcycles segments and the return on equity (RoE) for the Financial Services segment. As an overall reflection of profitability (return on sales), capital efficiency (capital turnover) and other factors, these key performance indicators provide a cohesive insight into segment performance and changes in the value of the business.

Automotive segment
The most aggregated key performance indicator used for the Automotive segment is the RoCE. This indicator provides useful information on the success with which capital is being employed as well as on operational profitability. The RoCE is measured on the basis of segment profit before financial result and the average amount of capital employed in segment operations. The strategic target for the Automotive segment's RoCE is 26 %.

$$\text{RoCE Automotive} = \frac{\text{Profit before financial result}}{\text{Capital employed}}$$

Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that do not incur interest (e.g. trade payables). Non-interest-bearing liabilities are those capital shares which are available to the operative business without interest. These include, for example, trade payables.

Due to the key importance of the Automotive segment for the Group as a whole, consideration is also given to additional key performance indicators, with varying degrees of detail, which have a significant impact on RoCE and hence on segment performance. The most important of these value drivers are deliveries to customers, segment revenues and – as the key performance indicator for segment profitability – the operating return on sales. Average carbon emissions for the fleet are also taken into account, reflecting their potential impact on earnings in the short term in the form of ongoing development expenses, and, in the long term, the consequences of meeting regulatory requirements. For these purposes, "carbon emissions for the fleet" corresponds to average emissions of CO_2 for new cars sold in the EU-28 countries.

Managing the business on the basis of key value drivers makes it easier to identify the reasons for changes in RoCE and to define suitable measures to influence its development.

Motorcycles segment
As with the Automotive segment, operating performance for the Motorcycles segment is managed on the basis of RoCE. Capital employed is measured using the same procedures as in the Automotive segment. The strategic target for the Motorcycles segment's RoCE is 26 %.

$$\text{RoCE Motorcycles} = \frac{\text{Profit before financial result}}{\text{Capital employed}}$$

The number of vehicles delivered to customers is also taken into account as a non-financial value driver.

Financial Services segment
As is common practice in the banking sector, the performance of the Financial Services segment is measured on the basis of return on equity. RoE is defined as segment profit before taxes, divided by the average amount of equity capital attributable to the Financial Services segment. The target is a sustainable return on equity of at least 18 %.

$$\text{RoE Financial Services} = \frac{\text{Profit before tax}}{\text{Equity capital}}$$

Strategic management at Group level
Strategic management, including quantification of the financial impact of strategic issues on long-term forecasting, is performed primarily at Group level. The most significant performance indicators for these purposes are Group profit before tax and the size of the Group's workforce at the year-end. Group profit before tax is a good overall measure of the Group's performance after consolidation procedures, and provides a transparent basis for comparing performance, particularly over time. The size of the Group's workforce is monitored as an additional key non-financial performance indicator.

Information provided by these two key performance indicators is supplemented by the measurement of value added. This highly aggregated performance indicator provides an insight into capital efficiency and the (opportunity) cost of capital required to generate Group profit. Value added corresponds to the amount of earnings over and above the cost of capital and gives an indication of whether the Group is meeting the minimum requirements for the rate of return expected by capital providers. A positive value added means that a company is generating more additional value than the cost of capital.

$$\begin{aligned}\text{Value added Group} &= \text{earnings amount} - \text{cost of capital}\\ &= \text{earnings amount} - (\text{cost of capital rate} \times \text{capital employed})\end{aligned}$$

Capital employed comprises the average amount of Group equity employed during the year as a whole, the financial liabilities of the Automotive and Motorcycles segments, and pension provisions. "Earnings amount" for these purposes corresponds to Group profit before tax, adjusted for interest expense incurred in conjunction with the pension provision and on the financial liabilities of the Automotive and Motorcycles segments (earnings before interest expense and taxes).

in € million	Earnings amount		Cost of capital (EC + DC)		Value added Group	
	2015	2014	**2015**	2014	**2015**	2014
BMW Group	**9,723**	9,051	**6,040**	5,212	**3,683**	3,839

The cost of capital is the minimum rate of return expected by capital providers in return for the capital employed by the Group. Since capital employed comprises an equity capital element (e.g. share capital) and a debt capital element (e.g. bonds), the overall cost of capital rate is determined on the basis of the weighted average rates for equity and debt capital, measured using standard market procedures. The pre-tax average weighted cost of capital for the BMW Group in 2015 was 12 %, unchanged from the previous year.

Value management used to control projects

Operations in the Automotive and Motorcycles segments are shaped, to a large extent, by life-cycle-driven project work. Projects have a substantial influence on future performance. Project decisions are therefore a crucial component of financial management for the BMW Group.

Decisions are taken on the basis of project calculations measured in terms of the cash flows each individual project is expected to generate. Calculations are made for the full term of a project, i.e. for all future years in which the project generates cash flows. Project decisions are taken on the basis of the capital value and internal rate of return calculated for the project.

The capital value of a project indicates the extent to which a project will be able to generate a positive contribution to earnings over and above the cost of capital. A project with a positive capital value enhances value added and therefore results in an increase in the value of the business. The internal rate of return of the project corresponds to the average return on capital employed in the project and, in terms of scope, is equivalent to the multi-year average RoCE for an individual project. It is therefore consistent with one of the key performance indicators.

The criteria used for taking decisions as well as the long-term impact on periodic earnings is documented for all project decisions and incorporated in the long-term Group forecast. This system enables an analysis of the periodic reporting impact of project decisions on earnings and rates of return over the term of each project. The overall result is a cohesive controlling model.

General economic environment in 2015

The world economy grew at a rate of 3.1% in 2015. The USA recorded robust growth, while the Chinese government's plan to transform the country's economy to a more stable, sustainable level continued to take effect. Falling demand in China held down the growth rate, exerting a particularly crippling impact on the economies of raw material exporting countries such as Brazil and Russia. Moreover, the prospect of the US Federal Reserve Bank tightening its monetary policy additionally dampened the outlook for emerging economies. These factors resulted in further capital outflows, lower investment and currency devaluation in many developing countries. Despite signs of a resurgence of Greece's problems, markets in the eurozone continued to recover.

After some initial doubt regarding the robustness of the economy, the US Federal Reserve Bank set the expected interest rate turnaround in motion. The upheavals on capital markets feared by the financial market only had a limited impact.

In the eurozone, economic output grew more strongly than one year earlier, with a gross domestic product (GDP) increase of 1.5%, helped by the monetary policies of the European Central Bank (ECB). At 1.7%, Germany again played an important role in driving the European economy. France (+1.1%) and Italy (+0.7%) also recorded higher growth rates for the twelve-month period. Similarly, the majority of southern Europe's economies showed a year-on-year improvement. For example, Spain at 3.2% and Portugal, at 1.5%, both contributed towards the continued economic recovery of the eurozone.

At 2.2%, the UK economy grew more slowly than one year earlier. Nevertheless, as in all years since 2011, the growth rate was higher than that of the eurozone. The UK government made good use of the positive economic environment to reduce the budget deficit to its lowest level since 2007. Domestic consumer spending again served as a pillar of the economy.

The cyclical upturn in the USA gained further momentum in 2015. The growth rate stood at 2.4%, marginally higher than one year earlier. The upward trend of the US economy, now reaching as far back as 2010, continues to benefit from robust levels of consumer spending. The stable economic situation on one hand and the expected rise in inflation on the other hand prompted the Federal Reserve Bank to usher in the interest rate turnaround in December 2015.

The Japanese economy was unable to gain any significant momentum in 2015. With GDP growth at only 0.6%, it was the weakest of all the G7 countries. The Bank of Japan continued its expansionary monetary policies throughout 2015.

In China, the realigned economic strategy introduced by the government led to a moderate slowdown in the pace of economic growth (+6.9%), with the growth rate falling below the 7% mark for the first time since 1990. Despite the ongoing transformation from an investment to a consumer-oriented economy and sharp stock market corrections in both mid-2015 and early 2016, the Chinese economy has shown itself to be stable.

Apart from India at 7.4%, the other BRIC states failed to live up to expectations for growth in 2015. Brazil and Russia, both of which rely on the export of raw materials, recorded negative growth of 3.6% and 3.8% respectively. Neither of these countries was able to find a way out of the currently difficult situation and remained in recession.

Currency markets

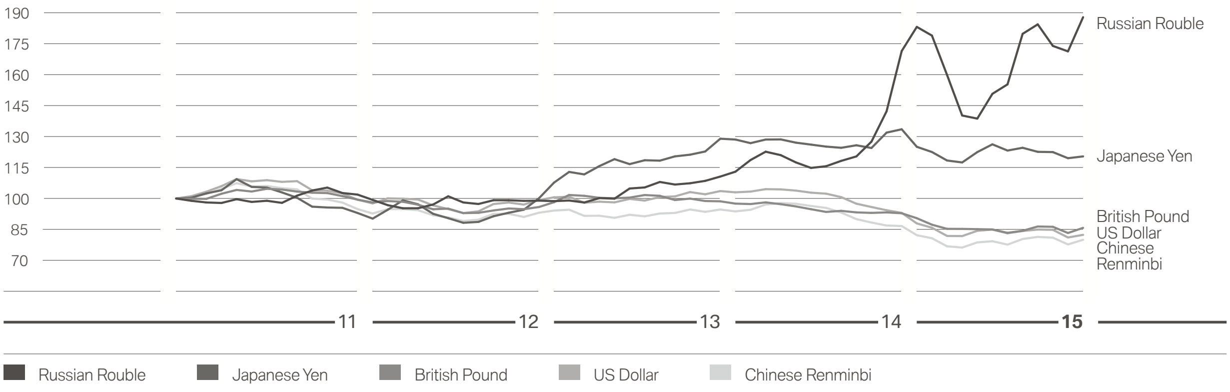
The US dollar averaged an exchange rate of 1.11 to the euro in 2015 and was therefore significantly stronger than in the previous year. The different direction in monetary policy currently being pursued by the European Central Bank and the US Federal Bank (Fed) caused the US dollar to appreciate in value against the euro from US$ 1.16 to US$ 1.09 (based on monthly averages) over the course of the twelve-month period.

The British pound also gained in value, rising to an average annual exchange rate of 0.73 to the euro. Unlike the Fed, the Bank of England (BoE) has not yet seen any acute need to raise reference interest rates.

As its value is coupled to that of the US dollar, at 6.97, the Chinese renminbi also gained in value against the euro compared to the previous year. The upward trend was temporarily halted when Chinese stock markets witnessed a turbulent phase, only for some of the lost ground to be regained by the end of the year.

Exchange rates compared to the euro

(Index: December 2010 = 100)



Source: Reuters.

The Japanese yen gained moderately in value against the euro during 2015, primarily due to the expansion of money supply within the eurozone, and recorded an annual average exchange rate of 134 yen to the euro.

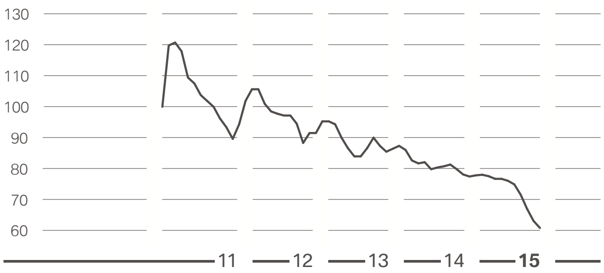
The euro was stronger in 2015 compared to many of the emerging market currencies, including those of Russia and Brazil. Its annual average exchange rate increased by approximately 19 % against the Brazilian real and by as much as 33 % against the Russian rouble.

Energy and raw materials prices

After a brief decrease at the beginning of the year, the price of Brent crude oil – the most relevant benchmark for Europe – picked up again during the first half of 2015. In stark contrast, the price then proceeded to plummet during the second six months of the year. The average price per barrel over the year as a whole was US dollar 54, down 46 % on the previous year. WTI, the benchmark for crude oil in the USA, followed a similar trend.

Steel price trend

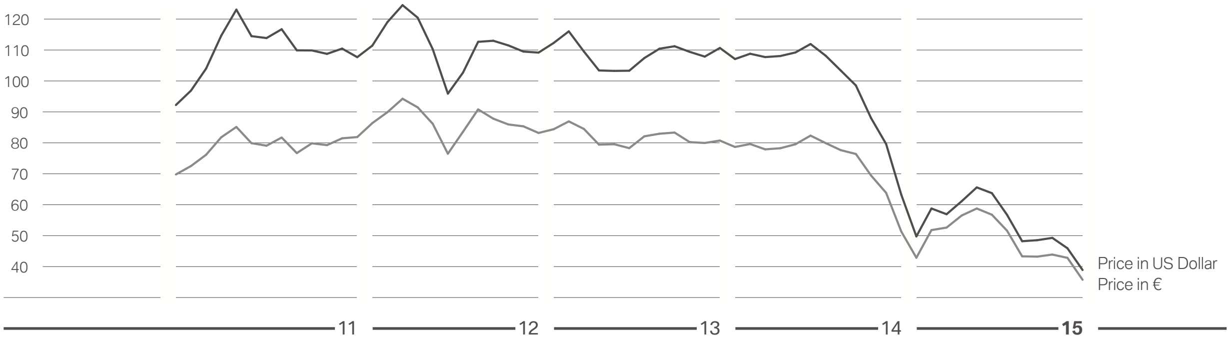
(Index: January 2011 = 100)



Source: Working Group for the Iron and Metal Processing Industry.

Oil price trend

Price per barrel of Brent Crude



Source: Reuters.

Precious metals price trend

(Index: December 2010 = 100)

Source: Reuters.

Precious metals prices stabilised for a short period at the beginning of the year, before continuing their long-term downward trend for the remainder of the twelve-month period. The drop in prices reflects overcapacities on the supply side, combined with weak demand on world markets.

There was no sign of a turnaround on the world's steel markets during the period under report. Here, too, the general slide in raw materials prices was reflected in lower steel prices year-on-year.

Automobile markets

Worldwide registrations of passenger cars and light commercial vehicles grew by 3.3 % to 82.4 million units. The two largest automobile markets, the USA and China, were once again the mainstays driving this outcome. Registration figures in China, for instance, increased by 8.9 % to 20.5 million units. Although this number points to a weaker performance than one year earlier, the Chinese market nevertheless increased the gap between itself and the US market, which grew by 5.7 % to 17.5 million units.

Automobile markets in Europe picked up where they had left off the previous year, growing by 9.2 % (14.2 million units) during the period under report. Excluding registrations in Germany, the European market fared slightly better with a 10.3 % increase to 11.0 million units. The German automobile market grew by 5.6 % to 3.2 million units and therefore accounted for nearly a quarter of all new registrations in Europe (22.6 %). France (1.9 million units; + 6.8 %) and Italy (1.6 million units; + 15.5 %) both saw robust growth, which also contributed to the recovery. Europe's growth was also helped by a repeated dynamic performance in Spain (1.0 million units; + 20.9 %). Registrations in the United Kingdom were 6.3 % higher at 2.6 million units.

Japan's automobile market contracted in 2015, with new registrations falling and totalling only 4.9 million units (– 9.8 %).

Automobile markets in major emerging economies continued to suffer from recession in 2015. The Russian market shrank by more than one-third (1.5 million units; – 36.0 %) and the Brazilian market by a good quarter (2.5 million units; – 25.7 %).

Motorcycle markets

The world's motorcycle markets in the 500 cc plus class grew by 4.7 % in 2015. Motorcycle registrations in Europe were up by 8.5 %, mainly due to a sharp recovery in southern Europe. Italy recorded double-digit growth, with registrations 11.3 % up on the previous year. Germany's motorcycle market reported a 4.5 % increase, while France finished at a similar level to the previous year (+ 0.3 %). The US market grew by 3.6 %.

Financial services markets

While the majority of industrialised countries witnessed an improvement in economic fundamentals in 2015, market conditions were highly unfavourable for some of the world's major emerging economies.

After a slow start to the year, the US economy and employment market returned to an upward trend as from the second quarter. The rate of inflation remained extremely low throughout the year, initially prompting the Fed to adopt a "wait-and-see" approach regarding an interest rate rise. The reference interest rate was finally increased by 0.25% in December 2015, the first rise announced for almost ten years.

The ECB launched a large-scale bond-buying programme in March 2015, with the dual objective of propping up the eurozone's economy and combating low inflation. Helped by a combination of the low price of oil, a weak euro and low interest rates, the euro zone managed to stage a moderate economic recovery. The hoped-for increase in inflation rates, however, proved elusive, mainly due to lower energy prices.

The UK economy grew at a stable pace in 2015. The Bank of England nevertheless refrained from increasing its reference interest rate, mainly in light of the persistently low rate of inflation.

A continuation of the economic slowdown in 2015, accompanied by high volatility on the Shanghai stock exchange, led to the Chinese economy contributing less to global economic growth than in the previous year. The Chinese central bank intervened with a series of interest rate cuts, curtailing the renminbi's upward trend.

The export-dependent Japanese economy suffered from the slower rate of growth in China and a return to more cautious consumer spending during the twelve-month period under report. The Bank of Japan's expansive monetary policies helped the country avoid slipping into recession in 2015.

Moderate price increases were observable in the premium segment of Europe's used car markets in 2015, while prices in Asia remained stable and even fell slightly in North America. Selling prices fluctuated within normal ranges.

Overall assessment of business performance

The BMW Group has every reason to be satisfied with its performance in 2015. The overall picture was pleasing in terms of results of operations, financial position and net assets. Overall, management expectations for the period were therefore met. This assessment also takes into account events after the end of the reporting period.

Financial and non-financial performance indicators

In the following section, we report on the principal financial and non-financial performance indicators used as the basis for managing the BMW Group and its segments. As part of the review of operations and the financial condition of the BMW Group, forecasts made the previous year for the financial year 2015 are compared with actual outcomes in 2015.

BMW Group

Profit before tax

Despite facing strong competition on the world's automobile markets and investing heavily in new technologies as well as in the expansion of its production network, the BMW Group remained firmly on course in 2015. Profit before tax came in at a new all-time high of €9,224 million (2014: €8,707 million; +5.9%). In addition to generally strong demand for the Group's brands, earnings also increased on the back of favourable currency factors. Good contributions to earnings also came from the BMW X6 and X4 models launched at the end of 2014, as well as from the BMW 2 Series with its various new models and from the new MINI 3- and 5-door models.

As predicted in the outlook for the financial year 2015, the Group's profit before tax achieved a solid growth and was therefore in line with expectations.

Workforce at year-end

At the end of 2015, the BMW Group employed a workforce of 122,244 people (2014: 116,324 people; +5.1%). This solid increase in the workforce mainly reflects strong demand for the BMW Group's brands of automobiles and motorcycles as well as the broader range of mobility services now on offer. The BMW Group also recruited skilled staff aimed at the increasingly digitalisation and at driving the continued development of electric mobility.

As predicted in the outlook for the financial year 2015, there was a solid increase in size of the BMW Group's workforce, which was therefore in line with expectations.

Automotive segment

Sales volume

The Automotive segment sold a record number of vehicles for the fifth year in succession. Despite the increasing normalisation of the market in China and the tense geopolitical situation worldwide, most notably the conflict hot spots in the Middle East, sales of BMW, MINI and Rolls-Royce brand vehicles grew by a solid 6.1% to 2,247,485[1] units (2014: 2,117,965[1] units). The upward trend reflects the success of numerous new models, including the expanded range of BMW 2 Series models launched internationally during the year under report. The MINI 3- and 5-door models introduced in 2014 also made an important contribution. This performance enabled the BMW Group to retain a leading position in the premium segment worldwide.

The number of BMW brand vehicles sold during the twelve-month period increased to 1,905,234[1] units (2014: 1,811,719[1] units; +5.2%). MINI recorded a significant sales volume increase of 12.0% during the year under report (338,466 units; 2014: 302,183 units). Rolls-Royce Motor Cars sold 3,785 units (2014: 4,063 units; –6.8%).

As predicted in the Annual Report 2014 for the financial year 2015, the total number of cars sold by the BMW Group rose by 6.1% and was therefore in line with expectations.

Fleet carbon emissions[2]

The BMW Group continually strives to reduce fuel consumption and carbon emissions by deploying innovative technologies developed in conjunction with the Group's Efficient Dynamics strategy. The outcome of these endeavours is highly efficient combustion engines and electric drive systems that set standards in terms of both dynamic flair and driving pleasure. The volume of carbon emissions produced by our vehicle fleet sold in Europe was reduced slightly to 127 grams CO_2/km (2014: 130 grams CO_2/km; –2.3%) during the year under report.

As predicted in the outlook for the full year 2015, carbon fleet emissions fell slightly and were therefore in line with forecast.

Revenues

Segment revenues rose by 13.8% to €85,536 million (2014: €75,173 million), driven by a strong sales volume performance and favourable currency factors. The revised forecast for the year from a solid increase to a significant increase, as communicated in the Quarterly Report to 31 March 2015, was therefore borne out. In the Annual Report 2014, the forecast had been a solid increase in Automotive segment revenues.

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2014: 275,891 units, 2015: 282,000 units).
[2] EU-28.

EBIT margin and return on capital employed

The EBIT margin in the Automotive segment (profit before financial result divided by revenues) came in at 9.2% (2014: 9.6%; –0.4 percentage points). As predicted, the EBIT margin from automobile business was within the target range of between 8 and 10% and thus in line with forecasts.

The return on capital employed (RoCE) amounted to 72.2% (2014: 61.7%; +10.5 percentage points). The higher-than-expected increase in RoCE reflects the pleasing upward trend in earnings on the one hand and the rigorous management of capital employed on the other. A number of other factors also influenced RoCE, including transactions with other segments, the higher volume of business with service and Connected Drive contracts as well as efficiency improvements in investing activities. In the Annual Report 2014, a moderate decrease in RoCE was predicted. The rate achieved by the Automotive segment was therefore well above the minimum target of 26%.

Motorcycles segment

Sales volume

In a highly favourable market environment, most notably in Europe, BMW Motorrad achieved a significant increase of 10.9% with a sales volume of 136,963 units (2014: 123,495 units). This performance was therefore better than the solid increase forecast in the Annual Report 2014. Apart from the robust market environment and BMW Motorrad's attractive model range, mild weather conditions at the end of the year also gave the strong performance additional tailwind.

Return on capital employed

The Motorcycles segment generated a return on capital employed (RoCE) of 31.6% in the year under report (2014: 21.8%; +9.8 percentage points), a solid increase on the previous year. In the Quarterly Report at 30 June 2015, the outlook was for a slight increase in RoCE (outlook in the Annual Report 2014: RoCE in line with the previous year's level). Contributing factors for the improved performance were higher sales volume, a sustained high-value model mix and the positive impact of the new brand strategy embarked upon in 2014.

Financial Services segment

Return on equity

The return on equity (RoE) generated by the Financial Services segment improved to 20.2% in the year under report (2014: 19.4%; +0.8 percentage points), helped by a strong operating performance and a stable risk profile. As predicted in the Annual Report 2014, RoE was in line with the previous year's level and therefore remained ahead of the minimum target of 18%.

The following overall picture arises for the principal performance indicators utilised by the BMW Group and its segments:

Comparison of 2015 forecasts with actual outcomes 2015

	Forecast for 2015 in 2014 Annual Report	Forecast revision during the year		**Actual outcome in 2015**
BMW Group				
Profit before tax	solid increase		€ million	**9,224 (+5.9%)**
Workforce at year-end	solid increase			**122,244 (+5.1%)**
Automotive segment				
Sales volume[1]	solid increase		units	**2,247,485 (+6.1%)**
Fleet emissions[2]	slight decrease		g CO_2/km	**127 (–2.3%)**
Revenues	solid increase	Q1: significant increase	€ million	**85,536 (+13.8%)**
EBIT margin	target range between 8 and 10%		%	**9.2 (–0.4%pts)**
Return on capital employed	moderate decrease		%	**72.2 (+10.5%pts)**
Motorcycles segment				
Sales volume	solid increase		units	**136,963 (+10.9%)**
Return on capital employed	in line with last year's level	Q2: slight increase	%	**31.6 (+9.8%pts)**
Financial Services segment				
Return on equity	in line with last year's level		%	**20.2 (+0.8%pts)**

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 282,000 units).
[2] EU-28.

AUTOMOTIVE SEGMENT

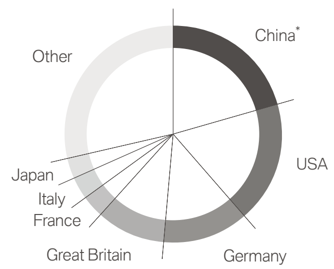
Solid sales volume growth

The BMW Group sold 2,247,485* BMW, MINI and Rolls-Royce brand vehicles worldwide in 2015, thereby setting a new record for the fifth year in succession (2014: 2,117,965* units; + 6.1 %). Sales of BMW models climbed by a solid 5.2 % to 1,905,234* units (2014: 1,811,719* units). MINI recorded even more impressive growth, with sales rising by 12.0 % to 338,466 units (2014: 302,183 units). Rolls-Royce Motor Cars sold 3,785 ultra-luxury sedans, moderately down on the previous year's high level (2014: 4,063 units; – 6.8 %).

Europe showing good signs of recovery

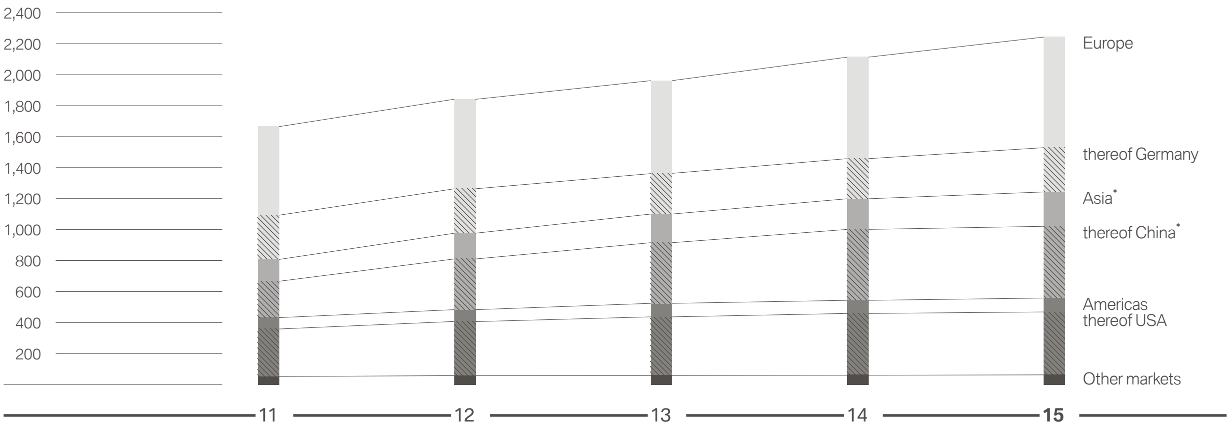
In a mostly friendly market environment in Europe, sales of BMW, MINI and Rolls-Royce brand vehicles rose by 9.4 % to a total of 1,000,427 units, surpassing the one-million threshold for the first time (2014: 914,587 units). The number of vehicles sold in Germany was 5.0 % up on the previous year (286,098 units; 2014: 272,345 units). Business in Great Britain also developed very positively, with sales rising to a total of 230,982 units (2014: 205,071 units; + 12.6 %). The pace of growth in Asia slowed somewhat, mainly reflecting the anticipated normalisation of the Chinese automobile market. The BMW Group sold a total of 685,792* units of its three brands in Asia during the year under report (2014: 658,384* units; + 4.2 %). The sales volume figure of 464,086* units for China was slightly up on one year earlier (2014: 456,732* units; + 1.6 %). Sales in the

BMW Group – key automobile markets 2015
as a percentage of sales volume



China*	20.6	France	3.5
USA	18.1	Italy	3.2
Germany	12.7	Japan	3.1
Great Britain	10.3	Other	28.5

BMW Group sales volume of vehicles by region and market
in 1,000 units



	11	12	13	14	15
Europe	858.4	865.4	859.5	914.6	**1,000.4**
— thereof Germany	285.3	287.4	259.2	272.3	**286.1**
Asia*	375.5	493.4	578.7	658.4	**685.8**
— thereof China*	233.6	327.3	391.7	456.7	**464.1**
Americas	380.3	425.3	463.8	482.3	**495.9**
— thereof USA	306.3	348.5	376.6	397.0	**405.7**
Other markets	54.8	61.1	61.8	62.7	**65.4**
Total*	**1,669.0**	**1,845.2**	**1,963.8**	**2,118.0**	**2,247.5**

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2011: 94,400 units, 2012: 141,165 units, 2013: 198,542 units, 2014: 275,891 units, 2015: 282,000 units).

Americas region increased by 2.8 % to 495,897 units (2014: 482,257 units), the USA accounting for 405,715 units, 2.2 % up on the previous year (2014: 396,961 units).

Solid growth for the BMW brand*

The BMW brand marked another highly successful performance in the premium segment during the year under report. The BMW X5 as well as the BMW 4, 5 and 6 Series, for instance, all continued to head their relevant segments.

With the Coupé and Convertible body variants now reported as part of the new 2 Series, sales of the BMW 1 Series, at 182,158 units, were nominally below the previous year's level (2014: 190,033 units; – 4.1 %). The BMW 2 Series has been a highly popular customer choice since its launch, with 157,144 units sold during the twelve-month period under report (2014: 41,038 units). Sales figures for the BMW 3 Series were also nominally down year-on-year, at 444,338 units, reflecting the fact that the Coupé and Convertible body variants are now reported as part of the BMW 4 Series (2014: 480,214 units; – 7.5 %). Customers took delivery of a total of 152,390 units of the BMW 4 Series during the period under report (2014: 119,580 units; + 27.4 %). Now nearing the end of its life cycle, at 347,096 units, sales of the BMW 5 Series did not quite match the previous year's high figure (2014: 373,053 units; – 7.0 %). Owing to the model change at the end of 2015, worldwide sales of the BMW 7 Series fell to 36,364 units (2014: 48,519 units; – 25.1 %). Now in its sixth generation, this luxury class model has attracted extremely positive feedback from the trade press and from customers alike, raising expectations of a perceptible resurgence in sales figures during 2016.

Sales volume of BMW vehicles by model variant*

in units

	2015	2014	Change in %	Proportion of BMW sales volume 2015 in %
BMW 1 Series	**182,158**	190,033	– 4.1	9.6
BMW 2 Series	**157,144**	41,038	–	8.3
BMW 3 Series	**444,338**	480,214	– 7.5	23.3
BMW 4 Series	**152,390**	119,580	27.4	8.0
BMW 5 Series	**347,096**	373,053	– 7.0	18.2
BMW 6 Series	**20,962**	23,988	– 12.6	1.1
BMW 7 Series	**36,364**	48,519	– 25.1	1.9
BMW X1	**120,011**	156,471	– 23.3	6.3
BMW X3	**137,810**	150,915	– 8.7	7.3
BMW X4	**55,050**	21,688	–	2.9
BMW X5	**168,143**	147,381	14.1	8.8
BMW X6	**46,305**	30,244	53.1	2.4
BMW Z4	**7,950**	10,802	– 26.4	0.4
BMW i	**29,513**	17,793	65.9	1.5
BMW total	**1,905,234**	**1,811,719**	**5.2**	**100.0**

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2014: 275,891 units, 2015: 282,000 units).

The BMW X family also continued to perform well in 2015, with worldwide deliveries to customers totalling 527,319 units (2014: 506,699 units; + 4.1 %). Sales of the BMW X5 rose by 14.1 % to 168,143 units (2014: 147,381 units). With 137,810 units sold in 2015, the BMW X3 remained below its previous year's level (2014: 150,915 units; – 8.7 %). The BMW X4 more than doubled sales volume during the twelve-month period (55,050 units; 2014: 21,688 units). As a result of the model change, sales of the BMW X1, at 120,011 units, were lower than one year earlier (2014: 156,471 units; – 23.3 %). The second-generation BMW X1 first appeared in showrooms at the end of October 2015 and is set to continue its predecessor's success story in 2016.

Significant increase for the MINI brand
MINI sales grew by 12.0% worldwide to 338,466 units (2014: 302,183 units), helped primarily by the popularity of the new MINI 3- and 5-door models, of which a total of 221,982 units were delivered to customers (2014: 140,051 units; +58.5%). Sales of the MINI Countryman totalled 80,230 units (2014: 106,995 units; –25.0%). The new MINI Clubman became available towards the end of October, since then approximately 8,000 units have been sold.

Sales volume of MINI vehicles by model variant

in units

	2015	2014	Change in %	Proportion of MINI sales volume 2015 in %
MINI 3- and 5-door	**221,982**	140,051	58.5	65.6
MINI Convertible	**14,145**	17,327	–18.4	4.2
MINI Clubman	**8,003**	13,326	–39.9	2.4
MINI Countryman	**80,230**	106,995	–25.0	23.7
MINI Coupé	**2,784**	3,816	–27.0	0.8
MINI Roadster	**3,075**	5,101	–39.7	0.9
MINI Paceman	**8,247**	15,567	–47.0	2.4
MINI total	**338,466**	**302,183**	**12.0**	**100.0**

Rolls-Royce moderately down on previous year's high level
In sales volume terms, Rolls-Royce Motor Cars reported the second-best year in its history (3,785 units; 2014: 4,063 units; –6.8%). The Rolls-Royce Wraith recorded the sale of 1,688 units (2014: 1,906; –11.4%). Sales of the Rolls-Royce Ghost rose slightly by 3.5% to 1,609 units (2014: 1,555 units).

Sales volume of Rolls-Royce vehicles by model variant

in units

	2015	2014	Change in %
Phantom	**488**	602	–18.9
Ghost	**1,609**	1,555	3.5
Wraith	**1,688**	1,906	–11.4
Rolls-Royce total	**3,785**	**4,063**	**–6.8**

High capacity utilisation throughout production network
Strong demand and the production start-up of numerous new models resulted in very high capacity utilisation levels throughout the BMW Group's production network. At the same time, the process of expanding international production sites was continued apace. The production network comprises 30 locations in 14 countries worldwide.

The network set new production volume records in 2015, making a total of 2,279,503* units (2014: 2,165,566* units; +5.3%), comprising 1,933,647* BMW (2014: 1,838,268* units; +5.2%), 342,008 MINI (2014: 322,803 units; +5.9%) and 3,848 Rolls-Royce brand vehicles (2014: 4,495 units; –14.4%).

Internationalisation of production network making good progress
Following global market developments, the BMW Group has continued to expand its international production

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2014: 287,466 units, 2015: 287,755 units).

Vehicle production of the BMW Group by plant

in units

	2015	2014	Change in %	Proportion of production in %
Munich	**221,998**	228,126	–2.7	9.7
Dingolfing	**360,804**	369,027	–2.2	15.8
Regensburg	**304,509**	272,015	11.9	13.4
Leipzig	**233,656**	211,434	10.5	10.3
Rosslyn	**71,353**	68,771	3.8	3.1
Spartanburg	**400,904**	349,949	14.6	17.6
Dadong[1]	**142,767**	143,390	–0.4	6.3
Tiexi[1]	**144,988**	144,076	0.6	6.4
Rayong	**8,928**	6,012	48.5	0.4
Araquari	**9,936**	5,616	76.9	0.4
Chennai	**7,716**	4,824	60.0	0.3
Oxford	**201,206**	179,318	12.2	8.8
Graz (Magna Steyr)[2]	**82,655**	113,401	–27.1	3.6
Born (VDL Nedcar)[2]	**57,019**	29,196	95.3	2.5
Goodwood	**3,848**	4,495	–14.4	0.2
Partner plants	**27,216**	35,916	–24.2	1.2
BMW Group	**2,279,503**	**2,165,566**	**5.3**	**100.0**

[1] Joint venture BMW Brilliance Automotive Ltd., Shenyang.
[2] Contract production.

network with the aim of ensuring a balanced distribution of value added along the production chain.

In North America, the expansion of the plant in Spartanburg, USA, continues to make good progress. A new, state-of-the-art vehicle body manufacturing facility is currently under construction, as part of the investment programme announced in 2014. Annual production at the plant achieved a new record of over 400,000 units in the year under report. In terms of production volume, the Spartanburg plant is therefore the largest in the BMW Group's network.

In San Luis Potosí, Mexico, preparations for constructing the new plant are running on schedule. A local training centre has already been opened at the site and the first employees recruited. The plant is due to commence operations in 2019.

The comprehensive expansion of the BMW Group plant in Araquari, Brazil, was completed in September 2015. The manufacturing infrastructure at the site now includes body-making, a paint shop and assembly facilities. The BMW 1 Series 5-door version, the BMW 3 Series Sedan, the BMW X1, the X3 and the MINI Countryman are currently built in Araquari. Only one year after production officially began, the 10,000th vehicle has already rolled off the production lines.

In Europe, the British production triangle comprising the MINI plant in Oxford, the components plant in Swindon and the engine production facility in Hams Hall is a fundamental element of the BMW Group's production network. At the end of 2015, production at the Oxford plant comprised the MINI 3- and 5-door versions and the new MINI Clubman.

In order to secure greater capacity for the planned growth, since 2014 the MINI 3-door model is also being produced for the BMW Group at the Dutch carmaker VDL Nedcar in Born. Since 2015, VDL Nedcar has also been producing the MINI Convertible. The MINI Countryman and MINI Paceman models are being produced under contract by the company Magna Steyr Fahrzeugtechnik in Graz, Austria. This additional capacity with external partners provides the BMW Group's production network with even greater flexibility.

At the home of Rolls-Royce in Goodwood (United Kingdom), important construction work was carried out to convert and expand the plant throughout 2015. The BMW Group is investing in a new single-line production system at this site as the basis for ensuring the brand's innovative product strategy in the long term. The new technology and logistics centre in Bognor Regis near Goodwood was opened as planned. Moreover, Rolls-Royce Motor Cars recruited 100 new employees during the period under report.

In Rosslyn (South Africa) the one-millionth BMW 3 Series vehicle rolled off the production line in February 2015. In 1973, the plant was opened as the BMW Group's first international manufacturing facility and is now an important part of the network. Within the next few years, the plant will discontinue production of the BMW 3 Series and begin making the successor to the current BMW X3.

In Shenyang (China), BMW Brilliance Automotive Ltd. (BBA) produced its one-millionth vehicle during the period under report. BBA is a joint venture of the BMW Group and its partner Brilliance China Automotive Holdings Ltd. Its two plants in Dadong and Tiexi manufacture the BMW 3 Series long-wheelbase version, the BMW 3 Series Sedan, the BMW 5 Series long-wheelbase version, the BMW 5 Series Plug-in Hybrid and the BMW X1 for the Chinese market.

The manufacturing sites in Chennai (India) and Rayong (Thailand) complete the BMW Group's production network. Last year, the plant in Thailand celebrated its 15th anniversary and expansion work was continued at the plant at the same time. It is the only production facility within the network that produces not only BMW and MINI vehicles, but also BMW motorcycles.

At the Group's partner plants, which mostly serve their regional markets, a total of 27,216 vehicles were produced during the period under report. These partner plants include those in Kaliningrad (Russia), Cairo (Egypt), Jakarta (Indonesia) and Kulim (Malaysia).

Introduction of modular engine concept practically completed

In January 2016, the new engine manufacturing plant, which includes a foundry, was commissioned in Shenyang (China) and now supplies engines for vehicle production for the Chinese market. With Munich, Hams Hall (United Kingdom) and Steyr (Austria), the BMW Group now manufactures engines at a total of four locations. Moreover, since 2014 the new modular engine has been introduced in the engine plants step by step, expanding options for a flexible production system with uniform production and process standards.

Production of modular engines at the Steyr plant was increased in 2015. At the same time, the development centre for diesel engines, which is connected with the plant, is currently being expanded. The Hams Hall engine plant makes 3- and 4-cylinder petrol engines for BMW and MINI and is also the exclusive manufacturer of 3-cylinder petrol engines for the BMW i8.

Strong production base in Germany

Apart from the expansion of the international production network, the German plants are an important focus of ongoing development. For the fifth time in succession, the BMW Group produced a total of over one million vehicles at its plants in Munich, Dingolfing, Regensburg and Leipzig.

Thanks to their innovative strength, the plants in Germany play a leading role within the international production network and are often the inspiring source of impetus for the global network as a whole. Digitalisation, modular concepts and intelligent composite manufacture are examples that demonstrate the outstanding expertise of the production network.

Digitalisation in particular will contribute towards helping the network produce even more flexibly and efficiently. The use of IT-supported technologies in production and logistics makes it possible to design even highly complex workflows, such as through the use of flexible robot systems, intelligent tools for staff, simulation, and automated data collection and analysis.

With the production start-up of the new BMW 7 Series, employees at the Dingolfing plant have proved that innovation can be combined with complex production processes. The intelligent composite manufacture is particularly obvious in the new BMW 7 Series, where carbon-fibre reinforced polymer (CFRP) is exclusively used in the passenger compartment. The body structure, known as Carbon Core, is based on a technology transfer from the BMW i models. The utilisation of ultra-lightweight CFRP material and a comprehensive lightweight design concept make the new 7 Series models up to 130 kg lighter than their predecessors.

Despite the BMW 7 Series model change, with a total of around 360,000 units manufactured in 2015, the Dingolfing plant registered the second-highest annual production figure in its history. At the same time, expansion and modification work at the Dingolfing plant, which has been ongoing since the end of 2012, made good progress during the year under report. The BMW Group is currently investing substantial amounts in the Dingolfing site in preparation for future vehicle models and upcoming technologies.

Extensive refurbishment measures were also commenced at the main plant in Munich in 2015. By mid-2017, a state-of-the-art painting line will be completed that meets the utmost standards in terms of profitability and efficient use of resources. The new building is part of an extensive investment programme that also includes the enlargement of the body-making section and vehicle assembly as well as parts of the logistics department. At the present time, around 1,000 vehicles a day are rolling off production lines at the BMW Group's Munich plant, including the BMW 3 Series Sedan, the BMW 3 Series Touring, the BMW 4 Series Coupé, the BMW M4 Coupé and, since the end of 2015, the BMW 3 Series Plug-in Hybrid.

The BMW Group's Regensburg plant raised production volume by almost 12 % year-on-year, manufacturing more than 300,000 units during the period under report. In the course of the year, the six-millionth vehicle rolled off the production line since the plant was first opened in 1986. Furthermore, production of three new models, the BMW 1 Series, the 2 Series Gran Tourer and the X1 all started during 2015.

At the Leipzig plant, growing demand for electric vehicles worldwide resulted in annual production of the BMW i vehicles increasing to over 30,000 units. The BMW i3 is one of the three best-selling electric vehicles both in the USA and on markets worldwide. The team in Leipzig is currently producing around 120 BMW i models daily. After the success of the BMW i8, since 2015 the BMW 225xe Active Tourer is the second model featuring a plug-in hybrid drive system to be manufactured at the plant. Production of the new BMW M2 also started in Leipzig in 2015, with vehicles produced for the most part in a flexible mix with all other models of the BMW 1 and 2 Series.

The growing demand for passenger vehicles also resulted in high-capacity utilisation at the Landshut plant during the year under report. The main focus during 2015 was on the start-up of components production for the BMW brand's flagship model, the BMW 7 Series, including production of structural components, light metal die-cast engine components, CFRP body structure parts, bumpers and other plastic add-on components. Furthermore, the new strategy for the plant continued to make good progress. The aim is to make the components plant even more flexible and thus increase the site's long-term competitiveness. Trendsetting lightweight construction technologies will play a key role in achieving this end.

The Wackersdorf Innovation Park is the logistical hub for materials management and just-in-sequence supply to BMW Group plants in ten different countries. Furthermore, the dashboards for several plants are produced in Wackersdorf.

SGL Automotive Carbon Fibers (SGL ACF), the joint operation of the BMW Group with the SGL Group, is also based in Wackersdorf. In Moses Lake, USA, SGL ACF operates a carbon fibre production plant that is powered by hydroelectricity and supplies carbon fibres to the SGL ACF plant in Wackersdorf, where they are processed into textile parts.

The expansion of the BMW Group's Eisenach plant continued as planned in 2015. The site is being extended to include new buildings and additional production floor space. Moreover, a state-of-the-art Servo tryout press is being installed. The project is scheduled for completion in 2016. The Eisenach plant is one of the three BMW Group locations worldwide that builds pressing tools. In addition, some 250 employees at the Eisenach plant manufacture the majority of the outer body parts from sheet metal, aluminium and stainless steel for the Rolls-Royce plant in Goodwood (United Kingdom) as well as parts for the production of BMW motorcycles in Berlin.

MOTORCYCLES SEGMENT

BMW Motorrad reports significant growth in business

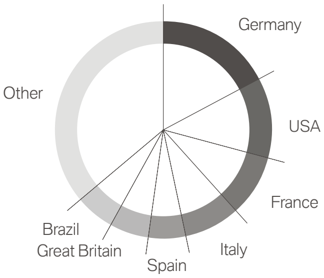
The Motorcycles segment profited from a positive market environment during the period under report, achieving a new sales volume record for the fifth year in succession. The number of BMW motorcycles sold to customers worldwide rose by 10.9 % to 136,963 units (2014: 123,495 units).

Motorcycle sales particularly strong in Europe

The number of motorcycles sold in Europe in 2015 totalled 81,834 units (2014: 73,611 units), an increase of 11.2 %. In Germany, BMW Motorrad reported a solid increase of 9.7 % with a sales volume of 23,823 units (2014: 21,714 units). Italy also saw a year-on-year improvement, with sales 6.3 % up at 11,150 units (2014: 10,487 units). Deliveries to customers in France, at 12,550 units, were also higher than one year earlier (2014: 11,600 units; + 8.2 %), even though the market as a whole remained flat. The Motorcycles segment sold 16,501 units in the USA (2014: 15,301 units; + 7.8 %).

BMW Group – key motorcycle markets 2015

as a percentage of sales volume



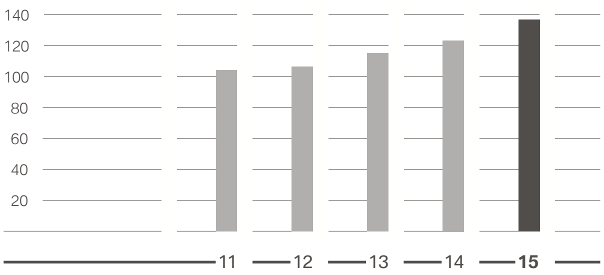
Germany	17.4	Spain	5.8
USA	12.0	Great Britain	5.8
France	9.2	Brazil	5.6
Italy	8.1	Other	36.1

New models performing well

A number of new models helped the Motorcycles segment deliver another outstanding performance in 2015. The F 800 R was launched in time for the beginning of the 2015 motorcycling season, followed by the R 1200 R, R 1200 RS, S 1000 XR and S 1000 RR models over the course of the year. December 2015 saw the market launch of the C 650 Sport and C 650 GT model updates, both of which had previously been presented at the EICMA international motorcycle trade fair in Milan. Thanks to an extensively modified drivetrain, more comfortable suspension settings and revamped controls, these two dynamic maxi-scooters offer the ideal combination of sporting flair, smooth touring comfort and urban mobility.

BMW Group sales volume of motorcycles*

in 1,000 units



11	12	13	14	**15**
104.3	106.4	115.2	123.5	**137.0**

* Excluding Husqvarna, sales volume up to 2013: 59,776 units.

The R nineT Scrambler, G 310 R, F 700 GS and F 800 GS models were all on display for the first time at the EICMA. The F 700 GS and F 800 GS will both be available to customers in time for the beginning of the 2016 motorcycling season. Apart from their powerful engines, they promise exceptional riding pleasure, both on- and off-road. Like its successful R nineT sister model, the R nineT Scrambler – which is due to go on sale in the summer – offers plenty of ways for owners to give it their own personal touch. Also scheduled for a summer launch is the G 310 R, which will deliver a combination of great dynamics and comfort, whether in town or out cruising on country roads. This innovative machine signals BMW Motorrad's entry into the under-500 cc segment as part of the strategic realignment of the Motorcycles segment, which is aiming for further growth and increasing internationalisation.

With its eRR concept study, BMW Motorrad is drawing attention to the many possibilities of a fully electric-powered supersport motorcycle. In terms of design and chassis technology, the eRR has taken its lead from the S 1000 RR supersport machine, but with an electric drive, and is an outstanding example of the possibilities of sustainable mobility.

Further international growth for BMW Motorrad

The aim of BMW Motorrad's strategic realignment is to achieve additional growth going forward. With this in mind, the Motorcycles segment is planning to engage in further markets in Asia and Latin America. The new model initiative will also be expanded, including the addition of products that provide greater urban mobility. Sales volume growth should also benefit from the new premium models in the under-500 cc segment and a significantly expanded dealership network. The market launch of the G 310 R in the second half of 2016 will be an initial step in this direction. This motorcycle is designed to appeal to new markets and a younger target group and will be produced in cooperation with the TVS Motor Company in India.

Significant increase in motorcycle production

Overall, the BMW Group produced 151,004 motorcycles during the year under report (2014: 133,615 units; + 13.0 %). This significant rise partly reflects the growing importance of BMW's production plants in Brazil, where 8,555 motorcycles were assembled (2014: 5,996 units; + 42.7 %) and in Thailand, where production more than doubled to reach 2,712 units (2014: 1,169 units).

In line with the new growth strategy, during the year under report the decision was taken to expand the BMW motorcycle manufacturing plant in Berlin. Moreover, a new, state-of-the-art logistics centre is due to be constructed right next to the Berlin plant.

FINANCIAL SERVICES SEGMENT

Financial Services segment continues to grow

The Financial Services segment remained on course in 2015, delivering another good performance within a difficult market environment. In balance sheet terms, business volume grew by 15.4 % to stand at €111,191 million (2014: €96,390 million), partly as a result of favourable currency factors. The contract portfolio under management at 31 December 2015 comprised 4,718,970 contracts (2014: 4,359,572 contracts; + 8.2 %).

Further growth in new business

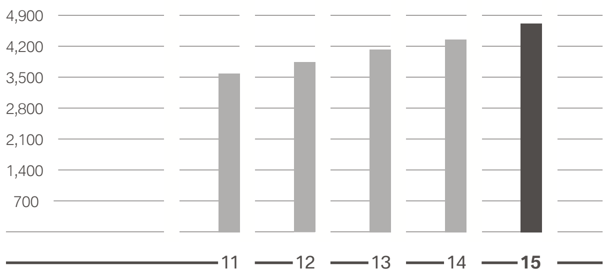
As in the previous year, credit financing and leasing business with retail customers was an important part of the segment's success in 2015. In total, 1,655,961 new contracts were signed during the period under report, 9.7 % more than in the previous year (2014: 1,509,113 contracts). Leasing business registered a significant increase, growing year-on-year by 11.5 %. Credit financing increased by 8.8 %. As a proportion of new business, leasing accounted for 35.3 % and credit financing for 64.7 %.

The proportion of new BMW Group vehicles* leased or financed by the Financial Services segment was 46.3 %, an increase of 4.6 percentage points over the previous year (2014: 41.7 %).

In the BMW and MINI brand pre-owned vehicle financing and leasing lines of business, the number of new contracts signed by the segment fell slightly (– 2.1 %) to 327,391 contracts (2014: 334,289 contracts).

* The calculation only includes automobile markets, in which the Financial Services segment is represented by a consolidated entity.

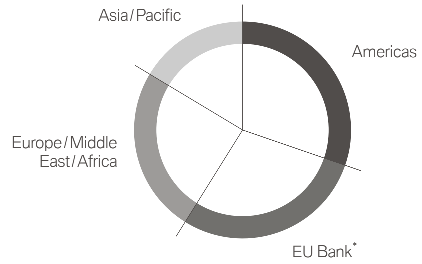
Contract portfolio of Financial Services segment
in 1,000 units



11	12	13	14	15
3,592	3,846	4,130	4,360	**4,719**

Contract portfolio retail customer financing of Financial Services segment 2015

as a percentage by region



Americas	30.4	Europe/Middle East/Africa	24.8
EU Bank*	28.5	Asia/Pacific	16.3

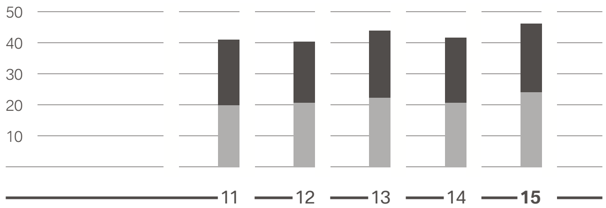
* EU Bank comprises BMW Bank GmbH, its branches in Italy, Spain and Portugal, and its subsidiary in France.

The total volume of new credit and leasing contracts concluded with retail customers during the twelve-month period under report was €50,606 million, significantly up (+22.5%) on the previous year's figure (2014: €41,318 million).

The dynamic increase in new retail customer business is also reflected in the overall size of the contract portfolio. In total, 4,326,631 contracts were in place with retail customers at 31 December 2015 (2014: 4,005,428 contracts), a solid year-on-year increase of 8.0%. In regional terms, the Asia/Pacific region continued to enjoy strong growth with a 19.4% increase in the number of contracts being managed at the end of the reporting period. The Americas region (+8.0%), Europe/Middle East/Africa (+6.7%) and the EU Bank* (+3.5%) also recorded year-on-year growth.

BMW Group new vehicles financed by Financial Services segment

in %



	11	12	13	14	15
Financing	20.0	20.7	22.5	20.8	**24.2**
Leasing	21.1	19.7	21.5	20.9	**22.1**

Further solid growth in fleet business

The BMW Group is one of the leading leasing and full-service providers of fleet management services in Europe. Lease and financing arrangements as well as other services are provided to commercial customers under the brand name "Alphabet". At 31 December 2015 the segment was managing a total portfolio of 602,303 fleet contracts, 8.5% more than in the previous year (2014: 555,349 contracts).

Slight decrease in multi-brand financing

Multi-brand financing saw a slight decrease (–1.8%) in the number of new contracts signed in 2015 (162,870 contracts), compared to the previous year (2014: 165,776 contracts). At 31 December 2015, the total portfolio comprised 470,150 contracts, slightly more than one year earlier (2014: 465,702 contracts; +1.0%).

Dealership financing significantly up on previous year

As in the previous year, the total volume of dealer financing increased significantly again year-on-year, growing by 16.6% to stand at €17,156 million at the end of the reporting period (2014: €14,710 million).

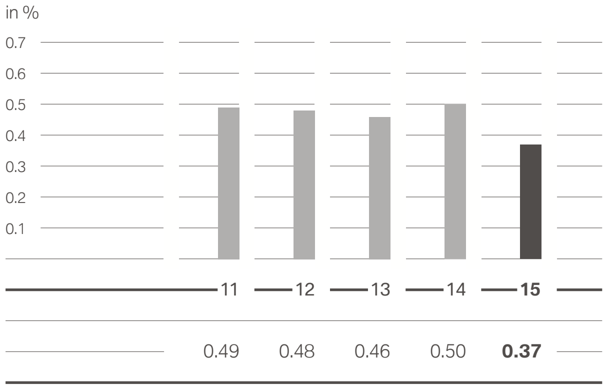
Solid increase in deposit business

Deposit business provides an important source of funding for the Financial Services segment. The volume of customer deposits held at the year-end grew by a solid 8.4% to €13,509 million (2014: €12,466 million).

Significant growth in insurance business

Demand for insurance products remains high. In addition to the Group's financing and leasing products, customers can select from a broad range of insurance arrangements, addressing all aspects of individual mobility. Significant growth was recorded in 2015, with the number of new insurance contracts signed up by 11.2% to 1,207,196 contracts (2014: 1,085,781 contracts). At 31 December 2015, the insurance contract portfolio comprised 3,200,742 contracts (2014: 2,874,158 contracts; +11.4%).

Development of credit loss ratio



Risk profile improved

The positive trend in the global economy and the on-going lull in the euro crisis enabled the risk profile relevant for the Financial Services segment's total portfolio to improve again in 2015. The positive trend in bad debt levels continued in 2015, both for retail and corporate customers. The risk profile in the credit line of business improved slightly compared to the previous year. The credit loss ratio incurred on the segment's total credit portfolio decreased by 13 basis points to 0.37 % (2014: 0.50 %). Reflecting the generally stable conditions prevailing on the international used car markets, sales prices for BMW and MINI brand pre-owned cars developed robustly. Average residual value losses incurred on the resale of these vehicles were marginally higher than in the previous year. Further information on the risk profile is provided in the section "Report on risks and opportunities".

RESEARCH AND DEVELOPMENT

Research and development are absolutely essential for the BMW Group to maintain competitiveness as a premium manufacturer. As part of the Efficient Dynamics strategy, the Group works continually on additionally improving energy efficiency and reducing the emissions of the entire range of automobiles and motorcycles it sells. Under the catchword "Connected Drive", the BMW Group works on the connectivity of driver, vehicle and the outside world. Both concepts embrace forward-looking technologies in vehicles and are testimony to the BMW Group's innovative strength. Going forward, the BMW Group will no doubt continue to set standards in the field of connectivity on the roads. At 31 December 2015, a total of 12,669 people at 13 locations in five countries worldwide were working in the BMW Group's research and development network to achieve this end.

Expenditure for research and development rose by 13.2 % to €5,169 million, mostly for projects aimed at securing the Group's future (2014: €4,566 million). The research and development ratio stood at 5.6 % and therefore at a similar level to the previous year (2014: 5.7 %). The ratio of capitalised development costs to total research and development expenditure for the period (capitalisation ratio) was 39.9 % (2014: 32.8 %). Amortisation of capitalised development costs totalled €1,166 million (2014: €1,068 million; + 9.2 %). Further information on research and development expenditure is provided in the section "Report on Economic Position" (Results of Operations) and in note 10 to the Group Financial Statements.

Given the pace of technological innovation, cooperation arrangements in the field of research and development are commonplace in the automotive industry. The BMW Group also enters into cooperation agreements with selected partners. The aim of these research and development activities, which may also include cross-sector input, is to help find innovative solutions for individual mobility. The focus is currently on next-generation technologies, such as digitalisation and alternative drive systems.

Broadly diversified drive system research

In the course of 2015, the Group integrated hybrid technologies in further BMW brand models. In parallel, engineers continued development work on highly-efficient combustion engines. In the medium and long term, the BMW Group is also developing a fuel cell electric vehicle (FCEV). With these varying drive systems, the BMW Group is well prepared for the challenges of the future and will also be able to flexibly cater to both the requirements of customers and the standards dictated by legislators going forward. With efficient petrol- and diesel-driven engines, plug-in hybrid systems, battery-powered drives and also, in future, hydrogen fuel cell electric vehicles, the BMW Group is looking to provide suitable technologies for every segment and requirement.

In a prototype presented in 2015, a direct water injection system was used for turbocharged petrol engines for the first time. This innovative technology greatly reduces the temperature in the combustion process, thereby raising the efficiency factor. Moreover, the technology reduces fuel consumption during higher performance requirements. The newly developed BMW 2 Series Active Tourer Plug-in Hybrid is fitted with a 3-cylinder front-wheel-drive petrol engine, a high-voltage generator installed at the front and an electric motor that transfers power to the rear wheels. The result is a road-linked all-wheel-drive system unique in its segment.

The hydrogen fuel cell electric drive system is destined to become an integrated component of the Group's Efficient Dynamics strategy. The diversity of drive technologies that can be flexibly coordinated to suit varying vehicle concepts, customer requirements and statutory framework conditions on international markets is therefore growing. The hydrogen fuel cell electric drive system, which converts hydrogen to electricity and steam, enables locally emissions-free, electrically powered driving with the dynamic flair typical for the BMW brand, high suitability for covering long distances, and short refuelling times, therefore representing a further key option in the range of BMW eDrive technologies. The BMW Group has been conducting research and development work in the field of hydrogen fuel cell electric vehicles for over 15 years.

Highly and fully automated driving

Assistance systems increase both safety and convenience levels while driving, although the degree of driver support differs. Fully automated assistance systems offer the highest degree of automation. Fully automated functions are those which no longer need to be monitored by the driver. As with the fully automated Remote Valet Parking Assistant, the driver does not even need to be in the vehicle. Highly automated systems are the stage before fully automated systems and do not need to be constantly monitored by the driver. They control both the longitudinal (driving forwards and backwards) and latitudinal (driving to the left or right by steering) movements of the vehicle. By contrast, although semi-automated systems are capable of controlling both the longitudinal and latitudinal movements of the vehicle (e.g. congestion assistant), they need to be continually monitored by the driver. Assisted systems (such as ACC) on the other hand, only support the driver when driving forwards or steering left or right.

At the Consumer Electronics Show (CES) in Las Vegas in 2015, the BMW Group presented a BMW i3 research vehicle that demonstrated how parking spaces can be found in a multi-storey car park with a fully automated, driverless vehicle. The advantages are less vehicle damage and far better use of the available parking space. Laser scanners installed on the vehicle create an exact picture of the surroundings. The Remote Valet Parking Assistant links this information with the digital floor plan of the car park and, based on this data, is capable of automatically driving the vehicle to a free space and parking it. When the driver wishes to leave again, he or she calls the vehicle (via smartwatch, for example) and it automatically drives to the car park exit, ready to continue to its next destination, without having to rely on a GPS signal. As the research vehicle is fitted not only with its own laser sensors but also with its own computers and the required algorithms, it can calculate its exact position in the car park, perfectly monitor its surroundings and independently navigate, fully automatically. Multi-storey car parks do not need to be elaborately equipped with special infrastructure. The new BMW 7 Series can already park straight in and out of a parking space via remote control. The fully automated Parking Assistant demonstrated in the prototype is a logical continuation of this innovative technological progress.

At the CES, a further research vehicle was presented featuring a fully automated system that warns the driver in the event of an imminent collision and automatically triggers a braking manoeuvre precise to the last centimetre if required. Up to a certain speed, the test vehicle makes it practically impossible for the driver to collide with another obstacle. In order to achieve this feat, cameras, radar and laser sensors record the entire surroundings of the vehicle. Collision-free driving forms the basis for taking a crucial step towards achieving accident-free individual mobility and for that reason the BMW Group has been working for many years to implement this vision. Assistance systems such as Active Cruise Control with a stop-and-go feature (ACC) are already built into the latest BMW models and react to vehicles driving ahead. They are radar- and camera-based and apply the brakes, even until the vehicle comes to a halt if necessary.

MINI presents Augmented Reality glasses

The MINI Augmented Reality glasses presented at the Auto Shanghai 2015 supplement reality by superimposing the wearer's field of vision with additional useful digital information on events in and around the vehicle, offering the user not only increased safety, but also greater convenience. Information relevant for driving, such as the current speed of the vehicle and the speed limit, are always displayed in the same position above the steering wheel, regardless of the driver's head movements, ensuring that other road users or possible dangers are not hidden from view. Navigation arrows virtually projected onto the road assist the driver by ensuring that he or she continually concentrates on the surrounding traffic. If required, the glasses can also be adjusted to show places of interest or even free parking spaces en route. A camera installed on the side of the vehicle assists the driver when parking, enabling the driver to check both the obstacles in his or her line of vision and the distance to the kerb, which is displayed in their field of vision. The glasses also provide the driver with a virtual view through parts of the bodywork by making the A-pillar invisible, for instance, hence improving all-round vision.

Innovations included in series vehicles

In 2015, a new lighting technology known as organic light-emitting diodes, or OLEDs, were installed in a series model for the first time. OLEDs consume less electricity and therefore help further reduce CO_2 emissions. Unlike the point-like light emitted by LEDs, OLEDs illuminate entire areas and are also smaller.

The BMW Group has also installed numerous innovations for added driving convenience and assistance in the latest BMW 7 Series. For example, infotainment and communication features can be controlled from the back seat by means of a tablet. Self-configured or pre-configured functions can be controlled by hand gestures made within the vehicle. Using the new display key, the vehicle can be remotely and driverlessly manoeuvred in and out of tight parking spaces.

Awards and prizes in 2015

The BMW Group won three "Golden Steering Wheels" during the year under report: for the BMW 7 Series in the luxury class, for the new BMW X1 among the medium-sized SUVs, and for the BMW 2 Series Gran Tourer in the family class, making BMW the most successful brand in this year's Golden Steering Wheel competition.

In the "International Engine of the Year Award", the most prestigious engine competition worldwide, the BMW Group was winner in three different classes as well as overall winner. The new BMW TwinPower Turbo 3-cylinder petrol engine, which powers the BMW i8, was winner in its class. The complete drivetrain of the BMW i8 also won the "best new engine" award. The successful combination of electric motor and petrol engine also won the overall award. Winner in the 2.5- to 3.0-litre category was the M TwinPower Turbo in-line 6-cylinder petrol engine. The quadruple triumph for the BMW Group at the "International Engine of the Year Award" in 2015 additionally underscores the outstanding efficiency of the Efficient Dynamics technology package, which, since 2007, has enabled the BMW Group to continually increase the sheer driving pleasure and reduce consumption and emission levels at the same time.

PURCHASING AND SUPPLIER NETWORK

Ideal balance between quality, innovation, flexibility and costs

The underlying objective of the BMW Group's purchasing, quality assurance and component production functions is to achieve the ideal balance between quality, innovation, flexible supply structures and competitive costs. At all levels – production materials, raw materials, services and capital goods – arrangements are in place to ensure that the BMW Group is able to react flexibly to fluctuations in demand, especially when operating within a volatile market environment.

Increasing pace of globalisation

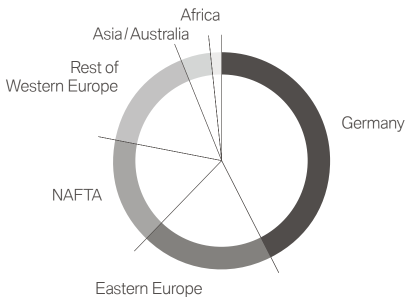
Increased globalisation, the interconnected nature of supplier markets and the widespread expansion of BMW Group sales and production operations around the world mean that the distribution of purchase volumes is changing continuously. In the coming years, the NAFTA region in particular will be the focus of growth, given the increasing volume of production planned for the Spartanburg plant in the USA. The addition of the BMW Group's new plant in San Luis Potosí, Mexico, which is scheduled to open in 2019, will reinforce this shift. The BMW Group remains committed to achieving globally balanced growth in terms of sales, production and purchase volumes. This strategy also makes an important contribution to natural currency hedging.

Investments safeguard productivity and technology leadership

The Purchasing and Supplier Network is also responsible for component production throughout the BMW Group. Investing in state-of-the-art manufacturing facilities and efficient structures increases the competitiveness of in-house component production. During the financial year under report, the cornerstone was laid for a new lightweight design centre at the BMW Group's component production plant in Landshut. When completed, the centre will house facilities for some 160 engineers, who will research innovative materials, composite construction concepts and manufacturing processes for future vehicle generations.

Regional mix of BMW Group purchase volumes 2015

in %, basis: production material



Germany	42.6	Rest of Western Europe	15.8
Eastern Europe	19.7	Asia / Australia	4.6
NAFTA	15.9	Africa	1.4

SALES AND MARKETING

The Group's worldwide distribution network currently consists of around 3,310 BMW, 1,550 MINI and 140 Rolls-Royce dealerships. In China alone, around 60 BMW dealerships were opened in 2015. Products and services are sold in Germany through BMW Group branches and by independent authorised dealers. Sales outside Germany are handled primarily by subsidiary companies and, in a number of markets, by independent import companies. The dealership and agency network for BMW i currently covers some 950 locations.

Connected mobility and digital services expanded

In 2015, the BMW Group stepped up its activities in the world of connected mobility. With Connected Drive, the BMW Group occupies a leading position as provider of online-based services in vehicles and the connectivity of driver, vehicle and environment. Connected Drive is meanwhile available in 45 markets. Comprehensive connectivity via the on-board SIM card features in more than 95 % of all new BMW cars. Besides its well-known functions, such as the intelligent emergency call, the Concierge Call or the real-time traffic information feature, Connected Drive also includes new highlights such as a Wi-Fi hotspot in the new BMW 7 Series. It is also possible to integrate apps from external providers. All Connected Drive functions can be ordered either conveniently from home or directly in the vehicle itself via the Connected Drive Store, which is meanwhile available in 18 markets.

The "Digital Services and Business Models" unit has been set up to make better use of the opportunities offered by digitalisation and to highlight the significance of connected mobility beyond the vehicle. The objective of this new customer-oriented function is to create a comprehensive range of integrated digital services for state-of-the-art mobility and to manage the expansion of those services going forward.

BMW i now well-established

Under the brand name BMW i, the BMW Group offers solutions for urban mobility that include not only the vehicles themselves, but also services such as car sharing, parking and battery charging. Two years on from its sales launch, the BMW i3 has meanwhile established itself among the front runners in its segment and is now one of the three best-selling electric vehicles in the world. BMW i vehicles are currently on sale in 50 countries. Over 80 % of BMW i buyers are first-time customers for the BMW Group.

The BMW i8 stands for a responsible attitude that combines sustainability and an exclusive lifestyle. With this in mind, the BMW i Pure Impulse Experience programme has been created under the name "Next Premium". The programme gives participants an exclusive insight into innovative and future-oriented trends from the worlds of design, innovation, culture, cuisine and travel.

The global dealership and agency network for BMW i currently covers some 950 locations. A total of 438 selected BMW i partners are currently offering this brand on the direct sales markets of Europe and Japan. The i models are also being offered in ten direct sales markets via new sales channels, one of which is the "Customer Interaction Center". Furthermore, the "Mobile Sales Advisor" sales channel has meanwhile become an integral component of the BMW i sales model in seven markets. The BMW i online sales platform gives customers in the Netherlands, Belgium and Luxembourg the opportunity to order a BMW i3 via the Internet.

With BMW i 360° ELECTRIC, the BMW Group provides a comprehensive product and service portfolio for charging both battery-driven vehicles and plug-in hybrids worldwide. The BMW i wall boxes and an installation service are available for simple, quick, emissions-free home charging. As an on-the-road solution, BMW i is offering the ChargeNow mobility service with the most wide-ranging network of public charging stations globally. With over 38,000 charging points in 25 countries, ChargeNow is the largest service provider of its kind in the world.

Premium services for individual mobility

Since 2011, the BMW Group and Sixt SE have operated the car-sharing service DriveNow in the form of a joint venture. The integration of electric vehicles in these operations is seen as an increasingly important aspect of the business. For this reason, over 800 BMW i3 vehicles were added to various DriveNow fleets during the period under report. Electric vehicles accounted for approximately 20 % of the DriveNow fleet at 31 December 2015 and DriveNow was being used by some 580,000 customers worldwide. With AlphaCity, companies can offer their staff an alternative car-sharing option for both business and private use.

ChargeNow makes public charging simple and transparent and is therefore an important feature of sustainable electric mobility. With a single customer card, BMW i customers have access to a worldwide charging network. The stations are displayed via the Connected Drive services in the navigation unit, via the ChargeNow app or on the ChargeNow website. ParkNow is a service that facilitates parking, both on the street and in multi-storey car parks. Spaces in car parks can be found, booked and paid for, either online or via an app.

BMW i Ventures invests in start-ups and growing companies that concentrate on mobility requirements in large urban areas. To date, the BMW i Ventures portfolio comprises 14 investments.

BMW continues new model offensive

The BMW brand forged ahead with its new model offensive in 2015. As successor to the 1 Series Convertible, the new BMW 2 Series Convertible has been on sale since February 2015. The BMW X5 M and X6 M models were launched in March. The updated models of the BMW 6 Series and M6 vehicles as well as the BMW 1 Series have also been available since March. In the compact class, the facelifted BMW 1 Series excels with its significantly changed, more dynamic design. It is now available for the first time with powerful, highly efficient 3-cylinder petrol and diesel engines.

Launched in June 2015, the new BMW 2 Series Gran Tourer is the first BMW to enter the multipurpose vehicle segment. It offers up to seven seats and space for three children's seats in the second row as a new standard feature. The updated BMW 3 Series Sedan, the 3 Series Touring and the M3 have all been on the market since the end of July. The new-look design highlights the sporting flair of the 3 Series, while new engines deliver instant power more efficiently than ever before.

The second generation of the BMW X1 was launched in October 2015. Alongside best values to date in terms of dynamics and efficiency, this highly successful model also comes with numerous optional features – a combination that will surely enable this new generation to continue where its predecessor left off. The extremely efficient BMW X5 xDrive40e arrived on showroom floors in the USA in early October and launched worldwide in November. It is the first BMW Sports Activity Vehicle to combine the BMW xDrive all-wheel drive system with a more advanced plug-in hybrid system. This vehicle represents the next step in the process of transferring innovative drivetrain systems from BMW i models to the core BMW brand.

New integrated marketing approach adopted for BMW 7 Series market launch

With the sixth generation of its 7 Series, the BMW Group is heralding a new era in the luxury segment. As the year's most important market launch, the 7 Series not only strengthens the brand, it also delivers an innovative interpretation of luxury. The new BMW 7 Series celebrated its world debut at the International Motor Show (IAA) in Frankfurt in September and its market launch at the end of October 2015.

For the first time ever, exclusive product presentations were deployed to address potential customers well in advance of official announcements. For example, several months prior to market launch, more than 26,000 existing and potential customers from several countries were invited to stylish presentations, where they had the opportunity to acquaint themselves with upcoming vehicles and their many new features.

Moreover, market launches were underpinned by select communication media, showcasing trendsetting innovations with a range of state-of-the-art technologies to highlight the exclusive luxury and exceptional comfort of the new BMW 7 Series. For example, Gesture Control, the new Display Key, BMW Touch Command, Executive Lounge, Ambient Lighting and the outstanding quality of materials were presented and described with all their special features.

New models for the third-generation MINI

The new MINI John Cooper Works has been available since April 2015. The new MINI Clubman followed at the end of October 2015. With its increased size and additional functionality, the Clubman has taken on a new dimension and now easily fits the bill as a household's first car. The model's outstanding chassis technology delivers a high degree of driving comfort.

Also in October, MINI presented the new version of the Convertible, which remains the only model of its kind in the small car premium segment. The fully automatic textile top, featuring a totally automated opening and closing mechanism and sliding roof function, can be opened in 18 seconds, even while driving at speeds of up to 30 km/h.

Rolls-Royce presents new luxury convertible

At the IAA, Rolls-Royce Motor Cars officially introduced a luxury convertible, the Rolls-Royce Dawn. The specially designed roof of the Dawn reduces noise in the vehicle's interior to a minimum. Rolls-Royce also announced its intention to develop an all-terrain vehicle.

WORKFORCE

Workforce numbers higher

At 31 December 2015, the BMW Group employed a workforce of 122,244 people worldwide, 5.1 % more than one year earlier (2014: 116,324 employees). The enlargement mainly reflects the ongoing expansion of the Group's international production network in addition to the targeted recruitment of the engineers, IT specialists and skilled workers it needs to forge ahead with continually developing new technologies.

Dual vocational training expanded worldwide

The BMW Group expanded its international training activities in 2015 with the addition of new vocational training centres in Brazil, Mexico and Thailand. The number of new entrants at German sites offering vocational training remained constant at 1,200 apprentices. All told, some 1,500 apprentices commenced training with the BMW Group in the course of 2015. At the end of the reporting period, 4,700 young people were in vocational training and training programmes for promising talent (2014: 4,595 apprentices; + 2.3 %).

High level of investment to promote employee skill sets

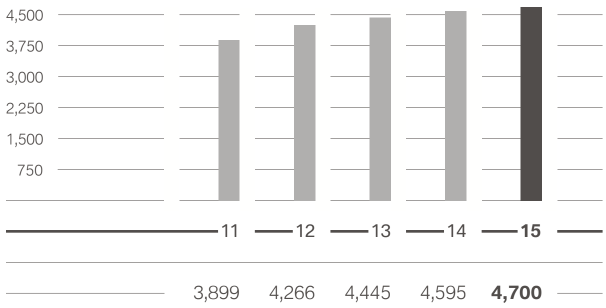
At €352 million, expenditure on basic and further training was 5.1 % higher than one year earlier (2014: €335 million). Further training mainly focused on advanced production techniques and new vehicle development technologies.

Further progress made as attractive employer

The BMW Group retained its status as one of world's most attractive employers in 2015. In the latest "World's Most Attractive Employers" rankings published by the agency Universum, the BMW Group was once again named best German employer across all sectors and the most attractive automotive company in the world.

The BMW Group again improved its ranking according to the Trendence agency's "European Graduate Barometer". In Trendence's "Young Professional Barometer Germany", the BMW Group occupied first place for the fourth year in a row. In Universum's "Young Professionals Study Germany", the BMW Group achieved its best results since 2007, taking first place in the "Engineering" and "Business" categories and coming third in the "IT" category.

BMW Group apprentices at 31 December



Diversity as a competitive factor

Diversity constitutes a key factor in ensuring the BMW Group's continued competitiveness going forward, focusing on the three aspects of gender, origin/cultural background, and age/experience. Equal opportunities for all employees must be ensured, and diversity in the workforce encouraged and put to good use. In 2015, various measures were implemented with the aim of promoting diversity within the Group.

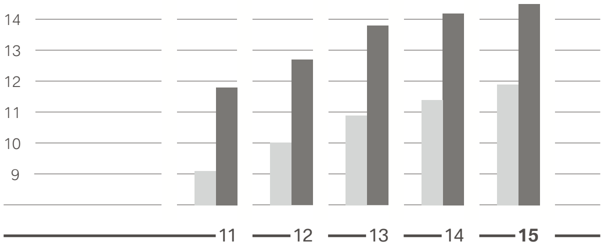
The proportion of women in the workforce as a whole, both in management functions and in training programmes for young employees and interns, continued to increase. The figure for women as a percentage of the total BMW Group workforce improved to 18.1 % (BMW AG: 15.3 %), ahead of the internal target range

BMW Group employees

	31.12.2015	31.12.2014	Change in %
Automotive	**111,410**	106,064	5.0
Motorcycles	**3,021**	2,894	4.4
Financial Services	**7,697**	7,245	6.2
Other	**116**	121	–4.1
BMW Group	**122,244**	**116,324**	**5.1**

Proportion of non-tariff female employees at BMW AG / BMW Group

in %



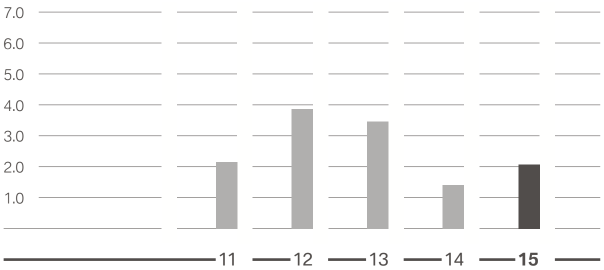
	11	12	13	14	15
BMW AG	9.1	10.0	10.9	11.4	**11.9**
BMW Group	11.8	12.7	13.8	14.2	**14.5**

of 15 to 17 %. The number of women in management positions rose to 14.5 % for the BMW Group as a whole and 11.9 % for BMW AG. Female representation in programmes for young employees and interns in the year under report was approximately 44 % for employee trainee programmes and 25 % for student training programmes.

The workforce in Germany is becoming increasingly international in character, amply borne out by the fact that employees from over 100 countries work together successfully at the Munich site alone. Furthermore, a balanced age structure in the workforce encourages an exchange of skills and information between generations and plays an active role in reducing loss of know-how when employees retire.

Employee attrition rate at BMW AG*

as a percentage of workforce



	11	12	13	14	15
	2.16	3.87	3.47	1.41	**2.08**

* Number of employees on unlimited employment contracts leaving the Company.

SUSTAINABILITY

The BMW Group safeguards the future viability of its business model and its long-term growth through sustainable activity. In terms of sustainability, the BMW Group focuses on three broad areas: the development of products and services for sustainable individual mobility (e.g. electric mobility and services such as DriveNow), the efficient handling of resources along the entire value-added chain, and its responsibility towards both its employees and society as a whole.

The personal commitment and creative ideas of our employees are key factors in achieving sustainable success. This fact is underlined, for example, by the €17.5 million saved in 2015 alone through the CREATE ideas management system.

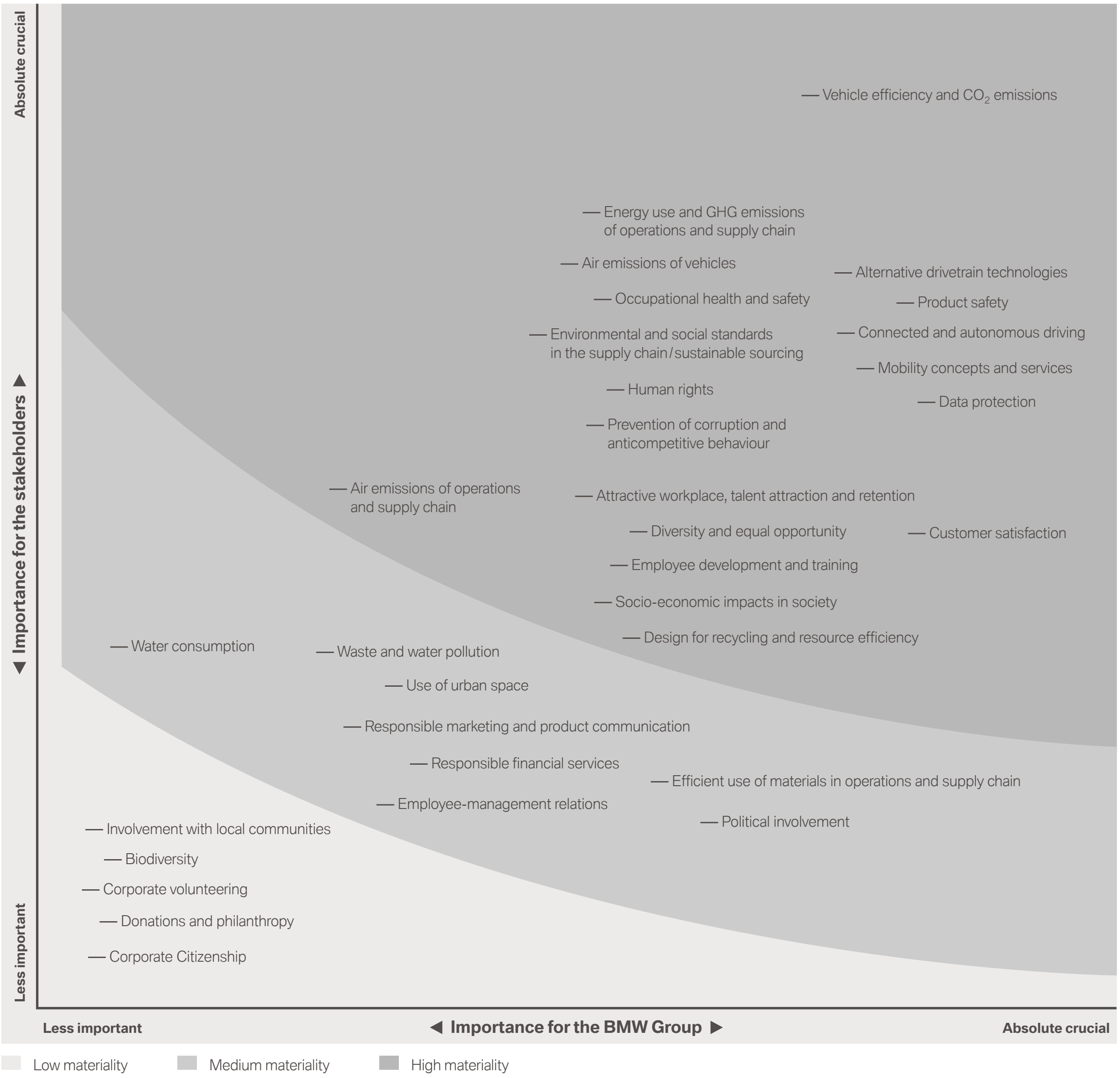
With its host of sustainability measures, the BMW Group is supporting the implementation of the UN's Sustainable Development Goals (SDGs), which were adopted in September 2015. Even before the final version was published, the SDGs were taken into account when drawing up the list of topics for the Group's 2015 materiality analysis.

Stakeholder dialogues and materiality analysis

As a globally operating organisation, the BMW Group engages in constant exchange with a variety of stakeholders, both in Germany and abroad. This dialogue helps identify trends at an early stage, increase the scope of social engagement, and work better towards achieving sustainability targets. The BMW Group seeks contact with selected stakeholders in Europe, Asia and North America at events held under the banner of the BMW Group Dialogue. The resulting discussions enable the impact of current trends on the business environment to be identified and provide useful feedback on activities undertaken by the BMW Group in this area.

In order to identify significant sustainability topics as early as possible, the BMW Group also carries out regular materiality analyses. In this context, it analyses the importance of various challenges on society, both from the point of view of different stakeholder groups as well as from an internal BMW Group perspective. The results of the materiality analysis, which are shown in the materiality matrix, form a sound base for verifying the direction of the BMW Group's sustainability strategy. The matrix and other details are described in greater depth in the Sustainability Report 2015.

Materiality matrix



Sustainability ratings

In 2015, the BMW Group maintained its position among the world's leading carmakers in terms of sustainability and again secured excellent placings in widely regarded ratings. In the Dow Jones Sustainability Indices (DJSI), the BMW Group took first place in the Automobiles sector and remains the only enterprise in this sector to have been consecutively listed in the index since its inception.

In the Global 500 rating of the Carbon Disclosure Project (CDP), the BMW Group achieved 100 out of a possible 100 points for transparent reporting for the third time in a row and the top mark "A" for climate protection measures, making it one of only three companies to have achieved the CDP's top mark "A" six times running. The BMW Group was also included in the British FTSE4Good Index again in 2015.

Fleet carbon emissions again reduced

The development of sustainable products and services is an important aspect of the BMW Group's business model. CO_2 emissions levels are continually being reduced by incorporating Efficient Dynamics technologies in all of the Group's vehicles. The scope of electrification within the fleet was further increased in 2015. These measures form the basis for complying with legally stipulated CO_2 and fuel consumption limits moving forward. Between 1995 and 2015, the average amount of CO_2 emitted by the Group's three brands sold in Europe fell by 39.5 %. In 2015, the BMW Group's fleet of new vehicles sold in Europe (EU-28) consumed an average of 4.7 litres of diesel per 100 km and 5.7 litres of petrol respectively. CO_2 emissions averaged 127 grams per km.

Clean production

The efficient use of resources is an important aspect of running the business on a sustainable basis. When applied to all production-related processes, resource efficiency helps protect the environment and minimise costs. Since 2006, the consumption of resources and emissions per vehicle produced has been reduced by an average of 48.1 %. The individual figures are as follows:

Energy consumption	–36.0%
Water consumption	–31.3%
Process wastewater	–45.1%
Non-recyclable waste	–78.9%
Solvent emissions	–51.4%
CO_2 emissions	–45.7%

In 2015, the BMW Group reduced the consumption of resources and emissions per vehicle produced by an average of 7.0 % compared with the previous year, giving rise to savings of €8.2 million. The BMW Group again cut the energy consumption per vehicle produced by 2.7 % to 2.19 MWh during the period under report (2014: 2.25 MWh). The utilisation of highly efficient, ecologically sustainable combined heat and power plants (CHPs) and electricity generated from renewable sources at our production sites, as well as improved energy efficiency measures, enabled production-related CO_2 emissions per vehicle produced to be forced down by another 13.6 % year-on-year to 0.57 tonnes during the period under report (2014: 0.66 tonnes). At 2.24 m³ per vehicle produced, water consumption was slightly higher than one year earlier, largely due to increased cooling requirements caused by the hot summer in Germany (2014: 2.18 m³; + 2.8 %). At 0.45 m³, the volume of process wastewater per vehicle produced fell by 4.3 % (2014: 0.47 m³). The volume of non-recyclable production waste was further reduced to 4.00 kg per vehicle produced in 2015 (2014: 4.93 kg; – 18.9 %). Solvent emissions were successfully curtailed by 5.4 % to 1.22 kg per vehicle produced during 2015 (2014: 1.29 kg).

Sustainability along the entire value-added chain

Sustainability criteria are not only a vital aspect of in-house production, they also play a major role in the selection and assessment of suppliers as well as in the field of transport logistics. The active management of sustainability risks along the supply chain mitigates compliance and image risks. With this in mind, the BMW Group has integrated a comprehensive system of sustainability management in its purchasing processes. The amount of energy required for transportation worldwide has continued to rise sharply in recent years. In order to keep CO_2 emissions to an absolute minimum, the principle "production follows the market" is applied. In addition, the proportion of CO_2-efficient modes of transport is being increased continually.

In the year under report, for instance, the proportion of goods transported by air freight was significantly reduced. At 63.1 %, the proportion of new vehicles leaving BMW Group plants by rail was maintained at a high level (2014: 63.3 %).

Competitive thanks to sustainable human resources policies

In 2015, the BMW Group reinforced its position as one of the most attractive employers in the world. The prominent role played in the field of sustainability helps employees identify with the business and its products. This strong sense of identification is one of the factors contributing to the low attrition rate within the BMW Group, in turn helping to keep personnel recruitment expenses on the low side.

Social engagement

The BMW Group expended a total of €39.1 million (2014: €34.5 million) for social engagement in 2015, including €17.1 million (2014: €10.2 million) in the form of donations. The sharp increase in overall expenditure for social engagement compared to 2014 mainly reflects larger donations to the BMW Foundation Herbert Quandt and to the Eberhard von Kuenheim Foundation.

Further information on the subject of sustainability within the BMW Group and the main topics is provided in the Sustainability Report, which can be accessed online at http://www.bmwgroup.com. The Sustainable Value Report 2015 was drawn up in accordance with the Guidelines of the Global Reporting Initiative (GRI G4), the most commonly used set of guidelines for sustainability reporting. The Sustainable Value Report 2015 is drawn up in accordance with the "comprehensive option" and is published at the same time as the Annual Report 2015.

Earnings performance

Once again, the BMW Group achieved year-on-year growth in revenues, sales volume and profit before tax in the financial year 2015. The number of BMW, MINI and Rolls-Royce brand cars sold rose by 6.1 % to 2,247,485* units.

The BMW Group recorded a net profit of €6,396 million for the financial year ended 31 December 2015 (2014: €5,817 million). The post-tax return on sales was 6.9 % (2014: 7.2 %). Earnings per share of common and preferred stock were €9.70 and €9.72 respectively (2014: €8.83 and €8.85 respectively).

BMW Group revenues increased by 14.6 % year-on-year to reach €92,175 million (2014: €80,401 million). The main growth drivers were higher sales volume and favourable currency factors. Adjusted for exchange rate factors, revenues rose by 7.7 %.

Revenues mainly comprise the sale of vehicles and related products (2015: €68,643 million; 2014: €60,280 million), lease instalments (2015: €8,965 million; 2014: €7,748 million), the sale of vehicles previously leased to customers (2015: €8,181 million; 2014: €6,716 million) and interest income on loan financing (2015: €3,253 million; 2014: €2,881 million).

External revenues recorded by the segments were generally up on the previous year's figure. Revenues from the sale of BMW, MINI and Rolls-Royce brand cars were significantly higher (14.1 %) than one year earlier. Adjusted for exchange rate factors, revenues grew by 7.4 % and therefore slightly faster than sales volume. The positive currency impact was mainly attributable to the change in the average exchange rates of the US dollar, the Chinese renminbi and the British pound against the euro. The BMW Group recorded a significant year-on-year rise (18.7 %) in external revenues from its Motorcycles business. External revenues generated with Financial Services business were 16.1 % up on the previous year. Adjusted for exchange rate factors, external revenues for the Motorcycles and Financial Services segments increased by 15.6 % and 8.0 % respectively.

Group revenues are spread across all regions, with the Europe region (including Germany) accounting for 45.6 % (2014: 46.8 %), the Americas region for 23.3 %

Group Income Statement

in € million

	2015	2014
Revenues	92,175	80,401
Cost of sales	–74,043	–63,396
Gross profit	**18,132**	**17,005**
Selling and administrative expenses	–8,633	–7,892
Other operating income	914	877
Other operating expenses	–820	–872
Profit before financial result	**9,593**	**9,118**
Result from equity accounted investments	518	655
Interest and similar income	185	200
Interest and similar expenses	–618	–519
Other financial result	–454	–747
Financial result	–369	–411
Profit before tax	**9,224**	**8,707**
Income taxes	–2,828	–2,890
Net profit	**6,396**	**5,817**

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2014: 275,891 units, 2015: 282,000 units).

(2014: 20.7 %) and the Africa, Asia and Oceania region for 31.1 % (2014: 32.5 %) of business.

External revenues in Germany edged up by 3.1 %. In the Rest of Europe region and in the Americas region, external revenues increased by 16.2 % and 29.4 % respectively. Good contributions to the increase in Europe were made by Great Britain, France, Spain and Italy. Revenues in the Africa, Asia and Oceania region grew 9.6 % to €28,648 million (2014: €26,147 million). Particularly in China and South Korea, revenues increased on the back of higher sales volume figures and favourable currency factors.

The Group's cost of sales was 16.8 % higher year-on-year, due to sales volume and currency factors. This line item mainly comprises manufacturing costs (2015: €43,685 million; 2014: €38,253 million), the cost of sales directly attributable to financial services (2015: €17,407 million; 2014: €14,716 million) and research and development expenses (2015: €4,271 million; 2014: €4,135 million).

Gross profit improved by 6.6 % to €18,132 million, resulting in a gross profit margin of 19.7 % (2014: 21.2 %).

The Automotive segment recorded a gross profit margin of 17.7 % (2014: 18.6 %), while that of the Motorcycles segment rose from 18.7 % to 22.5 %. In the Financial Services segment, the gross profit margin came in at 13.3 % (2014: 13.7 %).

Compared to the previous year, research and development expenses increased by €136 million to €4,271 million. As a percentage of revenues, the research and development ratio fell by 0.5 percentage points to 4.6 %. Research and development expenses include amortisation of capitalised development costs amounting to €1,166 million (2014: €1,068 million). Total research and development expenditure – comprising research costs, non-capitalised development costs and capitalised development costs (excluding systematic amortisation thereon) – amounted to €5,169 million (2014: €4,566 million). The research and development expenditure ratio was therefore 5.6 % (2014: 5.7 %). The proportion of development costs recognised as assets was 39.9 % (2014: 32.8 %).

Compared to the previous year, selling and administrative expenses increased by €741 million to €8,633 million. Overall, selling and administrative expenses were equivalent to 9.4 % (2014: 9.8 %) of revenues. Administrative expenses increased due to a number of factors, including the increased size of the workforce and higher expenses for new IT projects. Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses amounted to €4,659 million (2014: €4,170 million).

The net positive amount from other operating income and expenses improved from €5 million to €94 million, mainly reflecting gains on the sale of marketable securities.

Profit before financial result (EBIT) amounted to €9,593 million (2014: €9,118 million).

The financial result for the twelve-month period was a net negative amount of €369 million, an improvement of €42 million compared to the previous year. The result from equity-accounted investments, comprising the Group's share of the results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, fell by €137 million to €518 million. The net interest expense also deteriorated year-on-year, rising by €114 million to €433 million. This increase was partly attributable to higher net interest expenses from defined benefit pension plans. Other financial result in 2015 was a negative amount of €454 million, mostly arising in connection with the fair value measurement of currency and commodity derivatives. Compared to the previous year, other financial result improved by €293 million, mainly thanks to the lower negative impact of currency derivatives. In the previous year, impairment losses recognised on other investments, most notably on the investment in SGL Carbon SE, Wiesbaden, had also negatively impacted other financial result.

Profit before tax increased to €9,224 million (2014: €8,707 million). The pre-tax return on sales was 10.0 % (2014: 10.8 %).

Income tax expense amounted to €2,828 million (2014: €2,890 million), corresponding to an effective tax rate of 30.7 % (2014: 33.2 %). The lower income tax expense for the twelve-month period was partly due to the changed regional earnings mix as well as inter-group pricing issues.

Earnings performance by segment

Revenues of the Automotive segment grew by 13.8 % to €85,536 million on the back of higher sales volume and the positive currency impact. Adjusted for exchange

Revenues by segment

in € million

	2015	2014
Automotive	**85,536**	75,173
Motorcycles	**1,990**	1,679
Financial Services	**23,739**	20,599
Other Entities	**7**	7
Eliminations	**–19,097**	–17,057
Group	**92,175**	**80,401**

Profit / loss before tax by segment

in € million

	2015	2014
Automotive	**7,523**	6,886
Motorcycles	**179**	107
Financial Services	**1,975**	1,723
Other Entities	**211**	154
Eliminations	**–664**	–163
Group	**9,224**	**8,707**

rate factors, the increase was 6.3 %. The gross profit margin was at a similar level to the previous year at 17.7 % (2014: 18.6 %).

Compared to the previous year, selling and administrative expenses increased by €574 million to €7,219 million. Administrative expenses increased due to a number of factors, including the increased size of the workforce and higher expenses for new IT projects. Overall, selling and administrative expenses were equivalent to 8.4 % (2014: 8.8 %) of revenues.

Other operating income and expenses deteriorated by €19 million to a net expense of €82 million.

Profit before financial result (EBIT) amounted to €7,836 million (2014: €7,244 million), giving an EBIT margin of 9.2 % (2014: 9.6 %).

The financial result of the Automotive segment was a net negative amount of €313 million, an improvement of €45 million compared to the previous year. The result from equity-accounted investments, comprising the segment's share of the results of the BMW Brilliance Automotive Ltd., Shenyang, joint venture and the two DriveNow entities, was €137 million lower than one year earlier. The interest result for the year deteriorated by €146 million to a net expense of €435 million. This was partly attributable to higher net interest expenses from defined benefit pension plans. Other financial result in 2015 was a negative amount of €396 million, mostly arising in connection with the fair value measurement of currency and commodities derivatives. Compared to the previous year, other financial result improved by €328 million, mainly thanks to the lower negative impact of currency derivatives. In the previous year, impairment losses recognised on other investments, most notably on the investment in SGL Carbon SE, Wiesbaden, had also negatively impacted other financial result.

Overall, the Automotive segment reports a solid rise in profit before tax to €7,523 million (2014: €6,886 million).

Motorcycles segment revenues were 18.5 % up on the previous year. Adjusted for exchange rate factors, the increase was 15.4 %.

Segment profit before tax improved by €72 million to €179 million on the back of higher sales volume.

Financial Services segment revenues grew by 15.2 % to €23,739 million. Adjusted for exchange rate factors, revenues went up by 7.6 %. The segment's revenue performance primarily reflects the growth of its contract portfolio. The gross profit margin, at 13.3 %, was roughly in line with the previous year (2014: 13.7 %). Selling and administrative expenses were €129 million higher at €1,164 million. Other operating income and expenses improved by €17 million to a net expense of €8 million. Overall, the Financial Services segment reports profit before tax of €1,975 million, 14.6 % up on the previous year (2014: €1,723 million).

Profit before tax in the Other Entities segment, at €211 million, was €57 million higher than one year earlier.

The negative impact on earnings at the level of profit before tax reported in the Eliminations column increased from €163 million in 2014 to €664 million in 2015, mainly due to an increase in new leasing business and changes in the leased products portfolio. The previous year's figures had also benefited from elimination reversal effects.

Financial position

The consolidated cash flow statements for the Group and the Automotive and Financial Services segments show the sources and applications of cash flows for the financial years 2015 and 2014, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statements correspond to the amount disclosed in the balance sheet.

Cash flows from operating activities are determined indirectly, starting with Group and segment net profit. By contrast, cash flows from investing and financing activities are based on actual payments and receipts.

The cash inflow from operating activities in 2015 decreased by €1,952 million to €960 million (2014: €2,912 million), mainly reflecting a €2,739 million increase in receivables from sales financing offset by a €298 million decrease in inventories (2014: increase of €971 million).

The cash outflow for investing activities amounted to €7,603 million (2014: €6,116 million) and was thus 24.3 % higher than in the previous year. The principal reasons for the higher cash outflow were a €647 million increase in expenditure for investments (2014: €99 million) relating to the acquisition of a shareholding in THERE Holding B.V., Amsterdam, (accounted for at equity) for an amount of €668 million and a €1,077 million increase in the net outflow for investments in marketable securities and term deposits with longer terms (2015: outflow of €1,221 million). The net outflow for these items comprises investments in marketable securities and term deposits on the one hand, and proceeds from the sale of marketable securities and the expiry of term deposits on the other.

Further information on investments is provided in the section on the net assets position.

Cash inflow from financing activities totalled €5,004 million (2014: €3,133 million). Proceeds from the issue of bonds brought in €13,007 million (2014: €10,892 million), compared with an outflow of €8,908 million (2014: €7,249 million) for the repayment of bonds. Non-current other financial liabilities resulted in a cash inflow of €9,715 million (2014: €5,900 million) and a cash outflow of €8,802 million (2014: €5,697 million). The net cash inflow for current other financial liabilities was €2,648 million (2014: €2,132 million). The change in commercial paper gave rise to a net cash outflow of €498 million (2014: €1,012 million). The payment of dividends resulted in a cash outflow of €1,917 million (2014: €1,715 million).

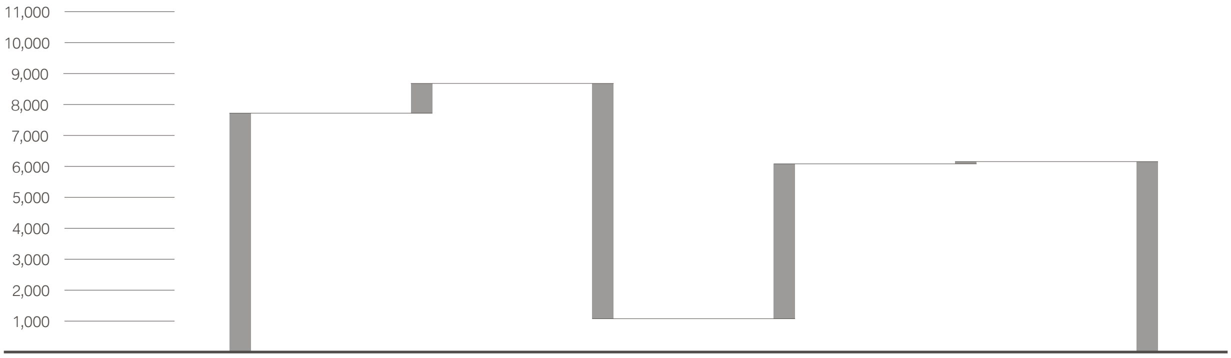
The cash outflow from investing activities exceeded the cash inflow from operating activities by €6,643 million in 2015. A similar constellation arose in the previous year, when the shortfall had amounted to €3,204 million.

After adjusting for the effects of exchange rate fluctuations and changes in the composition of the BMW Group with a total positive amount of €73 million (2014: €88 million), the various cash flows resulted in a decrease of cash and cash equivalents of €1,566 million (2014: increase of €17 million).

The cash flow statement for the Automotive segment shows that the cash inflow from operating activities exceeded the cash outflow from investing activities by €4,312 million (2014: €3,587 million). Adjusted for net investments in marketable securities and term deposits with longer terms totalling €1,092 million (2014: outflow of €106 million), mainly in conjunction with strategic

Change in cash and cash equivalents

in € million



Cash and cash equivalents 31.12.2014	Cash inflow from operating activities	Cash outflow from investing activities	Cash inflow from financing activities	Currency translation, changes in Group composition	Cash and cash equivalents 31.12.2015
7,688	**+960**	**–7,603**	**+5,004**	**+73**	**6,122**

liquidity planning, the excess amount was €5,404 million (2014: €3,481 million).

Free cash flow for the Automotive segment was as follows:

in € million	2015	2014
Cash inflow from operating activities	**11,836**	9,423
Cash outflow from investing activities	**–7,524**	–5,836
Net investment in marketable securities and term deposits	**1,092**	–106
Free cash flow Automotive segment	**5,404**	**3,481**

Cash outflows for operating activities in the Financial Services segment are driven primarily by cash flows relating to leased products and receivables from sales financing and totalled €10,351 million (2014: €4,715 million). Overall, cash outflows from investing activities totalled €140 million (2014: €297 million). Cash inflows from financing activities went up by €4,101 million to €10,028 million, mainly influenced by the change in other financial liabilities.

Net financial assets of the Automotive segment comprise the following:

in € million	31.12.2015	31.12.2014
Cash and cash equivalents	**3,952**	5,752
Marketable securities and investment funds	**4,326**	3,366
Intragroup net financial assets	**11,278**	8,583
Financial assets	**19,556**	**17,701**
Less: external financial liabilities*	**–2,645**	–3,478
Net financial assets Automotive segment	**16,911**	**14,223**

* Excluding derivative financial instruments.

Refinancing

A broadly based range of instruments transacted on international money and capital markets is used to refinance worldwide operations. Practically all of the funds raised are used to finance the BMW Group's Financial Services business.

The overall objective of Group financing is to ensure the solvency of the BMW Group at all times. Achieving this objective is tackled in three strategic areas:
1. The ability to act at all times by assuring permanent access to strategically important capital markets,
2. Autonomy through the diversification of refinancing instruments and investors, and
3. Focus on value by optimising financing costs.

Financing measures undertaken centrally ensure access to liquidity for the Group's operating subsidiaries on market-based and consistent conditions. Funds are acquired with a view to achieving a desired structure for the composition of liabilities, comprising a finely tuned mix of financing instruments. The use of longer-term financing instruments to finance the Group's financial services business and the maintenance of a sufficiently high liquidity reserve serves to avoid the liquidity risk intrinsic to any large portfolio of contracts. This prudent approach to financing also bolsters BMW AG's ratings. Further information is provided in the "Liquidity risks" section of the "Report on outlook, risks and opportunities".

Apart from issuing commercial paper on the money market, the BMW Group's financing companies also issue bearer bonds. In addition, retail customer and dealer financing receivables on the one hand and leasing rights and obligations on the other are securitised in the form of asset-backed securities (ABS) financing arrangements. Financing instruments employed by the Group's in-house banks in Germany and the USA (e.g. customer deposits) are also used as a supplementary source of financing. Owing to the increased use of international money and capital markets to raise funds, the scale of funds raised in the form of loans from international banks is relatively small.

Thanks to its good ratings and the high level of acceptance it has on capital markets, the BMW Group was again able to refinance operations during the financial year 2015 on debt capital markets. In addition to the issue of bonds and loan notes on the one hand and private placements on the other, commercial paper was also issued. Additional funds were raised via new securitised instruments and the prolongation of existing instruments. As in previous years, all issues were highly sought after by both private and institutional investors.

In the course of 2015, the BMW Group issued eight euro benchmark bonds with a total issue volume of €6.75 billion on European capital markets. Bonds were also issued in British pounds, US dollars, Australian dollars, South Korean won and other currencies for a total amount of €6.35 billion.

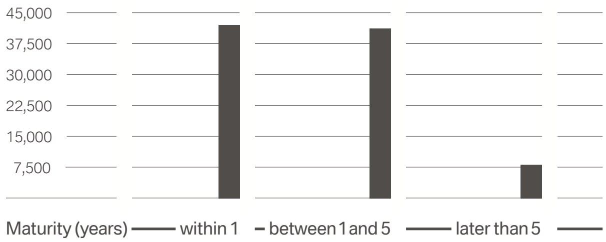
Nine public ABS transactions were executed in 2015, including three in the USA, two each in Germany and China, and one each in Canada and France, with a total volume equivalent to €5.7 billion. Further funds were also raised via new ABS conduit transactions in Canada, Japan and Switzerland totalling €1.1 billion. Other existing transactions remained in place in various countries, including the UK, South Korea, South Africa, Brazil and Australia.

The regular issue of commercial paper also strengthens the BMW Group's financial basis. The following table provides an overview of amounts utilised at 31 December 2015 in connection with the BMW Group's money and capital market programmes:

Programme	Amount utilised
in € billion	
Euro Medium Term Notes	36.3
Australian Medium Term Notes	0.3
Commercial paper	5.6

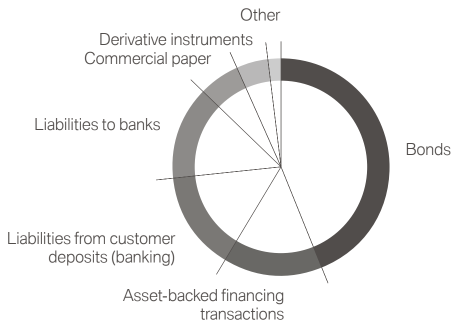
Liquid funds stood at a high level of €11.4 billion at 31 December 2015. The BMW Group also has access to a syndicated credit line of €6 billion, with a term up to October 2018. This credit line, which is provided by a consortium of 38 international banks, had not been utilised at the end of the reporting period.

BMW Group – financial liabilities
in € million



within 1	between 1 and 5	later than 5
42,160	**41,289**	**8,234**

BMW Group – financial liabilities
in € million



Bonds	40,319
Asset-backed financing transactions	13,631
Liabilities from customer deposits (banking)	13,509
Liabilities to banks	12,720
Commercial paper	5,415
Derivative instruments	4,550
Other	1,539

Further information with respect to financial liabilities is provided in notes 34, 38 and 42 to the Group Financial Statements.

Net assets

The Group balance sheet total increased by €17,371 million (11.2 %) compared to the end of the previous financial year to stand at €172,174 million at 31 December 2015. Adjusted for exchange rate factors, the balance sheet total increased by 7.7 %. The currency impact was mainly attributable to the appreciation in the value of a number of currencies against the euro, most notably the US dollar, the British pound and the Chinese renminbi.

The increase in non-current assets on the assets side of the balance sheet related primarily to leased products (15.9 %), receivables from sales financing (11.8 %) and investments accounted for using the equity method (105.2 %).

Within current assets, increases were registered in particular for receivables from sales financing (19.5 %) and financial assets (23.2 %). By contrast, cash and cash equivalents decreased by 20.4 %.

The growth in business reported by the Financial Services segment is reflected in increases of €4,592 million and €4,427 million in current and non-current receivables from sales financing respectively and in the higher level of leased products (up by €4,800 million). At 31 December 2015, leased products accounted for 20.3 % of total assets (2014: 19.5 %). Adjusted for exchange rate factors, leased products increased by 10.6 %. Non-current receivables from sales financing accounted for 24.3 % (2014: 24.2 %) of total assets, current receivables from sales financing for 16.4 % (2014: 15.2 %). Adjusted for exchange rate factors, non-current receivables from sales financing went up by 7.7 %, current receivables from sales financing by 14.5 %.

Investments accounted for using the equity method were €1,145 million higher at €2,233 million, whereby the increase was mainly attributable to the first-time consolidation of THERE Holding B.V., Amsterdam, and the BMW Group's share of earnings of the BMW Brilliance Automotive Ltd., Shenyang, joint venture.

Other current financial assets went up by €1,251 million compared to 31 December 2014 to stand at €6,635 million and accounted for 3.9 % (2014: 3.5 %) of total assets. Adjusted for exchange rate factors, financial assets increased by 21.1 %, mainly as a result of the purchase of marketable securities.

Cash and cash equivalents went down by €1,566 million to €6,122 million, due to investments made in marketable securities. Changes in cash and cash equivalents are described in the "Financial position" section.

On the equity and liabilities side of the balance sheet, increases were recorded for non-current and current financial liabilities (14.7 % and 12.5 % respectively), Group equity (14.2 %) and current other provisions (18.4 %). By contrast, pension provisions decreased by 34.8 %.

Non-current and current financial liabilities increased from €80,649 million to €91,683 million over the twelve-month period. Adjusted for currency factors, the increase was 10.1 %. The execution of new ABS transactions and the issue of new bonds were the main factors driving the increase in non-current and current financial liabilities.

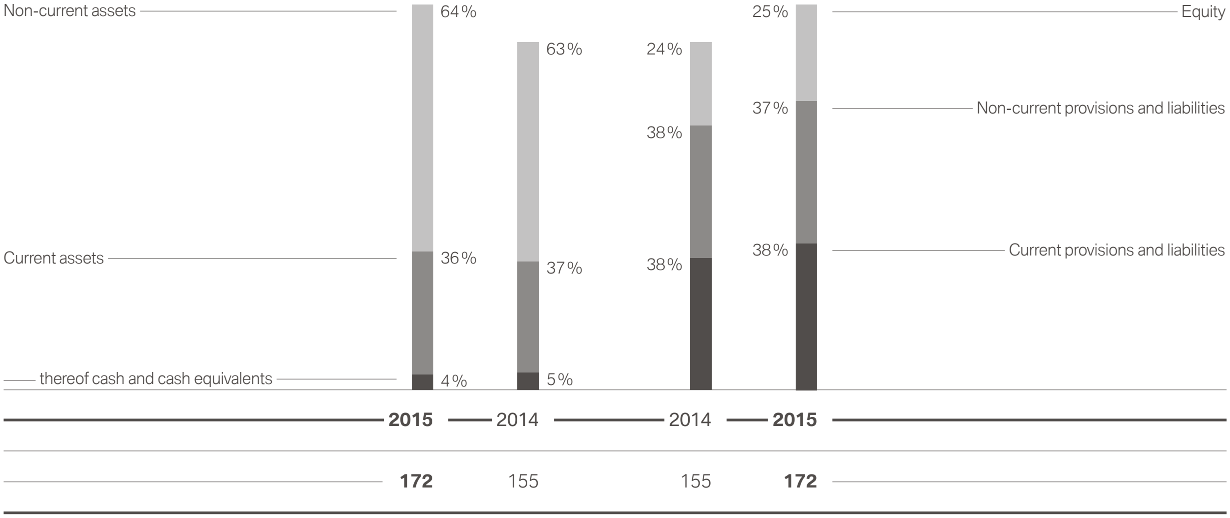
Group equity rose by €5,327 million to €42,764 million, increased primarily by the profit attributable to shareholders of BMW AG (€6,369 million). The dividend paid by BMW AG reduced equity by €1,904 million. Equity increased as a result of the positive impact arising on the currency translation of foreign subsidiaries' financial statements (€765 million) and on remeasurements of the net defined benefit liability for pension plans (€1,413 million), the latter attributable primarily to the higher discount rates applied in Germany, the UK and the USA. In addition, deferred taxes on items recognised directly in equity increased equity by €115 million. Group equity was reduced by net fair value losses on derivative financial instruments (€1,301 million) and on marketable securities (€170 million). Other items increased equity by €40 million.

Current other liabilities went up by €1,433 million to €9,208 million, partly due to increases in deposits received, advance payments from customers, and increases in other taxes. The change in deferred income due to greater volumes of service contracts, Connected Drive offers and leasing business also contributed to the increase.

Pension provisions decreased from €4,604 million to €3,000 million over the twelve-month period, mainly as a result of the higher discount factors used in Germany, the UK and the USA.

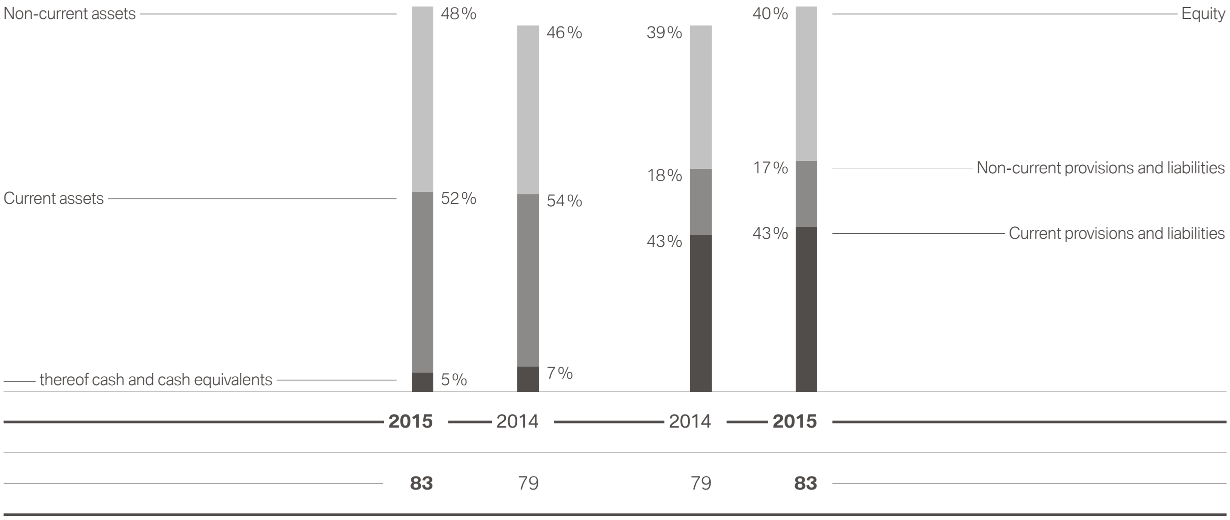
Balance sheet structure – Group

Total equity and liabilities in € billion



Balance sheet structure – Automotive segment

Total equity and liabilities in € billion



The Group equity ratio at the end of the reporting period was 24.8 % (31 December 2014: 24.2 %). The equity ratio of the Automotive segment was 40.1 % (31 December 2014: 39.2 %) and that of the Financial Services segment was 8.2 % (31 December 2014: 8.8 %).

Overall, the results of operations, financial position and net assets position of the BMW Group continued to develop positively during the year under report.

Compensation Report

The compensation of the Board of Management comprises both a fixed and a variable component. Benefits are also payable – primarily in the form of pension benefits – at the end of members' mandates. Further details, including an analysis of remuneration by each individual, are disclosed in the Compensation Report, which can be found in the section "Statement on Corporate Governance". The Compensation

Report is a subsection of the Combined Management Report.

Value added statement

The value added statement shows the value of work performed, less the value of work bought in by the BMW Group during the financial year. Depreciation and amortisation, cost of materials, and other expenses are treated as bought-in costs in the value added calculation. The allocation statement applies value added to each of the participants involved in the value added process. It should be noted that the gross value added amount treats depreciation as a component of value added which, in the allocation statement, is treated as internal financing.

Net valued added by the BMW Group in 2015 increased by 9.2 % to €22,524 million and was once again at a high level.

The bulk of the net value added (48.3 %) is applied to employees. The proportion applied to providers of finance was at a similar level to the previous year (8.5 %). The government/public sector (including deferred tax expense) accounted for 14.8 %. The proportion of net value added applied to shareholders was at a similar level to the previous year (9.3 %). Minority interests take a 0.1 % share of net value added. The remaining proportion of net value added (19.0 %) will be retained in the Group to finance future operations.

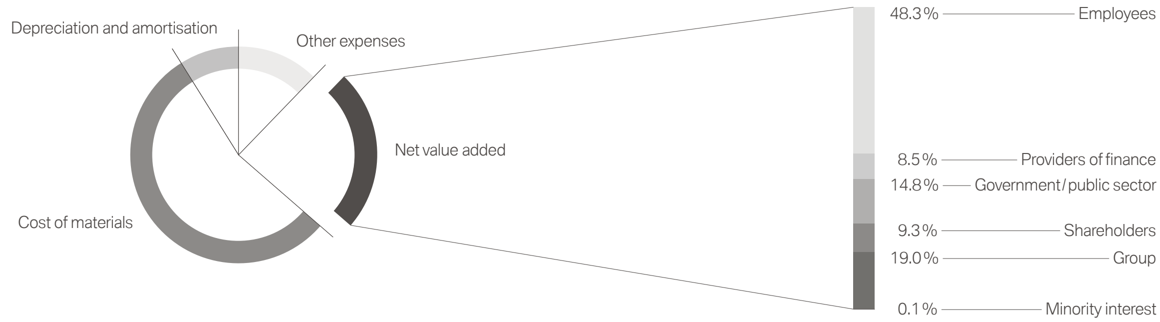
BMW Group value added statement

	2015 in € million	2015 in %	2014 in € million	2014 in %	Change in %
Work performed					
Revenues	**92,175**	**98.8**	80,401	98.7	
Financial income	**200**	**0.2**	156	0.2	
Other income	**914**	**1.0**	877	1.1	
Total output	**93,289**	**100.0**	**81,434**	**100.0**	**14.6**
Cost of materials*	**51,145**	**54.8**	44,078	54.1	
Other expenses	**11,398**	**12.2**	9,012	11.1	
Bought-in costs	**62,543**	**67.0**	**53,090**	**65.2**	**17.8**
Gross value added	**30,746**	**33.0**	**28,344**	**34.8**	**8.5**
Depreciation and amortisation of total tangible, intangible and investment assets	**8,222**	**8.8**	7,724	9.5	
Net value added	**22,524**	**24.2**	**20,620**	**25.3**	**9.2**
Applied to					
Employees	**10,870**	**48.3**	9,764	47.4	11.3
Providers of finance	**1,918**	**8.5**	1,733	8.4	10.7
Government/public sector	**3,340**	**14.8**	3,306	16.0	1.0
Shareholders	**2,102**	**9.3**	1,904	9.2	10.4
Group	**4,267**	**19.0**	3,894	18.9	9.6
Minority interest	**27**	**0.1**	19	0.1	42.1
Net value added	**22,524**	**100.0**	**20,620**	**100.0**	**9.2**

* Cost of materials comprises all primary material costs incurred for vehicle production plus ancillary material costs (such as customs duties, insurance premiums and freight).

BMW Group value added 2015

in %



Net value added	24.2	Depreciation and amortisation	8.8
Cost of materials	54.8	Other expenses	12.2

Key performance figures

		2015	2014
Group gross margin	%	**19.7**	21.2
Group EBITDA margin	%	**15.5**	16.5
Group EBIT margin	%	**10.4**	11.3
Group pre-tax return on sales	%	**10.0**	10.8
Group post-tax return on sales	%	**6.9**	7.2
Group pre-tax return on equity	%	**24.6**	24.5
Group post-tax return on equity	%	**17.1**	16.3
Group equity ratio	%	**24.8**	24.2
Automotive equity ratio	%	**40.1**	39.2
Financial Services equity ratio	%	**8.2**	8.8
Coverage of intangible assets, property, plant and equipment by equity (Group)	%	**169.9**	158.1
Return on capital employed			
Group	%	**19.3**	20.8
Automotive	%	**72.2**	61.7
Motorcycles	%	**31.6**	21.8
Return on equity			
Financial Services	%	**20.2**	19.4
Cash inflow from operating activities (Group)	€ million	**960**	2,912
Cash outflow from investing activities (Group)	€ million	**–7,603**	–6,116
Coverage of cash outflow from investing activities by cash inflow from operating activities (Group)	%	**12.6**	47.6
Free cash flow of Automotive segment	€ million	**5,404**	3,481
Net financial assets Automotive segment	€ million	**16,911**	14,223

Bayerische Motoren Werke Aktiengesellschaft (BMW AG), based in Munich, Germany, is the parent company of the BMW Group. The comments on the BMW Group and Automotive segment provided in earlier sections are also relevant for BMW AG, unless presented differently in the following section. The Financial Statements of BMW AG are drawn up in accordance with the provisions of the German Commercial Code (HGB) and the relevant supplementary provisions contained in the German Stock Corporation Act (AktG).

The main financial and non-financial performance indicators relevant for BMW AG are largely identical and synchronous with those of the Automotive segment of the BMW Group and are described in detail in the "Report on Economic Position" section of the Combined Management Report.

Differences between the accounting policies used in the BMW AG financial statements (prepared in accordance with HGB) and the BMW Group Financial Statements (prepared in accordance with IFRS) arise primarily in connection with the accounting treatment of intangible assets, financial instruments, provisions and deferred taxes.

Business environment and review of operations

The general and sector-specific environment in which the BMW AG operates is the same as that for the BMW Group and is essentially described in the "Report on Economic Position" section of the Combined Management Report.

BMW AG develops, manufactures and sells cars and motorcycles as well as spare parts and accessories manufactured by itself, foreign subsidiaries and external suppliers. Sales activities are carried out primarily through branches, subsidiaries, independent dealers and importers. In 2015, BMW AG increased sales volume by 108,595 units to 2,275,367 units. This figure includes 287,755 units relating to series sets supplied to the joint venture BMW Brilliance Automotive Ltd., Shenyang, an increase of 289 units over the previous year. At 31 December 2015, BMW AG employed a workforce of 84,860 people, 4,185 more than one year earlier.

Results of operations

Revenues increased by 8.7 % compared to the previous year, primarily as a result of higher sales volume. In geographical terms, most of the increase related to North America and Europe. Sales to Group entities accounted for €55.5 billion or 76.7 % of total revenues of €72.4 billion.

Cost of sales increased by 11.5 % to €57,764 million and therefore at a more pronounced rate than the increase in revenues, mainly reflecting higher purchase prices from production sites outside Germany and the intragroup transfer of prior-year warranty expenses from one of the Group's sales company to BMW AG. As a result, gross profit decreased by €167 million to €14,620 million.

BMW AG Income Statement

in € million

	2015	2014
Revenues	72,384	66,599
Cost of sales	–57,764	–51,812
Gross profit	**14,620**	**14,787**
Selling expenses	–3,427	–3,533
Administrative expenses	–2,610	–2,259
Research and development expenses	–4,758	–4,152
Other operating income and expenses	184	28
Result on investments	1,606	741
Financial result	–1,043	–449
Profit from ordinary activities	**4,572**	**5,163**
Income taxes	–1,782	–1,884
Other taxes	–49	–50
Net profit	**2,741**	**3,229**
Transfer to revenue reserves	–639	–1,325
Unappropriated profit available for distribution	**2,102**	**1,904**

At €3,427 million, selling expenses were slightly lower than one year earlier (2014: €3,533 million).

Administrative expenses went up by 15.5 % to €2,610 million, mainly as a result of new IT projects and the higher workforce size.

Research and development expenses related mainly to new vehicle models (including relevant expenses relating to the start-up of the new 7 Series), the development of drive systems and work on other innovations. Overall, research and development expenses increased by 14.6 % year-on-year.

The net positive amount of other operating income and expenses improved by €156 million to €184 million, and included primarily realised exchange rate gains and losses as well as reversals of and allocations to provisions.

The financial result deteriorated by €594 million, mainly as a result of lower gains on the fair value measurement of designated plan assets and the reduction in the discount interest rate used in conjunction with pension and other non-current personnel provisions. Lower write-downs on investments worked in the opposite direction.

The profit from ordinary activities decreased from €5,163 million to €4,572 million.

The expense for income taxes relates primarily to current tax for the financial year 2015.

After deducting the expense for taxes, the Company reports a net profit of €2,741 million, compared to €3,229 million in the previous year.

Financial and net assets position

Capital expenditure on intangible assets and property, plant and equipment in the year under report amounted to €2,748 million (2014: €3,150 million), down by 12.8 % compared to the previous year. Depreciation and amortisation amounted to €2,072 million (2014: €1,890 million).

At €3,250 million, the carrying amount of investments was similar to one year earlier (2014: €3,236 million).

Inventories increased to €4,267 million (2014: €3,859 million) due to higher business volumes generally and stocking up in conjunction with the introduction of new models.

Receivables from subsidiaries climbed by €1,029 million to €6,229 million, largely in conjunction with intragroup financing receivables.

The decrease in other receivables and other assets to €1,820 million (2014: €2,502 million) was mainly attributable to a lower volume of genuine repurchase (repo) transactions in place at the end of the reporting period and lower tax receivables.

Liquidity within the BMW Group is managed centrally by BMW AG on the basis of a group-wide liquidity concept, which revolves around the strategy of concentrating a significant part of the Group's liquidity at the level of BMW AG. An important instrument used to achieve this aim is the cash pool headed by BMW AG. The liquidity position reported by BMW AG therefore reflects the global activities of BMW AG and other Group companies.

Cash and cash equivalents went down by €595 million to €2,478 million. This decrease over the twelve-month period was mainly due to the increase in funds invested in marketable securities as a strategic liquidity reserve. At the same time, intragroup refinancing volumes at the level of BMW AG were also reduced.

Equity rose by €861 million to €12,927 million, while the equity ratio improved from 35.2 % to 37.0 %.

In order to secure obligations resulting from pre-retirement part-time working arrangements and pension obligations, investments in fund assets totalling €496 million were transferred to BMW Trust e.V., Munich, in conjunction with a Contractual Trust Arrangement (CTA). Fund assets are offset against the related guaranteed obligations. The resulting surplus of assets over liabilities is reported in the BMW AG balance sheet on the line "Surplus of pension and similar plan assets over liabilities".

Pension provisions, net of designated plan assets, increased from €12 million to €82 million.

The increase in other provisions related mainly to sales-related obligations, pending losses on commodity and currency contracts, warranties and personnel-related obligations.

BMW AG Balance Sheet at 31 December

in € million

	2015	2014
Assets		
Intangible assets	**353**	405
Property, plant and equipment	**11,016**	10,304
Investments	**3,250**	3,236
Tangible, intangible and investment assets	**14,619**	**13,945**
Inventories	**4,267**	3,859
Trade receivables	**628**	697
Receivables from subsidiaries	**6,229**	5,200
Other receivables and other assets	**1,820**	2,502
Marketable securities	**3,911**	3,572
Cash and cash equivalents	**2,478**	3,073
Current assets	**19,333**	**18,903**
Prepayments	**303**	265
Surplus of pension and similar plan assets over liabilities	**722**	1,123
Total assets	**34,977**	**34,236**
Equity and liabilities		
Subscribed capital	**657**	656
Capital reserves	**2,107**	2,084
Revenue reserves	**8,061**	7,422
Unappropriated profit available for distribution	**2,102**	1,904
Equity	**12,927**	**12,066**
Registered profit-sharing certificates	**30**	31
Pension provisions	**82**	12
Other provisions	**7,617**	7,308
Provisions	**7,699**	**7,320**
Liabilities to banks	**1,343**	1,864
Trade payables	**4,500**	4,784
Liabilities to subsidiaries	**6,690**	6,872
Other liabilities	**239**	216
Liabilities	**12,772**	**13,736**
Deferred income	**1,549**	1,083
Total equity and liabilities	**34,977**	**34,236**

Liabilities to banks decreased as a result of the repayment of project-related loans.

Deferred income went up by €466 million to €1,549 million and comprised mainly amounts relating to services still to be performed for service and maintenance contracts.

Risks and opportunities

BMW AG's performance is highly dependent on the same set of risks and opportunities that affect the BMW Group and which are described in detail in the "Report on Outlook, Risks and Opportunities" section of the Combined Management Report. As a general rule, BMW AG participates in the risks entered into by Group entities on the basis of the relevant shareholding percentage.

BMW AG is integrated in the group-wide risk management system and internal control system of the BMW Group. Further information is provided in the "Internal Control System and Risk Management System Relevant for the Financial Reporting Process" section of the Combined Management Report.

Outlook

Due to its dominant role in the Group and its close ties with Group entities, expectations for the BMW AG with respect to the Company's financial and non-financial performance indicators correspond largely to the BMW Group's outlook for the Automotive segment, which is described in detail in the "Report on Outlook, Risks and Opportunities" section of the Combined Management Report.

Events after the end of the reporting period

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

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, has issued an unqualified audit opinion on the financial statements of BMW AG, of which the balance sheet and the income statement are presented here. The BMW AG financial statements for the financial year 2015 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. These financial statements are available from BMW AG, 80788 Munich, Germany.

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including the associated material risks and opportunities, from a Group management perspective. The outlook covers a period of one year, in line with the Group's internal management system. However, risks and opportunities are managed on the basis of a two-year assessment. The report on risks and opportunities therefore covers a period of two years.

The report on outlook, risks and opportunities contains forward-looking assertions based on the BMW Group's expectations and assessments, which are, by their very nature, subject to uncertainty. As a result, actual outcomes, including those attributable to political and economic developments, could differ substantially – either positively or negatively – from the expectations described below. Further information can be found in the section "Report on Risks and Opportunities".

Outlook

Assumptions used in the outlook

The following outlook relates to a forward-looking period of one year and is based on the composition of the BMW Group during that period. The outlook takes account of all information known up to the date on which the financial statements are authorised for issue and which could have a material effect on the overall performance of the BMW Group. The expectations contained in the outlook are based on the BMW Group's forecasts for 2016 and reflect the most recent status. The basis for the preparation of and the principal assumptions used in the forecasts – which consider the consensual opinions of leading organisations, such as economic research institutes and banks – are set out below. The BMW Group's forecast is drawn up on the basis of these assumptions.

The continuous forecasting process ensures that the BMW Group is always ready to take advantage of opportunities as they arise and to react appropriately to unexpected risks. The principal risks and opportunities are described in detail in the section "Report on Risks and Opportunities". The risks and opportunities discussed in that section are relevant for all of the BMW Group's key performance indicators and could result in variances between the outlook and actual outcomes.

Economic outlook

The upturn in the world economy is likely to continue and generate growth of 3.4% in 2016. A more restrictive monetary policy in the USA, the political instability in Europe, the high levels of sovereign debt being amassed in Japan and over-capacities in various industrial sectors in China pose the greatest risks for global economic growth. Unsolved geopolitical conflicts and problems resulting from the high number of people seeking refuge, particularly in Europe, could possibly lead to nationalistic interests becoming a major issue, with correspondingly negative consequences for world trade. Further information on political and global economic risks can be found in the risk report.

Economic recovery in the eurozone is expected to continue at a growth rate of 1.6% in 2016. Similar to the previous year, the German economy is predicted to play a major role and grow by 1.8%. The economies of both France (1.4%) and Italy (1.3%) are set to record higher growth rates than one year earlier.

In southern Europe, the reforms implemented in recent years are contributing to an economic recovery, enabling Spain and Portugal to continue growing on the back of the general upturn and are likely to grow by 2.7% and 1.6% respectively, according to forecasts.

Growth in the UK will probably be somewhat weaker, although again in 2016 the expected GDP growth of 2.2% is well above that of the eurozone. The referendum on the UK remaining in the EU, which must be held by the end of 2017, can take place at the earliest in the second half of 2016 and is therefore a source of additional uncertainty.

The US economy is likely to maintain its current high pace of growth. Despite the increase in benchmark interest rates, and hence a less expansive monetary policy, growth of 2.4% is predicted for 2016. The low price of oil is highly likely to have a positive impact on consumer spending.

In Japan, the central bank is again set to continue its "cheap money" policy in 2016 and therefore guarantee companies attractive financing conditions, which is likely to give the Japanese economy sufficient momentum to warrant 1.0% growth.

In China, economic growth is again expected to weaken slightly in 2016, resulting in a growth rate in the region of 6.5%. The realignment of the Chinese economy towards a more consumption-oriented society is designed to lead to greater stability, even if growth rates are likely to be weaker in the short term. It cannot be ruled out, however, that economic output in China may slow down more than currently expected.

In India, investment-friendly economic policies are likely to continue in 2016, helping to generate a growth rate of 7.6 %. The outlook for Russia (– 0.2 %) and Brazil (– 2.6 %) is far less bright. After drops in economic output in 2015, both economies are likely to remain in recession in 2016, with persistently low prices for raw materials exerting a detrimental effect on growth.

Currency markets

Currencies which have the greatest influence on the BMW Group's international business, i.e. the US dollar, the Chinese renminbi, the Japanese yen and the British pound, may well be subject to a significant degree of fluctuation again in 2016.

The US dollar is again likely to remain generally strong against the euro in 2016. This assumption is supported by the interest rate turnaround initiated in the USA in December 2015, highlighting the different approaches to monetary policies taken by the Fed and the ECB. Another factor is that economic recovery in Europe is likely to proceed at a slower pace than in the USA.

Given that the Chinese renminbi will probably remain closely coupled to the US dollar in the short term, there is a considerable likelihood that its value against the euro will tend upwards in 2016. If, on the other hand, the Chinese central bank continues to intervene in currency markets, thus halting the upward trend, the value of the renminbi may possibly move sideways. In the long term, however, capital markets in China are likely to become more liberalised, as a result of which the convertibility of the renminbi with other currencies would increase.

As the Bank of Japan and the ECB seem set to continue their expansionary monetary policies for the time being, the rate of the Japanese yen is unlikely to fluctuate greatly in relation to the euro.

Owing to the robust state of the UK economy, and fanned by speculation that the Bank of England is on the verge of raising interest rates, the British pound could either remain at its current level or even gain additional ground in the short to medium term.

The onset of normalisation with respect to US monetary policies suggests that the currencies of numerous emerging economies will remain under pressure in the foreseeable future. Countries that export raw materials and are faced with current account and fiscal deficits are most likely to be affected.

Automobile markets

Worldwide demand for automobiles is forecast to grow by approximately 1.9 % in the current year to an estimated 84.0 million units. Breaking that figure down, the BMW Group forecasts slightly lower growth in the USA than in 2015, with market volume edging up by around 1.3 % to 17.7 million units. China is expected to see a further drop in the pace of vehicle registration growth, slowing to around 6.9 % or 22.0 million units.

The majority of Europe's markets are likely to continue recovering in 2016, growing overall by approximately 1.4 % to 14.4 million units. Excluding Germany, the picture across Europe is similar, with market volume also expected to grow by 1.4 % to 11.2 million units. The region's core markets, however, are only likely to see relatively weak growth. Registration figures in Germany, for instance, are predicted to increase by 1.4 % to 3.3 million units. The French market is expected to grow by 3.3 % to 1.9 million units and the Italian market by 3.0 % to 1.6 million units. By contrast, demand in Spain is expected to show even more vitality than in 2015 and grow by 9.7 % to 1.1 million units.

The market in Japan is forecast to grow by 7.3 % to 5.2 million units year-on-year.

Automobile markets in major emerging economies are likely to remain under pressure in the current year. Due to the prevailing unfavourable economic and political situation, Russia is expected to see a further drop of 15.4 % to 1.2 million units. The situation in Brazil seems unlikely to stabilise after the decrease recorded in 2015, with the market expected to contract by a further 7.6 % to 2.3 million units.

Motorcycle markets

Markets for 500 cc plus motorcycles are likely to continue growing slightly in 2016. Registration figures for Europe as a whole are also expected to rise slightly, including a minor increase in Germany. Italy and France are set to remain at similar levels to the past year. The positive trend in the USA is expected to continue.

Financial services markets

The trend towards more normal rates of growth in China, together with weaker signals coming from other emerging markets, is bound to have an influence on global trade, and hence on export-oriented industrialised countries in 2016. While the Chinese central bank will no doubt be directing its attention to measures aimed at stabilising the domestic economy, other key central banks are likely to focus on achieving price stability.

In the USA, stable economic growth, the improving employment situation and higher inflation could induce the Fed to raise interest rates moderately over the course of the year.

In the eurozone, interest rates are set to remain low over the coming year. Factors such as stubbornly low inflation rates, steady economic recovery and uncertainty regarding economic developments on major emerging markets could persuade the ECB to continue its bond-buying programme.

Depending on rates of growth and inflation on the domestic front and developments in key emerging economies, the UK could well see a first interest rate rise at some point in 2016. Uncertainties prevailing prior to the referendum on a possible exit from the EU could, however, forestall a return to more accustomed monetary policies.

The Japanese economy is again only likely to see slow growth in 2016. Even though consumer spending volumes should rise on the back of the Bank of Japan's expansionary monetary policy, other unfavourable factors, such as weak demand from China, could stand in the way of a sustainable upturn.

Expected consequences for the BMW Group

Future developments on international automobile markets also have a direct influence on outcomes for the BMW Group. Whereas competition might intensify in contracting markets, new opportunities beckon in growth regions. Sales volumes in some countries are likely to be affected by a range of new competitive challenges. The dynamic growth seen on European markets in 2015 is not expected to maintain the same pace in 2016. The Americas region should see a continuation of the upward trend of previous years. Despite the ongoing process of normalisation on the Chinese market, sales volumes in Asia could well pick up again.

Due to its global business model, the BMW Group is well placed to exploit opportunities, including those arising at short notice. Outstanding coordination between the Group's sales and production networks also helps cushion the impact of unforeseeable developments in its various regions. Investing in markets with good future prospects is also a basis for further growth, while simultaneously expanding the global presence of the BMW Group. Thanks to its three strong brands – BMW, MINI and Rolls-Royce – there is every reason to assume that the BMW Group will continue performing successfully during the current year.

Outlook for the BMW Group

BMW Group

Profit before tax: slight increase expected

Competition on international automobile markets is set to remain fierce in the current year. Furthermore, continuing normalisation on the Chinese market and developments in Russia are likely to influence the pace of earnings growth. Political and macroeconomic uncertainties in Europe may also play a role (see the section "Political and global economic risks" in the risk report).

Nevertheless, the BMW Group expects to remain firmly on course for growth in 2016. Attractive products and services, covering the entire spectrum of individual mobility, will continue making a substantial contribution to further improving earnings. This upward trend will, however, be held down by rising personnel expenses and high levels of investment in projects that ultimately help safeguard future competitiveness. Overall, Group profit before tax is expected to increase slightly year-on-year (2015: €9,224 million).

Workforce at year-end: slight increase expected

The BMW Group will continue to recruit staff in 2016, spurred by growth in the automobile and motorcycle lines of business on the one hand and the expansion of its financial and mobility services on the other. Based on our latest forecasts, we expect a slight increase in the size of the workforce (2015: 122,244 employees) during the coming twelve-month period.

Automotive segment

Deliveries to customers: slight increase expected

The BMW Group forecasts successful sales volume performances for all three of its brands in 2016. Apart from aiming for evenly balanced growth in the various regions, a sharp eye is also always kept on profitability. Based on these forecasts, the BMW Group is set to remain at the forefront of the premium segment in 2016. Assuming economic conditions remain stable, deliveries to customers are expected to rise slightly to a new record level (2015: 2,247,485[1] units).

Although the overall pace of growth may be marginally weaker than one year earlier, the combination of attractive new models and good market conditions, particularly in Europe, should nevertheless provide additional impetus for vehicle sales. Most notably, the previous year's upward trend on southern European markets is set to continue. By contrast, the situation on the Russian car market is likely to remain tense over the forecast period. Despite progressive normalisation on the Chinese market, Asia as a whole is expected to provide a certain degree of momentum for growth. Sales volume in the USA is also forecast to rise slightly.

A good contribution to overall sales performance in 2016 is expected to come from the new models available since mid-2015, including the new seven-seater BMW 2 Series Gran Tourer and the model updates of the BMW 3 Series Sedan, the 3 Series Touring and the M3. The second generation of the extremely successful BMW X1 was launched in October 2015. The highly efficient BMW X5 xDrive40e has been in showrooms since the end of 2015. This plug-in hybrid vehicle represents the next step in the process of transferring innovative drivetrain system technologies from BMW i models to the core BMW brand. At the end of October 2015, the sixth generation of the BMW 7 Series heralded the beginning of a new era in the luxury segment. The new MINI Clubman has also been on the market since the end of October 2015.

Further additions to the model range will also be made in the course of 2016. February saw the launch of the new BMW X4 M40i. The premium small car segment was enriched by the addition of the new version of the MINI Convertible in early March. A luxury convertible, the Rolls-Royce Dawn, will become available during the first half of the year.

Carbon fleet emissions[2]: slight decrease expected

Regulations governing vehicle carbon emissions are becoming stricter all around the world. Developing highly efficient combustion engines and increasing the scope of electrification in its fleet of vehicles are key aspects in the BMW Group's constant efforts to reduce fuel consumption and carbon emissions, without compromising its excellent standards in terms of sporting flair and dynamic driving performance. Fleet emissions are forecast to improve slightly in 2016, thus continuing the trend seen in previous years (2015: 127 grams CO_2/km).

Revenues: slight increase expected

The positive business performance predicted for the BMW Group will also be reflected in Automotive segment revenues. A slight increase in segment revenues is therefore predicted for the forecast period (2015: €85,536 million).

EBIT margin in target range between 8 and 10 % expected

An EBIT margin in a range between 8 and 10 % (2015: 9.2 %) remains the target for the Automotive segment.

Segment RoCE is forecast to decrease moderately (2015: 72.2 %). However, the long-term target RoCE of at least 26 % for the Automotive segment will be easily surpassed.

Motorcycles segment

Deliveries to customers: slight increase expected

The BMW Group expects the upward trend in the Motorcycles segment to continue. The new R NineT Scrambler and G 310 R models unveiled at last autumn's trade fairs will broaden the product portfolio and attract new customer groups. Overall, deliveries of BMW motorcycles to customers are forecast to increase slightly year-on-year (2015: 136,963 units).

Return on capital employed: slight decrease expected

Segment RoCE is forecast to decrease slightly in 2016 (2015: 31.6 %), mainly reflecting the scheduled build-up of inventory levels due to the Indian partner entity, TVS,

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 282,000 units).
[2] EU-28.

commencing production and the plants in Brazil and Thailand raising production volumes.

Financial Services segment

Return on equity expected at previous year's level

The Financial Services segment is likely to continue performing well in 2016. Segment RoE is expected to come in at a similar level to the previous year (2015: 20.2 %), thus remaining ahead of the minimum target of 18 %.

Overall assessment by Group management

Business is expected to develop well in the financial year 2016, with the introduction of new models and the expansion of individual mobility-related services promising further profitable growth. Despite the many challenges described above, Group profit before tax is forecast to increase slightly. Automotive segment revenues are expected to increase slightly on the back of a slight increase in deliveries to customers. Simultaneously, a slight decrease in fleet carbon emissions is predicted. The Group's targets are to be met with only a slight rise in staff numbers worldwide. The Automotive segment's EBIT margin is set to remain within the target range of between 8 and 10 %, although its RoCE is likely to decrease moderately. The Financial Services segment's RoE will be broadly in line with the previous year. Nevertheless, both performance indicators will be higher than their long-term targets of 26 % (RoCE) and 18 % (RoE) respectively. Motorcycles segment sales are also forecast to grow slightly, accompanied by a slight drop in RoCE. Depending on the political and economic situation and the outcomes of the risks and opportunities described below, actual business performance could, however, differ from current expectations.

Principal performance indicators

		2015	2016 Outlook
BMW Group			
Profit before tax	€ million	**9,224**	slight increase
Workforce at year-end		**122,244**	slight increase
Automotive segment			
Sales volume[1]	units	**2,247,485**	slight increase
Fleet emissions[2]	g CO_2/km	**127**	slight decrease
Revenues	€ million	**85,536**	slight increase
EBIT margin	%	**9.2**	between 8 and 10
Return on capital employed	%	**72.2**	moderate decrease
Motorcycles segment			
Sales volume	units	**136,963**	slight increase
Return on capital employed	%	**31.6**	slight decrease
Financial Services segment			
Return on equity	%	**20.2**	in line with last year's level

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 282,000 units).
[2] EU-28.

As a worldwide leading manufacturer of premium cars and motorcycles and provider of premium financing and mobility services, the BMW Group is exposed to numerous uncertainties and changes. Making full use of the opportunities that present themselves is the basis for its entrepreneurial success. In order to achieve growth, drive profitability, boost efficiency and maintain sustainable levels of business going forward, the BMW Group consciously takes certain risks.

The prudent management of opportunities and risks is a fundamental prerequisite for the Group's ability to react appropriately to changes in political, legal, technical or economic conditions. All opportunities and risks identified are addressed in the Outlook Report, if they seem likely to materialise. The following sections focus on potential future developments or events, which could result in a positive variance (opportunities) or a negative variance (risks) in the BMW Group's outlook. The potential impact of risks and opportunities is assessed separately as a general rule, i.e. without set-off.

As a general rule, opportunities and risks are assessed over a medium-term period of two years. All potential risks of losses (individual and accumulated risks) are monitored and managed from a risk management perspective. As a matter of principle, any risks capable of posing a threat to the going-concern status of the BMW Group are avoided. If there is no specific reference to a segment, opportunities and risks relate to the Automotive segment.

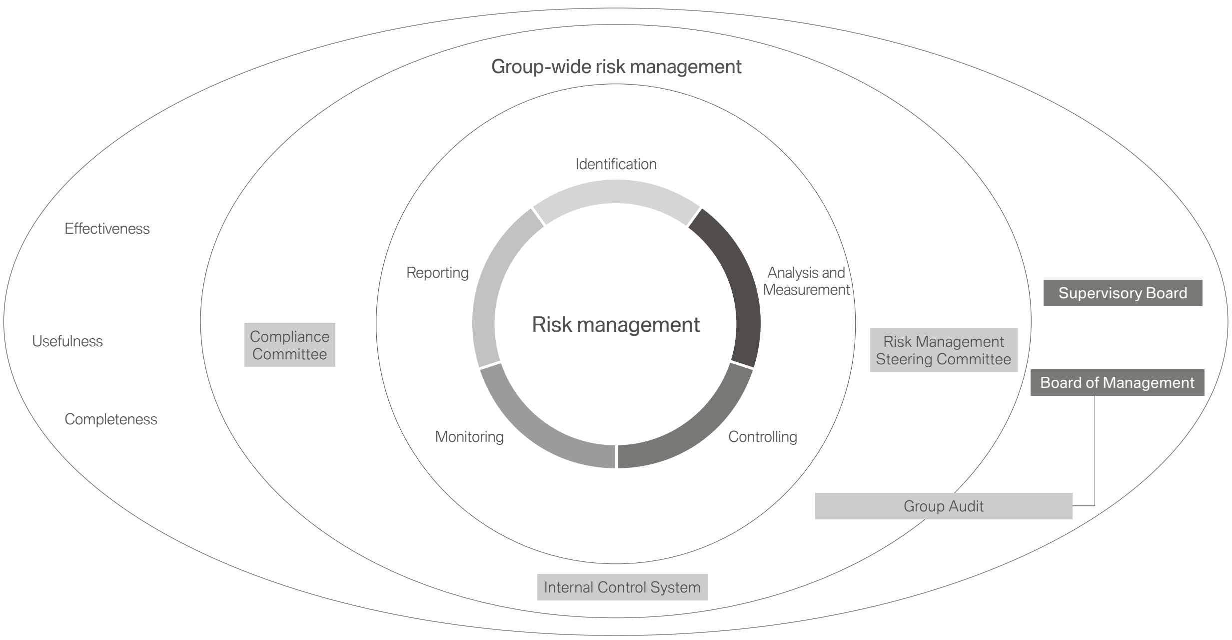
The scope of entities covered by the report on risks and opportunities corresponds to the scope of consolidated entities included in the BMW Group Financial Statements.

Risk management system

The objective of the risk management system, and one of the key functions of risk reporting, is to identify, record and actively manage any internal or external risks that could pose a threat to the attainment of the Group's corporate targets. The risk management system covers all significant risks to the Group and any which could pose a threat to its going-concern status. In terms of the structure of the risk management system, the responsibility for risk reporting lies with each individual employee and manager in their various roles – and not with any centralised unit in particular. Every person employed by the Group is required to report any risks identified via the available reporting channels. This requirement is set out in guidelines that apply throughout the Group.

The Group risk management system comprises a decentralised network covering all parts of the business and is steered by a centralised risk management function. Each of the BMW Group's fields of responsibility is represented within the risk management network by

Risk management in the BMW Group



"Network Representatives". The network's formal organisational structure helps promote its visibility and underline the importance of risk management within the BMW Group. The duties, responsibilities, and tasks of the centralised risk management unit and the above-mentioned Network Representatives are clearly described, documented and accepted. Group risk management is geared towards meeting the following three criteria: effectiveness, usefulness and completeness.

Risks are also potentially capable of damaging the BMW Group's reputation. Although reputational risks are difficult to quantify, their importance is constantly growing, particularly in view of an increasingly critical general public and the speed with which information can be distributed online. With this in mind, a new concept has been developed (and validated with the aid of external experts), aimed at strengthening links between the BMW Group's risk management and its corporate communication functions. In order to take better account of reputational risks in the overall risk assessment, the Head of Group Communication Strategy, Corporate and Market Communication is now also a member of the Risk Management Steering Committee. A further focus was placed on checking the skill sets of staff and managers involved in risk management throughout the BMW Group. The revamped intranet portal used for centralised risk management provides helpful support for those working in this field, whilst ensuring that risk reporting is complete.

Risk management for the Group as a whole falls under the remit of the Risk Management Steering Committee, the Compliance Committee, the Internal Control System and the Group Internal Audit.

Risk management process

The risk management process applies throughout the Group and comprises the early identification and penetration of risks, comprehensive analysis and risk measurement, the coordinated use of suitable management tools and also the monitoring and evaluation of any measures taken.

Risks reported from within the network are firstly presented for review to the Risk Management Steering Committee, for which Group Controlling is responsible. After review, the risks are reported to the Board of Management and the Supervisory Board. Any significant or going-concern-related risks are classified according to their potential to impact the Group's results of operations, financial position and net assets. The level of risk is then quantified in each case, depending on its probability of occurrence and the respective risk mitigation measures.

The risk management system is regularly examined by the Internal Audit. By sharing experiences with other companies on an ongoing basis, the BMW Group endeavours to incorporate new insights in the risk management system, thus ensuring continual improvement. Regular basic and further training as well as information events held throughout the BMW Group, particularly within the risk management network, are invaluable ways of preparing people for new or additional challenges relating to the processes in which they are involved.

In addition to comprehensive risk management, managing the business on a sustainable basis also constitutes one of the Group's core corporate principles. Any risks or opportunities relating to sustainability issues are examined and discussed by the Sustainability Committee. Strategic options and measures open to the BMW Group are put forward to the Sustainability Board, which includes the entire Board of Management. Risk aspects discussed at this level are integrated in the work of the group-wide risk network. The overall composition of the Risk Management Steering Committee and the Sustainability Committee ensures that risk and sustainability management are closely coordinated.

Risk measurement

In order to determine which risks can be considered significant in relation to results of operations, financial position and net assets and to identify changes in key performance indicators used by the BMW Group, risks are classified as high, medium or low. The impact of risks is measured and reported net of risk mitigation measures (net basis).

The overall impact on results of operations based on the assumption that the risk will materialise is measured for the two-year assessment period and allocated to the following categories:

Class	Earnings impact
Low	> €0 – 500 million
Medium	> €500 – 2,000 million
High	> €2,000 million

For the sake of simplicity, the overall impact on results of operations, financial position and net assets is referred to in the Report on Risks and Opportunities as "earnings impact".

The significance of risks for the BMW Group is determined on the basis of risk amounts. The measurement of the amount of a risk takes account of both its impact (net of appropriate countermeasures) and its likelihood of occurrence in each case. The amount of a risk is approximated in the case of risks measured on the basis of "value-at-risk" and "cash-flow-at-risk" models. In this situation, the following assessment criteria are applied:

Class	Risk amount
Low	> €0–50 million
Medium	> €50–400 million
High	> €400 million

Opportunities management system and identifying opportunities

New opportunities regularly present themselves in the dynamic business environment in which the BMW Group operates. General economic trends and sector-specific factors – including external regulations, suppliers, customers and competitors – are monitored on a continuous basis. Identifying opportunities is an integral part of the process of developing strategies and drawing up forecasts for the BMW Group.

The Group's product and service portfolio is continually reviewed on the strength of these analyses and new product projects are presented to the Board of Management for consideration, as deemed appropriate.

The continuous improvement of important business processes and strict cost controls are essential in the Group's ongoing endeavours to ensure good profitability and a high return on capital employed. Any profitability improvement measures likely to be implemented are incorporated in the forecast. One example is the implementation of modular-based production and common architectures, which enable a greater commonality of features between different models and product lines. This strategy, in turn, contributes to improved profitability by reducing development costs and other investment on the series development of new vehicles. The new approach helps cut production costs and increase production flexibility. Moreover, a more competitive cost basis opens up opportunities to engage in new market segments.

The implementation of identified opportunities is undertaken on a decentralised basis. The significance of opportunities for the BMW Group is classified in the categories "material" or "not material".

Risks and opportunities

The following table provides an overview of all risks and opportunities and illustrates their significance for the BMW Group.

Neither at the balance sheet date nor at the date on which the Group Financial Statements were authorised for issue were any risks identified that could pose a threat to the going-concern status of the BMW Group.

Any risks or opportunities which could, from today's perspective, have a significant impact on the results of operations, financial position and/or net assets of the BMW Group are described in the following sections.

Risks and opportunities	Risk amount	Change compared to prior year	Opportunities	Change compared to prior year
Political and global economic risks and opportunities	High	Stable	Insignificant	Stable
Strategic and sector risks and opportunities	High	Increased	Insignificant	Stable
Risks and opportunities relating to operations				
Production and technology	Medium	Stable	Insignificant	Stable
Purchasing	Medium	Reduced	Insignificant	Stable
Sales and marketing	High	Stable	Insignificant	Stable
Pension obligations	High	Stable	Significant	Stable
Information, data protection and IT	Medium	Stable	Insignificant	Stable
Financial risks and opportunities				
Foreign currencies	High	Stable	Significant	Stable
Raw materials	High	Stable	Significant	Stable
Liquidity	Low	Stable	–	–
Risks and opportunities relating to the provision of financial services				
Credit risk	High	Stable	Significant	Stable
Residual value	High	Stable	Significant	Stable
Interest rate changes	High	Increased	Significant	Stable
Liquidity/operational risks	Medium	Stable	–	–
Legal risks	Low	Stable	–	–

Political and global economic risks and opportunities

As one of the world's leading providers of premium products and services, the BMW Group faces a variety of major challenges. The world is changing at great speed and the resulting situations can give rise to risks on the one hand and opportunities on the other.

Political and global economic risks

Efficient individual mobility remains a key issue in many countries, in terms of the political regulation of both national environmental and industrial policymaking. Changing values in society call for innovative mobility and service solutions. The potential effect of unforeseeable disturbances in global economic interdependencies, increasingly fierce competition among established manufacturers and the emergence of new competitors is extremely difficult to predict.

Shifts between volatile and stable economic phases, combined with the ready availability of information, also contribute to the uncertainty experienced by both markets and consumers. Although the US and UK economies may currently appear to be robust, the underlying macroeconomic risks – such as misallocations between asset price classes – have not become any less real compared to the previous year. The transition of the Chinese economy from an investment-driven to a consumer-driven market will entail slower growth rates and greater instability on financial markets. Apart from precipitating a decline in automobile sales, this process may also result in lower demand for commodities, which is most likely to hurt mainly emerging economies such as Brazil or Russia. A further drop in commodities prices could result in political and economic upheavals and hence lead to lower aggregate demand from the countries affected.

The threat of distortions on the Chinese property, stock and banking markets on the one hand and/or an overly rapid hike in interest rates by the US Federal Bank pose considerable risks for global financial market stability. Unsolved structural problems in the eurozone or a renewed deterioration in the economic climate, for instance in Greece, could potentially dampen growth prospects for the BMW Group. At a political level, the current refugee crisis poses a threat to European integration and hopes of further expanding or at least maintaining a single economic and monetary area.

Increasing political unrest, military conflicts, terrorist activities, natural disasters and/or pandemics could have a lasting negative impact on the global economy and international capital markets. The risks referred to above could curtail purchasing power in the countries and regions involved and, among other things, lead to reduced demand for the products and services offered by the BMW Group. The Group counters these risks primarily by internationalising its sales and production structures, in order to minimise the extent to which earnings are dependent on the outcomes of risks in individual countries and regions. The regular monitoring of macroeconomic data, which serve as the basis for sales volume and production planning, ensures that market changes are identified at an early stage. The extent of political and global economic risks is determined by analysing historical data and applying a cash-flow-at-risk approach.

If risks from this category were to materialise, they could – due to sales volume fluctuations – have a high earnings impact over the two-year assessment period. Overall, the risk amounts attached to political and global economic risks are classified as high.

Political and global economic opportunities

Economic conditions influence the operations, financial position and results of operations of the BMW Group. Should the global economy develop significantly better than reflected in the outlook, the revenues and earnings of the BMW Group could be significantly higher than originally predicted. A better-than-expected performance of the global economy with stronger growth in China, the introduction of economic stimulus programmes, the implementation of structural reforms within the eurozone and robust consumer spending in the USA could – despite higher financing costs – result in significantly stronger sales volume growth, reduced competitive pressure and the possibility of achieving better selling prices. Economic opportunities present themselves for the BMW Group through the focused identification of, and engagement in, growth markets.

Any political and/or global economic opportunities capable of having a positive sustainable impact on earnings are currently classified by the BMW Group as insignificant.

Strategic and sector risks and opportunities

New regulations and rising fuel and energy prices can also influence customer behaviour. Medium- and long-term targets have already been put in place in Europe, North America, Japan, China and other countries to minimise both fuel consumption and carbon emissions.

Risks arising from the tightening of laws and regulations

One of the greatest risks for the automobile industry is the possible threat of short-term tightening of laws and regulations, as they could give rise to significantly higher levels of investment and ongoing expenses, and perhaps more importantly, result in changes in customer behaviour. The potential tightening of consumer protection laws could also result in a greater number of recalls. In some cases, changes in customer behaviour are not only brought on by new regulations, but also through changes in public opinion, values, environmental issues and fuel/energy prices. There is a clear move towards increasingly stringent vehicle emissions regulations, particularly for conventional drive systems, not only in the developed markets of Europe and North America, but also in emerging markets such as China. The BMW Group counters this risk with its Efficient Dynamics technology and continues to play a pioneering role in the premium segment by continually reducing both fuel consumption and emissions. Since 2013, electric drive systems built into BMW i vehicles have increasingly broadened the mix on offer, thus bolstering the BMW Group's efforts to comply with statutory carbon emissions regulations and requirements. The BMW Group is investing in the development of sustainable drive technologies and materials, with the aim of providing highly efficient vehicles for individual mobility in the premium segment, both now and in the future.

Further significant risks could be triggered by the tightening of existing import and export regulations, resulting primarily in additional expenses, but also in restrictions in the import and export of vehicles and/or parts. Changes in the legal business environment are monitored and assessed regularly by the relevant centralised departments, thus ensuring that the BMW Group always complies with statutory requirements. The impact of legislation that has either been enacted or is likely to be enacted is taken into account in the outlook.

Employees make a vital contribution to sustainable growth and improved profitability through their innovative skills. One prerequisite in this regard is a consistent strategic approach to the management of human resources, even in the event of changes in the legal framework. The BMW Group has put appropriate measures in place for such eventualities. Risk amounts and earnings impact in this category are measured on the basis of extensive scenario analyses.

If strategic and sector category risks were to materialise, they could have a high earnings impact over the two-year assessment period. The amounts of risk attached to strategic and sector-specific risks are classified as high.

Strategic and sector opportunities

Additions to the product and mobility portfolio and expansion in growth regions are seen as the most important opportunities for growth in the medium to long term.

Remaining on growth course depends above all on the ability to develop innovative products and bring them to market. The introduction of the BMW i brand opens up new customer target groups for the Group and consolidates the position of BMW as a sustainable, forward-looking brand. BMW i products can be seen as "empowerment projects" for new technologies and processes, which may also benefit other vehicle concepts. The existing product portfolio has been expanded to include mobility services such as DriveNow, ChargeNow and ParkNow. In 2015, the BMW Group entered new segments with the BMW 2 Series Active Tourer and the 2 Series Gran Tourer. The market acceptance and sales volumes of product innovations that are either planned for the future or have recently been launched could turn out to be greater than predicted in the outlook. In the short term, however, any potentially positive impact is classified as insignificant.

The long-term trend towards greater sustainability provides opportunities to boost sales of sustainable products and, under the right circumstances, achieve better selling prices. Innovations such as the BMW i3 and i8 in the field of electric mobility or Efficient Dynamics across the entire product portfolio provide excellent platforms for future growth. Potential also exists in engaging in new product and market categories and developing new customer target groups. New business models and cooperation arrangements with the BMW Group's growing network of business partners often provide the best means to exploit these opportunities. Good examples are the implementation of the 360° ELECTRIC portfolio in the field of electric mobility, the partnership with Sixt in the field of mobility services, and collaboration with Toyota on developing a hydrogen fuel cell system.

The BMW Group is constantly refining the tools it uses to recruit staff, encourage career development and retain employees within the Group. This environment offers people the ideal situation in which to develop their skills. If these measures generate greater benefits than currently expected, the BMW Group's revenues, results of operations and cash flows can be positively impacted and forecasted figures surpassed. Creating a successful performance culture and developing the expertise and skill sets of both staff and managers alike throughout the organisation can also have a positive impact on both revenue and profitability.

The BMW Group's earnings can be positively affected in the short to medium term by changes in the legal environment. A possible reduction in tariff barriers, import restrictions or direct excise duties could lower the cost of materials for the BMW Group, also enabling products and services to be offered to customers at lower prices.

Overall, strategic and sector opportunities capable of having a positive and sustainable impact on earnings are currently classified by the BMW Group as insignificant.

Risks and opportunities relating to operations

Production- and technology-related risks

Production stoppages and downtimes – in particular due to fire, but also to manufacturing and control equipment breakdowns or transportation and logistical disruptions – pose risks against which the BMW Group has put suitable measures in place. From the outset, production structures and processes are designed with a view to minimising any potential damage and its probability of occurrence. The broad array of measures taken includes technical fire protection solutions, land development measures including contingencies against flooding, preventative maintenance, spare parts management on a multi-site basis, and backup plans for alternative transportation. The level of risk is also reduced by the deployment of flexible work-schedule models and employee time accounts, but also by the ability to develop individual models at additional sites if necessary, thus enabling any backlog arising from production interruptions to be clawed back within a short time. Moreover, risks arising from business interruption and loss of production due to fire are also insured up to economically reasonable levels with underwriters of good credit standing.

The development and production of technologically complex vehicles in high volumes is technically challenging and a source of potential quality risks. In order to achieve the outstanding level of quality expected of the BMW Group's products and minimise both statutory and non-statutory warranty costs, it may possibly be necessary to incur a higher level of expenditure than originally forecast. There is also a risk of limited availability of products, particularly around the time of new vehicle production start-ups. These risks are mitigated through quality assurance activities in the form of regular audits and the continual improvement of quality management systems. The BMW Group also recognises appropriate provisions for both statutory and non-statutory warranty obligations. These provisions reduce the risk to the BMW Group's earnings, a fact already taken into account in the forecast. Further information on risks in conjunction with provisions for statutory and non-statutory warranty obligations is provided in note 36 of the Group Financial Statements.

If risks from the production- and technology-related risks category were to materialise, they could have a high negative earnings impact over the two-year assessment period. The level of risk attached to production- and technology-related issues is classified as medium.

Production- and technology-related opportunities

Opportunities could arise as a result of product- or process-related technological innovations, or from organisational changes designed to improve efficiency or increase competitiveness. In the field of lightweight construction, for example, carbon is being utilised in high volumes for the first time in the automobile industry in the construction of the BMW i3. During the year under report, the BMW Group went one step further by introducing the use of carbon in the BMW 7 Series, thereby generating competitive benefits in the form of lower fuel consumption and better driving dynamics through reduced vehicle weight.

Given the long lead times involved in developing new products and processes, the BMW Group does not expect these opportunities to have a material impact on earnings during the forecast period.

Purchasing risks

Close cooperation between carmakers and automotive suppliers in the development and production of vehicles and the provision of services generates economic benefits, but also raises levels of dependency. The increasing trend towards modular-based production with a set of common architectures covering various models and product lines exacerbates the consequences of the loss of an individual supplier or failure to supply on time. As part of the supplier preselection process, the BMW Group is careful to ensure that its future business partners meet the same high ecological, social and corporate governance standards by which the BMW Group itself expects to be measured. The BMW Group Sustainability Standard, which contains a set of fundamental principles and standards covering both production and non-production aspects relevant for bought-in goods and services, serves as the basis for the supplier network, including the requirement to comply with internationally recognised human rights and applicable labour and social standards. The principal tool for ensuring compliance with the BMW Group Sustainability Standard is a three-stage sustainability and risk management approach comprising a BMW Group-specific sustainability risk filter, a sustainability questionnaire and a sustainability audit. In addition, the technical and financial capabilities of suppliers – especially those supplying for modular-based production – are continuously monitored during both the development and the production phases of the Group's vehicles. Particular attention is paid to the quality of parts. In order to attain the level of quality required, it may become necessary to invest in new technological concepts or discontinue planned innovations, with the consequence that the cost of materials could exceed levels incorporated in the forecast. Supplier sites are assessed for exposure to natural hazards, such as floods or earthquakes, in order to identify supply risks at an early stage and implement appropriate countermeasures. Fire risks at series suppliers are evaluated by means of questionnaires and selective site inspections. Raw materials management procedures are in place to mitigate the risk of a production interruption due to shortages of supplies of critical raw materials. In order to reduce supply risks, the BMW Group works hard to minimise the input of raw materials or to use alternative raw materials as a substitute. The increasingly complex nature of the supplier network, especially at the level of sub-suppliers, whose operations can only be indirectly influenced by the BMW Group, is a further potential cause of downtimes at supplier locations. Production problems incurred by suppliers could have adverse consequences for the BMW Group, ranging from increased expenditure to production interruptions and a corresponding reduction in sales volume.

If purchasing risks were to materialise, they could have a high negative earnings impact over the two-year assessment period. The level of risk attached to supply risk is classified as medium.

Purchasing opportunities

Global sourcing is seen as a key area for generating opportunities within the Purchasing and Supplier Network, whereby the BMW Group benefits from efficiency improvements and access to innovative solutions developed by suppliers, in some cases leading to a broader range of products.

By observing and playing a proactive role in developing global supplier markets, the BMW Group continuously strives to increase its competitiveness by working together with the best providers in the global marketplace for products and services. Opportunities arise particularly in conjunction with the introduction of new and innovative production technologies and by capitalising on favourable location-specific cost factors that present themselves when local supplier structures are developed nearby new and existing BMW Group production plants.

The integration of previously unidentified innovations from the supplier market in the product range is a further source of opportunities. Innovative suppliers are offered a variety of options when drawing up contracts, in order to make it more attractive for those developing innovative solutions. At regular intervals, the BMW Group honours its most inventive supplier entities with the Supplier Innovation Award.

The BMW Group does not expect these opportunities to have a material earnings impact over the two-year assessment period when compared to the assumptions made in the outlook.

Risks relating to sales and marketing

Changes in global economic conditions and increasingly protectionist trends are among the factors that could result in lower demand as well as fluctuations in the regional spread and composition of sales in terms of vehicles and mobility services. Risks relating to these developments can be reduced with the aid of flexible selling and production processes. At the same time, increased pressure on selling prices and margins caused by intense competition on the world's markets, particularly in western Europe, the USA and China, requires constant analysis, including keeping an eye on developments in grey market volumes from the USA to China. Selling price and margin risks are measured using a scenario approach, based on a bottom-up survey of the key sales markets and an analysis of historical data.

If sales and marketing risks were to materialise, they could have a high negative earnings impact over the two-year assessment period. The level of risk attached to sales and marketing risks is classified as high.

Opportunities relating to sales and marketing

The BMW Group focuses its selling capacities primarily on markets with the greatest sales volume and revenue potential and fastest growth rates. Developments in the field of digital communication and connectivity are also opening up opportunities for marketing the BMW Group's various brands. Consumers can meanwhile be reached on a more targeted and individual basis, thus helping to strengthen long-term relationships and brand loyalty. Investment in both existing and new marketing concepts is firmly aimed at intensifying relationships with customers. A new online sales platform was introduced in Great Britain, for example, which enables customers to select, finance and buy their vehicles online. There will be no relaxing of efforts in the active search for new opportunities to create even greater added value for customers than currently expected, whilst at the same time looking for ways to boost sales volumes and achieve better selling prices. The BMW Group keeps track of the latest developments and trends in communication technology, including the use of social media and networks, in order to extend customer reach for its brands. The automotive-related business activities of technology companies are also closely followed (e.g. automated driving). The BMW Group's brands are present on numerous platforms, such as Facebook, YouTube and Twitter. Digital communication can result in a more intense product and brand experience for customers, which could, in turn, have a positive impact on revenues and earnings.

The BMW Group considers that these opportunities will not have a material earnings impact over the two-year assessment period compared to the assumptions made in the outlook.

Risks and opportunities relating to pension obligations

The BMW Group's pension obligations to its employees resulting from defined benefit plans are measured on the basis of actuarial reports. Future pension payments are discounted by reference to market yields on high-quality corporate bonds. These yields are subject to market fluctuation and therefore influence the level of pension obligations. Changes in other parameters, such as rises in inflation and longer life expectancy, also impact pension obligations and payments. Opportunities and risks arise depending on the nature and scale of changes in these parameters.

Most of the BMW Group's pension obligations are managed in external pension funds or trust arrangements and the related assets are kept separate from those of the Group. The amount of funds required to finance pension payments out of operations in the future is therefore substantially reduced, since most of the Group's pension obligations are settled out of pension fund assets. The pension assets of the BMW Group comprise interest-bearing securities, equities, real estate and other investment classes. Assets held by pension funds and trust arrangements are monitored continuously and managed on a risk-and-yield basis. A broad spread of investments also helps to mitigate risk. In order to reduce fluctuations in pension funding shortfalls, investments are structured to coincide with the timing of pension payments and the expected pattern of pension obligations. Remeasurements on the obligations and fund asset sides are recognised, net of deferred taxes, in "Other comprehensive income" and hence directly in equity (within revenue reserves).

If risks relating to pension obligations were to materialise, they could have a high negative earnings impact over the two-year assessment period. The level of risk relating to pension obligations is classified as high.

Within a favourable capital market environment, the return generated by pension assets may exceed expectations and reduce the deficit of the relevant pension plans. This, in turn, could have a materially favourable impact on the net assets position and earnings performance of the BMW Group.

Further information on risks in conjunction with pension provisions is provided in note 35 of the Group Financial Statements.

Risks and opportunities relating to information, data protection and IT systems

Information technology (IT) is used to an increasing extent in every aspect of the business. In this context, the significance of electronically processed data and the availability of IT systems is constantly growing. These developments create opportunities on the one hand, whilst also posing a source of risk on the other.

Information, data protection and IT risks

The BMW Group could incur damage if the confidentiality or integrity of sensitive information, data and systems were to be compromised and/or availability restricted. One of the direct consequences of such an eventuality would be additional expense incurred to recover data and restore systems. Such eventualities could also possibly have a negative impact on operating performance due to the non-availability of products and services or even downtimes in the production of spare parts and/or vehicles. Indirectly, the BMW Group could also be exposed to unquantifiable reputational risks.

Risk management procedures include the systematic documentation of all informational and IT risks, regular monitoring, and the implementation of appropriate measures by the departments responsible. Technical data protection procedures include virus scanners, firewall systems, access authorisation controls at both operating system and application level, regular data backups and data encryption. Regular analyses and controls (for example the testing of data protection requirements) and rigorous security management ensure a high level of security.

The demands placed on IT facilities, both externally and internally, are changing at a breathtaking pace in the face of technological developments. Potential risks are therefore investigated continuously and appropriate measures put in place in order to either prevent them or minimise their impact. Despite regular testing and the whole gamut of preventative security measures employed, it is nevertheless impossible to rule out risks completely in this area.

Great emphasis is placed on protecting both business information and employee and customer data from unauthorised access and/or misuse. Data security based on International Security Standard ISO/IEC 27001 is an integral component in all business processes. Personal data is protected in accordance with the stringent requirements of the EU Data Protection Directive and the Federal Data Protection Act (Bundesdatenschutzgesetz – BDSG).

All employees are required to treat confidential information (such as customer and employee data) in an appropriate manner, ensure that information systems are properly used and that risks are handled with the utmost transparency. Uniform requirements, documented in a coordinated and comprehensive set of principles, guidelines and work instructions, are applicable groupwide. Regular communication and awareness-raising activities create a high degree of security and risk consciousness among the employees involved. Employees receive training to ensure compliance with the applicable requirements and in-house rules.

Responsibility for data protection in each Group entity lies with the Board of Management (of BMW AG) or the relevant company management team. Local Data Privacy Protection Officers are embedded in each of the Group's entities. In the case of cooperation arrangements and business partner relationships, the BMW Group protects its intellectual property as well as customer and employee data by stipulating clear instructions with regard to data protection and the use of information technology. Information pertaining to key areas of expertise as well as sensitive personal data are subject to particularly stringent security measures. In a clear signal to employees, customers and Europe's data protection authorities that data protection is taken very seriously, the Board of Management of BMW AG has resolved a set of Binding Corporate Rules governing the handling of employee data.

If information, data protection and IT risks were to materialise, they could have a medium earnings impact over the two-year assessment period. The levels of risk attached to information, data protection and IT risks are classified as medium.

Information, data protection and IT opportunities

Conversely, the deployment of information technology also opens up a great many opportunities for the BMW Group. New approaches to production and energy supply systems currently being investigated in the context of the Industrial Internet ("Industrie 4.0") are generating significant efficiency improvements and resulting in greater sustainability. The range of services and apps on offer to customers via Connected Drive is constantly being expanded and updated. The BMW 7 Series offers the comfort of partially automated driving functions with the optional Driving Assistant Plus feature. The purchase of a stake in HERE mapping service was an important step for the next generation of mobility and location-based services. For the automobile sector, it serves as the basis for a variety of new customer-oriented functions, ranging from innovative assistance systems through to fully automated driving.

The BMW Group does not expect these opportunities to have a material earnings impact over the two-year assessment period compared to the assumptions made in the outlook.

Financial risks and risks relating to the use of financial instruments

Currency risks and opportunities

As an internationally operating enterprise, the BMW Group conducts business in a variety of currencies, thus giving rise to currency risks and opportunities. Since a substantial portion of Group revenues is generated outside the eurozone (particularly in China and the USA) and the procurement of production material and funding is also organised on a worldwide basis, fluctuations in exchange rates can play a significant role for Group earnings. Cash-flow-at-risk models and scenario analyses are used to measure currency risks and opportunities. Operational currency management is based on the results provided by these tools. In 2015 the Chinese renminbi, the US dollar, the British pound, the Russian rouble and the Japanese yen constituted approximately 70 % of the total foreign currency exposure of the BMW Group.

The BMW Group manages currency risks at both strategic (medium and long term) and operating levels (short and medium term). Medium- and long-term measures include increasing production volumes in non-euro-region countries (natural hedging) and increasing purchase volumes denominated in foreign currencies. Constructing new plants in countries such as the USA, China or Brazil has also helped reduce foreign currency exposures. Currency risks are managed in the short to medium term and for operational purposes by means of hedging. Hedging transactions are entered into only with financial partners of good credit standing. Opportunities are also secured through the deployment of options. Counterparty risk management procedures are carried out continuously in order to monitor the creditworthiness of business partners.

If currency risks were to materialise, they could have a high earnings impact over the two-year assessment period. A high level of risk is attached to currency risks.

Significant opportunities can arise if currency developments are favourable for the BMW Group.

Risks and opportunities relating to raw materials

Changes in prices of raw materials are monitored on the basis of a set of well-defined management procedures. The principal objective of these management processes is to increase planning reliability for the BMW Group.

Price risks and opportunities relating to precious metals (platinum, palladium, rhodium) and non-ferrous metals (aluminium, copper, lead) and, to some extent, to steel and steel ingredients (iron ore, coke/coal) and energy (gas, electricity) are hedged using financial derivatives and/or supply contracts with fixed pricing arrangements.

If risks relating to raw materials were to materialise, they could have a medium earnings impact over the two-year assessment period. A high level of risk is attached to risks relating to raw materials.

Conversely, significant opportunities can arise if prices of raw materials develop favourably for the BMW Group.

Liquidity risks

Based on experience gained during the financial crisis, a minimum liquidity concept has been developed and is rigorously adhered to. Solvency is assured at all times throughout the BMW Group by maintaining a liquidity reserve and by the broad diversification of refinancing sources. The liquidity position is monitored continuously at a separate entity level and managed by means of a cash flow requirements and sourcing forecast system in place throughout the Group. Liquidity risks may be reflected in rising refinancing costs. They may also manifest themselves in restricted access to funds as a consequence of the general market situation or the default of individual banks. The major part of the Financial Services segment's credit financing and lease business is refinanced on capital markets. Thanks to its excellent creditworthiness, the BMW Group has good access to financial markets and, as in previous years, was able to raise funds at good conditions during the year under report, reflecting a diversified refinancing strategy and the solid liquidity and earnings base of the BMW Group. Internationally recognised rating agencies have additionally confirmed the BMW Group's strong creditworthiness.

If liquidity risks were to materialise, they could have a low earnings impact over the two-year assessment period. The risk of incurring liquidity risk is classified as low – including the risk of the BMW Group's rating being downgraded and any ensuing deterioration in financing conditions.

A description of the methods applied for risk measurement and hedging in conjunction with currency and commodity risks is provided in note 42 of the Group Financial Statements. If the relevant recognition criteria are fulfilled, derivatives used by the BMW Group as hedges are accounted for as hedging relationships. Further information on risks in conjunction with financial instruments is provided in note 42 to the Group Financial Statements.

Risks and opportunities relating to the Financial Services segment

The categories of risk relating to the provision of financial services are credit and counterparty risk, residual value risk, interest rate risk, liquidity risk and operational risk. In order to identify, measure, manage and monitor these risks, a variety of internal methods has been developed based on regulatory environment requirements (such as Basel III) and which comply with both national and international standards. The adopted risk strategy, in combination with a set of strategic principles and rules derived from regulatory requirements, serve as the basis for risk management within the Financial Services segment. At the heart of the risk management process is a clear division between front- and back-office activities and a comprehensive internal control system. The key risk management tool employed within the Financial Services segment is aimed at ensuring that the Group's risk-bearing capacity is not exceeded. In this context, all risks (defined as "unexpected losses") must be covered at all times by an appropriate asset cushion in the form of equity capital. Unexpected losses are measured using a variety of value-at-risk techniques that have been developed for each risk category. The appropriateness of these techniques is tested at regular intervals. Risks are aggregated after taking account of correlation effects. The total amount of risks calculated in this way is then compared with the so-called "risk coverage amount", i.e. the resources allocated to cover risks. The risk coverage amount is determined on the basis of the Financial Services segment's willingness to take risks. The segment's risk-bearing capacity is monitored continuously with the aid of an integrated limit system that also differentiates between the various risk categories. The segment's total risk exposure was covered at all times during the past year by the available risk-coverage volumes.

Credit and counterparty risks and opportunities

Credit and counterparty default risk arises within the Financial Services segment if a contractual partner (i.e. a customer or dealer) either becomes unable or only partially able to fulfil its contractual obligations, such that either lower income is generated or losses are incurred. The Financial Services segment uses a variety of rating systems in order to assess the creditworthiness of its contractual partners. Credit risks are managed at the time of the initial credit decision on the basis of a calculation of the present value of standard risk costs and subsequently, during the term of the credit, by using a range of risk provisioning techniques to cover risks emanating from changes in customer creditworthiness. In this context, individual customers are classified by category each month on the basis of their current contractual status, and appropriate levels of allowance recognised in accordance with that classification. If economies develop more favourably than assumed in the outlook, there is a chance that credit losses may be reduced and earnings improved accordingly.

If credit and counterparty risks were to materialise, they could have a medium earnings impact over the two-year assessment period. The level of risk attached to credit and counterparty risks is classified as high. The BMW Group classifies potential opportunities in this area as significant.

Residual value risks and opportunities

Risks and opportunities arise in conjunction with lease contracts if the market value of a leased vehicle at the end of the contractual term of a lease differs from the residual value estimated at the inception of the lease and factored into the lease payments.

A residual value risk exists if the expected market value of the vehicle at the end of the contractual term is lower than its estimated residual value at the date the contract is entered into. Each vehicle's estimated residual value is calculated on the basis of historical external and internal data and used to predict the expected market value of the vehicle at the end of the contractual period. As part of the process of managing residual value risks, a calculation is performed at the inception of each contract to determine the net present value of risk costs. Market developments are observed throughout the contractual period and the risk assessment updated appropriately.

If residual value risks were to materialise, they could have a high earnings impact over the two-year assessment period. A medium earnings impact would then arise for the segments affected (Financial Services and Automotive). The level of risk is classified as high for the Group as a whole.

The BMW Group classifies potential residual value opportunities as significant.

Interest rate risks and opportunities

Interest rate risks in the Financial Services segment relate to potential losses caused by changes in market interest rates and can arise when fixed interest rate periods for assets and liabilities recognised in the balance sheet do not match. Interest rate risks in the Financial Services line of business are managed by raising refinancing funds with matching maturities and by employing interest rate derivatives.

If risks relating to interest rate risks were to materialise, they could have a medium earnings impact over the two-year assessment period. The level of risk attached to interest rate risks is classified as high.

Interest rate developments that are positive compared to the forecast constitute interest rate opportunities which the BMW Group classifies as significant.

If the relevant recognition criteria are fulfilled, derivatives used by the BMW Group are accounted for as hedging relationships. Further information on risks in conjunction with financial instruments is provided in note 42 to the Group Financial Statements.

Liquidity and operational risks in the Financial Services segment

Use of the "matched funding principle" to finance the Financial Services segment's operations eliminates liquidity risks to a large extent. Regular measurement and monitoring ensure that cash inflows and outflows from transactions in varying maturity cycles and currencies offset each other. The relevant procedures are incorporated in the BMW Group's target liquidity concept. Operational risks are defined in the Financial Services segment as the risk of losses arising as a consequence of the inappropriateness or failure of internal procedures (process risks), people (personnel-related risks), systems (infrastructure and IT risks) and external events (external risks). These four categories of risk also include related legal and reputational risks. The comprehensive recording and measurement of risk scenarios, loss events and countermeasures in the Operational Risk Management Suite (OpRisk-Suite) provides the basis for a systematic analysis and management of potential and/or actual operational risks. Annual self-assessments are also carried out.

If operational risks were to materialise, they could have a low earnings impact over the two-year assessment period. The level of risk attached to operational risks is classified as medium.

Legal risks

Compliance with the law is a basic prerequisite for the success of the BMW Group. Current law provides the binding framework for the BMW Group's various business activities around the world. The growing international scale of the BMW Group's operations, the complexity of the business world and the whole gamut of complex legal regulations increase the risk of laws not being adhered to, simply because they are either not known or not fully understood.

The BMW Group has established a Compliance Organisation aimed at ensuring that its representative bodies, managers and staff act in a lawful manner at all times. Further information on the BMW Group's Compliance Organisation can be found in the section "Corporate Governance".

Like all internationally operating enterprises, the BMW Group is confronted with legal disputes relating, in particular, to warranty claims, product liability, infringements of protected rights and proceedings initiated by government agencies. Any of these matters could, among other outcomes, have an adverse impact on the Group's reputation. Such proceedings are typical for the sector and can arise as a consequence of realigning product or purchasing strategies to suit changed market conditions. Particularly in the US market, class action lawsuits and product liability risks can have substantial financial consequences and cause damage to the Group's public image. The high quality of the Group's products, which is ensured by regular quality audits and ongoing improvement measures, helps reduce this risk.

The BMW Group recognises appropriate levels of provision for lawsuits. A part of these risks, particularly regarding the US market, is insured where this makes business sense. The application of more rigorous consumer regulations or the stricter interpretation of existing regulations could result in a greater number of recalls. Some risks, however, either cannot be estimated or only to a limited extent. In other cases, the incurrence of expenses or losses may only be considered possible, but not probable. Such items are reported as contingent liabilities. It cannot be ruled out, however, that losses from damages could arise that are either not covered or not fully covered by insurance policies or provisions, or which are only reported as contingent liabilities. In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), the required information is not provided if the BMW Group concludes that disclosure of the information could seriously prejudice the outcome of the relevant legal proceedings. Further information on contingent liabilities is provided in note 41 to the Group Financial Statements.

If legal risks were to materialise, they could have a low earnings impact over the two-year assessment period. The level of risk attached to legal risks is classified as low. However, it cannot be ruled out that new legal risks, as yet unidentified, could materialise that could have a high impact on the BMW Group's results of operations and financial condition.

Overall assessment of the risk and opportunities situation

The overall risk assessment is based on a consolidated view of all significant individual risks and opportunities. In terms of strategic and sector-specific risks, the BMW Group has identified a higher level of risk, particularly in connection with the trend towards stricter statutory regulations. Operational risks on the purchasing side are decreasing, thanks to the successful implementation of cost-cutting measures. The level of risk attached to the category "Risks relating to the Financial Services segment" has increased as a result of the growing size of the portfolio. In view of these changes, the overall risk situation for the BMW Group has increased compared to the previous year.

In addition to the risk categories described above, unforeseeable events could possibly have a negative impact on the BMW Group's results of operations, financial position and net assets, as well as on its reputation. A comprehensive risk management system is in place to ensure that the BMW Group successfully manages risks to the greatest extent possible. In addition, the opportunities described above could potentially help the BMW Group to achieve its targets and forecasts.

From today's perspective, management does not see any threat to the BMW Group's going-concern status. As in the previous year, identified risks are considered to be manageable, but could – just like opportunities – have an impact on the BMW Group's forecasts if they were to materialise. The BMW Group's liquidity is stable and all cash requirements are currently covered by available funds and accessible credit lines.

Internal Control System* and Risk Management System Relevant for the Financial Reporting Process

The internal control system in place throughout the BMW Group is aimed at ensuring the effectiveness of operations. It makes an important contribution towards ensuring compliance with the laws that apply to the BMW Group as well as providing assurance on the propriety and reliability of internal and external financial reporting. The internal control system is therefore a significant factor in the management of process risks. The principal features of the internal control system and the risk management system, as far as they relate to individual entity and Group financial reporting processes, are described below.

Information and communication

One component of the internal control system is that of "Information and Communication". It ensures that all the information needed to achieve the objectives set for the internal control system is made available to those responsible in an appropriate and timely manner. Information relevant for the various financial reporting processes – at BMW AG, other consolidated Group entities and for the BMW Group as a whole – is set out primarily in organisational manuals, internal and external financial reporting guidelines, accounting manuals and training documentation. This information, which can be accessed at all levels via the BMW Group's intranet system, provide the framework for ensuring that the relevant rules are applied consistently throughout the Group. The quality and relevance of these instructions are ensured by regular review as well as by continuous communication between the relevant departments.

Organisational measures

All financial reporting processes (including Group financial reporting processes) are structured in organisational terms in accordance with the principle of segregation of duties, thus making an important contribution to the early identification of errors and the prevention of potential wrongdoing. Regular comparison of internal forecasts and external financial reports, for example, improves the quality of financial reporting. Moreover, the internal audit department, in its capacity as a process-independent function, tests and assesses the effectiveness of the internal control system and proposes improvements where appropriate.

Controls

Extensive controls are carried out by managers and staff in all financial reporting processes at an individual entity and Group level, thus ensuring that legal requirements and internal guidelines are complied with and that all business transactions are properly executed. Controls are also carried out with the aid of IT applications, thus reducing the incidence of process risks. Moreover, the performance of controls on accounts deemed to be exposed to risk are subject to additional monitoring.

IT authorisations

All IT applications used in financial reporting processes throughout the BMW Group are subject to access restrictions, allowing only authorised persons to gain access to systems and data in a controlled environment. Access authorisations are allocated on the basis of the nature of the duties to be performed. In addition, IT processes are designed and authorisations allocated using the dual control principle, as a result of which, for instance, requests cannot be submitted and approved by the same person. Technical monitoring procedures are also in place to ensure appropriate authorisation security throughout all IT systems.

Internal control training for employees

All employees are appropriately trained to carry out their duties and kept informed of any changes in regulations or processes that affect them. Managers and staff also have access to detailed best-practice descriptions relating to risks and controls in the various processes, thus increasing risk awareness at all levels. As a consequence, the internal control system can be evaluated regularly and further improved as necessary. Employees can, at any time and independently, deepen their understanding of control methods and design using an information platform that is accessible throughout the entire Group.

Evaluating the effectiveness of the internal control system

Responsibilities for ensuring the effectiveness of the internal control system in relation to individual entity

* Disclosures pursuant to § 289 (5) HGB and § 315 (2) no. 5 HGB.

and Group financial reporting processes are clearly defined and allocated to the relevant managers and are subject to internal audits (e.g. management self-audits, internal audit department findings). Data analysis tools are also employed to identify risks relating to business transactions. Continuous revision and further development ensures the effectiveness of the internal control system. Group entities are required to confirm regularly as part of their reporting duties that the internal control system is functioning properly. Effective measures are implemented whenever weaknesses are identified and reported.

Disclosures Relevant for Takeovers[1] and Explanatory Comments

Composition of subscribed capital

The subscribed capital (share capital) of BMW AG amounted to €656,804,600 (2014: €656,494,740) at 31 December 2015 and, in accordance with Article 4 no. 1 of the Articles of Incorporation, is sub-divided into 601,995,196 shares of common stock (91.66 %) (2014: 601,995,196; 91.70 %) each with a par value of €1, and 54,809,404 (8.34 %) (2014: 54,499,544; 8.30 %) shares of non-voting preferred stock, each with a par value of €1. The Company's shares are issued to bearer.

The rights and duties of shareholders derive from the German Stock Corporation Act (AktG) in conjunction with the Company's Articles of Incorporation, the full text of which is available at www.bmwgroup.com. The right of shareholders to have their shares evidenced is excluded in accordance with the Articles of Incorporation. The voting power attached to each share corresponds to its par value. Each €1 of par value of share capital represented in a vote entitles the holder to one vote (Article 18 no. 1 of the Articles of Incorporation).

The Company's shares of preferred stock are shares within the meaning of § 139 et seq. AktG, which carry a cumulative preferential right in terms of the allocation of profit and for which voting rights are normally excluded. These shares only confer voting rights in exceptional cases stipulated by law, in particular when the preference amount has not been paid or has not been fully paid in one year and the arrears are not paid in the subsequent year alongside the full preference amount due for that year. With the exception of voting rights, holders of shares of preferred stock are entitled to the same rights as holders of shares of common stock. Article 24 of the Articles of Incorporation confers preferential treatment to the non-voting shares of preferred stock with regard to the appropriation of the Company's unappropriated profit. Accordingly, the unappropriated profit is required to be appropriated in the following order:

(a) subsequent payment of any arrears on dividends on non-voting preferred shares in the order of accruement,
(b) payment of an additional dividend of €0.02 per €1 par value on non-voting preferred shares and
(c) uniform payment of any other dividends on shares on common and preferred stock, provided the shareholders do not resolve otherwise at the Annual General Meeting.

Restrictions on voting rights or the transfer of shares

As well as shares of common stock, the Company has also issued non-voting shares of preferred stock. Further information relating to this can be found above in the section "Composition of subscribed capital".

When the Company issues non-voting shares of preferred stock to employees in conjunction with its Employee Share Programme, these shares are subject as a general rule to a company-imposed vesting period of four years, measured from the beginning of the calendar year in which the shares are issued.

Contractual holding period arrangements also apply to shares of common stock required to be acquired by Board of Management members and certain senior department heads in conjunction with the share-based remuneration programmes (Compensation Report of the Corporate Governance section; note 19 to the Group Financial Statements).

Direct or indirect investments in capital exceeding 10 % of voting rights

Based on the information available to the Company, the following direct or indirect holdings exceeding 10 % of the voting rights at the end of the reporting period were held at the date stated[2]:

	Direct share of voting rights (%)	Indirect share of voting rights (%)
Stefan Quandt, Germany	0.2	33.8[3,4]
Susanne Klatten, Germany	0.2	28.9[3,5]
AQTON SE, Bad Homburg v. d. Höhe, Germany	17.4	
Johanna Quandt GmbH, Bad Homburg v. d. Höhe, Germany		16.4[6]
Johanna Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe, Germany	16.4	
Susanne Klatten Beteiligungs GmbH, Bad Homburg v. d. Höhe, Germany	12.6	

[1] Disclosures pursuant to § 289 (4) HGB and § 315 (4) HGB.
[2] Based on voluntary notifications provided by the listed shareholders as at 31 December 2015.
[3] Voting rights held indirectly by the joint heirs of the Johanna Quandt estate are attributed in full in both cases to Stefan Quandt and Susanne Klatten.
[4] Controlled entities, of which 3 % or more are attributed: Johanna Quandt GmbH, Johanna Quandt GmbH & Co. KG für Automobilwerte, AQTON SE.
[5] Controlled entities, of which 3 % or more are attributed: Johanna Quandt GmbH, Johanna Quandt GmbH, Johanna Quandt GmbH & Co. KG für Automobilwerte, Susanne Klatten Beteiligungs GmbH.
[6] Controlled entities, of which 3 % or more are attributed: Johanna Quandt GmbH & Co. KG für Automobilwerte.

The voting power percentages disclosed above may have changed subsequent to the stated date if these changes were not required to be reported to the Company. Due to the fact that the Company's shares are issued to bearer, the Company is generally only aware of changes in shareholdings if such changes are subject to mandatory notification rules.

Shares with special rights which confer control rights
There are no shares with special rights which confer control rights.

System of control over voting rights when employees participate in capital and do not exercise their control rights directly
Like all other shareholders, employees exercise their control rights pertaining to shares they have acquired in conjunction with the Employee Share Programme and/or the share-based remuneration programme directly on the basis of relevant legal provisions and the Company's Articles of Incorporation.

Statutory regulations and Articles of Incorporation provisions with regard to the appointment and removal of members of the Board of Management and changes to the Articles of Incorporation
The appointment or removal of members of the Board of Management is based on the rules contained in § 84 et seq. AktG in conjunction with § 31 of the German Co-Determination Act (MitbestG).

Amendments to the Articles of Incorporation must comply with § 179 et seq. AktG. All amendments must be decided upon by the shareholders at the Annual General Meeting (§ 119 (1) no. 5, § 179 (1) AktG). The Supervisory Board is authorised to approve amendments to the Articles of Incorporation which only affect its wording (Article 14 no. 3 of the Articles of Incorporation). Resolutions are passed at the Annual General Meeting by simple majority of shares unless otherwise explicitly required by binding provisions of law or, when a majority of share capital is required, by simple majority of shares represented in the vote (Article 20 no.1 of the Articles of Incorporation).

Authorisations given to the Board of Management in particular with respect to the issuing or buying back of shares
The Board of Management is authorised to buy back shares and sell repurchased shares in situations specified in § 71 AktG, e.g. to avert serious and imminent damage to the Company and/or to offer shares to persons employed or previously employed by BMW AG or one of its affiliated companies.

In accordance with the resolution passed at the Annual General Meeting on 15 May 2014, the Board of Management is also authorised – up to 14 May 2019 – to acquire shares of non-voting preferred stock of the Company via the stock exchange, up to a maximum of 1 % of the share capital existing at the date of the resolution. The consideration paid by the Company per share of non-voting preferred stock (excluding transaction costs) may not be more than 10 % above or below the market price determined by the opening auction on the date of trading of the stock in the Xetra trading system (or a successor system having a comparable function). Moreover, the Board of Management is authorised to use the acquired Company's own shares of non-voting preferred stock for all legally admissible purposes, specifically including the right to offer and transfer shares to persons employed by the Company or one of its affiliated companies up to a proportionate amount of €5 million of share capital. The subscription rights of existing shareholders to the new shares of preferred stock used for the purpose stated above are excluded. The authorisations may also be exercised in parts on more than one occasion.

In accordance with § 4 no. 5 of the Articles of Incorporation, the Board of Management is authorised – with the approval of the Supervisory Board – to increase BMW AG's share capital during the period until 14 May 2019 by up to €4,450,383 for the purposes of an Employee Share Programme by issuing new non-voting shares of preferred stock, which carry the same rights as existing non-voting preferred stock, in return for cash contributions (Authorised Capital 2014). Existing shareholders may not subscribe to the new shares. No conditional capital is in place at the reporting date.

Significant agreements entered into by the Company subject to control change clauses in the event of a takeover bid
The BMW AG is party to the following major agreements which contain provisions for the event of a change in control or the acquisition of control as a result of a takeover bid:
- An agreement concluded with an international consortium of banks relating to a syndicated credit line

(which was not being utilised at the balance sheet date) entitles the lending banks to give extraordinary notice to terminate the credit line (such that all outstanding amounts, including interest, would fall due immediately) if one or more parties jointly acquire direct or indirect control of BMW AG. The term "control" is defined as the acquisition of more than 50 % of the share capital of BMW AG, the right to receive more than 50 % of the dividend or the right to direct the affairs of the Company or appoint the majority of members of the Supervisory Board.
- A cooperation agreement concluded with Peugeot SA relating to the joint development and production of a new family of small (1 to 1.6 litre) petrol-driven engines entitles each of the cooperation partners to give extraordinary notification of termination in the event of a competitor acquiring control over the other contractual party and if any concerns of the other contractual party concerning the impact of the change of control on the cooperation arrangements are not allayed during the subsequent discussion process.
- BMW AG acts as guarantor for all obligations arising from the joint venture agreement relating to BMW Brilliance Automotive Ltd. in China. This agreement grants an extraordinary right of termination to either joint venture partner in the event that, either directly or indirectly, more than 25 % of the shares of the other party are acquired by a third party or the other party is merged with another legal entity. The termination of the joint venture agreement may result in the sale of the shares to the other joint venture partner or in the liquidation of the joint venture entity.
- Framework agreements are in place with financial institutions and banks (ISDA Master Agreements) with respect to trading activities with derivative financial instruments. Each of these agreements includes an extraordinary right of termination which triggers the immediate settlement of all current transactions in the event that the creditworthiness of the party involved is materially weaker following a direct or indirect acquisition of beneficially owned equity capital which confers the power to elect a majority of the Supervisory Board of a contractual party or any other ownership interest that enables the acquirer to exercise control over a contractual party or which constitutes a merger or a transfer of net assets.
- Financing agreements in place with the European Investment Bank (EIB) entitle the EIB to request early repayment of the loan in the event of an imminent or actual change in control at the level of BMW AG (partially in the capacity of guarantor and partially in the capacity of borrower), if the EIB has reason to assume – after the change in control has taken place or 30 days after it has made a request to discuss the situation – that the change in control could have a significantly adverse impact or if the borrower refuses to hold any such discussions. A change in control of BMW AG arises if one or more individuals take over or lose control of BMW AG, with control being defined in the above-mentioned financing agreements as (i) holding or having control over more than 50 % of the voting rights, (ii) the right to stipulate the majority of the members of the Board of Management or Supervisory Board, (iii) the right to receive more than 50 % of dividends payable or (iv) any other comparable controlling influence over BMW AG.
- BMW AG is party to an agreement with SGL Carbon SE, Wiesbaden, relating to the joint operations SGL Automotive Carbon Fibers LLC, Delaware, USA and SGL Automotive Carbon Fibers GmbH & Co. KG, Munich. The agreement includes call and put rights in case – either directly or indirectly – 50 % or more of the voting rights relating to the relevant other shareholder of the joint operations are acquired by a third party, or if 25 % of such voting rights have been acquired by a third party if that third party is a competitor of the party that has not been affected by the acquisition of the voting rights. In the event of such acquisitions of voting rights by a third party, the non-affected shareholder has the right to purchase the shares of the joint operations from the affected shareholder or to require the affected party to acquire the other shareholder's shares.
- The framework cooperation agreement entered into by BMW AG and Sixt SE (as well as other BMW and Sixt entities), relating to the foundation and operation of the car sharing joint venture DriveNow, may be terminated by Sixt SE if a car hire company acquires more than 50 % of the shares of common stock of BMW AG. In the event of such a termination, Sixt SE may, at its own discretion, stipulate the sale of BMW's interest in the joint venture to Sixt SE or the purchase of Sixt's interest in the joint venture by BMW AG or one its subsidiaries.
- An engine supply agreement between BMW AG and Toyota Motor Europe SA relating to the sale of diesel engines entitles each of the contractual parties to give extraordinary notification of termination in the event that one of the contractual parties merges with another company or is taken over by another company.

– In accordance with the agreement between BMW AG, Daimler AG and AUDI AG pertaining to the acquisition of entities of the HERE Group and the related foundation of There Holding B.V., each contractual party is required to offer its shares in There Holding B.V. for sale to the other shareholders in the event of a change in control. If neither of the other two parties acquire these shares, these other parties are entitled to resolve that There Holding B.V. be dissolved.

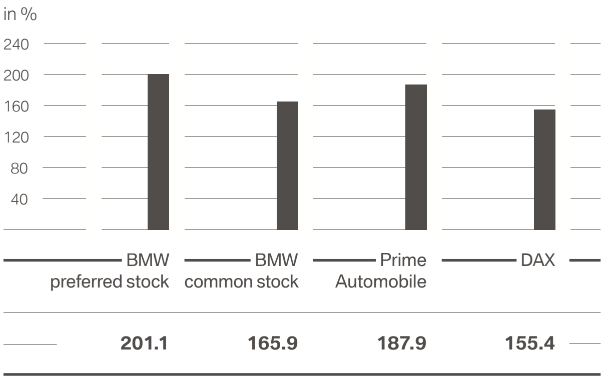
Compensation agreements with members of the Board of Management or with employees in the event of a takeover bid

The BMW Group has not concluded any compensation agreements with members of the Board of Management or with employees for situations involving a takeover offer.

BMW shares of common stock climbed to a new record high of €122.60 during 2015. The BMW Group continues to have the best ratings in the European automobile sector, enabling it to benefit from excellent access to international capital markets.

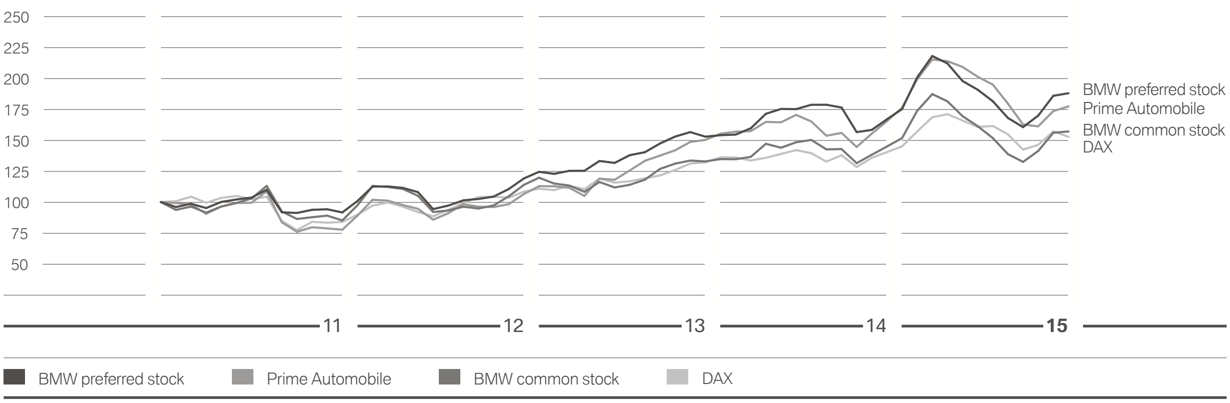
Volatile stock markets in 2015
The 2015 stock market year was influenced by the slowdown of the Chinese economy, the weakness of the euro against the US dollar and the depreciation in value of the Chinese renminbi. The Greek debt crisis and the monetary policies pursued by the US Federal Reserve Bank were sources of additional uncertainty for investors. Even the bond-buying programme put in place by the ECB in the first quarter, initially lauded by capital markets, was unable to fully counteract the negative consequences of these events. However, thanks to the improved mood towards the year-end, most stock markets recorded a gain for the twelve-month period.

Development of BMW stock compared to stock exchange indices since 30 December 2010



At the beginning of 2015, the ECB's expansionary monetary policies prompted an upturn in Europe's capital markets. The loss in value of the euro against the US dollar provided a boost for European exports and contributed to a more amenable stock market climate. This initial momentum was overshadowed in the second quarter by the renewed flare-up of the debt crisis in Greece, news of China's faltering economy, and the Ukraine crisis. The Chinese government revised down its growth forecast for the domestic economy for 2015 from 7.5 % to 7.0 %. The Greek sovereign debt crisis took another turn for the worse in June, putting a further dampener on sentiment among investors. The financial situation in Greece eased in the third quarter, following the authorisation of a further rescue package. However, the Chinese government's announcement of its intention to devalue the renminbi triggered further shock waves on the world's capital markets. Moreover, news of the manipulation of competitors' diesel and petrol engines at the end of the third quarter had a negative effect on investor sentiment with respect to the automobile industry as a whole. The general mood on stock markets proceeded to turn yet again during the final three months of the year. The ECB's announcement that it is was considering expanding the scale of cheap money within the euro region and the news of a renewed reduction in the reference interest rate by the Chinese government fuelled the hopes of investors that the global economy could pick up. As a consequence, the DAX and the EURO STOXX 50 finished the year with a tangible gain, despite the losses arising in the interim period.

Development of BMW stock compared to stock exchange indices
(Index: December 2010 = 100)



Against this background, the DAX reached a new all-time high of 12,375 points in April. The slowdown of the Chinese economy and the debate regarding the manipulation of exhaust emissions of competitors had a strong negative subsequent influence on the index. The low for the year of 9,428 points was recorded in September. Following an upturn in the market environment, the DAX finished the year at 10,743 points, up 9.6 % for the twelve-month period.

The EURO STOXX 50 recorded a gain of 3.9 % in 2015, closing at 3,268 points on 31 December.

The Prime Automobile Index performed even better, gaining 7.1 % over the year under report to reach 1,596 points.

In March, BMW common stock climbed initially to reach a new high of €122.60. After falling back to a low for the year of €75.68 in September, it regained momentum in the fourth quarter, finishing the year at €97.63, 8.8 % higher than at the end of 2014. BMW preferred stock gained 14.1 % in value compared to its closing price at the end of the previous year. At the end of the stock market year it stood at €77.41 after recording a new all-time high of €92.19 in March.

With a market capitalisation of approximately €63 billion, the BMW Group was among the ten most valuable German enterprises listed on the stock market at the end of 2015.

Employee Share Programme

BMW AG has enabled its employees to participate in its success for more than 40 years. Since 1989, this participation has taken the form of an Employee Share Programme. A total of 309,944 shares of preferred stock were issued to employees as part of this programme in 2015.

BMW stock

	2015	2014	2013	2012	2011
Common stock					
Number of shares in 1,000	**601,995**	601,995	601,995	601,995	601,995
Stock exchange price in €[1]					
Year-end closing price	**97.63**	89.77	85.22	72.93	51.76
High	**122.60**	95.51	85.42	73.76	73.52
Low	**75.68**	77.41	63.93	53.16	45.04
Preferred stock					
Number of shares in 1,000	**54,809**	54,500	54,260	53,994	53,571
Stock exchange price in €[1]					
Year-end closing price	**77.41**	67.84	62.09	48.76	36.55
High	**92.19**	74.60	64.65	49.23	45.98
Low	**58.96**	59.08	48.69	35.70	32.01
Key data per share in €					
Dividend					
Common stock	**3.20**[2]	2.90	2.60	2.50	2.30
Preferred stock	**3.22**[2]	2.92	2.62	2.52	2.32
Earnings per share of common stock[3]	**9.70**	8.83	8.08	7.77	7.45
Earnings per share of preferred stock[4]	**9.72**	8.85	8.10	7.79	7.47
Operating cash flow Automotive segment	**18.02**	14.35	15.19	13.98	12.38
Equity	**65.03**	57.03	54.25	46.66	41.34

[1] Xetra closing prices.
[2] Proposed by management.
[3] Annual average weighted amount.
[4] Stock weighted according to dividend entitlements.

In this context, and with the approval of the Supervisory Board, the Board of Management increased BMW AG's share capital by €309,860 from €656,494,740 to €656,804,600 by issuing 309,860 new non-voting shares of preferred stock. The increase was executed on the basis of Authorised Capital 2014 in Article 4 (5) of the Articles of Incorporation. The new shares of preferred stock carry the same rights as existing shares of preferred stock and were issued to enable employees to obtain an equity participation in the Company. In addition, 84 shares of preferred stock were bought back via the stock market in order to service the Employee Share Programme.

Proposed dividend increase
Reflecting the good earnings performance, the Board of Management and the Supervisory Board will propose to the Annual General Meeting to use BMW AG's unappropriated profit of €2,102 million (2014: €1,904 million) to pay a dividend of €3.20 for each share of common stock (2014: €2.90) and a dividend of €3.22 for each share of preferred stock (2014: €2.92), a distribution rate of 32.9 % for 2015 (2014: 32.7 %).

Ratings remain at top level
The BMW Group continues to have the best ratings in the European automobile sector. Since December 2013, BMW AG has had a long-term rating of A+ (stable outlook) and a short-term rating of A-1 from the rating agency Standard & Poor's, currently the highest rating given by Standard & Poor's to a European car manufacturer.

On 24 March 2015, Moody's raised the outlook for BMW AG's rating from "stable" to "positive". At the same time, it confirmed BMW AG's long-term rating (A2) and its short-term rating (P-1), both of which represent the best ratings currently awarded in the European automobile sector.

The rating assessments underline the BMW Group's robust financial condition and excellent creditworthiness. Thanks to these attributes, the Group not only has good access to international capital markets, it also benefits from attractive refinancing conditions, which are particularly helpful for the BMW Group's financial services business.

Intensive communication with capital markets
The BMW Group continued to keep analysts, investors and rating agencies up to date throughout 2015 with regular quarterly and year-end financial reports. As in previous years, numerous one-to-one discussions, group discussions and dedicated Socially Responsible Investment (SRI) roadshows were held for investors wishing to incorporate sustainability criteria in their investment decisions. This comprehensive communication with relevant capital market participants was supplemented by debt roadshows for capital debt investors and credit analysts. Communication focused primarily on developments on the Chinese market, digitalisation and other technological trends in the automobile industry, and the relevance of alternative drive systems. Events organised during the year included a Capital Markets Day for analysts and investors at the BMW Group's Spartanburg plant in the USA.

BMW Group
Income Statements for Group and Segments
Statement of Comprehensive Income for Group

Income Statements for Group and Segments

in € million

	Note	Group		Automotive (unaudited supplementary information)	
		2015	2014	**2015**	2014
Revenues	9	**92,175**	80,401	**85,536**	75,173
Cost of sales	10	**–74,043**	–63,396	**–70,399**	–61,221
Gross profit		**18,132**	**17,005**	**15,137**	**13,952**
Selling and administrative expenses	11	**–8,633**	–7,892	**–7,219**	–6,645
Other operating income	12	**914**	877	**689**	749
Other operating expenses	12	**–820**	–872	**–771**	–812
Profit/loss before financial result		**9,593**	**9,118**	**7,836**	**7,244**
Result from equity accounted investments	13	**518**	655	**518**	655
Interest and similar income	14	**185**	200	**327**	331
Interest and similar expenses	14	**–618**	–519	**–762**	–620
Other financial result	15	**–454**	–747	**–396**	–724
Financial result		**–369**	**–411**	**–313**	**–358**
Profit/loss before tax		**9,224**	**8,707**	**7,523**	**6,886**
Income taxes	16	**–2,828**	–2,890	**–2,376**	–2,365
Net profit/loss		**6,396**	**5,817**	**5,147**	**4,521**
Attributable to minority interest	34	**27**	19	**5**	7
Attributable to shareholders of BMW AG	34	**6,369**	**5,798**	**5,142**	**4,514**
Basic earnings per share of common stock in €	17	**9.70**	8.83		
Basic earnings per share of preferred stock in €	17	**9.72**	8.85		
Dilutive effects		**–**	–		
Diluted earnings per share of common stock in €	17	**9.70**	8.83		
Diluted earnings per share of preferred stock in €	17	**9.72**	8.85		

Statement of Comprehensive Income for Group

in € million

	Note	**2015**	2014
Net profit		**6,396**	**5,817**
Remeasurement of the net defined benefit liability for pension plans	35	**1,413**	–2,298
Deferred taxes		**–401**	706
Items not expected to be reclassified to the income statement in the future		**1,012**	**–1,592**
Available-for-sale securities		**–170**	40
Financial instruments used for hedging purposes		**–1,301**	–2,194
Other comprehensive income from equity accounted investments		**71**	–48
Deferred taxes		**516**	732
Currency translation foreign operations		**765**	764
Items expected to be reclassified to the income statement in the future		**–119**	**–706**
Other comprehensive income for the period after tax	20	**893**	**–2,298**
Total comprehensive income		**7,289**	**3,519**
Total comprehensive income attributable to minority interests		**27**	19
Total comprehensive income attributable to shareholders of BMW AG	34	**7,262**	**3,500**

Motorcycles (unaudited supplementary information)		Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	
1,990	1,679	**23,739**	20,599	**7**	7	**–19,097**	–17,057	Revenues
–1,542	–1,365	**–20,586**	–17,783	**–**	–	**18,484**	16,973	Cost of sales
448	**314**	**3,153**	**2,816**	**7**	**7**	**–613**	**–84**	**Gross profit**
–239	–201	**–1,164**	–1,035	**–30**	–28	**19**	17	Selling and administrative expenses
–	–	**46**	73	**238**	136	**–59**	–81	Other operating income
–27	–1	**–54**	–98	**–46**	–44	**78**	83	Other operating expenses
182	**112**	**1,981**	**1,756**	**169**	**71**	**–575**	**–65**	**Profit/loss before financial result**
–	–	**–**	–	**–**	–	**–**	–	Result from equity accounted investments
–	–	**4**	4	**1,177**	1,295	**–1,323**	–1,430	Interest and similar income
–3	–5	**–7**	–29	**–1,080**	–1,197	**1,234**	1,332	Interest and similar expenses
–	–	**–3**	–8	**–55**	–15	**–**	–	Other financial result
–3	**–5**	**–6**	**–33**	**42**	**83**	**–89**	**–98**	Financial result
179	**107**	**1,975**	**1,723**	**211**	**154**	**–664**	**–163**	**Profit/loss before tax**
–55	–34	**–528**	–525	**–73**	–49	**204**	83	Income taxes
124	**73**	**1,447**	**1,198**	**138**	**105**	**–460**	**–80**	**Net profit/loss**
–	–	**21**	11	**1**	1	**–**	–	Attributable to minority interest
124	**73**	**1,426**	**1,187**	**137**	**104**	**–460**	**–80**	**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

Assets

in € million	Note	Group 2015	Group 2014	Automotive (unaudited supplementary information) 2015	Automotive (unaudited supplementary information) 2014
Intangible assets	22	**7,372**	6,499	**6,899**	5,999
Property, plant and equipment	23	**17,759**	17,182	**17,416**	16,863
Leased products	24	**34,965**	30,165	**–**	3
Investments accounted for using the equity method	25	**2,233**	1,088	**2,233**	1,088
Other investments	26	**428**	408	**5,147**	5,110
Receivables from sales financing	27	**41,865**	37,438	**–**	–
Financial assets	28	**2,208**	2,024	**586**	447
Deferred tax	16	**1,945**	2,061	**4,114**	3,253
Other assets	30	**1,568**	1,094	**3,935**	3,662
Non-current assets		**110,343**	**97,959**	**40,330**	**36,425**
Inventories	31	**11,071**	11,089	**10,611**	10,698
Trade receivables	32	**2,751**	2,153	**2,453**	1,887
Receivables from sales financing	27	**28,178**	23,586	**–**	–
Financial assets	28	**6,635**	5,384	**4,859**	3,952
Current tax	29	**2,381**	1,906	**1,240**	1,186
Other assets	30	**4,693**	5,038	**19,907**	19,231
Cash and cash equivalents	33	**6,122**	7,688	**3,952**	5,752
Current assets		**61,831**	**56,844**	**43,022**	**42,706**
Total assets		**172,174**	**154,803**	**83,352**	**79,131**

Equity and liabilities

in € million	Note	Group 2015	Group 2014	Automotive (unaudited supplementary information) 2015	Automotive (unaudited supplementary information) 2014
Subscribed capital	34	**657**	656		
Capital reserves	34	**2,027**	2,005		
Revenue reserves	34	**41,027**	35,621		
Accumulated other equity	34	**–1,181**	–1,062		
Equity attributable to shareholders of BMW AG	34	**42,530**	37,220		
Minority interest	34	**234**	217		
Equity		**42,764**	**37,437**	**33,460**	**31,045**
Pension provisions	35	**3,000**	4,604	**1,770**	2,741
Other provisions	36	**4,621**	4,268	**4,141**	3,777
Deferred tax	16	**2,116**	1,974	**429**	421
Financial liabilities	38	**49,523**	43,167	**2,621**	1,933
Other liabilities	39	**4,559**	4,275	**5,545**	5,445
Non-current provisions and liabilities		**63,819**	**58,288**	**14,506**	**14,317**
Other provisions	36	**5,009**	4,522	**4,398**	3,746
Current tax	37	**1,441**	1,590	**810**	1,050
Financial liabilities	38	**42,160**	37,482	**3,211**	3,250
Trade payables	40	**7,773**	7,709	**6,856**	6,929
Other liabilities	39	**9,208**	7,775	**20,111**	18,794
Current provisions and liabilities		**65,591**	**59,078**	**35,386**	**33,769**
Total equity and liabilities		**172,174**	**154,803**	**83,352**	**79,131**

Assets

Assets	Motorcycles (unaudited supplementary information) 2015	Motorcycles 2014	Financial Services (unaudited supplementary information) 2015	Financial Services 2014	Other Entities (unaudited supplementary information) 2015	Other Entities 2014	Eliminations (unaudited supplementary information) 2015	Eliminations 2014
Intangible assets	**48**	54	**424**	445	**1**	1	**–**	–
Property, plant and equipment	**313**	285	**30**	34	**–**	–	**–**	–
Leased products	**–**	–	**41,148**	35,366	**–**	–	**–6,183**	–5,204
Investments accounted for using the equity method	**–**	–	**–**	–	**–**	–	**–**	–
Other investments	**–**	–	**2**	6	**5,966**	5,808	**–10,687**	–10,516
Receivables from sales financing	**–**	–	**41,865**	37,438	**–**	–	**–**	–
Financial assets	**–**	–	**236**	210	**1,985**	1,751	**–599**	–384
Deferred tax	**–**	–	**222**	287	**205**	367	**–2,596**	–1,846
Other assets	**25**	20	**2,469**	1,913	**22,268**	21,895	**–27,129**	–26,396
Non-current assets	**386**	**359**	**86,396**	**75,699**	**30,425**	**29,822**	**–47,194**	**–44,346**
Inventories	**453**	383	**7**	8	**–**	–	**–**	–
Trade receivables	**139**	128	**158**	137	**1**	1	**–**	–
Receivables from sales financing	**–**	–	**28,178**	23,586	**–**	–	**–**	–
Financial assets	**–**	–	**1,354**	1,048	**1,121**	898	**–699**	–514
Current tax	**–**	–	**37**	102	**1,104**	618	**–**	–
Other assets	**–**	–	**4,540**	3,953	**45,379**	36,682	**–65,133**	–54,828
Cash and cash equivalents	**–**	–	**1,359**	1,783	**811**	153	**–**	–
Current assets	**592**	**511**	**35,633**	**30,617**	**48,416**	**38,352**	**–65,832**	**–55,342**
Total assets	**978**	**870**	**122,029**	**106,316**	**78,841**	**68,174**	**–113,026**	**–99,688**

Equity and liabilities

Equity and liabilities	Motorcycles (unaudited supplementary information) 2015	Motorcycles 2014	Financial Services (unaudited supplementary information) 2015	Financial Services 2014	Other Entities (unaudited supplementary information) 2015	Other Entities 2014	Eliminations (unaudited supplementary information) 2015	Eliminations 2014
Subscribed capital								
Capital reserves								
Revenue reserves								
Accumulated other equity								
Equity attributable to shareholders of BMW AG								
Minority interest								
Equity	**–**	**–**	**9,948**	**9,357**	**15,225**	**12,031**	**–15,869**	**–14,996**
Pension provisions	**45**	78	**55**	75	**1,130**	1,710	**–**	–
Other provisions	**136**	160	**313**	273	**31**	58	**–**	–
Deferred tax	**–**	–	**6,158**	5,078	**28**	13	**–4,499**	–3,538
Financial liabilities	**–**	–	**16,030**	14,695	**31,471**	26,923	**–599**	–384
Other liabilities	**401**	357	**23,613**	23,680	**835**	51	**–25,835**	–25,258
Non-current provisions and liabilities	**582**	**595**	**46,169**	**43,801**	**33,495**	**28,755**	**–30,933**	**–29,180**
Other provisions	**85**	62	**518**	432	**8**	282	**–**	–
Current tax	**–**	–	**223**	162	**408**	378	**–**	–
Financial liabilities	**–**	–	**23,038**	19,122	**16,610**	15,624	**–699**	–514
Trade payables	**263**	192	**630**	571	**24**	17	**–**	–
Other liabilities	**48**	21	**41,503**	32,871	**13,071**	11,087	**–65,525**	–54,998
Current provisions and liabilities	**396**	**275**	**65,912**	**53,158**	**30,121**	**27,388**	**–66,224**	**–55,512**
Total equity and liabilities	**978**	**870**	**122,029**	**106,316**	**78,841**	**68,174**	**–113,026**	**–99,688**

BMW Group
Cash Flow Statements for Group and Segments

in € million	Note	Group 2015	Group 2014
Net profit		6,396	5,817
Reconciliation between net profit and cash inflow/outflow from operating activities			
Current tax		2,751	2,774
Other interest and similar income/expenses		239	127
Depreciation and amortisation of other tangible, intangible and investment assets		4,686	4,323
Change in provisions		296	1,103
Change in leased products		–3,299	–2,720
Change in receivables from sales financing		–6,637	–3,898
Change in deferred taxes		77	116
Other non-cash income and expense items		47	331
Gain/loss on disposal of tangible and intangible assets and marketable securities		–144	–63
Result from equity accounted investments		–518	–655
Changes in working capital		–293	–551
Change in inventories		298	–971
Change in trade receivables		–566	379
Change in trade payables		–25	41
Change in other operating assets and liabilities		550	323
Income taxes paid		–3,323	–4,252
Interest received		132	137
Cash inflow/outflow from operating activities	43	**960**	**2,912**
Investment in intangible assets and property, plant and equipment		–5,889	–6,099
Proceeds from the disposal of intangible assets and property, plant and equipment		38	36
Expenditure for investments		–746[1]	–99
Proceeds from the disposal of investments		215	190
Investments in marketable securities and term deposits		–6,880	–4,216
Proceeds from the sale of marketable securities and from matured term deposits		5,659	4,072
Cash inflow/outflow from investing activities	43	**–7,603**	**–6,116**
Issue/buy-back of treasury shares		–	–
Payments into equity		23	15
Payment of dividend for the previous year		–1,917	–1,715
Intragroup financing and equity transactions		–	–
Interest paid		–264	–133
Proceeds from the issue of bonds		13,007	10,892
Repayment of bonds		–8,908	–7,249
Proceeds from new non-current other financial liabilities		9,715	5,900
Repayment of non-current other financial liabilities		–8,802	–5,697
Change in current other financial liabilities		2,648	2,132
Change in commercial paper		–498	–1,012
Cash inflow/outflow from financing activities	43	**5,004**	**3,133**
Effect of exchange rate on cash and cash equivalents		**73**	**86**
Effect of changes in composition of Group on cash and cash equivalents		**–**	**2**
Change in cash and cash equivalents	43	**–1,566**	**17**
Cash and cash equivalents as at 1 January		7,688	7,671
Cash and cash equivalents as at 31 December		**6,122**	**7,688**

[1] Expenditure for investments includes the acquisition of shares in THERE Holding B.V., Amsterdam, amounting to €668 million.
[2] Interest relating to financial services business is classified as revenues/cost of sales.

Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)		
2015	2014	**2015**	2014	
5,147	4,521	**1,447**	1,198	Net profit
				Reconciliation between net profit and cash inflow/outflow from operating activities
2,893	2,786	**–125**	–40	Current tax
302	159	**1**[2]	24[2]	Other interest and similar income/expenses
4,577	4,230	**31**	29	Depreciation and amortisation of other tangible, intangible and investment assets
128	1,034	**172**	109	Change in provisions
3	15	**–4,026**	–3,309	Change in leased products
–	–	**–6,637**	–3,898	Change in receivables from sales financing
–369	–124	**579**	383	Change in deferred taxes
316	–5	**5**	14	Other non-cash income and expense items
–138	–54	**–5**	8	Gain/loss on disposal of tangible and intangible assets and marketable securities
–518	–655	**–**	–	Result from equity accounted investments
–337	–552	**46**	70	Changes in working capital
367	–907	1	–	Change in inventories
–541	371	–15	14	Change in trade receivables
–163	–16	60	56	Change in trade payables
2,295	419	**–1,706**	858	Change in other operating assets and liabilities
–2,595	–2,531	**–133**	–161	Income taxes paid
132	180	**–**[2]	–[2]	Interest received
11,836	**9,423**	**–10,351**	**–4,715**	**Cash inflow/outflow from operating activities**
–5,791	–6,021	**–6**	–9	Investment in intangible assets and property, plant and equipment
38	36	**–**	–	Proceeds from the disposal of intangible assets and property, plant and equipment
–823	–134	**–**	–	Expenditure for investments
144	177	**–**	–	Proceeds from the disposal of investments
–6,498	–3,775	**–387**	–458	Investments in marketable securities and term deposits
5,406	3,881	**253**	170	Proceeds from the sale of marketable securities and from matured term deposits
–7,524	**–5,836**	**–140**	**–297**	**Cash inflow/outflow from investing activities**
–	–	**–**	–	Issue/buy-back of treasury shares
23	15	**–**	–	Payments into equity
–1,917	–1,715	**–**	–	Payment of dividend for the previous year
–2,840	–4,299	**5,913**	4,094	Intragroup financing and equity transactions
–264	–136	**–**[2]	–[2]	Interest paid
–	–	**429**	1,009	Proceeds from the issue of bonds
–	–	**–773**	–733	Repayment of bonds
108	452	**8,787**	5,298	Proceeds from new non-current other financial liabilities
–521	–41	**–7,671**	–4,814	Repayment of non-current other financial liabilities
–719	1,042	**3,343**	1,073	Change in current other financial liabilities
–	–	**–**	–	Change in commercial paper
–6,130	**–4,682**	**10,028**	**5,927**	**Cash inflow/outflow from financing activities**
18	**70**	**39**	**–11**	**Effect of exchange rate on cash and cash equivalents**
–	**2**	**–**	**–**	**Effect of changes in composition of Group on cash and cash equivalents**
–1,800	**–1,023**	**–424**	**904**	**Change in cash and cash equivalents**
5,752	6,775	**1,783**	879	Cash and cash equivalents as at 1 January
3,952	**5,752**	**1,359**	**1,783**	**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 2014	34	**656**	**1,990**	**33,122**
Dividends paid		–	–	–1,707
Net profit		–	–	5,798
Other comprehensive income for the period after tax		–	–	–1,592
Comprehensive income 31 December 2014		**–**	**–**	**4,206**
Subscribed share capital increase out of Authorised Capital		–	–	–
Premium arising on capital increase relating to preferred stock		–	15	–
Other changes		–	–	–
31 December 2014	34	**656**	**2,005**	**35,621**

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2015	34	**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	34	**657**	**2,027**	**41,027**

Accumulated other equity			Equity attributable to shareholders of BMW AG	Minority interest	Total	
Currency translation differences	Securities	Derivative financial instruments				
–1,627	**135**	**1,136**	**35,412**	**188**	**35,600**	**1 January 2014**
–	–	–	–1,707	–	**–1,707**	Dividends paid
–	–	–	5,798	19	**5,817**	Net profit
904	6	–1,616	–2,298	–	**–2,298**	Other comprehensive income for the period after tax
904	**6**	**–1,616**	**3,500**	**19**	**3,519**	**Comprehensive income 31 December 2014**
–	–	–	–	–	**–**	Subscribed share capital increase out of Authorised Capital
–	–	–	15	–	**15**	Premium arising on capital increase relating to preferred stock
–	–	–	–	10	**10**	Other changes
–723	**141**	**–480**	**37,220**	**217**	**37,437**	**31 December 2014**

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

1 — Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW AG Group Financial Statements or Group Financial Statements) at 31 December 2015 have been drawn up in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The designation "IFRS" also includes all valid International Accounting Standards (IAS). All Interpretations of the IFRS Interpretations Committee (IFRIC) mandatory for the financial year 2015 are also applied.

The Group Financial Statements comply with § 315a of the German Commercial Code (HGB). This provision, in conjunction with the Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, relating to the application of International Financial Reporting Standards, provides the legal basis for preparing consolidated financial statements in accordance with international standards in Germany and applies to financial years beginning on or after 1 January 2005.

The BMW Group and segment income statements are presented using the cost of sales method. The Group and segment balance sheets correspond to the classification provisions contained in IAS 1 (Presentation of Financial Statements).

In order to improve clarity, various items are aggregated in the income statements and balance sheets presented. These items are disclosed and analysed separately in the notes.

A Statement of Comprehensive Income is presented at Group level reconciling the net profit to comprehensive income for the year.

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.

In order to facilitate the sale of its products, the BMW Group provides various financial services – mainly loan and lease financing – to both retail customers and dealers. The inclusion of the financial services activities of the Group therefore has an impact on the Group Financial Statements.

Inter-segment transactions – relating primarily to internal sales of products, the provision of funds and the related interest – are eliminated in the "Eliminations" column. Further information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in note 49.

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well-established instrument used by industrial companies. These transactions usually take the form of asset-backed financing transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to "service" the receivables and receives an appropriate fee for these services. Such assets remain in the Group Financial Statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet. Special purpose trusts/entities are included as consolidated companies in accordance with IFRS 10 (Consolidated Financial Statements).

In addition to credit financing and leasing contracts, the Financial Services segment also brokers insurance business via cooperation arrangements entered into with local insurance companies. These activities are not material to the BMW Group as a whole.

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

Bayerische Motoren Werke Aktiengesellschaft has its seat in Munich, Petuelring 130, and is registered in the Commercial Register of the District Court of Munich under the number HRB 42243.

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

The Group Financial Statements, drawn up in accordance with § 315a HGB, and the Combined Management Report for the financial year ended 31 December 2015 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. Printed copies will also be made available on request. In addition the Group Financial Statements and the Combined Management Report can be downloaded from the BMW Group website at www.bmwgroup.com/ir.

The Board of Management authorised the Group Financial Statements for issue on 18 February 2016.

2 — Consolidated companies

The scope of the consolidated financial statements is based on the application of IFRS 10 (Consolidated Financial Statements) and IFRS 11 (Joint Arrangements).

The BMW AG Group Financial Statements include, besides BMW AG, all material subsidiaries, one special purpose securities fund and 21 special purpose trusts (almost all used for asset-backed financing transactions).

The number of subsidiaries – including the special purpose securities fund and special purpose trusts – consolidated in the Group Financial Statements changed in 2015 as follows:

	Germany	Foreign	**Total**
Included at 31 December 2014	22	167	**189**
Included for the first time in 2015	–	7	**7**
No longer included in 2015	1	17	**18**
Included at 31 December 2015	**21**	**157**	**178**

41 subsidiaries (2014: 43), either dormant or generating a negligible volume of business, and four joint operations (2014: 4) are not consolidated on the grounds that their inclusion would not influence the economic decisions of users of the Group Financial Statements. Non-inclusion of operating subsidiaries and joint operations reduces total Group revenues by 0.3 % (2014: 0.3 %).

Together with SGL Carbon SE, Wiesbaden, the BMW Group is party to three joint operations that manufacture carbon fibres and carbon fibre fabrics used in vehicle production. The joint operations – SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE – are consolidated proportionately on the basis of the BMW Group's 49 % shareholding.

The joint ventures, BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, are accounted for using the equity method.

As in the previous year, seven participations are not consolidated using the equity method on the grounds of immateriality. They are included in the Group balance sheet in the line "Other investments", measured at cost less – where applicable – accumulated impairment losses.

A "List of Group Investments" pursuant to § 313 (2) HGB will be submitted to the operator of the electronic version of the German Federal Gazette. This list, along with the "List of Third Party Companies which are not of Minor Importance for the Group", will also be posted on the BMW Group website at www.bmwgroup.com/ir.

No entities were consolidated fully for the first time in the financial year 2015. LARGUS Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Munich, was merged with LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Munich, and therefore ceased to be a separate consolidated company. BMW Services Italia S.p.A., San Donato Milanese, was merged with BMW Italia S.p.A., Milan, and ceased to be a separate consolidated company. Furthermore, the non-consolidated entity, BMW Forschung und Technik GmbH, Munich, was merged with BMW AG.

THERE Holding B.V., Amsterdam, is included in the BMW AG Group Financial Statements for the year ended 31 December 2015 as an associated company using the equity method (see also note 3).

3 — Business acquisitions

In August 2015, BMW AG (Munich), 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), as part of a joint strategy to secure the long-term availability of HERE's products and services as an open, independent and value-creating platform for cloud-based maps and other mobility services.

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. Using high-precision digital maps in combination with real-time vehicle data, it will be possible to increase road safety and facilitate the development of innovative new products and services.

THERE Holding B.V., Amsterdam, and its wholly owned subsidiary, HERE International B.V., Amsterdam (until 28 January 2016: THERE Acquisition B.V., Amsterdam) were founded in connection with the acquisition. HERE International B.V., Amsterdam, acquired all of the shares of the HERE Group. Via BMW International Holding B.V., The Hague, the BMW Group has a 33.3 % shareholding in THERE Holding B.V., Amsterdam.

BMW, AUDI and Daimler jointly acquired HERE's mapping service with effect from 4 December 2015. Out of the total purchase price of €2.6 billion (subject to purchase price adjustments), an amount of €0.6 billion was financed via bank loans taken up by the intermediary acquiring entity. The remainder is being financed by the three partners in equal parts. The BMW Group's share of this amount was approximately €0.67 billion.

THERE Holding B.V., Amsterdam, 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 materiality, no fair value adjustments were recorded in conjunction with the at-equity carrying amount at 31 December 2015, with the consequence that the Group's interest is accounted for at cost at that date. The purchase price allocation is expected to be completed in the first quarter of 2016.

4 — Consolidation principles

The equity of subsidiaries is consolidated in accordance with IFRS 3 (Business Combinations). IFRS 3 requires that all business combinations are accounted for using the acquisition method, whereby identifiable assets and liabilities acquired are measured at their fair value at acquisition date. An excess of acquisition cost over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities is recognised as goodwill in a separate balance sheet line item and allocated to the relevant cash-generating unit (CGU).

Receivables, payables, provisions, income and expenses and profits between consolidated companies (intragroup results) are eliminated on consolidation.

Joint operations and joint ventures are forms of joint arrangements. Such an arrangement exists when the BMW Group jointly carries out activities on the basis of a contractual agreement with a third party that requires the unanimous consent of both parties with respect to all significant activities of the joint arrangement.

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's rights and obligations.

Investments accounted for using the equity method (joint ventures and associated companies) are measured at the BMW Group's share of equity, taking account of fair value adjustments. Any difference between the cost of investment and the Group's share of equity is accounted for in accordance with the acquisition method. Investments in other companies are accounted for as a general rule using the equity method when significant influence can be exercised (IAS 28 Investments in Associates and Joint Ventures). 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 or joint venture's voting power.

5 — Foreign currency translation

The financial statements of consolidated companies which are drawn up in a foreign currency are translated using the functional currency concept (IAS 21 The Effects of Changes in Foreign Exchange Rates) and the modified closing rate method. The functional currency of a subsidiary is determined as a general rule on the basis of the primary economic environment in which it operates and corresponds therefore usually to the relevant local currency. Income and expenses of foreign subsidiaries are translated in the Group Financial Statements at the average exchange rate for the year, and assets and liabilities are translated at the closing rate. Exchange differences arising from the translation of shareholders' equity are recognised directly in accumulated other equity. Exchange differences arising from the use of different exchange rates to translate the income statement are also recognised directly in accumulated other equity.

Foreign currency receivables and payables in the single entity accounts of BMW AG and subsidiaries are recorded, at the date of the transaction, at cost. At the end of the reporting period, foreign currency receivables and payables are translated at 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 those currencies which have a material impact on the Group Financial Statements were as follows:

	Closing rate		Average rate	
	31.12.2015	31.12.2014	**2015**	2014
US Dollar	**1.09**	1.21	**1.11**	1.33
British Pound	**0.74**	0.78	**0.73**	0.81
Chinese Renminbi	**7.07**	7.53	**6.97**	8.19
Japanese Yen	**130.74**	144.95	**134.28**	140.38
Russian Rouble	**79.91**	70.98	**68.01**	51.03
Korean Won	**1,278.92**	1,324.84	**1,255.38**	1,397.80

6 — Accounting policies

The financial statements of BMW AG and of its subsidiaries in Germany and elsewhere have been prepared for consolidation purposes using uniform accounting policies in accordance with IFRS 10 (Consolidated Financial Statements).

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods are transferred to the dealer 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. Revenues also include lease rentals and interest income earned in conjunction with financial services. Revenues from leasing instalments relate to operating leases and are recognised in the income statement on a straight line basis over the relevant term of the lease. Interest income from finance leases and from customer and dealer financing are recognised using the effective interest method and reported as revenues within the line item "Interest income on loan financing". If the sale of products includes a determinable amount for subsequent services (multiple-component contracts), the related revenues are deferred and recognised as income over the relevant 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 (buy-back contracts) are not recognised until such profits have been realised. The difference between the sales and buy-back price is accounted for as deferred income and recognised in instalments as revenue over the contract term.

Cost of sales comprises the cost of products sold and the acquisition cost of purchased goods sold. In addition to directly attributable material and production costs, it also includes statutory and non-statutory warranty expenses, research costs, non-capitalised development costs, amortisation on capitalised development costs, production-related overheads (including depreciation of property, plant and equipment and amortisation of other intangible assets relating to production), write-downs on inventories, freight and insurance costs relating to deliveries to dealers and agency fees on direct sales. Expenses which are directly attributable to financial services business (including depreciation on leased products), the interest expense from refinancing the entire financial services business as well as the expense of risk provisions and write-downs relating to such business are also reported in cost of sales.

In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), **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.

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share). Basic earnings per share are calculated for common and preferred stock by dividing the Group 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 disclosed separately.

Share-based remuneration programmes which are expected to be settled in shares are, in accordance with IFRS 2 (Share-based Payments), 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 recognised in the balance sheet as a provision.

The share-based remuneration programme for Board of Management members and senior heads of department entitles BMW AG to elect whether to settle its commitments in cash or with shares of BMW AG common stock. Following the decision to settle in cash, this programme is accounted for as a cash-settled share-based transaction. Further information on share-based remuneration programmes is provided in note 19.

Purchased and internally-generated **intangible assets** are recognised as assets in accordance with IAS 38 (Intangible 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 and, to the extent that they have a finite useful life, amortised over their estimated useful lives. With the exception of capitalised development costs, intangible assets are generally amortised 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 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 comprise all expenditure that can be attributed directly to the development process, including development-related overheads. 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.

All items of **property, plant and equipment** are considered to have finite useful lives. They are recognised at acquisition or manufacturing cost less scheduled depreciation based on the estimated useful lives of the assets. Depreciation on property, plant and equipment reflects the pattern of their usage and is generally computed using the straight-line method. Components of items of property, plant and equipment with different useful lives are depreciated separately.

Systematic depreciation is based on the following useful lives, 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.

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 an appropriate proportion of administrative and social costs.

As a general rule, borrowing costs are not included in acquisition or manufacturing cost. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as a part of the cost of that asset in accordance with IAS 23 (Borrowing Costs).

Non-current assets also include assets relating to **leases**. The BMW Group uses property, plant and equipment as lessee on the one hand and leases out vehicles produced by the Group and other brands as lessor on the other. IAS 17 (Leases) contains rules for determining, on the basis of risks and rewards, the economic owner of the assets. In the case of finance leases, the assets are attributed to the lessee and in the case of operating leases the assets are attributed to the lessor.

In accordance with IAS 17, assets leased under finance leases are measured at their fair value at the inception of the lease or at the present value of the 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.

Where Group products are recognised by BMW Group entities as **leased products** under operating leases, they are measured at manufacturing cost. 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 contract. 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. The higher carrying amount resulting from the reversal may not, however, exceed the rolled-forward amortised cost of the asset.

If there is any evidence of **impairment of non-financial assets** (except inventories and deferred taxes), or if an annual impairment test is required to be carried out – i.e. for intangible assets not yet available for use, intangible assets with an indefinite useful life and goodwill acquired as part of a business combination – an impairment test pursuant to IAS 36 (Impairment of Assets) 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 groups of assets (cash-generating units/CGUs). For the purposes of the impairment test, the asset's carrying amount is compared with its recoverable amount, the latter defined as the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised when the recoverable amount is lower than the asset's carrying amount. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The value in use corresponds to the present value of future cash flows expected to be derived from an asset or group of assets.

The first step of the impairment test is to determine the value in use of an asset. If the calculated value in use is lower than the carrying amount of the asset, then its fair value less costs to sell are also determined. If the latter is also lower than the carrying amount of the asset, then an impairment loss is recorded, reducing the carrying amount to the higher of the asset's value in use or fair value less costs to sell. 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, macro-economic 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 CGUs are discounted using a risk-adjusted pre-tax weighted average cost of capital (WACC) of 12.0 % (2014: 12.0 %). In the case of the Financial Services CGU, a sector-compatible pre-tax cost of equity capital of 13.4 % (2014: 13.4 %) is applied. In conjunction with the impairment tests for CGUs, sensitivity analyses are performed for the main assumptions. Analyses performed in the year under report confirmed, as in the previous year, that no impairment loss was required to be recognised.

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. This does not apply to goodwill: previously recognised impairment losses on goodwill are not reversed. No reversals of impairment losses were recorded in the financial year 2015.

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. As an exception from this rule, the associated company, THERE Holding B.V., Amsterdam, is included in the Group Financial Statements for the financial year 2015 at its acquisition cost (at 4 December 2015). Investments accounted for using the equity method comprise joint ventures and significant associated companies.

Investments in non-consolidated Group companies, 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.

Non-current marketable securities are measured according to the category of financial asset to which they are classified. No held-for-trading financial assets are included under this heading.

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. Once a BMW Group entity becomes party to such to a contract, the financial instrument is recognised either as a financial asset or as a financial liability.

Financial assets are accounted for on the basis of the settlement date. On initial recognition, they 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 prerequisite for categorising an item as a "financial asset measured at fair value through profit and loss" is that

- a measurement or recognition inconsistency ("accounting mismatch") is eliminated or significantly reduced or
- a group of financial instruments is managed, and its performance evaluated, on a fair value basis or
- the financial instrument contains one or more embedded derivatives that are required to be separated.

Financial assets, for which the fair value option is applied, include other investments, and remain in the relevant balance sheet line item after initial recognition. Gains and losses are presented in the income statement line item "Other financial result" and interest income and expenses are presented within 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. When market prices are not available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques e.g. discounted cash flow analysis based on market information available at the balance sheet date.

Available-for-sale assets include non-current investments, securities and investment fund shares. This category includes all non-derivative financial assets which are not classified as "loans and receivables" or "held-to-maturity investments" or as items measured "at fair value through profit and loss".

Loans and receivables which are not held for trading and held-to-maturity financial investments with a fixed term 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 required to be measured at cost.

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. Available-for-sale financial assets are written down if there is objective evidence that impairment has occurred. 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 that 5 % over nine months) below acquisition cost. Impairment losses identified after carrying out an impairment test are recognised as an expense. Gains and losses on available-for-sale financial assets are recognised directly in other accumulated equity until the financial asset is disposed of or is determined to be impaired, at which time the cumulative loss previously recognised in other comprehensive income is reclassified to profit or loss for the period.

With the exception of derivative financial instruments, all **receivables** and **other current assets** relate to loans and receivables which are not held for trading. All such items are measured at amortised cost. Appropriate impairment losses are recognised to take account of all identifiable risks.

Receivables from sales financing comprise receivables from retail customer, dealer and lease financing.

Impairment losses on receivables relating to financial services business are recognised using a uniform methodology that is applied throughout the Group and meets the requirements of IAS 39. This methodology results in the recognition of impairment losses both on individual assets and on groups of assets. If there is objective evidence of impairment, the BMW Group recognises impairment losses on the basis of individual assets. Within the retail customer 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, impairment losses are always recognised individually based on the length of period of the arrears. In the case of dealer financing receivables, the allocation of the dealer to a corresponding rating category is also deemed to represent objective evidence of impairment. If there is no objective evidence of impairment, impairment losses are recognised on financial assets 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 impairment losses on similar groups of assets.

The recognition of impairment losses on receivables relating to industrial business is also, as far as possible, based on the same procedures applied to financial services business. Impairment losses (write-downs and allowances) on receivables are always recorded on separate accounts and derecognised at the same time the corresponding receivables are derecognised.

Items are presented as **financial assets** to the extent that they relate to financing transactions.

Derivative financial instruments are only used within the BMW Group for hedging purposes in order to reduce currency, interest rate, fair value and market price risks from operating activities and related financing requirements.

All derivative financial instruments (such as interest, currency and combined interest/currency swaps, forward currency and forward commodity contracts) are measured in accordance with IAS 39 at their fair value, irrespective of their purpose or the intention for which they are held.

If there are no quoted prices on active markets for derivative financial instruments, credit risk is taken into account as an adjustment to the fair value of the financial instrument. 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).

The fair values of the derivative financial instruments are measured using market information and recognised valuation techniques. In those cases where hedge accounting is applied, changes in fair value are recognised either in profit or loss or in other comprehensive income as a component of accumulated other equity, depending on whether the transactions are classified as fair value hedges or cash flow hedges. In the case of fair value hedges, the results of the fair value measurement of the derivative financial instruments and the related hedged items are recognised in the income statement. In the case of fair value changes in cash flow hedges which are used to mitigate the future cash flow risk on a recognised asset or liability or on forecast transactions, unrealised gains and losses on the hedging instrument are recognised initially directly in accumulated other equity. Any such gains or losses are recognised subsequently in the income statement when the hedged item (usually external revenue) is recognised in the income statement. The portion of the gains or losses from fair value measurement not relating to the hedged item is recognised immediately in the income statement. If, contrary to the normal case within the BMW Group, hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the income statement.

In accordance with IAS 12 (Income Taxes), **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. 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.

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 average manufacturing cost and net realisable value. Manufacturing cost comprises all costs which are directly attributable to the manufacturing process and an appropriate proportion of production-related overheads. This includes production-related depreciation 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 comprise mainly cash on hand and cash at bank with an original term of up to three months.

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 are recognised using the projected unit credit method in accordance with IAS 19 (Employee Benefits). Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of various input factors which are evaluated on a prudent basis. The calculation is based on an independent actuarial valuation which takes into account all relevant biometric factors.

Remeasurements of the net defined benefit liability for pension plans are recognised, net of deferred tax, directly in equity (revenue reserves).

Net interest expense on the net defined benefit liability and/or net interest income on the net defined benefit asset 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.

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. Measurement of provisions is based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Non-current provisions with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period.

Financial liabilities are measured on first-time recognition at cost which corresponds to the fair value of the consideration given. 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. The BMW Group has no liabilities which are held for trading. Liabilities from finance leases are stated at the present value of the future lease payments and disclosed under other financial liabilities.

7 — Assumptions, judgements and estimations

The preparation of the Group Financial Statements in accordance with IFRS requires management to make certain **assumptions and judgements** and to use **estimates** that can affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. Major items requiring assumptions and estimations are described below. The assumptions used are continuously checked for their validity. Actual amounts could differ from the assumptions and estimations used if business conditions develop differently to the Group's expectations.

Estimations are required to assess the **recoverability of a cash-generating unit (CGU)**. If the recoverability of an asset is being tested at the level of a CGU, assumptions must be made with regard to future cash inflows and outflows, involving in particular an assessment of the forecasting period to be used and of developments after that period. For the purposes of determining future cash inflows and outflows, management applies forecasting assumptions which 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, macro-economic developments (such as currency, interest rate and raw materials), the legal environment and past experience.

The BMW Group regularly checks the **recoverability of its leased products**. One of the main assumptions required for leased products relates to their residual value since this represents a significant portion of future cash inflows. In order to estimate the level of prices likely to be achieved in the future, the BMW Group incorporates internally available historical data, current market data and forecasts of external institutions into its calculations. Internal back-testing is applied to validate the estimations made. Further information is provided in note 24.

The bad debt risk relating to **receivables from sales financing** is assessed regularly by the BMW Group. For these purposes, the main factors taken into consideration are past experience, current market data (such as the level of financing business arrears), rating classes and scoring information. Further information is provided in note 27.

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. Further information is provided in note 16.

Current income taxes are computed throughout the BMW Group in accordance with tax legislation applicable in each relevant country. In situations where a permissible element of discretion has been applied in determining 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.

The calculation of **pension provisions** requires assumptions to be made with regard to discount factors, salary trends, employee fluctuation and the life expectancy of employees. As in previous years, discount factors are determined by reference to market yields at the end of the reporting period on high quality 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. Further information is provided in note 35.

Estimations are required for the purposes of recognising and measuring **provisions for warranty obligations (statutory, contractual and voluntary)**. In addition to statutorily prescribed manufacturer warranties, the BMW Group also offers various categories of warranty depending on the product and sales market concerned. Warranty provisions are recognised when the risks and rewards of ownership of the goods are transferred to the dealer 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. These estimations also involve assessing the future level of potential repair costs and price increases per product and market. Provisions for warranties are adjusted regularly to take account of new circumstances and the impact of any changes recognised in the income statement. Further information is provided in note 36. Similar estimates are also made in conjunction with the measurement of expected reimbursement claims.

In the event of involvement in legal proceedings or when claims are brought against a Group entity, **provisions for litigation and liability risks** are recognised when an outflow of resources is probable and a reliable estimate can be made of the amount of the obligation. Management is required to make assumptions with respect to the probability of occurrence, the amount involved and the duration of the legal dispute. For these reasons, the recognition and measurement of provisions for litigation and liability risks are subject to uncertainty. The outcome of legal proceedings is often difficult to predict. Further information is provided in note 36. If the recognition and measurement criteria relevant for provisions are not fulfilled and the possibility of any outflow in settlement is remote, the potential obligation is disclosed as a contingent liability.

In addition, judgement is required in particular when assessing whether the risks and rewards incidental to ownership of a leased asset have been transferred for the purposes of determining the classification of **leasing arrangements**.

Determining the **scope of consolidated companies** to be included in the Group Financial Statements may involve the use of judgement. In particular when the BMW Group holds 50 % or less of the voting rights, a detailed assessment must be made as to whether sole control, joint control or significant influence applies. For instance, other contractual rights and/or other matters and circumstances could result in the conclusion that the BMW entity concerned controls or jointly controls an entity in which it has a participation. In the latter case, it must then be decided whether the joint arrangement is a joint operation or a joint venture. In making its judgement, the BMW Group must take all contractual arrangements and other circumstances into account, and not just the structure and legal form of the entity. A new assessment is made in the event of any indication of changes in the previous assessment of (joint) control. Further information is provided in note 2.

8 — Financial reporting rules

(a) Financial reporting rules applied for the first time in the financial year 2015

The following Standards, Revised Standards, Amendments and Interpretations were applied for the first time in the financial year 2015:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Impact on BMW Group
IAS 19	Employment Benefits: Employee Contributions (Amendments to IAS 19)	21.11.2013	1.7.2014	1.2.2015[1]	Insignificant
IFRIC 21	Levies	20.5.2013	1.1.2014	17.6.2014[2]	Insignificant
	Annual Improvements to IFRS 2010 – 2012	12.12.2013	1.7.2014	1.2.2015[1]	Insignificant
	Annual Improvements to IFRS 2011 – 2013	12.12.2013	1.7.2014	1.1.2015	Insignificant

[1] Mandatory application in annual periods beginning on or after 1 February 2015.
[2] Mandatory application in annual periods beginning on or after 17 June 2014.

(b) Financial reporting pronouncements issued by the IASB, but not yet applied

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Expected impact on BMW Group
IFRS 9	Financial Instruments	12.11.2009 / 28.10.2010 / 16.12.2011 / 19.11.2013 / 24.7.2014	1.1.2018	No	Significant in principle
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and an Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	11.9.2014	–[1]	No	Insignificant
IFRS 10 / IFRS 12 / IAS 28	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	18.12.2014	1.1.2016	No	Insignificant
IFRS 11	Acquisition of an Interest in a Joint Operation (Amendments to IFRS 11)	6.5.2014	1.1.2016	1.1.2016	Insignificant
IFRS 14	Regulatory Deferral Accounts	30.1.2014	1.1.2016	No[2]	Insignificant
IFRS 15	Revenue from Contracts with Customers	28.5.2014 / 11.9.2015	1.1.2018	No	Significant in principle
IFRS 16	Leases	13.1.2016	1.1.2019	No	Significant in principle
IAS 1	Presentation of Financial Statements (Initiative to Improve Disclosure Requirements – Amendments to IAS 1)	18.12.2014	1.1.2016	1.1.2016	Significant in principle
IAS 7	Cash Flow Statements (Initiative to Improve Disclosure Requirements – Amendments to IAS 7)	29.1.2016	1.1.2017	No	Insignificant
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	19.1.2016	1.1.2017	No	Insignificant
IAS 16 / IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	12.5.2014	1.1.2016	1.1.2016	Insignificant
IAS 16 / IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	30.6.2014	1.1.2016	1.1.2016	None
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)	12.8.2014	1.1.2016	1.1.2016	None
	Annual Improvements to IFRS 2012–2014	25.9.2014	1.1.2016	1.1.2016	Insignificant
	Amendments to "International Financial Reporting Standard for Small and Medium-sized Entities" (IFRS for SMEs)	21.5.2015	1.1.2017	No	None

[1] The mandatory effective date for the Amendments was deferred by the IASB for an indefinite period on 17 December 2015.
[2] Interim standard IFRS 14 will not be endorsed into EU law.

In November 2009 the IASB issued **IFRS 9 (Financial Instruments)** as part of a project to revise the accounting for financial instruments. This Standard marks the first of three phases of the IASB project to replace the existing IAS 39 (Financial Instruments: Recognition and Measurement). The first phase deals initially only with financial assets. IFRS 9 amends the recognition and measurement requirements for financial assets, including various hybrid contracts.

Financial assets are measured at either amortised cost or fair value. IFRS 9 harmonises the various rules contained in IAS 39 and reduces the number of valuation categories for financial instruments on the assets side of the balance sheet.

The new categorisation is based partly on the entity's business model and partly on the contractual cash flow characteristics.

In October 2010, additional rules for financial liabilities were added to IFRS 9. The requirements for financial liabilities contained in IAS 39 remain unchanged with the exception of new requirements relating to the measurement of an entity's own credit risk at fair value. A package of amendments to IFRS 9 was announced on 19 November 2013. On the one hand, the amendments overhaul the requirements for hedge accounting by introducing a new hedge accounting model. They also enable entities to change the accounting for liabilities they have elected to measure at fair value, such that fair value changes due to changes in "own credit risk" would not require to be recognised in profit or loss. The mandatory effective date of 1 January 2015 was removed and a new application date of 1 January 2018 set. The impact of adoption of the Standard on the Group Financial Statements is currently being investigated. Based on analyses to date, the new rules are not expected to have a material impact in terms of the classification and measurement of financial instruments when the Standard is adopted. 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. As a result, fluctuations in the price of hedging contracts during their term will be presented as a component of accumulated other equity, thus reducing volatility in reported earnings.

In May 2014 the IASB issued **IFRS 15 (Revenue from Contracts with Customers)** together with the Financial Accounting Standards Board. The objective of the new Standard is to assimilate all the various existing requirements and Interpretations relating to revenue recognition (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC-31 Revenue – Barter Transactions involving Advertising Services) in 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, with the exception – among other things – of lease arrangements, insurance contracts, financial instruments and specified contractual rights and obligations relating to non-monetary transactions between entities within the same sector. Revenue can be recognised either over time or at a specific point in time. The five-step model describes the five steps necessary to recognise revenue on the basis of the transfer of control:
1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to separate performance obligations
5. Recognise revenue when a performance obligation is satisfied.

A major difference to the previous Standard is the increased scope of discretion for estimates and the introduction of thresholds that could influence the amount and timing of revenue recognition.

The impact of adoption of the new requirements on the Group Financial Statements is currently being assessed. In the case of multi-component contracts with variable consideration components, it is possible that a change in the allocation of transaction prices may result in an earlier recognition of revenues. Buy-back arrangements with customers could result in the need to change the accounting treatment, with revenues being recognised either earlier or later by the BMW Group, depending on the individual case. Accounting for rights of return could, under certain circumstances, result in the need to record eliminations between the operating segments at an earlier stage. Any such changes would only have an impact at the moment of first-time adoption, not, however, during the period in which the new rules are adopted or in subsequent periods.

IFRS 15 – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2018. Early adoption is permitted. In July 2015, the IASB also published an Exposure Draft containing clarifications to the Standard, as a consequence of which the Standard may be amended. For this reason, the potential impact of applying IFRS 15 cannot be reliably assessed at present.

In January 2016, the IASB published the new Standard **IFRS 16 (Leases)**. IFRS 16 supersedes IAS 17 and the related Interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease).

The new Standard 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 relevant asset, in the future, all lease arrangements will be required as a general rule to be accounted for by the lessee in a similar way to finance leases.

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

The new Standard is mandatory for annual periods beginning on or after 1 January 2019. Early adoption will be permitted, provided that IFRS 15 is also adopted at the same time.

Given that the BMW Group is still in a very early phase of considering the implications of introducing IFRS 16 and the definitive version of the Standard was only published at the beginning of 2016, the detailed impact of the Standard on the IFRS Group Financial Statements from the perspective of lessees and lessors, cannot be foreseen at present.

In December 2014, the IASB issued Amendments to **IAS 1 (Presentation of Financial Statements)** as part of its disclosure initiative. The amendments relate primarily to clarifications relating to the presentation of financial reports.

Firstly, disclosures are only required to be made in the notes if their inclusion is material for users of the financial statements. This also applies when an IFRS Standard explicitly specifies a minimum list of disclosures. Secondly, items to be presented in the balance sheet, income statement and comprehensive income can be aggregated or disaggregated by using subtotals. Thirdly, it clarifies that an entity's share of other comprehensive income of equity-accounted entities is required to be analysed – within the Statement of Comprehensive Income – to show "components, which will be subsequently reclassified to profit and loss" and "components, which will be not subsequently reclassified to profit and loss". Fourthly, it is stressed that there is no standard template for the notes and that the emphasis should be on structuring the notes based on the relevance for the specific reporting entity.

The Standard is mandatory for the first time for annual periods beginning on or after 1 January 2016. Application of the new rules will not have a material impact on the Group Financial Statements.

Early adoption of all of the new IFRS requirements is permitted. As things stand, the BMW Group does not plan to adopt any of the new requirements early.

9 — Revenues

Revenues by activity comprise the following:

in € million	2015	2014
Sales of products and related goods	68,643	60,280
Income from lease instalments	8,965	7,748
Sales of products previously leased to customers	8,181	6,716
Interest income on loan financing	3,253	2,881
Other income	3,133	2,776
Revenues	**92,175**	**80,401**

An analysis of revenues by segment and geographical region is shown in the segment information in note 49.

10 — Cost of sales

Cost of sales comprises:

in € million	2015	2014
Manufacturing costs	43,685	38,253
Research and development expenses	4,271	4,135
Warranty expenditure	1,891	1,451
Cost of sales directly attributable to financial services	17,407	14,716
Interest expense relating to financial services business	1,495	1,407
Expense for risk provisions and write-downs for financial services business	547	362
Other cost of sales	4,747	3,072
Cost of sales	**74,043**	**63,396**

Group cost of sales include €19,449 million (2014: €16,485 million) relating to Financial Services business.

Manufacturing costs include impairment losses on intangible assets and property, plant and equipment totalling €3 million (2014: €– million). Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to €71 million (2014: €54 million).

Total research and development expenditure comprises research costs, non-capitalised development costs and capitalised development costs (excluding scheduled amortisation). Total research and development expenditure was as follows:

in € million	2015	2014
Research and development expenses	4,271	4,135
Amortisation	–1,166	–1,068
New expenditure for capitalised development costs	2,064	1,499
Total research and development expenditure	**5,169**	**4,566**

11 — Selling and administrative expenses

Selling expenses amounted to €5,758 million (2014: €5,344 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative expenses amounted to €2,875 million (2014: €2,548 million) and comprise expenses for administration not attributable to development, production or sales functions.

12 — Other operating income and expenses

in € million	2015	2014
Exchange gains	**323**	311
Income from the reversal of provisions	**172**	184
Income from the reversal of impairment losses and write-downs	**27**	30
Gains on the disposal of assets	**173**	101
Sundry operating income	**219**	251
Other operating income	**914**	**877**
Exchange losses	**–311**	–334
Expense for additions to provisions	**–192**	–225
Expense for impairment losses and write-downs	**–76**	–86
Losses on the disposal of assets	**–23**	–25
Sundry operating expenses	**–218**	–202
Other operating expenses	**–820**	**–872**
Other operating income and expenses	**94**	**5**

Income and expenses relating to impairment losses and write-downs (reversals and additions) relate primarily to allowances on receivables.

Income from the reversal of provisions includes amounts arising on the termination of legal disputes relating to the Other Entities segment.

13 — Result from equity accounted investments

The profit from equity accounted investments amounted to €518 million (2014: €655 million) and includes primarily the Group's share of the result of the BMW Brilliance Automotive Ltd., Shenyang, joint venture.

14 — Net interest result

in € million	2015	2014
Other interest and similar income	**185**	200
— thereof from subsidiaries: €19 million (2014: €18 million)		
Interest and similar income	**185**	**200**
Net interest expense on the net defined benefit liability for pension plans	**–123**	–88
Expense relating to interest impact on other long-term provisions	**–72**	–105
Other interest and similar expenses	**–423**	–326
— thereof to subsidiaries: €–5 million (2014: €–6 million)		
Interest and similar expenses	**–618**	**–519**
Net interest result	**–433**	**–319**

15 — Other financial result

in € million	2015	2014
Income from investments in subsidiaries and participations	1	3
— thereof from subsidiaries: €– million (2014: €2 million)		
Impairment losses on investments in subsidiaries and participations	–25	–153
Result on investments	**–24**	**–150**
Losses and gains relating to financial instruments	–430	–597
Sundry other financial result	**–430**	**–597**
Other financial result	**–454**	**–747**

The result on investments for the year under report includes impairment losses on other investments totalling €25 million (2014: €153 million). In the previous year, this line item was influenced by an impairment loss of €152 million recognised on the investment in SGL Carbon SE, Wiesbaden.

The improvement in other financial result was primarily attributable to the lower net negative impact arising on currency derivatives.

16 — Income taxes

Taxes on income comprise the following:

in € million	2015	2014
Current tax expense	2,751	2,774
Deferred tax expense	77	116
Income taxes	**2,828**	**2,890**

Current tax expense includes €164 million (2014: €275 million) relating to prior periods.

A deferred tax expense of €52 million (2014: €83 million) is attributable to new temporary differences and the reversal of temporary differences brought forward.

The tax expense was reduced by €64 million (2014: €27 million) as a result of utilising tax losses/tax credits brought forward, for which deferred assets had not previously been recognised.

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 €105 million (2014: €49 million).

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. A uniform corporation tax rate of 15.0 % plus solidarity surcharge of 5.5 % applies in Germany, giving a tax rate of 15.8 %, unchanged from the previous year. After taking account of an average municipal trade tax multiplier rate (Hebesatz) of 425.0 % (2014: 425.0 %), the municipal trade tax rate for German entities is 14.9 % (2014: 14.9 %). The overall income tax rate in Germany is therefore 30.7 % (2014: 30.7 %). Deferred taxes for non-German entities are calculated on the basis of the relevant country-specific tax rates and remained in a range of between 12.5 % and 46.9 %. Changes in tax rates resulted in a deferred tax expense of €36 million (2014: €22 million).

The actual tax expense for the financial year 2015 of €2,828 million (2014: €2,890 million) is €4 million (2014: €217 million higher) lower than the expected tax expense of €2,832 million (2014: €2,673 million) which would theoretically arise if the tax rate of 30.7 %

(2014: 30.7 %), applicable for German companies, was applied across the Group.

The difference between the expected and actual tax expense is explained in the following **reconciliation**:

in € million	2015	2014
Profit before tax	9,224	8,707
Tax rate applicable in Germany	30.7 %	30.7 %
Expected tax expense	**2,832**	**2,673**
Variances due to different tax rates	–119	–55
Tax increases (+)/tax reductions (–) as a result of non-deductible expenses and tax-exempt income	42	150
Tax expense (+)/benefits (–) for prior years	164	275
Other variances	–91	–153
Actual tax expense	**2,828**	**2,890**
Effective tax rate	30.7 %	33.2 %

Tax increases as a result of non-deductible expenses and tax reductions due to tax-exempt income decreased significantly 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.

The line "Other variances" comprises primarily reconciling items relating to the Group's share of results of equity accounted investments.

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	2015	2014	2015	2014
Intangible assets	10	11	1,977	1,706
Property, plant and equipment	20	50	376	400
Leased products	367	393	6,260	5,486
Other investments	5	5	11	12
Other assets	1,363	1,289	2,109	2,687
Tax loss carryforwards	548	566	–	–
Provisions	4,187	4,175	178	95
Liabilities	2,654	2,827	478	602
Eliminations	3,281	2,945	715	690
	12,435	12,261	12,104	11,678
Valuation allowance	–502	–496	–	–
Netting	–9,988	–9,704	–9,988	–9,704
Deferred taxes	**1,945**	**2,061**	**2,116**	**1,974**
Net		87	171	

Deferred tax assets on tax loss carryforwards and capital losses before allowances totalled €548 million (2014: €566 million). After valuation allowances of €502 million (2014: €496 million), their carrying amount stood at €46 million (2014: €70 million).

Tax losses available for carryforward – for the most part usable without restriction – amounted to €468 million (2014: €469 million). This includes an amount of €345 million (2014: €228 million), for which a valuation allowance of €100 million (2014: €74 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 2015 amounting to €104 million (2014: €140 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 increased to €2,234 million due to exchange rate factors (2014: €2,112 million). As in previous years, deferred tax assets recognised on these tax losses – amounting to €402 million at the end of the reporting period (2014: €422 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 separate entities or tax groups to the extent that they relate to the same tax authorities.

Deferred taxes recognised directly in **equity** amounted to €2,004 million (2014: €1,889 million), an increase of €115 million (2014: €1,438 million) compared to the end of the previous year. The change includes an increase in deferred taxes recognised in conjunction with currency translation amounting to €43 million (2014: €9 million).

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

in € million	**2015**	2014
Deferred taxes at 1 January (assets (–)/liabilities (+))	**–87**	839
Deferred tax expense (+)/income (–) recognised through income statement	**77**	116
Change in deferred taxes recognised directly in equity	**–72**	–1,429
Exchange rate impact and other changes	**253**	387
Deferred taxes at 31 December (assets (–)/liabilities (+))	**171**	**–87**

Changes in deferred tax assets and liabilities include changes relating to items recognised either through the income statement or directly in equity as well as the impact of exchange rate and other factors. Deferred taxes recognised directly in equity increased in total by €72 million (2014: €1,429 million). Of this amount, €520 million (2014: €759 million) related to the fair value measurement of derivative financial instruments and marketable securities (recognised directly in equity), shown in the summary above in the line items "Other assets" and "Liabilities". Working in the opposite direction, deferred taxes relating to remeasurements of the net defined benefit liability for pension plans (recognised directly in equity), shown in the summary above in the line item "Provisions", fell by €448 million (2014: increase of €670 million).

Deferred taxes are not recognised on retained profits of €33.7 billion (2014: €30.7 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.

17 — Earnings per share

		2015	2014
Net profit for the year after minority interest	€ million	**6,369.4**	5,798.1
Profit attributable to common stock	€ million	**5,839.6**	5,317.7
Profit attributable to preferred stock	€ million	**529.8**	480.4
Average number of common stock shares in circulation	number	**601,995,196**	601,995,196
Average number of preferred stock shares in circulation	number	**54,499,460**	54,259,767
Basic earnings per share of common stock	€	**9.70**	8.83
Basic earnings per share of preferred stock	€	**9.72**	8.85
Dividend per share of common stock	€	**3.20***	2.90
Dividend per share of preferred stock	€	**3.22***	2.92

* Proposal by management.

Basic 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.

18 — Other disclosures relating to the income statement

Personnel expenses

The income statement includes personnel costs as follows:

in € million	2015	2014
Wages and salaries	**8,887**	8,094
Social security, retirement and welfare costs	**1,983**	1,670
— thereof pension costs: €1,250 million (2014: €991 million)		
Personnel expenses	**10,870**	**9,764**

Personnel expenses include €48 million (2014: €42 million) of expenditure incurred to adjust the workforce size.

The average number of employees during the year was:

	2015	2014
Employees	**111,905**	105,743
— thereof 214 (2014: 186) at proportionately-consolidated entities		
Apprentices and students gaining work experience	**7,783**	7,560
— thereof 2 (2014: 2) at proportionately-consolidated entities		
Average number of employees	**119,688**	**113,303**

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

Fee expense

The fee expense pursuant to § 314 (1) no. 9 HGB recognised in the financial year 2015 for the Group auditor and its network of audit firms amounted to €23 million (2014: €23 million) and consists of the following:

in € million	2015	2014
Audit of financial statements	**15**	15
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	4	3
Other attestation services	**4**	2
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	2	1
Tax advisory services	**3**	4
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	–	1
Other services	**1**	2
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	1	1
Fee expense	**23**	**23**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	7	6

The total fee comprises expenses recorded by BMW AG, Munich, and all consolidated subsidiaries.

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

Government grants and government assistance

Income from asset-related and performance-related grants, amounting to €33 million (2014: €30 million) and €132 million (2014: €73 million) respectively, were recognised in the income statement in 2015.

A large part of these amount to public sector grants for the promotion of regional structures and to subsidies for plant expansion.

19 — Share-based remuneration

The BMW Group operates three share-based remuneration programmes, namely the Employee Share Programme (for entitled employees), share-based commitments to members of the Board of Management and share-based commitments to senior heads of department.

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 2015 at favourable conditions (see note 34 for the number and price of issued shares). The holding period for these shares is up to 31 December 2018. The BMW Group recorded a personnel expense of €6 million (2014: €6 million) for the Employee Share Programme in 2015, 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.

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, at its discretion, 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 senior 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 2015).

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 2015 was €4,989,668 (2014: €3,096,674).

The total expense recognised in 2015 for the share-based remuneration component of current and former Board of Management members and senior heads of department was €1,892,994 (2014: €1,449,486).

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 €1,605,147 (2014: €1,479,939), based on a total of 18,143 shares (2014: 17,712 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 2015 Compensation Report, which is part of the Combined Management Report.

20 Disclosures relating to the statement of total comprehensive income

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

in € million	2015	2014
Remeasurement of the net defined benefit liability for pension plans	**1,413**	–2,298
Deferred taxes	**–401**	706
Items not expected to be reclassified to the income statement in the future	**1,012**	**–1,592**
Available-for-sale securities	**–170**	40
thereof gains/losses arising in the period under report	–26	109
thereof reclassifications to the income statement	–144	–69
Financial instruments used for hedging purposes	**–1,301**	–2,194
thereof gains/losses arising in the period under report	–2,619	–1,939
thereof reclassifications to the income statement	1,318	–255
Other comprehensive income from equity accounted investments	**71**	–48
Deferred taxes	**516**	732
Currency translation foreign operations	**765**	764
Items expected to be reclassified to the income statement in the future	**–119**	**–706**
Other comprehensive income for the period after tax	**893**	**–2,298**

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

in € million	2015			2014		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	**1,413**	**–401**	**1,012**	–2,298	706	–1,592
Available-for-sale securities	**–170**	**53**	**–117**	40	–34	6
Financial instruments used for hedging purposes	**–1,301**	**459**	**–842**	–2,194	719	–1,475
Other comprehensive income from equity accounted investments	**71**	**4**	**75**	–48	47	–1
Currency translation foreign operations	**765**	**–**	**765**	764	–	764
Other comprehensive income	**778**	**115**	**893**	**–3,736**	**1,438**	**–2,298**

Other comprehensive income arising at the level of equity accounted investments is reported in the Statement of Changes in Equity within “Translation differences” with a positive amount of €90 million (2014: positive amount of €140 million) and within “Derivative financial instruments” with a negative amount of €15 million (2014: negative amount of €141 million).

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

in € million	Acquisition and manufacturing cost: 1.1.2015[1]	Translation differences	Additions	Reclassi-fications	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, see note 2.
[2] Including assets under construction of €1,187 million.

Analysis of changes in Group tangible, intangible and investment assets 2014

in € million	Acquisition and manufacturing cost: 1.1.2014[1]	Translation differences	Additions	Reclassi-fications	Disposals	31.12. 2014
Development costs	9,667	–	1,499	–	1,825	**9,341**
Goodwill	374	–	–	–	5	**369**
Other intangible assets	1,459	15	62	–	93	**1,443**
Intangible assets	**11,500**	**15**	**1,561**	**–**	**1,923**	**11,153**
Land, titles to land, buildings, including buildings on third party land	8,812	207	407	428	51	**9,803**
Plant and machinery	28,843	607	2,436	2,023	1,145	**32,764**
Other facilities, factory and office equipment	2,355	65	207	32	149	**2,510**
Advance payments made and construction in progress	2,972	37	1,489	–2,483	1	**2,014**
Property, plant and equipment	**42,982**	**916**	**4,539**	**–**	**1,346**	**47,091**
Leased products	**32,486**	**1,954**	**14,576**	**–**	**12,047**	**36,969**
Investments accounted for using the equity method	**638**	**–**	**600**	**–**	**150**	**1,088**
Investments in non-consolidated subsidiaries	240	2	41	–	57	**226**
Participations	575	–	66	–	–	**641**
Non-current marketable securities	–	–	–	–	–	**–**
Other investments	**815**	**2**	**107**	**–**	**57**	**867**

[1] Including first-time consolidations.
[2] Prior year figures have been adjusted for changes in accordance with IAS 8 as described in note 9 of the Financial Statements 2014.
[3] Including assets under construction of €1,679 million.

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

	Depreciation and amortisation						Carrying amount	
	1.1.2014[1]	Translation differences	Current year	Changes not effecting net income	Disposals	**31.12.2014**	**31.12.2014**	31.12.2013[2]
Development costs	4,645	–	1,068	–	1,825	**3,888**	**5,453**	5,022
Goodwill	5	–	–	–	–	**5**	**364**	369
Other intangible assets	665	10	178	–	92	**761**	**682**	788
Intangible assets	**5,315**	**10**	**1,246**	**–**	**1,917**	**4,654**	**6,499**	**6,179**
Land, titles to land, buildings, including buildings on third party land	3,849	85	282	–	38	**4,178**	**5,625**	4,890
Plant and machinery	22,071	431	2,461	–	1,129	**23,834**	**8,930**	6,771
Other facilities, factory and office equipment	1,809	52	181	–	145	**1,897**	**613**	536
Advance payments made and construction in progress	–	–	–	–	–	**–**	**2,014**[3]	2,971
Property, plant and equipment	**27,729**	**568**	**2,924**	**–**	**1,312**	**29,909**	**17,182**	**15,168**
Leased products	**6,572**	**293**	**3,401**	**–**	**3,462**	**6,804**	**30,165**	**25,914**
Investments accounted for using the equity method	**–**	**–**	**–**	**–**	**–**	**–**	**1,088**	**638**
Investments in non-consolidated subsidiaries	76	1	1	–	16	**62**	**164**	166
Participations	188	–	152	57	–	**397**	**244**	387
Non-current marketable securities	–	–	–	–	–	**–**	**–**	–
Other investments	**264**	**1**	**153**	**57**	**16**	**459**	**408**	**553**

22 — 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 bases. Amortisation on intangible assets is presented in cost of sales, selling expenses and administrative expenses.

Other intangible assets include a brand-name right amounting to €48 million (2014: €46 million), which is allocated to the Automotive segment and is not subject to scheduled depreciation 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 (2014: €33 million) allocated to the Automotive cash-generating unit (CGU) and goodwill of €331 million (2014: €331 million) allocated to the Financial Services CGU.

Intangible assets amounting to €48 million (2014: €46 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 2015.

No borrowing costs were recognised as a cost component of intangible assets during the year under report.

An analysis of changes in intangible assets is provided in note 21.

23 — Property, plant and equipment

A break-down of the different classes of property, plant and equipment disclosed in the balance sheet and changes during the year are shown in note 21.

An impairment loss of €3 million (2014: €– million) was recognised on plant and machinery in the Automotive segment in 2015.

No borrowing costs were recognised as a cost component of property, plant and equipment during the year under report.

Property, plant and equipment include a total of €110 million (2014: €67 million) relating to land and operational buildings, for which economic ownership is attributable to the BMW Group due to the nature of the lease arrangements (finance leases). Leases to which BMW AG is party, with a carrying amount of €102 million (2014: €64 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. Assets leased by BMW Tokyo Corp., Tokyo, with a carrying amount of €7 million (2014: €2 million), have remaining terms up to 2039 at the latest. BMW Osaka Corp., Osaka, is party to a finance lease running until 2022 for an operational building with a carrying amount of €1 million at the end of the reporting period (2014: €1 million).

Minimum lease payments of the relevant leases are as follows:

in € million	31.12.2015	31.12.2014
Total of future minimum lease payments		
due within one year	**22**	13
due between one and five years	**69**	53
due later than five years	**99**	53
	190	**119**
Interest portion of the future minimum lease payments		
due within one year	**10**	8
due between one and five years	**32**	25
due later than five years	**27**	12
	69	**45**
Present value of future minimum lease payments		
due within one year	**12**	5
due between one and five years	**37**	28
due later than five years	**72**	41
	121	**74**

24 — Leased products

The BMW Group, as lessor, leases out its own products and those of other manufacturers as part of its financial services business. Minimum lease payments of €16,527 million (2014: €14,712 million) from non-cancellable operating leases fall due as follows:

in € million	31.12.2015	31.12.2014
within one year	**8,079**	7,267
between one and five years	**8,445**	7,442
later than five years	**3**	3
Minimum lease payments	**16,527**	**14,712**

Contingent rents of €54 million (2014: €56 million), based principally on the distance driven, were recognised in income. Some of the agreements contain price adjustment clauses as well as extension and purchase options.

Impairment losses amounting to €119 million (2014: €137 million) and income from the reversal of impairment losses amounting to €24 million (2014: €44 million) were recognised on leased products in 2015 as a consequence of changes in residual value expectations.

An analysis of changes in leased products is provided in note 21.

25 — Investments accounted for using the equity method

Investments accounted for using the equity method comprise the joint ventures BMW Brilliance Automotive Ltd., Shenyang (BMW Brilliance), DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich (DriveNow), as well as the associated company THERE Holding B.V., Amsterdam (THERE).

The BMW Brilliance Automotive Ltd., Shenyang, joint venture (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.

The joint ventures DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, (in both cases with a 50.0 % shareholding) is a car sharing provider which currently offers car-sharing services in major German cities and, going forward, increasingly outside Germany.

The associated company, THERE Holding B.V., Amsterdam, (in which the BMW Group has a 33.3 % shareholding), wholly owns HERE International B.V., Amsterdam (until 28 January 2016: THERE Acquisition B.V., Amsterdam), which, in turn, serves as the parent company of the HERE Group. Further information is provided in note 3.

The accounting treatment applied to investments accounted for using the equity method is described in note 6. Financial information relating to equity accounted investments is aggregated in the following table:

	BMW Brilliance		DriveNow		THERE*
in € million	**2015**	2014	**2015**	2014	**2015**
Disclosures relating to the income statement					
Revenues	**13,220**	11,550	**47**	32	**–**
Scheduled depreciation	**380**	247	**–**	–	**–**
Profit/loss before financial result	**1,399**	1,702	**–6**	–5	**–**
Interest income	**40**	24	**–**	–	**–**
Interest expenses	**15**	–	**–**	–	**–**
Income taxes	**369**	449	**–**	–	**–**
Other comprehensive income	**–**	–	**–**	–	**–**
Total comprehensive income	**1,081**	1,339	**–6**	–5	**–**
Dividends received by the Group	**144**	147	**–**	–	**–**

* No disclosure of income statement figures for 2015 on the grounds of immateriality. See also note 3.

in € million	BMW Brilliance 2015	BMW Brilliance 2014	DriveNow 2015	DriveNow 2014	THERE[1] 2015
Disclosures relating to the balance sheet					
Non-current assets	**5,415**	4,171	**–**	1	**3,115**
Cash and cash equivalents	**1,663**	976	**23**	13	**96**
Current assets	**3,841**	3,404	**32**	19	**365**
Equity	**3,853**	2,910	**20**[2]	12	**2,003**
Non-current financial liabilities	**–**	–	**–**	–	**48**
Non-current provisions and liabilities	**589**	450	**–**	–	**1,093**
Current financial liabilities	**641**	236	**–**	–	**48**
Current provisions and liabilities	**4,814**	4,215	**12**	8	**384**
Reconciliation of aggregated financial information					
Assets	**9,256**	7,575	**32**	20	**3,480**
Equity and liabilities	**5,403**	4,665	**12**	8	**1,477**
Net assets	**3,853**	2,910	**20**	12	**2,003**
Group's interest in net assets	**1,927**	1,455	**14**[3]	6	**668**
Eliminations	**–376**	–373	**–**	–	**–**
Carrying amount	**1,551**	1,082	**14**	6	**668**

[1] Carrying amounts as at acquisition date (4 December 2015). See also note 3.
[2] Corresponds to the consolidated capital (provided by the shareholders) of DriveNow GmbH & Co. KG, Munich, and its subsidiaries.
[3] The BMW Group holds 73.8 % (2014: 50.0 %) of net assets at 31 December 2015. Due to the allocation of voting rights within the decision-making bodies of the two entities, operations remain subject to joint control.

26 — Other investments

Other investments relate to investments in non-consolidated subsidiaries, joints ventures, joint operations and associated companies, participations and non-current marketable securities.

The additions to investments in non-consolidated subsidiaries relate to capital increases at the level of BMW SLP S. A. de C.V., San Luis Potosí, BMW i Ventures B.V., Rijswijk, and BMW i Ventures, LLC, WiImington, DE.

The additions to non-current marketable securities relate to the acquisition of part of a convertible bond, issued by SGL Carbon SE, Wiesbaden, with a nominal volume of €28 million. Disposals of investment in non-consolidated subsidiaries result from the winding-up of BMW Services Netherlands B.V., Rijswijk.

Impairment losses on investments in non-consolidated subsidiaries – recognised with income statement effect – related primarily to BMW i Ventures B.V., Rijswijk.

Impairment losses on participations – recognised with income statement effect – related to the investment in SGL Carbon SE, Wiesbaden, which was written down on the basis of objective criteria, see also note 6.

A break-down of the different classes of other investments disclosed in the balance sheet and changes during the year are shown in note 21.

27 — Receivables from sales financing

Receivables from sales financing, totalling €70,043 million (2014: €61,024 million), comprise €52,915 million (2014: €45,849 million) for credit financing for retail customers and dealers and €17,128 million (2014: €15,175 million) for finance leases. Finance leases are analysed as follows:

in € million	31.12.2015	31.12.2014
Gross investment in finance leases		
due within one year	**5,974**	5,366
due between one and five years	**12,816**	11,231
due later than five years	**134**	109
	18,924	**16,706**
Present value of future minimum lease payments		
due within one year	**5,429**	4,898
due between one and five years	**11,572**	10,175
due later than five years	**127**	102
	17,128	**15,175**
Unrealised interest income	**1,796**	**1,531**

Contingent rents recognised as income (generally relating to the distance driven) amounted to €1 million (2014: €2 million). Impairment losses on finance leases amounting to €174 million (2014: €183 million) were measured and recognised on the basis of specific credit risks. Non-guaranteed residual values that fall to the benefit of the lessor amounted to €165 million (2014: €140 million).

Receivables from sales financing include €41,865 million (2014: €37,438 million) with a remaining term of more than one year.

Allowances for impairment and credit risk

in € million	31.12.2015	31.12.2014
Gross carrying amount	**71,536**	62,539
Allowance for impairment	**–1,493**	–1,515
Net carrying amount	**70,043**	**61,024**

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

2015 in € million	Allowance for impairment recognised on a 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**

2014 in € million	Allowance for impairment recognised on a specific item basis	Allowance for impairment recognised on a group basis	Total
Balance at 1 January*	1,098	482	**1,580**
Allocated (+)/reversed (–)	239	41	**280**
Utilised	–371	–20	**–391**
Exchange rate impact and other changes	34	12	**46**
Balance at 31 December	**1,000**	**515**	**1,515**

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

At the end of the reporting period, impairment allowances of €530 million (2014: €515 million) were recognised on a group basis on gross receivables from sales financing totalling €44,473 million (2014: €38,780 million). Impairment allowances of €963 million (2014: €1,000 million) were recognised at 31 December 2015 on a specific item basis on gross receivables from sales financing totalling €13,742 million (2014: €12,951 million).

Receivables from sales financing which were not overdue at the end of the reporting period amounted to €13,321 million (2014: €10,808 million). No impairment losses were recognised for these balances.

The estimated fair value of collateral received for receivables on which impairment losses were recognised totalled €26,992 million (2014: €25,443 million) at the end of the reporting period. 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 €40 million (2014: €41 million).

28 — Financial assets

Financial assets comprise:

in € million	31.12.2015	31.12.2014
Derivative instruments	**3,030**	2,888
Marketable securities and investment funds	**5,261**	3,972
Loans to third parties	**133**	12
Credit card receivables	**272**	239
Other	**147**	297
Financial assets	**8,843**	**7,408**
thereof non-current	**2,208**	2,024
thereof current	**6,635**	5,384

The increase in derivative instruments was primarily attributable to positive market price developments of currency derivatives.

The rise in marketable securities and investment funds results primarily from investments in fixed income marketable securities.

The amount by which the value of the investment funds exceeds obligations for part-time working arrangements (€12 million; 2014: €48 million) is reported under “Other financial assets”. Investment funds are held to secure these obligations. These funds are managed by BMW Trust e.V., Munich, as part of a Contractual Trust Arrangement (CTA) and are therefore netted against the corresponding settlement arrears for pre-retirement part-time working arrangements.

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

in € million	31.12.2015	31.12.2014
Stocks	**561**	100
Fixed income securities	**4,356**	3,340
Other debt securities	**344**	532
Marketable securities and investment funds	**5,261**	**3,972**

The contracted maturities of debt securities are as follows:

in € million	31.12.2015	31.12.2014
Fixed income securities		
due within three months	**699**	595
due later than three months	**3,657**	2,745
Other debt securities		
due within three months	**344**	532
due later than three months	**–**	–
Debt securities	**4,700**	**3,872**

Allowances for impairment and credit risk

Receivables relating to credit card business comprise the following:

in € million	31.12.2015	31.12.2014
Gross carrying amount	**280**	247
Allowance for impairment	**–8**	–8
Net carrying amount	**272**	**239**

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

2015 in € million	Allowance for impairment recognised on a 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**

2014 in € million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January	9	–	**9**
Allocated (+)/reversed (–)	6	–	**6**
Utilised	–8	–	**–8**
Exchange rate impact and other changes	1	–	**1**
Balance at 31 December	**8**	**–**	**8**

29 — Income tax assets

Income tax assets totalling €2,381 million (2014: €1,906 million) include claims amounting to €519 million (2014: €653 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.

30 — Other assets

Other assets comprise:

in € million	**31.12.2015**	31.12.2014
Prepayments	**1,527**	1,323
Receivables from subsidiaries	**716**	721
Receivables from other companies in which an investment is held	**893**	1,055
Other taxes	**1,036**	1,078
Collateral receivables	**412**	412
Expected reimbursement claims	**711**	641
Sundry other assets	**966**	902
Other assets	**6,261**	**6,132**
thereof non-current	**1,568**	1,094
thereof current	**4,693**	5,038

Prepayments of €1,527 million (2014: €1,323 million) relate mainly to prepaid interest and commission paid to dealers. Prepayments of €795 million (2014: €674 million) have a maturity of less than one year.

Receivables from subsidiaries include trade receivables of €39 million (2014: €41 million) and financial receivables of €677 million (2014: €680 million). They include €265 million (2014: €293 million) with a remaining term of more than one year.

Receivables from other companies in which an investment is held include €892 million (2014: €1,054 million) due within one year.

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

31 — Inventories

Inventories comprise the following:

in € million	**31.12.2015**	31.12.2014
Raw materials and supplies	**1,004**	918
Work in progress, unbilled contracts	**1,098**	944
Finished goods and goods for resale	**8,969**	9,227
Inventories	**11,071**	**11,089**

At 31 December 2015, inventories measured at their net realisable value amounted to €1,054 million (2014: €723 million) and are included in total inventories of €11,071 million (2014: €11,089 million). Write-downs to net realisable value amounting to €486 million (2014: €29 million) were recognised in 2015 and resulted primarily from accidents and natural disasters. No reversals of write-down were recognised in the period under report (2014: €3 million).

32 — Trade receivables

Trade receivables totalling €2,751 million (2014: €2,153 million) include €53 million (2014: €47 million) due later than one year.

Allowances for impairment and credit risk

in € million	31.12.2015	31.12.2014
Gross carrying amount	**2,847**	2,236
Allowance for impairment	**–96**	–83
Net carrying amount	**2,751**	**2,153**

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

2015 in € million	Allowance for impairment recognised on a specific item basis	Allowance for impairment recognised on a 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**

2014 in € million	Allowance for impairment recognised on a specific item basis	Allowance for impairment recognised on a group basis	**Total**
Balance at 1 January	98	9	**107**
Allocated (+)/reversed (–)	–6	–2	**–8**
Utilised	–15	–	**–15**
Exchange rate impact and other changes	–1	–	**–1**
Balance at 31 December	**76**	**7**	**83**

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

in € million	31.12.2015	31.12.2014
1–30 days overdue	**128**	100
31–60 days overdue	**20**	73
61–90 days overdue	**10**	26
91–120 days overdue	**15**	30
More than 120 days overdue	**22**	52
	195	**281**

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.

33 — Cash and cash equivalents

Cash and cash equivalents of €6,122 million (2014: €7,688 million) comprise cash on hand and at bank, all with an original term of up to three months.

34 — Equity

Number of shares issued

	Preferred stock		Common stock	
	2015	2014	**2015**	2014
Shares issued / in circulation at 1 January	**54,499,544**	54,259,787	**601,995,196**	601,995,196
Shares issued in conjunction with Employee Share Programme	**309,944**	239,777	**–**	–
Less: shares repurchased and re-issued	**84**	20	**–**	–
Shares issued / in circulation at 31 December	**54,809,404**	54,499,544	**601,995,196**	601,995,196

At 31 December 2015 common stock issued by BMW AG was divided, as at the end of the previous year, into 601,995,196 shares of common stock with a par-value of €1.00. Preferred stock issued by BMW AG was divided into 54,809,404 shares (2014: 54,499,544 shares) with a par-value of €1.00. Unlike the common stock, no voting rights are attached to the preferred stock. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

In 2015, a total of 309,944 shares of preferred stock was sold to employees at a reduced price of €53.66 per share in conjunction with the Company's Employee Share Programme. These shares are entitled to receive dividends with effect from the financial year 2016. 84 shares of preferred stock were bought back via the stock exchange in conjunction with the Company's Employee Share Programme.

Further information on share-based remuneration is provided in note 19.

Issued share capital increased by €0.3 million as a result of the issue to employees of 309,860 shares of non-voting preferred stock. The number of authorised shares and the Authorised Capital of BMW AG amounted to 4.5 million shares and €4.5 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. The share premium of €22.8 million arising on the share capital increase was transferred to capital reserves.

Capital reserves

Capital reserves include premiums arising from the issue of shares and totalled €2,027 million (2014: €2,005 million). The change related to the share capital increase in conjunction with the issue of shares of preferred stock to employees.

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.

Revenue reserves increased during the twelve-month period under report to €41,027 million (31 December 2014: €35,621 million). They were increased by the amount of the net profit attributable to shareholders of BMW AG amounting to €6,369 million (2014: €5,798 million) and reduced by the payment of the dividend for 2014 amounting to €1,904 million (for 2013: €1,707 million). Revenue reserves also increased by €1,012 million (2014: reduced by €1,592 million) as a result of remeasurements of net defined benefit liability for pension plans (net of deferred tax recognised directly in equity). Other miscellaneous changes reduced revenue reserves by €71 million (2014: €– million).

The unappropriated profit of BMW AG at 31 December 2015 amounts to €2,102 million and will be proposed to the Annual General Meeting for distribution. This amount includes €175 million relating to preferred stock. The amount proposed for distribution represents an amount of €3.22 per share of preferred stock and €3.20 per share of common stock. The proposed distribution must be authorised by the shareholders at the Annual General Meeting of BMW AG. It is therefore 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.

Minority interests

Equity attributable to minority interests amounted to €234 million (2014: €217 million). This includes a minority interest of €27 million in the results for the year (2014: €19 million).

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 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 buy-backs.

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	**31.12.2015**	31.12.2014
Equity attributable to shareholders of BMW AG	**42,530**	37,220
Proportion of total capital	**31.7%**	31.6%
Non-current financial liabilities	**49,523**	43,167
Current financial liabilities	**42,160**	37,482
Total financial liabilities	**91,683**	80,649
Proportion of total capital	**68.3%**	68.4%
Total capital	**134,213**	**117,869**

Equity attributable to shareholders of BMW AG increased during the financial year by 0.1 percentage points, primarily reflecting the increase in revenue reserves.

Since December 2013, the BMW AG has a long-term rating of A+ (with stable outlook) and a short-term rating of A-1 from the rating agency Standard & Poor's, currently the highest rating given by Standard & Poor's to a European car manufacturer. Since July 2011, the BMW AG has a long-term rating of A2 (with stable outlook) and a short-term rating of P-1 from the rating agency Moody's. In March 2015, Moody's raised the outlook from "stable" to "positive" and at the same time confirmed the long-term and short-term ratings of A2 and P-1 respectively. This means that BMW AG continues to enjoy the best ratings of all European car manufacturers, clearly reflecting the financial strength of the BMW Group.

Company rating	Moody's	Standard & Poor's
Non-current financial liabilities	A2	A+
Current financial liabilities	P-1	A-1
Outlook	positive	stable

With their current long-term ratings of A+ (Standard & Poor's) and A2 (Moody's), the agencies continue to confirm BMW AG's robust creditworthiness for debt with a term of more than one year. BMW AG's creditworthiness for short-term debt is also classified by the rating agencies as very good, thus enabling it to obtain refinancing funds on competitive conditions.

35 — Pension provisions

Pension provisions are recognised as a result of commitments to pay future vested pension benefits and current pensions to present and former employees of the BMW Group and their dependants. Depending on the legal, economic and tax circumstances prevailing in each country, various pension plans are used, based generally on the length of service, salary and remuneration structure of the employees involved. Due to similarity of nature, the obligations of BMW Group companies in the USA and of BMW (South Africa) (Pty) Ltd., Pretoria, for post-retirement medical care are also accounted for as pension provisions in accordance with IAS 19.

Post-employment benefit plans are classified as either defined contribution or defined benefit plans. Under **defined contribution plans** an enterprise pays fixed contributions into a separate entity or fund and does not assume any other obligations. The total pension expense for defined contribution plans of the BMW Group amounted to €71 million (2014: €60 million).

Employer contributions paid to state pension insurance programmes totalled €571 million (2014: €517 million).

Under **defined benefit plans** the enterprise is required to pay the benefits 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.

In the case of externally funded plans, the defined benefit obligation is offset against plan assets measured at their fair value. Where the plan assets exceed the pension obligations and the BMW Group has a right of reimbursement or a right to reduce future contributions, it reports an asset (within "Other financial assets") at an amount equivalent to 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 benefit obligation exceeds fund assets.

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).

Past service cost arises where a BMW Group entity introduces a defined benefit plan or changes the benefits payable under an existing plan. These costs are 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.

The defined benefit obligation is calculated on an actuarial basis. The actuarial computation requires the use of estimates and assumptions, which depend on the economic situation in each particular country. The most important assumptions applied by the BMW Group are shown below. The following weighted average values have been used for Germany, the United Kingdom and other countries:

31 December	Germany		United Kingdom		Other	
in %	**2015**	2014	**2015**	2014	**2015**	2014
Discount rate	**2.51**	2.10	**3.58**	3.40	**3.83**	3.48
Pension level trend	**1.60**	1.60	**2.43**	2.43	**0.02**	0.03

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	S1PA tables weighted accordingly, and S1NA tables minus 2 years, both with a minimum long term annual improvement allowance
USA	RP2014 Mortality Table with collar adjustments projected with MP2015

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 %. By contrast, the salary level trend assumption is subject to a comparatively low level of sensitivity within the BMW Group. The calculation of the salary level trend in the UK also takes account of restrictions due to caps and floors.

Based on the measurement principles contained in IAS 19, the following balance sheet **carrying amounts** apply to the Group's pension plans:

31 December	Germany		United Kingdom		Other		Total	
in € million	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Present value of defined benefit obligations	**9,215**	9,636	**9,327**	9,499	**1,384**	1,327	**19,926**	20,462
Fair value of plan assets	**7,855**	7,323	**8,153**	7,734	**922**	804	**16,930**	15,861
Effect of limiting net defined benefit asset to asset ceiling	**–**	–	**–**	–	**3**	2	**3**	2
Carrying amounts at 31 December	**1,360**	**2,313**	**1,174**	**1,765**	**465**	**525**	**2,999**	**4,603**
thereof pension provision	**1,360**	2,313	**1,174**	1,765	**466**	526	**3,000**	4,604
thereof assets	**–**	–	**–**	–	**–1**	–1	**–1**	–1

The decrease in defined benefit obligations results mainly from the change in the discount rate used for the actuarial computation in Germany, the UK and the USA.

The provision for pension-like obligations for post-employment medical care in the USA and South Africa amounts to €52 million (2014: €57 million) and is determined on a similar basis to the measurement of pension obligations in accordance with IAS 19. Increased costs do not have a direct impact on medical care obligations relating to pensioners in the USA. In the case of South Africa, however, it was assumed that costs would increase in the long term by 8.4 % (2014: 8.3 %) p.a. The expense recognised for obligations relating to post-employment medical care amounted to €10 million (2014: €8 million).

Numerous **defined benefit plans** are in place throughout the BMW Group, the most significant of which 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 dependants' 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. Any employer social security contributions saved are credited in the following year to the individual's benefits account. The converted remuneration components and the social security contributions saved are invested on capital markets. 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.

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 dependants' benefits. These 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 14 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.

USA

The BMW Group's defined benefit plans in the USA are primarily employer-funded and include final salary pension plans and a post-retirement medical care plan. Benefits paid in conjunction with these plans comprise old-age retirement pensions, early retirement benefits, surviving dependants' benefits as well as post-retirement medical care benefits.

Statutory minimum funding requirements apply to the final salary pension plans. Plan participants are represented by a committee consisting of six members, which is authorised to take all decisions pertaining to the relevant pension plan, including plan structure, investments and selection of investment managers as well as regular allocations and retrospective allocations to the plan. The committee members are nominated by the management of the relevant participating US entities. Plan committees act in a fiduciary capacity and are subject to statutory framework conditions.

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 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**
Remeasurements					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	325	**325**	–	**325**
Gains (–) or losses (+) arising from changes in demographic assumptions	–224	–	**–224**	–	**–224**
Gains (–) or losses (+) arising from changes in financial assumptions	–1,181	–	**–1,181**	–	**–1,181**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	1	**1**
Gains (–) or losses (+) arising from experience adjustments	–429	–	**–429**	–	**–429**
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

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 2014	15,758	–13,461	**2,297**	4	**2,301**
Expense / income					
Current service cost	337	–	**337**	–	**337**
Interest expense (+) / income (–)	628	–540	**88**	–	**88**
Past service cost	–3	–	**–3**	–	**–3**
Gains (–) or losses (+) arising from settlements	–8	–	**–8**	–	**–8**
Remeasurements					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	–1,394	**–1,394**	–	**–1,394**
Gains (–) or losses (+) arising from changes in demographic assumptions	53	–	**53**	–	**53**
Gains (–) or losses (+) arising from changes in financial assumptions	3,490	–	**3,490**	–	**3,490**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	–1	**–1**
Gains (–) or losses (+) arising from experience adjustments	–24	–	**–24**	–	**–24**
Transfers to fund	–	–383	**–383**	–	**–383**
Employee contributions	71	–71	**–**	–	**–**
Pensions and other benefits paid	–519	522	**3**	–	**3**
Translation differences and other changes	679	–534	**145**	–1	**144**
31 December 2014	**20,462**	**–15,861**	**4,601**	**2**	**4,603**
thereof pension provision					4,604
thereof assets					–1

Net interest expense on the net defined benefit liability is presented within the financial result. All other components of pension expense are presented in the income statement under cost of sales, selling and administrative expenses.

Remeasurements on the obligations side gave rise to a negative amount of €1,834 million (2014: positive amount of €3,519 million) and related mainly to the higher discount rates used in Germany, the UK and the USA.

The **net defined benefit liability for pension plans** in Germany, the UK and other countries changed as follows:

Germany

in € million	Defined benefit obligation 2015	Defined benefit obligation 2014	Plan assets 2015	Plan assets 2014	Net liability 2015	Net liability 2014
1 January	**9,636**	7,400	**–7,323**	–6,749	**2,313**	651
Expense (+)/income (–)	**518**	475	**–155**	–237	**363**	238
Remeasurements	**–825**	1,872	**–7**	–351	**–832**	1,521
Payments to external funds	**–**	–	**–490**	–97	**–490**	–97
Employee contributions	**53**	48	**–53**	–48	**–**	–
Payments on account and pension payments	**–167**	–159	**173**	159	**6**	–
31 December	**9,215**	**9,636**	**–7,855**	**–7,323**	**1,360**	**2,313**

United Kingdom

in € million	Defined benefit obligation 2015	Defined benefit obligation 2014	Plan assets 2015	Plan assets 2014	Net liability 2015	Net liability 2014
1 January	**9,499**	7,409	**–7,734**	–6,076	**1,765**	1,333
Expense (+)/income (–)	**449**	405	**–283**	–275	**166**	130
Remeasurements	**–876**	1,390	**294**	–990	**–582**	400
Payments to external funds	**–**	–	**–295**	–212	**–295**	–212
Employee contributions	**23**	20	**–23**	–20	**–**	–
Payments on account and pension payments	**–326**	–294	**334**	302	**8**	8
Translation differences and other changes	**558**	569	**–446**	–463	**112**	106
31 December	**9,327**	**9,499**	**–8,153**	**–7,734**	**1,174**	**1,765**

Other

in € million	Defined benefit obligation 2015	Defined benefit obligation 2014	Plan assets 2015	Plan assets 2014	Effect of limiting the net defined benefit asset to the asset ceiling 2015	Effect of limiting the net defined benefit asset to the asset ceiling 2014	Net liability 2015	Net liability 2014
1 January	**1,327**	949	**–804**	–636	**2**	4	**525**	317
Expense (+)/income (–)	**109**	74	**–30**	–28	**–**	–	**79**	46
Remeasurements	**–133**	257	**38**	–53	**1**	–1	**–94**	203
Payments to external funds	**–**	–	**–87**	–74	**–**	–	**–87**	–74
Employee contributions	**3**	3	**–3**	–3	**–**	–	**–**	–
Payments on account and pension payments	**–47**	–66	**47**	61	**–**	–	**–**	–5
Translation differences and other changes	**125**	110	**–83**	–71	**–**	–1	**42**	38
31 December	**1,384**	**1,327**	**–922**	**–804**	**3**	**2**	**465**	**525**

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:

Components of plan assets

	Germany		United Kingdom		Other		Total	
in € million	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Equity instruments	**1,807**	1,865	**1,340**	1,230	**224**	203	**3,371**	3,298
Debt instruments	**4,834**	4,509	**4,623**	4,562	**420**	379	**9,877**	9,450
thereof investment grade	**3,525**	3,271	**4,437**	4,331	**383**	334	**8,345**	7,936
thereof non-investment grade	**1,309**	1,238	**186**	231	**37**	45	**1,532**	1,514
Real estate	**–**	–	**–**	3	**20**	–	**20**	3
Money market funds	**–**	–	**255**	100	**19**	12	**274**	112
Absolute return funds	**–**	–	**33**	26	**–**	–	**33**	26
Other	**–**	–	**–**	5	**–**	–	**–**	5
Total with quoted market price	**6,641**	**6,374**	**6,251**	**5,926**	**683**	**594**	**13,575**	**12,894**
Debt instruments	**189**	183	**207**	298	**3**	12	**399**	493
thereof investment grade	**189**	183	**2**	111	**1**	12	**192**	306
thereof non-investment grade	**–**	–	**205**	187	**2**	–	**207**	187
Real estate	**172**	107	**783**	683	**105**	105	**1,060**	895
Cash and cash equivalents	**17**	11	**24**	9	**–**	–	**41**	20
Absolute return funds	**554**	424	**705**	557	**34**	–	**1,293**	981
Other	**282**	224	**183**	261	**97**	93	**562**	578
Total without quoted market price	**1,214**	**949**	**1,902**	**1,808**	**239**	**210**	**3,355**	**2,967**
31 December	**7,855**	**7,323**	**8,153**	**7,734**	**922**	**804**	**16,930**	**15,861**

Employer contributions to plan assets are expected to amount to €692 million in the coming year. Plan assets of the BMW Group include own transferable financial instruments amounting to €6 million (2014: €5 million).

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. Pension obligations to employees under such plans are measured on the basis of actuarial reports. Future pension payments are discounted by reference to market yields on high quality corporate bonds. These yields are subject to market fluctuation and influence the level of pension obligations. Furthermore, changes in other actuarial parameters, such as expected rates of inflation, also have an impact on pension obligations.

A substantial portion of plan assets is invested in debt instruments in order to minimise the effect of capital market fluctuations on the net liability. The asset portfolio also includes equity instruments, property and alternative investments – asset classes capable of generating the higher rates of return necessary to cover risks (such as changes in mortality tables) not taken into account in the actuarial assumptions applied. The financial risk of longer-than-assumed life expectancy is hedged for the majority of participants of the BMW Group's largest pension plan in the UK by means of a so-called "longevity hedge".

In order to reduce currency exposures, a substantial portion of plan assets are either invested in the same currency as the underlying plan or hedged by means of currency derivatives.

Pension fund assets are monitored continuously and managed from a risk-and-yield perspective. Risk is reduced by ensuring a broad spread of investments. In this context, the BMW Group continuously monitors the degree of coverage of pension plans as well as adherence to the stipulated investment strategy.

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. In their own way, each of these measures helps to reduce fluctuations in pension funding shortfalls.

Most of the BMW Group's pension assets are administered separately and kept legally segregated from company assets using trust fund arrangements. As a consequence, the level of funds required to finance pension payments out of operations will be substantially reduced in the future, since most of the Group's pension obligations are settled out of the assets of pension funds/trust fund arrangements.

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

31 December	Germany		United Kingdom		Other	
in € million	**2015**	2014	**2015**	2014	**2015**	2014
Current employees	**6,114**	6,495	**2,183**	2,295	**1,038**	1,003
Pensioners	**2,635**	2,650	**4,537**	4,208	**231**	212
Former employees with vested benefits	**466**	491	**2,607**	2,996	**115**	112
Defined benefit obligation	**9,215**	**9,636**	**9,327**	**9,499**	**1,384**	**1,327**

The **sensitivity analysis** provided below shows the extent to which – based on an appropriate review – the defined benefit obligation would have been affected by changes in the relevant assumptions that were possible at the end of the reporting period, if the other assumptions used in the calculation were kept constant. It is only possible, however, to aggregate sensitivities to a limited extent. Since the change in obligations does not follow a linear pattern, all estimates made on the basis of the specified sensitivities have to be made subject to this restriction. The calculation of sensitivities using ranges other than those specified could result in a non-proportional changes in the defined benefit obligation.

The defined benefit obligation amounted to €19,926 million at 31 December 2015.

31 December		Change in defined benefit obligation			
		2015		2014	
		in € million	in %	in € million	in %
Discount rate	increase of 0.75%	**–2,577**	**–12.9**	–2,888	–14.1
	decrease of 0.75%	**3,253**	**16.3**	3,675	18.0
Pension level trend	increase of 0.25%	**655**	**3.3**	727	3.6
	decrease of 0.25%	**–610**	**–3.1**	–679	–3.3
Average life expectancy	increase of 1 year	**632**	**3.2**	703	3.4
	decrease of 1 year	**–633**	**–3.2**	–700	–3.4
Pension entitlement trend	increase of 0.25%	**134**	**0.7**	152	0.7
	decrease of 0.25%	**–128**	**–0.6**	–146	–0.7

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

The **weighted duration of all pension obligations** in Germany, the UK and other countries (based on present values of the defined benefit obligation) developed as follows:

31 December	Germany		United Kingdom		Other	
in years	**2015**	2014	**2015**	2014	**2015**	2014
Weighted duration of all pension obligations	**20.5**	21.4	**19.2**	19.9	**18.4**	19.2

Statutory minimum funding and recovery requirements apply in the UK and the USA which may have an effect on future amounts. Valuations are performed regularly to measure the level of funding. In conjunction with these valuations, funding plans are drawn up and the amount of any necessary special allocations determined.

36 — Other provisions

Other provisions comprise the following items:

in € million	31.12.2015 Total	31.12.2015 thereof due within one year	31.12.2014 Total	31.12.2014 thereof due within one year
Obligations for personnel and social expenses	**1,939**	**1,475**	1,871	1,442
Obligations for ongoing operational expenses	**5,811**	**2,430**	4,887	1,786
Other obligations	**1,880**	**1,104**	2,032	1,294
Other provisions	**9,630**	**5,009**	**8,790**	**4,522**

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. Obligations for performance-related remuneration components are normally settled in the following financial year.

Provisions for obligations for ongoing operational expenses relate primarily to warranty obligations and comprise both statutorily prescribed manufacturer warranties and other guaranties offered by the BMW Group. 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 amounted to €711 million at the end of the reporting period (2014: €641 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.

Other provisions changed during the year as follows:

in € million	1.1.2015	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2015
Obligations for personnel and social expenses	1,871	7	1,496	1	–1,414	–22	**1,939**
Obligations for ongoing operational expenses	4,887	283	3,462	72	–2,474	–419	**5,811**
Other obligations	2,032	54	677	2	–604	–281	**1,880**
Other provisions	**8,790**	**344**	**5,635**	**75**	**–4,492**	**–722**	**9,630**

Income from the reversal of other provisions amounting to €550 million (2014: €198 million) is recorded in cost of sales and in selling and administrative expenses.

37 — Income tax liabilities

Income tax liabilities totalling €1,441 million (2014: €1,590 million) include obligations amounting to €485 million (2014: €956 million) which are 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 tax liabilities of €1,441 million (2014: €1,590 million) comprise €288 million (2014: €151 million) for taxes payable and €1,153 million (2014: €1,439 million) for tax provisions. Tax provisions totalling €8 million were reversed in the year under report (2014: €1 million).

38 — 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 December 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**
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**
Asset backed financing transactions	5,046	8,585	–	**13,631**
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**

31 December 2014 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	8,561	22,817	4,111	**35,489**
Liabilities to banks	7,784	3,281	489	**11,554**
Liabilities from customer deposits (banking)	9,157	3,309	–	**12,466**
Commercial paper	5,599	–	–	**5,599**
Asset backed financing transactions	3,825	6,990	69	**10,884**
Derivative instruments	1,930	1,190	23	**3,143**
Other	626	387	501	**1,514**
Financial liabilities	**37,482**	**37,974**	**5,193**	**80,649**

The increase in liabilities relating to derivatives results from the fair value measurement of currency and commodity derivative instruments.

The BMW Group uses various short-term and long-term refinancing instruments on money and capital markets to finance its operations. This diversification enables it to obtain attractive market conditions.

The main instruments used are corporate bonds, asset-backed financing transactions, liabilities to banks and liabilities from customer deposits (banking).

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 %)
BMW Finance N.V., The Hague	variable	EUR 5,415 million	2.2	0.2
	variable	GBP 25 million	1.0	1.0
	variable	SEK 4,700 million	2.5	0.0
	variable	USD 640 million	1.5	0.8
	fixed	AUD 500 million	4.0	4.2
	fixed	CHF 300 million	6.0	1.8
	fixed	EUR 15,064 million	6.9	2.3
	fixed	GBP 2,100 million	5.0	2.9
	fixed	HKD 500 million	3.0	1.6
	fixed	JPY 51,000 million	2.5	0.4
	fixed	NOK 750 million	5.0	2.8
	fixed	SEK 1,750 million	5.0	1.9
BMW US Capital, LLC, Wilmington, DE	variable	EUR 1,500 million	2.6	0.2
	variable	GBP 400 million	0.6	0.7
	variable	SEK 500 million	0.6	0.0
	variable	USD 2,100 million	1.1	0.6
	fixed	AUD 200 million	0.3	4.0
	fixed	EUR 4,340 million	4.5	1.0
	fixed	GBP 300 million	3.9	2.0
	fixed	HKD 500 million	1.9	1.4
	fixed	JPY 30,000 million	2.6	0.2
	fixed	NZD 100 million	1.9	4.4
	fixed	USD 2,280 million	5.3	3.2
BMW Australia Finance Ltd., Melbourne, Victoria	variable	AUD 700 million	3.0	3.0
	variable	EUR 50 million	3.0	0.2
	variable	USD 170 million	2.6	0.8
Other	fixed	INR 3,500 million	5.0	10.3
	fixed	CAD 1,850 million	4.0	2.2
	fixed	JPY 48,000 million	2.7	0.3
	fixed	KRW 410,000 million	3.2	2.7

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 %)
BMW Finance N.V., The Hague	EUR 1,440 million	81	0.00
	GBP 265 million	74	0.62
BMW Malta Finance Ltd., Floriana	EUR 268 million	13	0.01
BMW US Capital, LLC, Wilmington, DE	USD 3,645 million	23	0.32

39 — Other liabilities

Other liabilities comprise the following items:

31 December 2015 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Other taxes	1,080	–	–	**1,080**
Social security	71	17	1	**89**
Advance payments from customers	681	121	–	**802**
Deposits received	492	374	5	**871**
Payables to subsidiaries	86	–	–	**86**
Payables to other companies in which an investment is held	107	–	–	**107**
Deferred income	2,399	3,640	215	**6,254**
Other	4,292	176	10	**4,478**
Other liabilities	**9,208**	**4,328**	**231**	**13,767**

31 December 2014 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Other taxes	929	–	14	**943**
Social security	69	7	2	**78**
Advance payments from customers	460	105	–	**565**
Deposits received	415	348	5	**768**
Payables to subsidiaries	162	–	–	**162**
Payables to other companies in which an investment is held	5	–	–	**5**
Deferred income	1,894	3,373	221	**5,488**
Other	3,841	193	7	**4,041**
Other liabilities	**7,775**	**4,026**	**249**	**12,050**

Deferred income comprises the following items:

in € million	**31.12.2015**		31.12.2014	
	Total	thereof due within one year	Total	thereof due within one year
Deferred income from lease financing	**1,922**	**915**	1,685	780
Deferred income relating to service contracts	**3,910**	**1,397**	3,370	1,027
Grants	**299**	**32**	306	31
Other deferred income	**123**	**55**	127	56
Deferred income	**6,254**	**2,399**	**5,488**	**1,894**

Deferred income relating to service contracts relates to service and repair work to be provided under commitments given at the time of the sale of a vehicle (multi-component arrangements). Grants comprise primarily public sector funds to promote regional structures which have been invested in the production plants in Brazil, Leipzig and Berlin. The grants for the two German sites mentioned are subject to holding periods for the assets concerned of up to five years and minimum employment figures. All conditions attached to the grants were complied with at 31 December 2015. In accordance with IAS 20, grant income is recognised over the useful lives of the assets to which they relate.

40 — Trade payables

31 December 2015 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Trade payables	7,701	72	–	**7,773**

31 December 2014 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Trade payables	7,580	129	–	**7,709**

The total amount of financial liabilities, other liabilities and trade payables with a maturity later than five years amounts to €8,465 million (2014: €5,442 million).

41 — Contingent liabilities and other financial commitments

Contingent liabilities

No provisions were recognised for the following contingent liabilities (stated at estimated amounts), since an outflow of resources is not considered to be probable:

in € million	31.12.2015	31.12.2014
Guarantees	93	33
Performance guarantees	–	4
Other	213	84
Contingent liabilities	**306**	121

Contingent liabilities relate entirely to third parties.

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

The BMW Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of the Group Financial Statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. A part of these risks is insured where this makes business sense.

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 any pending proceedings to have a significant adverse impact on the result of operations, financial position and net assets of the Group.

Other financial commitments

In addition to liabilities, provisions and contingent liabilities, the BMW Group also has other financial commitments, primarily under lease contracts for land, buildings, plant and machinery, tools, office and other facilities. These contracts run for periods of one to 49 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 2015 an amount of €315 million (2014: €350 million) was recognised as expense in conjunction with operating leases. All of these amounts relate to minimum lease payments.

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

in € million	31.12.2015	31.12.2014
due within one year	371	299
due between one and five years	1,003	888
due later than five years	816	603
Other financial obligations	**2,190**	1,790

Other financial commitments include €14 million (2014: €7 million) in respect of obligations to non-consolidated subsidiaries. No back-to-back operating leases were in place at the end of the reporting period (2014: €1 million).

Purchase commitments amounted to €2,217 million (2014: €2,247 million) for property, plant and equipment and €757 million (2014: €750 million) for intangible assets.

42 — Financial instruments

The carrying amounts and fair values of financial instruments are assigned to IAS 39 categories and cash funds as follows:[1, 2]

31 December 2015 in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets						
Other investments	–	–	–	–	–	–
Receivables from sales financing	–	–	72,309	70,043	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	100	100	–	–
Loans to third parties	–	–	133	133	–	–
Credit card receivables	–	–	272	272	–	–
Other	–	–	147	147	–	–
Cash and cash equivalents	6,122	6,122	–	–	–	–
Trade receivables	–	–	2,751	2,751	–	–
Other assets						
Receivables from subsidiaries	–	–	716	716	–	–
Receivables from companies in which an investment is held	–	–	893	893	–	–
Collateral receivables	314	314	–	–	–	–
Other	–	–	1,050	1,050	–	–
Total	**6,436**	**6,436**	**78,371**	**76,105**	**–**	**–**

31 December 2015 in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
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	**–**	**–**	**–**	**–**	**–**	**–**

[1] The carrying amounts of cash flow and fair value hedges are allocated to the category "Held for trading" for the sake of clarity.
[2] Based on the fact that maturities are generally short, it is assumed for some items that fair value corresponds to the carrying amount.
[3] Carrying amount corresponds to fair value.

	Other liabilities: Fair value	Other liabilities: Carrying amount	Available-for-sale: Carrying amount[3]	Fair value option: Carrying amount[3]	Held for trading: Carrying amount[1,3]
Assets					
Other investments	–	–	402	26	–
Receivables from sales financing	–	–	–	–	–
Financial assets					
Derivative instruments					
Cash flow hedges	–	–	–	–	830
Fair value hedges	–	–	–	–	1,194
Other derivative instruments	–	–	–	–	1,006
Marketable securities and investment funds	–	–	5,161	–	–
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	–	–	98	–	–
Other	–	–	–	–	–
Total	**–**	**–**	**5,661**	**26**	**3,030**

	Other liabilities: Fair value[2]	Other liabilities: Carrying amount	Available-for-sale: Carrying amount[3]	Fair value option: Carrying amount[3]	Held for trading: Carrying amount[1,3]
Liabilities					
Financial liabilities					
Bonds	40,701	40,319	–	–	–
Liabilities to banks	12,783	12,720	–	–	–
Liabilities from customer deposits (banking)	13,543	13,509	–	–	–
Commercial paper	5,415	5,415	–	–	–
Asset backed financing transactions	13,611	13,631	–	–	–
Derivative instruments					
Cash flow hedges	–	–	–	–	2,535
Fair value hedges	–	–	–	–	563
Other derivative instruments	–	–	–	–	1,452
Other	1,539	1,539	–	–	–
Trade payables	7,773	7,773	–	–	–
Other liabilities					
Payables to subsidiaries	86	86	–	–	–
Payables to other companies in which an investment is held	107	107	–	–	–
Other	5,075	5,075	–	–	–
Total	**100,633**	**100,174**	**–**	**–**	**4,550**

31 December 2014 in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets						
Other investments	–	–	–	–	–	–
Receivables from sales financing	–	–	62,642	61,024	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	200	200	–	–
Loans to third parties	–	–	12	12	–	–
Credit card receivables	–	–	239	239	–	–
Other	–	–	297	297	–	–
Cash and cash equivalents	7,688	7,688	–	–	–	–
Trade receivables	–	–	2,153	2,153	–	–
Other assets						
Receivables from subsidiaries	–	–	721	721	–	–
Receivables from companies in which an investment is held	–	–	1,055	1,055	–	–
Collateral receivables	412	412	–	–	–	–
Other	–	–	971	971	–	–
Total	**8,100**	**8,100**	**68,290**	**66,672**	**–**	**–**

31 December 2014 in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
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	**–**	**–**	**–**	**–**	**–**	**–**

[1] The carrying amounts of cash flow and fair value hedges are allocated to the category "Held for trading" for the sake of clarity.
[2] Based on the fact that maturities are generally short, it is assumed for some items that fair value corresponds to the carrying amount.
[3] Carrying amount corresponds to fair value.

Other liabilities: Fair value	Other liabilities: Carrying amount	Available-for-sale: Carrying amount[3]	Fair value option: Carrying amount[3]	Held for trading: Carrying amount[1,3]	
					Assets
–	–	408	–	–	Other investments
–	–	–	–	–	Receivables from sales financing
					Financial assets
					Derivative instruments
–	–	–	–	708	Cash flow hedges
–	–	–	–	1,294	Fair value hedges
–	–	–	–	886	Other derivative instruments
–	–	3,772	–	–	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
–	**–**	**4,180**	**–**	**2,888**	**Total**

Other liabilities: Fair value[2]	Other liabilities: Carrying amount	Available-for-sale: Carrying amount[3]	Fair value option: Carrying amount[3]	Held for trading: Carrying amount[1,3]	
					Liabilities
					Financial liabilities
36,083	35,489	–	–	–	Bonds
11,636	11,554	–	–	–	Liabilities to banks
12,487	12,466	–	–	–	Liabilities from customer deposits (banking)
5,599	5,599	–	–	–	Commercial paper
10,886	10,884	–	–	–	Asset backed financing transactions
					Derivative instruments
–	–	–	–	1,302	Cash flow hedges
–	–	–	–	721	Fair value hedges
–	–	–	–	1,120	Other derivative instruments
1,514	1,514	–	–	–	Other
7,709	7,709	–	–	–	Trade payables
					Other liabilities
162	162	–	–	–	Payables to subsidiaries
5	5	–	–	–	Payables to other companies in which an investment is held
4,281	4,281	–	–	–	Other
90,362	**89,663**	**–**	**–**	**3,143**	**Total**

Fair value measurement of financial instruments

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. In the latter case, amounts were discounted at 31 December 2015 on the basis of the following interest rates:

ISO Code in %	EUR	USD	GBP	JPY	CNY
Interest rate for six months	−0.04	0.70	0.83	−0.16	3.08
Interest rate for one year	−0.06	0.85	0.84	0.12	3.07
Interest rate for five years	0.33	1.72	1.59	0.17	3.26
Interest rate for ten years	1.02	2.20	2.03	0.43	3.31

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		31.12.2015	31.12.2014
Iron ore	USD/t	**43.05**	71.75
Coke/coal	USD/t	**76.45**	110.00
Aluminium	USD/t	**1,507.00**	1,852.50
Palladium	USD/oz	**561.70**	591.00

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, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on their disposal. In addition, the Group's own default risk and that of counterparties is taken into account in the form of credit default swap contracts which have matching terms and which can be observed on the market.

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

1. measured at their fair values in an active market for identical financial instruments (Level 1),
2. measured at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (Level 2), or
3. using input factors not based on observable market data (Level 3).

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

31 December 2015 in € million	Level hierarchy in accordance with IFRS 13 Level 1	 Level 2	 Level 3
Marketable securities, investment fund shares 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	–

31 December 2014 in € million	Level hierarchy in accordance with IFRS 13 Level 1	 Level 2	 Level 3
Marketable securities, investment fund shares and collateral assets – available-for-sale	3,772	–	–
Other investments – available-for-sale / fair value option	231	–	–
Derivative instruments (assets)*			
Interest rate risks	–	1,846	–
Currency risks	–	981	–
Raw materials price risks	–	61	–
Derivative instruments (liabilities)*			
Interest rate risks	–	1,392	–
Currency risks	–	1,281	–
Raw materials price risks	–	470	–

* The amounts presented for derivative instruments in the previous year have been adjusted and are now based on risk classes.

Other investments (available-for-sale) amounting to €184 million (2014: €177 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 €244 million (2014: €231 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 2015.

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	**31.12.2015** Reported on assets side	 Reported on equity and liabilities side	31.12.2014 Reported on assets side	 Reported on equity and liabilities side
Balance sheet amounts as reported	**3,030**	**4,550**	2,888	3,143
Gross amount of derivatives which can be offset in case of insolvency	**–1,285**	**–1,285**	–1,228	–1,228
Net amount after offsetting	**1,745**	**3,265**	1,660	1,915

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	2015	2014
Held for trading		
Gains / losses from the use of derivative instruments	–717	–971
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)	129	–65
Net income from participations and investments	1	3
Accumulated other equity		
Balance at 1 January	141	135
Total change during the year	–117	6
thereof recognised in the income statement during the period under report	–144	–69
Balance at 31 December	24	141
Loans and receivables		
Impairment losses / reversals of impairment losses	–345	–278
Other income / expenses	–77	–506
Other liabilities		
Income / expenses	32	238

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

Net losses arising from other investments measured using the fair value option amounted to €2 million. The fair value option is applied for non-current marketable securities with embedded derivatives. No changes in fair values arose, either during the year under report or on an accumulated basis since acquisition, 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 €22 million (2014: net interest income of €101 million).

Impairment losses of €13 million (2014: €152 million) were recognised in the income statement in 2015 on available-for-sale securities accounted for as participations, for which fair value changes had previously been recognised directly in equity. No reversals of impairment losses on marketable securities were recognised directly in equity in the year under report (2014: €7 million).

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

in € million	2015	2014
Balance at 1 January	–480	1,136
Total changes during the year	–857	–1,616
thereof reclassified to the income statement	1,318	–255
Balance at 31 December	**–1,337**	**–480**

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 €8 million (2014: €– million) attributable to forecasting errors (and the resulting over-hedging of currency exposures) was recognised as a loss in "Financial Result" in the period under report. Gains attributable to the ineffective portion of cash flow hedges amounting to €9 million were recognised in "Financial Result" (2014: losses of €27 million). No gains or losses were recognised in "Financial Result" in 2015 in connection with forecasting errors relating to cash flow hedges for commodities (2014: losses of €6 million). Losses attributable to the ineffective portion of cash flow hedges amounting to €13 million were also recognised in "Financial Result" (2014: gains of €6 million).

At 31 December 2015 the BMW Group held derivative financial instruments (mainly forward currency and option contracts) with terms of up to 55 months (2014: 60 months) in order to hedge currency risks attached to future transactions. These derivative instruments are intended to hedge forecast sales denominated in a foreign currency over the coming 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 €623 million of net losses, recognised in equity at the end of the reporting period, will be reclassified to profit and loss in the new financial year (2014: losses of €278 million).

The BMW Group did not hold any derivative financial instruments at 31 December 2015, which had been designated as cash flow hedges to hedge against interest-rate risks.

At 31 December 2015 the BMW Group held derivative financial instruments (mostly commodity swaps) with terms of up to 58 months (2014: 59 months) to hedge raw materials price risks attached to future transactions over the coming 58 months. The income statement impact of the hedged cash flows will be recognised as a general rule in the same periods in which the derivative matures. It is expected that €127 million of net losses, recognised in equity at the end of the reporting period, will be reclassified to profit and loss in the new financial year (2014: €54 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	**31.12.2015**	31.12.2014
Gains/losses on hedging instruments designated as part of a fair value hedge relationship	**–269**	369
Gains/losses from hedged items	**276**	–359
Ineffectiveness of fair value hedges	**7**	**10**

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

Fair value hedges are mainly used to hedge the market prices of bonds, other financial liabilities and receivables from sales financing.

Bad debt 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 €2,011 million (2014: €1,181 million). The equivalent figure for dealer financing is €24,733 million (2014: €22,025 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 dealer 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 dealer 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 6).

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 customers, creditworthiness is assessed using validated scoring systems integrated into the purchasing process. In the area of dealer 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 27, 28 and 32.

Liquidity risk

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

31 December 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**
Liabilities to banks	9,464	3,485	405	**13,354**
Liabilities from customer deposits (banking)	9,805	3,990	133	**13,928**
Commercial paper	5,416	–	–	**5,416**
Asset backed financing transactions	5,195	8,849	–	**14,044**
Derivative instruments	2,564	3,366	174	**6,104**
Trade payables	7,701	72	–	**7,773**
Other financial liabilities	261	372	570	**1,203**
Total	**51,180**	**44,375**	**8,512**	**104,067**

31 December 2014 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	9,266	23,786	4,232	**37,284**
Liabilities to banks	8,110	3,432	489	**12,031**
Liabilities from customer deposits (banking)	9,225	3,461	–	**12,686**
Commercial paper	5,601	–	–	**5,601**
Asset backed financing transactions	3,882	7,226	77	**11,185**
Derivative instruments	2,100	1,317	1	**3,418**
Trade payables	7,581	129	–	**7,710**
Other financial liabilities	177	434	500	**1,111**
Total	**45,942**	**39,785**	**5,299**	**91,026**

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 2015 irrevocable credit commitments to dealers which had not been called upon at the end of the reporting period amounted to €7,552 million (2014: €7,247 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. This is underpinned by the longstanding long- and short-term ratings issued by Moody's and Standard & Poor's.

Short-term liquidity is managed primarily by issuing money market instruments (commercial paper). In this area too, competitive refinancing conditions can be achieved thanks to Moody's and Standard & Poor's short-term ratings of P-1 and A-1 respectively.

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 (2014: €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 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 material and funding is also organised on a worldwide basis, the currency risk is an extremely important factor for Group earnings.

At 31 December 2015 derivative financial instruments, mostly in the form of forward currency and option contracts, were in place to hedge the main currencies.

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	**31.12.2015**	31.12.2014
Euro/Chinese Renminbi	**9,973**	10,937
Euro/US Dollar	**4,770**	4,743
Euro/British Pound	**5,396**	4,818
Euro/Korean Won	**1,985**	1,584
Euro/Japanese Yen	**1,162**	1,004

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	**31.12.2015**	31.12.2014
Euro/Chinese Renminbi	**163**	173
Euro/US Dollar	**48**	73
Euro/British Pound	**86**	66
Euro/Korean Won	**99**	37
Euro/Japanese Yen	**68**	6

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. These 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	**31.12.2015**	31.12.2014
Euro	**21,785**	17,535
US Dollar	**10,742**	12,087
British Pound	**4,220**	5,091
Chinese Renminbi	**1,006**	574
Japanese Yen	**536**	113

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 are accounted for on the basis of whether they are designated as a fair value hedge or as a cash flow hedge. 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	31.12.2015	31.12.2014
Euro	**472**	398
US Dollar	**449**	347
British Pound	**186**	108
Chinese Renminbi	**33**	44
Japanese Yen	**12**	11

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	31.12.2015	31.12.2014
Raw materials price exposures	**3,720**	3,770

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 raw materials 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 raw material 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	31.12.2015	31.12.2014
Cash flow at risk	**155**	230

43 **Explanatory notes to the cash flow statements**

The cash flow statements show how the cash and cash equivalents of the BMW Group and of the Automotive and Financial Services segments have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7 (Statement of Cash Flows), cash flows are classified into cash flows from operating, investing and financing activities.

Cash and cash equivalents included in the cash flow statement comprise cash on hand, cheques, and cash at bank, to the extent that they are available within three months from the end of the reporting period and are subject to an insignificant risk of changes in value.

The cash flows from investing and financing activities are based on actual payments and receipts. By contrast, the cash flow from operating activities is derived indirectly from the net profit for the year. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects and changes in the composition of the Group. The changes in balance sheet positions shown in the cash flow statement do not therefore agree directly with the amounts shown in the Group and segment balance sheets.

Cash inflows and outflows relating to operating leases, where the BMW Group is the lessor, are aggregated and shown on the line “Change in leased products” within cash flows from operating activities.

The net change in receivables from sales financing (including finance leases, where the BMW Group is the lessor) is also reported within cash flows from operating activities.

Income taxes paid and interest received are classified as cash flows from operating activities in accordance with IAS 7.31 and IAS 7.35. Interest paid is presented on a separate line within cash flows from financing activities. Dividends received in the financial year 2015 amounted to €1 million (2014: €1 million).

44 — Related party relationships

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities which have the ability to control the BMW Group or which are controlled by the BMW Group, must be disclosed 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 BMW Group. In addition, the disclosure requirements of IAS 24 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 Supervisory Board.

In the financial year 2015, the disclosure requirements contained in IAS 24 affect the BMW Group with regard to business relationships with non-consolidated subsidiaries, joint ventures and associated companies as well as with members of the Board of Management and Supervisory Board of BMW AG.

The BMW Group maintains normal business relationships with **non-consolidated subsidiaries.** Transactions with these companies are small in scale, arise in the normal course of business and are conducted on the basis of arm’s length principles.

Transactions of BMW Group companies with the **joint venture** BMW Brilliance Automotive Ltd., Shenyang, all arise in the normal course of business and are conducted on the basis of arm’s length principles. Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during the financial year under report for an amount of €4,815 million (2014: €4,417 million). At 31 December 2015, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, totalled €892 million (2014: €943 million). Trade and financial payables of Group companies to BMW Brilliance Automotive Ltd., Shenyang, amounted to €107 million (2014: €– million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, in 2015 for an amount of €43 million (2014: €34 million).

All relationships of BMW Group entities with the **joint ventures** DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, are conducted on the basis of arm’s length principles. Transactions with these entities arise in the normal course of business and are small in scale.

Transactions of BMW Group companies with the **associated company** THERE Holding B.V., Amsterdam, and that entity’s subsidiaries, all arise in the normal course of business and are conducted on the basis of arm’s length principles. The BMW Group did not sell any goods or services to THERE Holding B.V., Amsterdam, or its subsidiaries during the period from 4 to 31 December 2015. Goods or services totalling €7 million were purchased by BMW Group entities from THERE Holding B.V., Amsterdam, during the period from 4 to 31 December 2015. At 31 December 2015, payables of BMW Group entities to THERE Holding B.V., Amsterdam, and that entity’s subsidiaries totalled €3 million.

Business transactions between BMW Group entities and other **associated companies** are small in scale, arise in the normal course of business and are conducted on the basis of arm’s length principles.

Stefan Quandt 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 2015 amounting to €23 million (2014: €26 million). In addition, companies of the DELTON Group used vehicles provided by the BMW Group, mostly in the form of leasing contracts. Income recognised by the BMW Group on these transactions during the financial year 2015 amounted to €3 million (2014: €3 million). Amounts payable to DELTON Group entities at the end of the reporting period totalled €3 million (2014: €2 million). Group companies had no receivables from DELTON Group entities at the end of the reporting period (2014: €– million).

Stefan Quandt 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 electromobility. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. The BMW Group purchased goods or services amounting to €3 thousand (2014: €222 thousand) from Solarwatt GmbH, Dresden, during the financial year 2015. Solarwatt GmbH, Dresden, leased vehicles from the BMW Group in 2015, generating lease revenue of €287 thousand (2014: €223 thousand) for the BMW Group. All of the above-mentioned services, cooperation and lease contracts arise in the normal course of business and are conducted on the basis of arm's length principles. Receivables of BMW Group entities from Solarwatt GmbH, Dresden, at 31 December 2015 amounted to €7 thousand (2014: €– thousand). As in the previous financial year, there were no payables from Group entities to Solarwatt GmbH, Dresden, at 31 December 2015.

Susanne Klatten 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 2015, mostly in the form of lease contracts, generating lease revenue of €3 million (2014: €3 million) for the BMW Group. The lease contracts all arise in the normal course of business and are conducted on the basis of arm's length principles. The BMW Group purchased goods or services amounting to €324 thousand (2014: €230 thousand) from Altana AG, Wesel, during the financial year 2015. BMW Group companies had no payables to Altana AG, Wesel at the end of the reporting period (2014: €4 thousand), while receivables amounted to €312 thousand (2014: €50 thousand).

Apart from vehicle lease 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 a minor scale and renders services on behalf of BMW Trust e.V., Munich.

For disclosures relating to key management personnel pursuant to IAS 24.17, please see note 47 and the Compensation Report.

45 — 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 2015 of the BMW Group and is also available to shareholders on the BMW Group website at www.bmwgroup.com/ir.

46 — Shareholdings of members of the Board of Management and Supervisory Board

The members of the Supervisory Board of BMW AG hold in total 43.00 % (2014: 27.61 %) of the issued common and preferred stock shares, of which 31.26 % (2014: 16.06 %) relates to Stefan Quandt, Germany, and 26.74 % (2014: 11.54 %) to Susanne Klatten, Germany, whereby 15.00 % are held by Mr. Quandt and Mrs. Klatten indirectly in a so-called "undivided community of heirs", with the consequence that the 15.00 % shareholding is attributed to both in full. 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.

47 — 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 2015 amounted to €43.6 million (2014: €46.1 million) and comprised the following:

in € million	2015	2014
Short-term employment benefits	**39.9**	39.5
Share-based remuneration component	**1.1**	1.0
Post-employment benefits	**2.6**	2.1
Benefits in conjunction with the termination of an employment relationship	**–**	3.5
Compensation	**43.6**	**46.1**

The total compensation of the current Board of Management members for 2015 amounted to €35.9 million (2014: €35.7 million). This comprised fixed components of €7.7 million (2014: €7.7 million), variable components of €27.1 million (2014: €27.0 million) and a share-based compensation component totalling €1.1 million (2014: €1.0 million). Pension obligations to current members of the Board of Management are covered by provisions amounting to €23.2 million (2014: €31.3 million), computed in accordance with IAS 19 (Employee Benefits).

The compensation of the members of the Supervisory Board for the financial year 2015 amounted to €5.1 million (2014: €4.8 million). This comprised fixed components of €2.0 million (2014: €2.0 million) and variable components of €3.1 million (2014: €2.8 million).

The remuneration of former members of the Board of Management and their dependants amounted to €8.0 million (2014: €5.8 million).

Pension obligations to former members of the Board of Management and their surviving dependants are covered by pension provisions amounting to €71.8 million (2014: €68.4 million), computed in accordance with IAS 19.

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 contracts entered into on customary market conditions, no advances or loans were granted to members of the Board of Management and the Supervisory Board, 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.

48 — Application of exemption provisions

A number of companies and incorporated partnerships (as defined by § 264a HGB) which are consolidated subsidiaries of BMW AG and for which the Group Financial Statements of BMW AG represent exempting consolidated financial statements, apply the exemptions available in § 264 (3) and § 264b HGB with regard to the drawing up of a management report. The exemptions have been applied by:

- Alphabet International GmbH, Munich
- Bavaria Wirtschaftsagentur GmbH, Munich
- BMW Fahrzeugtechnik GmbH, Eisenach
- BMW Hams Hall Motoren GmbH, Munich
- BMW M GmbH Gesellschaft für individuelle Automobile, Munich
- Rolls-Royce Motor Cars GmbH, Munich

The following German entities apply the exemption available in § 264 (3) and § 264b HGB with regard to publication:

- Alphabet International GmbH, Munich
- Bavaria Wirtschaftsagentur GmbH, Munich
- BMW Beteiligungs GmbH & Co. KG, Munich
- BMW Fahrzeugtechnik GmbH, Eisenach
- BMW Hams Hall Motoren GmbH, Munich
- BMW INTEC Beteiligungs GmbH, Munich
- BMW M GmbH Gesellschaft für individuelle Automobile, Munich
- BMW Verwaltungs GmbH, Munich
- MITEC Mikroelektronik Mikrotechnik Informatik GmbH, Munich
- Rolls-Royce Motor Cars GmbH, Munich

In addition, the Dutch entities, BMW International Holding B.V., The Hague, and Alphabet Nederland B.V., Breda, apply the exemption provision contained in Article 2:403 of the Civil Code of the Netherlands.

49 — 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 and takes account of the organisational structure of the BMW Group based on the various products and services of the reportable segments.

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

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 and accessories. BMW and MINI brand products are sold in Germany through branches of BMW AG and by independent, authorised dealers. 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 dealers.

The BMW 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, multi-brand financing, fleet business, retail customer and dealer 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., Farnborough, BMW (UK) Investments Ltd., Farnborough, Bavaria Lloyd Reisebüro GmbH, Munich, and MITEC Mikroelektronik Mikrotechnik Informatik GmbH, Munich, – which are not allocated to one of the other segments.

Internal management and reporting

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. The only exceptions to this general principle is 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, various measures of segment performance as well as segment assets have been set for the various 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:

Segment information by operating segment

	Automotive		Motorcycles	
in € million	**2015**	2014	**2015**	2014
External revenues	**68,045**	59,654	**1,984**	1,671
Inter-segment revenues	**17,491**	15,519	**6**	8
Total revenues	**85,536**	**75,173**	**1,990**	**1,679**
Segment result	**7,836**	7,244	**182**	112
Result from equity accounted investments	**518**	655	**–**	–
Capital expenditure on non-current assets	**5,792**	6,022	**92**	69
Depreciation and amortisation on non-current assets	**4,559**	4,080	**69**	64

	Automotive		Motorcycles	
in € million	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
Investments accounted for using the equity method	**2,233***	1,088	**–**	–
Segment assets	**10,024**	11,489	**557**	575

* See note 3.

Financial Services 2015	Financial Services 2014	Other Entities 2015	Other Entities 2014	Reconciliation to Group figures 2015	Reconciliation to Group figures 2014	Group 2015	Group 2014	
22,144	19,073	**2**	3	**–**	–	**92,175**	80,401	External revenues
1,595	1,526	**5**	4	**–19,097**	–17,057	**–**	–	Inter-segment revenues
23,739	**20,599**	**7**	**7**	**–19,097**	**–17,057**	**92,175**	**80,401**	**Total revenues**
1,975	1,723	**211**	154	**–980**	–526	**9,224**	8,707	Segment result
–	–	**–**	–	**–**	–	**518**	655	Result from equity accounted investments
23,689	19,206	**–**	–	**–5,672**	–4,621	**23,901**	20,676	Capital expenditure on non-current assets
8,686	7,539	**–**	–	**–5,119**	–4,112	**8,195**	7,571	Depreciation and amortisation on non-current assets

Financial Services 31.12.2015	Financial Services 31.12.2014	Other Entities 31.12.2015	Other Entities 31.12.2014	Reconciliation to Group figures 31.12.2015	Reconciliation to Group figures 31.12.2014	Group 31.12.2015	Group 31.12.2014	
–	–	**–**	–	**–**	–	**2,233**	1,088	Investments accounted for using the equity method
9,948	9,357	**71,709**	61,516	**79,936**	71,866	**172,174**	154,803	Segment assets

An impairment loss of €3 million (2014: €– million) was recognised on plant and machinery in the Automotive segment in 2015.

Write-downs on inventories to their net realisable value amounting to €486 million (2014: €29 million) were recognised by the Automotive segment in the financial year 2015 and resulted primarily from accidents and natural disasters. No reversals of write-downs were recognised in the period under report (2014: €3 million).

Impairment losses and fair value changes on other investments amounting to €17 million (2014: €153 million) relating to the Automotive segment and recognised in the financial result are not included in the segment result.

The segment result of the Financial Services segment is stated after impairment losses of €406 million (2014: €268 million) recognised on leased products and €3 million on other investments (2014: €– million). Reversals of impairment losses on leased products amounted to €81 million (2014: €169 million).

Interest and similar income of the Financial Services segment amounting to €4 million (2014: €4 million) and interest and similar expenses amounting to €7 million (2014: €29 million) are included in the segment result.

The Other Entities' segment result includes interest and similar income amounting to €1,177 million (2014: €1,295 million) and interest and similar expenses amounting to €1,080 million (2014: €1,197 million) as well as impairment losses on other investments totalling €7 million (2014: €– 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	2015	2014
Reconciliation of segment result		
Total for reportable segments	10,204	9,233
Financial result of Automotive segment and Motorcycles segment	–316	–363
Elimination of inter-segment items	–664	–163
Group profit before tax	**9,224**	**8,707**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	29,573	25,297
Elimination of inter-segment items	–5,672	–4,621
Total Group capital expenditure on non-current assets	**23,901**	**20,676**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	13,314	11,683
Elimination of inter-segment items	–5,119	–4,112
Total Group depreciation and amortisation on non-current assets	**8,195**	**7,571**

in € million	31.12.2015	31.12.2014
Reconciliation of segment assets		
Total for reportable segments	92,238	82,937
Non-operating assets – Other Entities segment	7,132	6,658
Total liabilities – Financial Services segment	112,081	96,959
Non-operating assets – Automotive and Motorcycles segments	41,932	39,449
Liabilities of Automotive and Motorcycles segments not subject to interest	31,817	28,488
Elimination of inter-segment items	–113,026	–99,688
Total Group assets	**172,174**	**154,803**

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 2015	External revenues 2014	Non-current assets 2015	Non-current assets 2014
Germany	**13,394**	12,992	**28,786**	27,137
USA	**18,155**	13,666	**21,000**	17,093
China	**15,856**	15,002	**23**	25
Rest of Europe	**28,617**	24,635	**13,099**	11,643
Rest of the Americas	**3,361**	2,961	**2,053**	2,050
Other	**12,792**	11,145	**1,318**	1,102
Eliminations	**–**	–	**–6,183**	–5,204
Group	**92,175**	**80,401**	**60,096**	**53,846**

Munich, 18 February 2016

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree

Dr.-Ing. Klaus Draeger

Dr. Friedrich Eichiner

Klaus Fröhlich

Dr. Ian Robertson (HonDSc)

Peter Schwarzenbauer

Oliver Zipse

Good corporate governance – acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis – is an essential requirement for the BMW Group embracing all areas of the business. Corporate culture within the BMW Group is founded on transparent reporting and internal communication, a policy of corporate governance aimed at the interests of stakeholders, fair and open dealings between the Board of Management and the Supervisory Board as well as among employees and compliance with the law. The Board of Management and Supervisory Board report in this statement on important aspects of corporate governance pursuant to § 289 a HGB and section 3.10 of the German Corporate Governance Code (GCGC).

Information on the Company's Governing Constitution
The designation "BMW Group" comprises Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and its group entities. BMW AG is a stock corporation (Aktiengesellschaft) based on the German Stock Corporation Act (Aktiengesetz) and has its registered office in Munich, Germany. It has three representative bodies: the Annual General Meeting, the Supervisory Board and the Board of Management. The duties and authorities of those bodies derive from the Stock Corporation Act and the Articles of Incorporation of BMW AG. Shareholders, as the owners of the business, exercise their rights at the Annual General Meeting. The Annual General Meeting decides in particular on the utilisation of unappropriated profit, the ratification of the acts of the members of the Board of Management and of the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation, specified capital measures and elects the shareholders' representatives to the Supervisory Board. The Board of Management manages the enterprise under its own responsibility. Within this framework, it is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, at any time, revoke an appointment if there is an important reason. The Board of Management keeps the Supervisory Board informed of all significant matters regularly, promptly and comprehensively, following the principles of conscientious and faithful accountability and in accordance with prevailing law and the reporting duties allocated to it by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain major transactions. The Supervisory Board is not, however, authorised to undertake management measures itself.

In accordance with the requirements of the German Co-determination Act for companies that generally employ more than 20,000 people, the Supervisory Board of BMW AG is required to comprise ten shareholder representatives elected at the Annual General Meeting (Supervisory Board members representing equity or shareholders) and ten employees elected in accordance with the provisions of the Co-determination Act (Supervisory Board members representing employees). The ten Supervisory Board members representing employees comprise seven Company employees, including one executive staff representative, and three members elected following nomination by unions.

The close interaction between Board of Management and Supervisory Board in the interests of the enterprise as described above is also known as a "two-tier board structure".

Declaration of Compliance and the BMW Group Corporate Governance Code
Management and supervisory boards of companies listed in Germany are required by law (§ 161 German Stock Corporation Act) to report once a year whether the officially published and relevant recommendations issued by the "Government Commission on the German Corporate Governance Code", as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been or are not being applied, stating the reason or reasons. The full text of the declaration, together with explanatory comments, is shown on the following page of this Annual Report.

The Board of Management and the Supervisory Board approved the Group's own Corporate Governance Code based on the GCGC in previous years in order to provide interested parties with a comprehensive and standalone document covering the corporate governance practices applied by the BMW Group. A coordinator responsible for all corporate governance issues reports directly and on a regular basis to the Board of Management and Supervisory Board.

The Corporate Governance Code for the BMW Group, together with the Declaration of Compliance, Articles of Incorporation and other information, can be viewed and/or downloaded from the BMW Group's website at www.bmwgroup.com/ir under the menu items "Facts about the BMW Group" and "Corporate Governance".

Declaration of the Board of Management and of the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft with respect to the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to § 161 German Stock Corporation Act

The Board of Management and Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft ("BMW AG") declare the following regarding the recommendations of the "Government Commission on the German Corporate Governance Code":

1. Since issuance of the last Declaration in December 2014, BMW AG has complied with all of the recommendations published officially on 30 September 2014 in the Federal Gazette (Code version dated 24 June 2014), as announced with the exception of section 4.2.5 sentences 5 and 6.

2. BMW AG will in future comply with all of the recommendations published officially on 12 June 2015 in the Federal Gazette (Code version dated 5 May 2015), with the exception of section 4.2.5 sentences 5 and 6.

3. It is recommended in section 4.2.5 sentences 5 and 6 of the Code that specified information pertaining to management board compensation be disclosed in the Compensation Report. These recommendations have not been and will not be complied with, due to uncertainties with respect to their interpretation and doubts as to whether the supplementary use of model tables would be instrumental in making the BMW AG's Compensation Report transparent and generally understandable in accordance with generally applicable financial reporting requirements (see section 4.2.5 sentence 3 of the Code).

Munich, December 2015

Bayerische Motoren Werke
Aktiengesellschaft

On behalf of the
Supervisory Board

Dr.-Ing. Dr.-Ing. E. h.
Norbert Reithofer
Chairman

On behalf of the
Board of Management

Harald Krüger
Chairman

Harald Krüger (born 1965)
Chairman
(since 13. 05. 2015)
Production
(until 13. 05. 2015)

Mandates
— BMW (South Africa) (Pty) Ltd. (Chairman) (until 13. 05. 2015)
— BMW Motoren GmbH (Chairman) (until 15. 05. 2015)

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer (born 1956)
Chairman
(until 13. 05. 2015)

Mandates
— Siemens Aktiengesellschaft
— Henkel AG & Co. KGaA (Shareholders' Committee)

Milagros Caiña Carreiro-Andree (born 1962)
Human Resources, Industrial Relations Director

Dr.-Ing. Klaus Draeger (born 1956)
Purchasing and Supplier Network

Dr. Friedrich Eichiner (born 1955)
Finance

Mandates
— Allianz Deutschland AG
— FESTO Aktiengesellschaft
— BMW Brilliance Automotive Ltd. (Deputy Chairman)
— FESTO Management Aktiengesellschaft

Klaus Fröhlich (born 1960)
Development

Mandates
— HERE International B.V. (since 05. 12. 2015)

Dr. Ian Robertson (HonDSc) (born 1958)
Sales and Marketing BMW,
Sales Channels BMW Group

Mandates
— Dyson James Group Limited (until 31. 12. 2015)

Peter Schwarzenbauer (born 1959)
MINI, Motorcycles, Rolls-Royce,
Aftersales BMW Group

Mandates
— Rolls-Royce Motor Cars Limited (Chairman)

Oliver Zipse (born 1964)
Production
(since 13. 05. 2015)

Mandates
— BMW (South Africa) (Pty) Ltd. (Chairman) (since 14. 05. 2015)
— BMW Motoren GmbH (Chairman) (since 15. 05. 2015)

General Counsel:
Dr. Jürgen Reul

— Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.
– – Other mandates.

Members of the Supervisory Board

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer (born 1956)
Member and Chairman since 13. 05. 2015
Former Chairman of the Board of Management of BMW AG

Mandates
— Siemens Aktiengesellschaft
— Henkel AG & Co. KGaA (Shareholders' Committee)

Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg (born 1943)
Member from 2002 until 13. 05. 2015
Chairman until 13. 05. 2015
Chairman of the Board of Trustees of BMW Stiftung Herbert Quandt
Former Chairman of the Board of Management of BMW AG

Mandates
— Bertelsmann Management SE (Deputy Chairman)
— Bertelsmann SE & Co. KGaA (Deputy Chairman)
— Deere & Company

Manfred Schoch[1] (born 1955)
Member since 1988
Deputy Chairman
Chairman of the European and General Works Council
Industrial Engineer

Stefan Quandt (born 1966)
Member since 1997
Deputy Chairman
Entrepreneur

Mandates
— DELTON AG (Chairman)
— AQTON SE (Chairman)
— Entrust Datacard Corp.

Stefan Schmid[1] (born 1965)
Member since 2007
Deputy Chairman
Chairman of the Works Council, Dingolfing

Dr. jur. Karl-Ludwig Kley (born 1951)
Member since 2008
Deputy Chairman
Chairman of the Executive Management of Merck KGaA

Mandates
— Bertelsmann Management SE
— Bertelsmann SE & Co. KGaA
— Deutsche Lufthansa Aktiengesellschaft
— Verizon Communications Inc. (since 05. 11. 2015)

Christiane Benner[2] (born 1968)
Member since 2014
Second Chairman of IG Metall

Mandates
— Robert Bosch GmbH

[1] Employee representatives (company employees).
[2] Employee representatives (union representatives).
[3] Employee representatives (members of senior management).
— Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.
– – Other mandates.

Franz Haniel (born 1955)
Member since 2004
Entrepreneur

Mandates
— DELTON AG (Deputy Chairman)
— Franz Haniel & Cie. GmbH (Chairman)
— Heraeus Holding GmbH
— Metro AG (Chairman) (until 19. 02. 2016)
— TBG Limited

Prof. Dr. rer. nat. Dr. h. c. Reinhard Hüttl (born 1957)
Member since 2008
Chairman of the Executive Board of Helmholtz-Zentrum Potsdam Deutsches GeoForschungsZentrum – GFZ
University Professor

Prof. Dr. rer. nat. Dr.-Ing. E. h. Henning Kagermann (born 1947)
Member since 2010
President of acatech – Deutsche Akademie der Technikwissenschaften e. V.

Mandates
— Deutsche Bank AG
— Deutsche Post AG
— Franz Haniel & Cie. GmbH (until 25. 04. 2015)
— Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München

Susanne Klatten (born 1962)
Member since 1997
Entrepreneur

Mandates
— ALTANA AG (Deputy Chairman)
— SGL Carbon SE (Chairman)
— UnternehmerTUM GmbH (Chairman)

Prof. Dr. rer. pol. Renate Köcher (born 1952)
Member since 2008
Director of Institut für Demoskopie Allensbach Gesellschaft zum Studium der öffentlichen Meinung mbH

Mandates
— Allianz SE
— Infineon Technologies AG
— Nestlé Deutschland AG
— Robert Bosch GmbH

Ulrich Kranz[3] (born 1958)
Member since 2014
Head of Product Line BMW i

Dr. h. c. Robert W. Lane (born 1949)
Member since 2009
Former Chairman and Chief Executive Officer of Deere & Company

Mandates
— General Electric Company
— Northern Trust Corporation (until 21. 04. 2015)
— Verizon Communications Inc. (until 07. 05. 2015)

Horst Lischka[2] (born 1963)
Member since 2009
General Representative of IG Metall Munich

Mandates
— KraussMaffei Group GmbH
— MAN Truck & Bus AG
— Städtisches Klinikum München GmbH

Willibald Löw[1] (born 1956)
Member since 1999
Chairman of the Works Council, Landshut

[1] Employee representatives (company employees).
[2] Employee representatives (union representatives).
[3] Employee representatives (members of senior management).
— Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.
– – Other mandates.

Wolfgang Mayrhuber (born 1947)
Member from 2004 until 13.05.2015
Chairman of the Supervisory Board of Deutsche Lufthansa Aktiengesellschaft

Mandates
— Deutsche Lufthansa Aktiengesellschaft (Chairman)
— Infineon Technologies AG (Chairman)
— Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München
— HEICO Corporation

Simone Menne (born 1960)
Member since 13.05.2015
Member of the Board of Management, Finance, of Deutsche Lufthansa Aktiengesellschaft

Mandates
— Delvag Luftfahrtversicherungs-AG (Chairman)
— Deutsche Post AG
— LSG Lufthansa Service Holding AG (Chairman)
— Lufthansa Cargo AG
— Lufthansa Technik AG
-- FWB Frankfurter Wertpapierbörse (Exchange Council)
-- Miles & More GmbH (Chairman Advisory Board)

Dr. Dominique Mohabeer[1] (born 1963)
Member since 2012
Member of the Works Council, Munich

Brigitte Rödig[1] (born 1963)
Member since 2013
Member of the Works Council, Dingolfing

Jürgen Wechsler[2] (born 1955)
Member since 2011
Regional Head of IG Metall Bavaria

Mandates
— Schaeffler AG (Deputy Chairman)
— Siemens Healthcare GmbH (since 29.06.2015)

Werner Zierer[1] (born 1959)
Member since 2001
Chairman of the Works Council, Regensburg

Composition and work procedures of the Board of Management of BMW AG and its committees

The Board of Management governs the enterprise under its own responsibility, acting in the interests of the BMW Group with the aim of achieving sustainable growth in value. The interests of shareholders, employees and other stakeholders are also taken into account in the pursuit of this aim.

The Board of Management determines the strategic orientation of the enterprise, agrees upon it with the Supervisory Board and ensures its implementation. The Board of Management is responsible for ensuring that all provisions of law and internal regulations are complied with. Further details about compliance within the BMW Group can be found in the "Corporate Governance" section of the Annual Report. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

During their period of employment for BMW AG, members of the Board of Management are bound by a comprehensive non-competition clause. They are required to act in the enterprise's best interests and may not pursue personal interests in their decisions or take advantage of business opportunities intended for the enterprise. They may only undertake ancillary activities, in particular supervisory board mandates outside the BMW Group, with the approval of the Supervisory Board's Personnel Committee. Each member of the Board of Management of BMW AG is obliged to disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

Following the appointment of a new member to the Board of Management, the BMW Group Corporate Governance Officer informs the new member of the framework conditions under which the board member's duties are to be carried out – in particular those enshrined in the BMW Group's Corporate Governance Code – as well as the duty to cooperate when a transaction or event triggers reporting requirements or requires the approval of the Supervisory Board.

The Board of Management consults and takes decisions as a collegiate body in meetings of the Board of Management, the Sustainability Board, the Operations Committee and the Committee for Executive Management Matters. At its meetings, the Board of Management defines the overall framework for business strategies and the use of resources, takes decisions regarding the implementation of strategies and deals with issues of particular importance to the BMW Group. The full board also takes decisions at a basic policy level relating to the Group's automobile product strategies and product projects inasmuch as these are relevant for all brands. The Board of Management and its committees may, as required and depending on the subject matters being discussed, invite non-voting advisers to participate at meetings.

Terms of reference approved by the Board of Management contain a planned allocation of divisional responsibilities between the individual board members. These terms of reference also incorporate the principle that the full Board of Management bears joint responsibility for all matters of particular importance and scope. In addition, members of the Board of Management manage the relevant portfolio of duties under their responsibility, whereby case-by-case rules can be put in place for cross-divisional projects. Board members continually provide the Chairman of the Board of Management with all information regarding major transactions and developments within their area of responsibility. The Chairman of the Board of Management coordinates cross-divisional matters with the overall targets and plans of the BMW Group, involving other board members to the extent that divisions within their area of responsibility are affected.

The Board of Management takes its decisions at meetings generally held on a weekly basis which are convened, coordinated and headed by the Chairman of the Board of Management. At the request of the Chairman, decisions can also be taken outside of board meetings if none of the board members object to this procedure. A meeting is quorate if all Board of Management members are invited to the meeting in good time. Members unable to attend any meeting are entitled to vote in writing, by fax or by telephone. Votes cast by phone must be subsequently confirmed in writing. Except in urgent cases, matters relating to a division for which the responsible board member is not present will only be discussed and decided upon with that member's consent.

Unless stipulated otherwise by law or in BMW AG's statutes, the Board of Management makes decisions on the basis of a simple majority of votes cast at meetings. Outside of board meetings, decisions are taken on the basis of a simple majority of board members. In the event of a tied vote, the Chairman of the Board of Management has the casting vote. Any changes to the board's terms of reference must be passed unanimously. A board meeting may only be held if more than half of the board members are present.

In the event that the Chairman of the Board of Management is not present or is unable to attend a meeting, the member of the board responsible for Finance will represent him.

Minutes are taken of all meetings and the Board of Management's resolutions and signed by the Chairman. Decisions taken by the Board of Management are binding for all employees.

The rules relating to meetings and resolutions taken by the full Board of Management are also applicable for its committees.

Members of the Board of Management not represented in a committee are provided with the agendas and minutes of committee meetings. Committee matters are dealt with in full board meetings if the committee considers it necessary or at the request of a member of the Board of Management.

A secretariat for Board of Management matters has been established to assist the Chairman and other board members with the preparation and follow-up work connected with board meetings.

At meetings of the Operations Committee (generally held every two weeks), decisions are reached in connection with automobile product projects, based on the strategic orientation and decision framework stipulated at Board of Management meetings. The Operations Committee comprises the Board of Management member responsible for Development (who also chairs the meetings), together with the board members responsible for the following areas: Purchases and Supplier Network; Production; Sales and Marketing BMW, Sales Channels BMW Group; and MINI, Motorcycles, Rolls-Royce, Aftersales BMW Group. If the committee chairman is not present or unable to attend a meeting, the member of the board responsible for Production represents him. Resolutions taken at meetings of the Operations Committee are made online.

The full board usually convenes twice a year in its function as Sustainability Board in order to define strategy with regard to sustainability and decide upon measures to implement that strategy. The Head of Corporate Affairs and the Representative for Sustainability and Environmental Protection participate in these meetings in an advisory capacity.

The Board's Committee for Executive Management Matters deals with enterprise-wide issues affecting executive managers of the BMW Group, either in their entirety or individually (such as the executive management structure, potential candidates for executive management, nominations for or promotions to senior management positions). This committee has, on the one hand, an advisory and preparatory role (e.g. making suggestions for promotions to the two remuneration groups below board level and preparing decisions to be taken at board meetings with regard to human resources principles with the emphasis on executive management issues) and a decision-taking function on the other (e.g. deciding on appointments to senior management positions and promotions to higher remuneration groups or the wording of human resources principles decided on by the full board). The Committee has two members who are entitled to vote at meetings, namely the Chairman of the Board of Management (who also chairs the meetings) and the board member responsible for Human Resources. The Head of "Human Resources Management and Services" as well as the Head of "Human Resources Executive Management" also participate in these meetings in an advisory function. At the request of the Chairman, resolutions may also be passed outside of committee meetings by casting votes in writing, by fax or by telephone if the other member entitled to vote does not object immediately. The Committee for Executive Management Matters convenes up to ten times a year.

The Board of Management is represented by its Chairman in its dealings with the Supervisory Board. The Chairman of the Board of Management maintains regular contact with the Chairman of the Supervisory Board and keeps him informed of all important matters. The Supervisory Board has passed a resolution specifying the information and reporting duties of the Board of Management. As a general rule, in the case of reports required by dint of law, the Board of Management submits its reports to the Supervisory Board in writing. To the extent possible, documents required as a basis for taking decisions are sent to the members of the Supervisory Board in good time before the relevant meeting. Regarding transactions of fundamental importance, the Supervisory Board has stipulated specific transactions which require the approval of the Supervisory Board. Whenever necessary, the Chairman of the Board of Management obtains the approval of the Supervisory Board and ensures that reporting duties to the Supervisory Board are complied with. In order to fulfil these tasks, the Chairman is supported by all members of the Board of Management. The fundamental principle followed when reporting to the Supervisory Board is that the latter should be kept informed regularly, without delay and comprehensively of all significant matters relating to planning, business performance, risk exposures, risk management and compliance, as well as any major variances between actual and budgeted figures.

Composition and work procedures of the Supervisory Board of BMW AG and its committees

BMW AG's Supervisory Board, comprising ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected in accordance with the Co-Determination Act), has the task of advising and supervising the Board of Management in its governance of the BMW Group. It is involved in all decisions of fundamental importance for the BMW Group. The Supervisory Board appoints the members of the Board of Management and decides upon the level of compensation they receive. The Supervisory Board can revoke appointments for important reasons.

Together with the Personnel Committee and the Board of Management, the Supervisory Board ensures that long-term successor planning is in place. In their assessment of candidates for a post on the Board of Management, the underlying criteria applied by the Supervisory Board for determining the suitability of candidates are their expertise in the relevant area of board responsibility, outstanding leadership qualities, a proven track record, and an understanding of the BMW Group's business. The Supervisory Board takes diversity into account when assessing, on balance, which individual would best complement the Board of Management, in view of the fact that it is a representative body of the Company. "Diversity" in the context of the decision-making process is understood by the Supervisory Board to encompass various complementary individual profiles, work and life experience at both national and international level and also the appropriate representation of both genders. As its target for the proportion of women on the Board of Management by 31 December 2016, the Supervisory Board has stipulated that the Board of Management should continue to have at least one female member. Assuming that the Board of Management continues to comprise eight members, this would correspond to a ratio of at least 12.5 %. The Supervisory Board considers that it would be desirable to further increase the proportion of women on the board, and therefore supports the Board of Management's current raft of measures aimed at increasing the proportion of women at the highest executive management levels of the BMW Group. The Board of Management reports to the Personnel Committee and the Supervisory Board at regular intervals on the proportion of, and changes in, management positions held by women, in particular within senior executive level and at uppermost management level. When actually selecting an individual for a post on the Board of Management, the Supervisory Board decides in the best interest of the Group and after amply considering all of the relevant circumstances.

The Supervisory Board holds a minimum of two meetings in each of the first and second six-month periods of the calendar year. Normally, five plenary meetings are held per calendar year. One meeting each year is planned to cover a number of days and is used, among other things, to enable an in-depth exchange on strategic and technological matters. The main emphases of meetings in the period under report are described in the Report of the Supervisory Board. As a general rule, the shareholder representatives and employee representatives prepare the Supervisory Board meetings separately and, if necessary, together with members of the Board of Management. In particular, members of the Supervisory Board are legally bound to maintain secrecy with respect to any confidential reports they receive and any confidential discussions in which they partake.

The Chairman of the Supervisory Board coordinates work within the Supervisory Board, chairs its meetings, handles the external affairs of the Supervisory Board and represents it in its dealings with the Board of Management.

The Supervisory Board is quorate if all members have been invited to the meeting and at least half of its members participate in the vote on a particular resolution. A resolution relating to an agenda item not included in the invitation is only valid if none of the members of the Supervisory Board who were not present at the meeting object to the resolution and if a minimum of two-thirds of the members are present.

As a basic rule, resolutions are passed by the Supervisory Board by a simple majority. The German Co-determination Act contains specific requirements with regard to majority voting and technical procedures, particularly with regard to the appointment and revocation of the appointment of management board members and the election of a supervisory board chairman or deputy chairman. In the event of a tied vote in the Supervisory Board, the Chairman of the Supervisory Board has two votes in a renewed vote, assuming it also results in a tie.

In practice, resolutions are taken by the Supervisory Board and its committees at the relevant meetings. If a Supervisory Board member is not present at a meeting, that member can have his/her vote cast by another Supervisory Board member, assuming an appropriate request has been made in writing, by fax or in electronic form. This rule also applies to the casting of the second vote by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board can also accept the retrospective casting of votes by any members not present at a meeting if this is done within the time limit previously set. In special cases, resolutions may also be taken outside of meetings, i.e. in writing, by fax or by electronic means. Minutes are taken of all resolutions and meetings, which are then signed by the relevant Chairman.

After its meetings, the Supervisory Board is generally provided with information on new vehicle models in the form of a short presentation.

Following the election of a new Supervisory Board member, the Corporate Governance Officer informs the new member of the principal issues affecting his or her duties – in particular those enshrined in the BMW Group Corporate Governance Code – including the duty to cooperate when a transaction or event triggers reporting requirements or is subject to the approval of the Supervisory Board.

Members of the Supervisory Board of BMW AG are required to ensure that they have sufficient time to perform their mandate. If members of the Supervisory Board of BMW AG are also members of the management board of a listed company, they may not accept more than a total of three mandates on non-BMW Group supervisory boards of listed companies or in other bodies with comparable requirements.

The Supervisory Board examines the efficiency of its activities on a regular basis. Joint discussions are also held at plenum meetings, prepared on the basis of a questionnaire previously devised by and distributed to the members of the Supervisory Board.

Each member of the Supervisory Board of BMW AG is bound to act in the best interest of the organisation as a whole. Members of the Supervisory Board may not pursue personal interests in their decisions or take advantage of business opportunities intended to benefit the BMW Group.

Members of the Supervisory Board are obliged to inform the full Supervisory Board of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners, enabling the Supervisory Board to report to the shareholders at the Annual General Meeting on how it has dealt with such issues. Material conflicts of interest which are not merely temporary in nature, result in the termination of the mandate of the relevant Supervisory Board member.

With regard to nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board in its entirety has the required knowledge, skills and expertise to perform its tasks in a proper manner.

The Supervisory Board has set out specific targets for its own composition (see section "Composition targets for the Supervisory Board").

The members of the Supervisory Board are responsible for undertaking appropriate basic and further training measures, if such measures are deemed necessary to competently perform the tasks assigned to them. The Company provides appropriate assistance to members of the Supervisory Board in this respect.

Taking into account the specific circumstances of the BMW Group and the number of board members, the Supervisory Board has set up a Presiding Board and four committees, namely the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee (see "Overview of Supervisory Board committees and their composition"). Such committees serve to raise the efficiency of the Supervisory Board's work and facilitate the handling of complex issues. The establishment and function of a mediation committee is prescribed by law. The person chairing a committee reports in detail on its work at each plenum meeting.

The composition of the Presiding Board and the committees is based on legal requirements, BMW AG's Articles of Incorporation, terms of reference and corporate governance principles. The expertise and technical skills of its members is also taken into account.

According to the relevant terms of reference, the Chairman of the Supervisory Board is, in this capacity, automatically a member of the Presiding Board, the Personnel Committee and the Nomination Committee, and also chairs these committees.

The number of meetings held by the Presiding Board and the committees depends on current requirements. The Presiding Board, the Personnel Committee and the Audit Committee normally hold several meetings in the course of the year (see "Report of the Supervisory Board" for details of the number of meetings held in 2015).

In line with the terms of reference for the activities of the plenum, the Supervisory Board has also set out terms of reference for the Presiding Board and the various committees. The committees are only quorate if all members are present. Resolutions taken by the committees are passed by a simple majority, unless stipulated otherwise by law.

Members of the Supervisory Board may not delegate their duties. However, the Supervisory Board, the Presiding Board and the committees may call on experts and other suitably informed persons to attend meetings to give advice on specific matters.

The Supervisory Board, the Presiding Board and the committees also meet without the Board of Management if deemed necessary.

BMW AG ensures that the Supervisory Board and its committees are sufficiently equipped to carry out their duties, including the services provided by a centralised secretariat to support the chairmen in coordinating the work of the Supervisory Board.

In accordance with the relevant terms of reference, the Presiding Board comprises the Chairman of the Supervisory Board and board deputies. The Presiding Board prepares Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of any of the committees. This includes, for example, preparing the annual Declaration of Compliance with the German Corporate Governance Code and the Supervisory Board's efficiency examination.

The Personnel Committee prepares the decisions of the Supervisory Board with regard to the appointment and revocation of appointment of members of the Board of Management and, together with the full Supervisory Board and the Board of Management, ensures that long-term successor planning is in place. The Personnel Committee also prepares the decisions of the Supervisory Board with regard to the Board of Management's compensation and the Supervisory Board's regular review of the Board of Management's compensation system. In conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management, the Personnel Committee is responsible for drawing up, amending and revoking service/employment contracts or, when necessary, other relevant contracts with members of the Board of Management. In specified cases, the Personnel Committee also has the authority to grant the necessary approval for a particular transaction (instead of the Supervisory Board). This includes loans to members of the Board of Management or Supervisory Board, specified contracts with members of the Supervisory Board (in each case taking account of the consequences of related parties) and other activities of members of the Board of Management, including the acceptance of non-BMW Group supervisory board mandates.

The Audit Committee deals in particular with issues relating to the supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements and compliance as well as the performance of Supervisory Board duties in connection with audits pursuant to § 20 of the German Securities Trading Act (WpHG). It also monitors the external audit, auditor independence and any additional work performed by the external auditor. It prepares the proposal for the election of the external auditor at the Annual General Meeting, makes a recommendation regarding the election of the external auditor, issues the audit engagement letter and agrees on points of audit focus as well as the auditor's fee. The Audit Committee prepares the Supervisory Board's resolution relating to the Company and Group Financial Statements and discusses interim reports with the Board of Management prior to publication. The Audit Committee also decides on the Supervisory Board's agreement to use Authorised Capital 2014 (Article 4 no. 5 of the Articles of Incorporation) and on amendments to the Articles of Incorporation which only affect its wording.

In line with the recommendations of the German Corporate Governance Code, the Chairman of the Audit Committee is independent, and not a former Chairman of the Board of Management, and has specific knowledge and experience in applying financial reporting standards and internal control procedures. He or she also fulfils the requirement of being an independent financial expert as defined by § 100 (5) and § 107 (4) AktG.

The Nomination Committee is charged with the task of finding suitable candidates for election to the Supervisory Board (as shareholder representatives) and for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting. In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.

The establishment and composition of a mediation committee are prescribed by the German Co-determination Act. The Mediation Committee has the task of making proposals to the Supervisory Board if a resolution for the appointment of a member of the Board of Management has not been carried by the necessary two-thirds majority of members' votes. In accordance with statutory requirements, the Mediation Committee comprises the Chairman and the Deputy Chairman of the Supervisory Board, one member selected by shareholder representatives and one by employee representatives.

Overview of Supervisory Board committees and their composition

Principal duties, basis for activities	Members
Presiding Board	
– preparation of Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee – activities based on terms of reference	Norbert Reithofer[1] (since 13.05.2015) Joachim Milberg[1] (until 13.05.2015) Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley
Personnel Committee	
– preparation of decisions relating to the appointment and revocation of appointment of members of the Board of Management, the compensation and the regular review of the Board of Management's compensation system – conclusion, amendment and revocation of employment contracts (in conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management) and other contracts with members of the Board of Management – decisions relating to the approval of ancillary activities of Board of Management members, including acceptance of non-BMW Group supervisory mandates as well as the approval of transactions requiring Supervisory Board approval by dint of law (e.g. loans to Board of Management or Supervisory Board members) – set up in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Norbert Reithofer[1] (since 13.05.2015) Joachim Milberg[1] (until 13.05.2015) Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley
Audit Committee	
– supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements and compliance as well as the performance of Supervisory Board duties in connection with audits pursuant to § 20 of the German Securities Trading Act (WpHG) – supervision of external audit, in particular auditor independence and additional work performed by external auditor – preparation of proposals for election of external auditor at Annual General Meeting, engagement of external auditor and compliance of audit engagement, determination of areas of audit emphasis and fee agreements with external auditor – preparation of Supervisory Board's resolution on Company and Group Financial Statements – discussion of interim reports with Board of Management prior to publication – decision on approval for utilisation of Authorised Capital 2014 – amendments to Articles of Incorporation only affecting wording – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Karl-Ludwig Kley[1, 2] Norbert Reithofer (since 13.05.2015) Joachim Milberg (until 13.05.2015) Manfred Schoch Stefan Quandt Stefan Schmid
Nomination Committee	
– identification of suitable candidates (male / female) as shareholder representatives on the Supervisory Board to be put forward for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Norbert Reithofer[1] (since 13.05.2015) Joachim Milberg[1] (until 13.05.2015) Susanne Klatten Karl-Ludwig Kley Stefan Quandt (In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.)
Mediation Committee	
– proposal to Supervisory Board if resolution for appointment of Board of Management member has not been carried by the necessary two-thirds majority of Supervisory Board members' votes – committee required by law	Norbert Reithofer (since 13.05.2015) Joachim Milberg (until 13.05.2015) Manfred Schoch Stefan Quandt Stefan Schmid (In accordance with statutory requirements, the Mediation Committee comprises the Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.)

[1] Chair.
[2] Independent financial expert within the meaning of § 100 (5) AktG and § 107 (4) AktG.

Composition objectives of the Supervisory Board

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, skills and experience required to properly complete its tasks.

To this end, the Supervisory Board has formally specified the following concrete objectives regarding its composition, taking into account the recommendations contained in the German Corporate Governance Code:

– If possible, four of the members of the Supervisory Board should have international experience or specialist knowledge with regard to one or more of the non-German markets important to the BMW Group.
– If possible, the Supervisory Board should include seven members who have acquired in-depth knowledge and experience from within the enterprise. The Supervisory Board should not, however, include more than two former members of the Board of Management.
– If possible, three of the shareholder representatives in the Supervisory Board should be entrepreneurs or persons who have already gained experience in the management or supervision of another medium or large-sized company.
– Ideally, three members of the Supervisory Board should be figures from the worlds of business, science or research who have gained experience in areas relevant to the BMW Group, e.g. chemistry, energy supply, information technology, or who have acquired specialist knowledge in subjects relevant for the future of the BMW Group, e.g. customer requirements, mobility, resources or sustainability.
– When seeking suitably qualified individuals for the Supervisory Board whose specialist skills and leadership qualities are most likely to strengthen the Board as a whole, consideration should also be given to diversity. When preparing nominations, the extent to which the work of the Supervisory Board would benefit from diversified professional and personal backgrounds (including international aspects) and from an appropriate representation of both genders should also be taken into account. It is the joint responsibility of all persons and groupings participating in the nomination and election process to ensure that the Supervisory Board includes an appropriate number of qualified women.
– At least twelve of the 20 members of the Supervisory Board should be independent members within the meaning of section 5.4.2 of the German Corporate Governance Code, including at least six members representing the Company's shareholders.
– Two independent members of the Supervisory Board should have expert knowledge of accounting or auditing.
– No persons carrying out directorship functions or advisory tasks for important competitors of the BMW Group may belong to the Supervisory Board. In compliance with prevailing legislation, the members of the Supervisory Board will strive to ensure that no persons will be nominated for election with whom a serious conflict of interests could arise (other than temporarily) due to other activities and functions carried out by them outside the BMW Group; this includes in particular advisory activities or directorships with customers, suppliers, creditors or other business partners.
– As a general rule, the age limit for membership of the Supervisory Board should be set at 70 years. In exceptional cases, members may be allowed to remain on the Board up until the end of the Annual General Meeting following their 73rd birthday, in order to fulfil legal requirements or to facilitate smooth succession in the case of persons with key roles or specialist qualifications.
– Supervisory Board members should not, as a general rule, hold office in the Supervisory Board for an overall period longer than up to the end of the Annual General Meeting at which the shareholders vote on the ratification of the member's activities for the 14th financial year since the beginning of the first period of office, excluding the financial year in which the first period of office began. This rule does not apply to natural persons, who either directly or indirectly hold significant investments in the Company. It may also be in the Company's interest to diverge from the general maximum period, e.g. in order to work towards another composition target, in particular gender diversity and diversified professional and personal backgrounds.

The time schedule set by the Supervisory Board for achieving the above-mentioned composition targets is the period up to 31 December 2016. Future proposals for nomination made by the Supervisory Board at the Annual General Meeting – insofar as they apply to shareholder Supervisory Board members – should take account of these objectives in such a way that they can be achieved with the support of the appropriate resolutions at the Annual General Meeting. The Annual General Meeting is not bound by nominations for election proposed by the Supervisory Board. The freedom of employees to vote for the employee members of the Supervisory Board is also protected. Under the procedural rules stipulated by the German Co-Determination Act, the Supervisory Board does not have the right to nominate employee representatives for election. The objectives which the Supervisory Board has set itself with regard to its composition are therefore not intended to be instructions to those entitled to vote or restrictions on their freedom to vote.

In the Supervisory Board's opinion, its composition as at 31 December 2015 fulfilled the composition objectives detailed above. In order to make it easier to assess actual composition and composition targets, brief curricula vitae of the current members of the Supervisory Board are available on the Company's website at www.bmwgroup.com. Information relating to members' practised professions and to mandates in other statutory supervisory boards and equivalent national or foreign company boards, including the length of their periods of service on the Supervisory Board, is provided in the section "Statement on Corporate Governance". Judging from this information, it is evident that the Supervisory Board of BMW AG is extremely diversified, with significantly more than the targeted four members having international experience or specialist knowledge with regard to one or more of the non-German markets important to the Company. In-depth knowledge and experience from within the enterprise are provided by seven employee representatives and the Supervisory Chairman himself. Only one previous Board of Management member holds office in the Supervisory Board. At least four members of the Supervisory Board have experience in managing another entity. The Supervisory Board also has three entrepreneurs as members. Most of the members of the Supervisory Board – including the employee representatives – have some experience in supervising another medium-sized or large company. Moreover, more than three members of the Supervisory Board have experience and specialist knowledge in subjects relevant for the future of the BMW Group, such as customer requirements, mobility, resources, sustainability and information technology. For the purpose of assessing the independence of its members, the Supervisory Board follows the recommendations of the German Corporate Governance Code. In the opinion of the Supervisory Board, the fact that a member has a substantial shareholding in the Company, or holds office as an employee representative, or was previously a member of the Board of Management, does not rule out that he or she is independent. A "substantial and not merely temporary conflict of interests" within the meaning of section 5.4.2 of the German Corporate Governance Code does not apply to any of the Supervisory Board members. Employees holding office in the Supervisory Board are protected by law when performing their duties. At any rate, all other Supervisory Board members have a sufficient degree of economic independence from the Company. Business with entities, in which the members of the Supervisory Board carry out a significant function, is conducted on an arm's length basis. Overall, the Supervisory Board has concluded that all of its members are independent. At least three members meet the requirements for being designated as an independent financial expert. At the end of the reporting period, the Supervisory Board had six female members (30 %), comprising three shareholder representatives and three employee representatives. The Supervisory Board has 14 male members (70 %), comprising seven shareholder representatives and seven employee representatives. The Company therefore complies with the statutory gender quota of at least 30 % female members applicable in Germany with effect from 1 January 2016. The Supervisory Board does not currently have any members more than 70 years old. The principles specified by the Supervisory Board regarding the length of office of its members will be taken into account in all future proposals for election.

Disclosures pursuant to the Act on Equal Gender Participation – targets for the proportion of women at executive management levels I and II

The Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector ("Act on Equal Gender Participation") was passed into German law in 2015.

Under the new legislation, the Supervisory Board of BMW AG is required to set a target for the proportion of women on its Board of Management and a time limit for meeting this target. Likewise, the Board of Management of BMW AG is required to establish targets and time limits for attaining these targets with respect to the two executive management levels below the Board of Management. In each case, the first of these time limits may be no later than 30 June 2017. Since the Company's financial year corresponds to the calendar year, the Supervisory Board and the Board of Management have each decided to set 31 December 2016 as the date of the first time limit for attaining these targets.

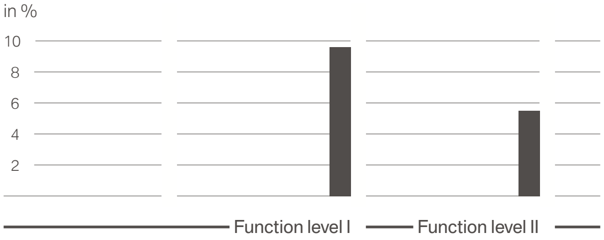
As its target for the proportion of women on the Board of Management by 31 December 2016, the Supervisory Board has stipulated that the Board of Management should continue to have at least one female member. Assuming that the Board of Management continues to comprise eight members, this would correspond to a proportion of at least 12.5 %. The Supervisory Board considers it desirable to increase the proportion of women on the board and supports the Board of Management's current raft of measures, which is also aimed at increasing the proportion of women at the highest executive management levels of the BMW Group.

The Board of Management has established target ranges of 10 to 12 % for executive management level I and 6 to 8 % for executive management level II, each to be reached by 31 December 2016. The targets set out are relatively modest in view of the imminence of the deadline.

Top management within the BMW Group is structured in terms of functions, following a cohesive job evaluation system based on Mercer.

At 31 December 2015, the proportion of female executives within management/function level I stood at 9.6 % and within management/function level II at 5.5 %.

Proportion of female executives within management/function level I and II at BMW AG



Function level I	Function level II
9.6	5.5

The deployment of diverse, complementary talents in the workforce increases both the ability of a company to perform and its customer orientation. Sufficient diversity in the BMW Group makes a major contribution to improving competitiveness. Promoting an appropriate gender balance is a key part of this skill mix. The aim of the Board of Management therefore continues to be to increase the proportion of women at all management levels.

The proportion of women has risen further during the financial year 2015, both in the workforce as a whole and in management positions, accompanied also by a large number of programmes, dialogues and information events. Further information on the social diversity in the BMW Group can be found in the section "Workforce".

Information on corporate governance practices applied beyond mandatory requirements

Core principles

Within the BMW Group, the Board of Management, the Supervisory Board and the employees base their actions on twelve core principles which are the cornerstone of the success of the BMW Group:

Customer focus
The success of our Company is determined by our customers. They are at the heart of everything we do. The results of all our activities must be valued in terms of the benefits they will generate for our customers.

Peak performance
We aim to be the best – a challenge to which all of us must rise. Each and every employee must be prepared to deliver peak performance. We strive to be among the elite, but without being arrogant. It is the Company and its products that count – and nothing else.

Responsibility
Every BMW Group employee has the personal responsibility for the Company's success. When working in a team, each employee must assume personal responsibility for his or her actions. We are fully aware that we are working to achieve the Company's goals. For this reason, we work together in the best interests of the Company.

Effectiveness
The only results that count for the Company are those which have a sustainable impact. In assessing leadership, we must consider the effectiveness of performance on results.

Adaptability
In order to ensure our long-term success we must adapt to new challenges with speed and flexibility. We therefore see change as an opportunity – adaptability is essential to be able to capitalise on it.

Frankness
As we strive to find the best solution, it is each employee's duty to express any opposing opinions they may have. The solutions we agree upon will then be consistently implemented by all those involved.

Respect, trust, fairness
We treat each other with respect. Leadership is based on mutual trust. Trust is rooted in fairness and reliability.

Employees
People make companies. Our employees are the strongest factor in our success, which means our personnel decisions will be among the most important we ever make.

Leading by example
Every manager must lead by example.

Sustainability
In our view, sustainability constitutes a lasting contribution to the success of the Company. This is the basis upon which we assume ecological and social responsibility.

Society
Social responsibility is an integral part of our corporate self-image.

Independence
We secure the corporate independence of the BMW Group through sustained profitable growth.

The core principles are also available at www.bmwgroup.com under the menu items "Careers" and "Working at the BMW Group".

Social responsibility towards employees and along the supplier chain
The BMW Group stands by its social responsibilities. Our corporate culture combines the drive for success with a willingness to be open, trustworthy and transparent. We are well aware of our responsibility towards society. Our models for sustainable social responsibility towards employees and for ensuring compliance with international social standards are based on various internationally recognised guidelines. The BMW Group is committed to adhering to the OECD's guidelines for multinational companies and the contents of the ICC Business Charter for Sustainable Development. Details of the contents of these guidelines and other relevant information can be found at www.oecd.org and www.iccwbo.org. The Board of Management signed the United Nations Global Compact in 2001 and, in 2005, together with employee representatives, issued a "Joint Declaration on Human Rights and Working Conditions in the BMW Group". This Joint Declaration was reconfirmed in 2010. With the signature of these documents, we have given our commitment to abide worldwide by internationally recognised human rights and with the fundamental working standards of the International Labour Organization (ILO). The most important of these are freedom of employment, the prohibition of discrimination, the freedom of association and the right to collective bargaining, the prohibition of child labour, the right to appropriate remuneration, regulated working times and compliance with work and safety regulations. The complete text of the UN Global Compact and the recommendations of the ILO and other relevant information can be found at www.unglobalcompact.org and www.ilo.org. The Joint Declaration on Human Rights and Working Conditions in the BMW Group can be found at www.bmwgroup.com under the menu item "Responsibility" and "Supply Chain Management".

It goes without saying that the BMW Group abides by these fundamental principles and rights worldwide. Employees have therefore been sensitised to this issue since 2005 by means of regular internal communications and further training on recent developments in this area. Two dedicated helplines – the "Human Rights Contact" and the BMW Group SpeakUP Line – are available to employees wishing to raise queries or complaints relating to human rights issues. The UN Guiding Principles for Business and Human Rights provide a framework for critical reflection and continuous improvement in our endeavours to ensure that human rights are respected throughout the organisation.

Further information on social responsibility to employees can be found in the section "Workforce".

Activities can only be sustainable, however, if they cover the entire value-added chain. That is why the BMW Group not only sets high standards for itself, but also expects its suppliers and partners to meet the ecological and social standards it sets and strives continually to improve the efficiency of processes, measures and activities. For instance, we consistently require our dealers and importers to comply with ecological and social standards on a contractual basis. Moreover, corresponding criteria are embedded throughout the entire purchasing system – including in enquiries to suppliers, in the sector-wide OEM Sustainability Questionnaire, in our purchasing terms and in our evaluation of suppliers – in order to promote sustainability aspects in line with the BMW Group Sustainability Standard. The BMW Group expects suppliers to ensure that the BMW Group's sustainability criteria are also adhered to by their sub-suppliers. Purchasing terms and conditions and other information relating to purchasing can be found in the publicly available section of the BMW Group Partner Portal at https://b2b.bmw.com.

We also work in close partnership with our suppliers and promote their commitment to sustainability.

Compliance in the BMW Group

Responsible and lawful conduct is fundamental to the success of the BMW Group. It is an integral part of our corporate culture and the reason why customers, shareholders, business partners and the general public place their trust in us. The Board of Management and the employees of the BMW Group are obliged to act responsibly and in compliance with applicable laws and regulations.

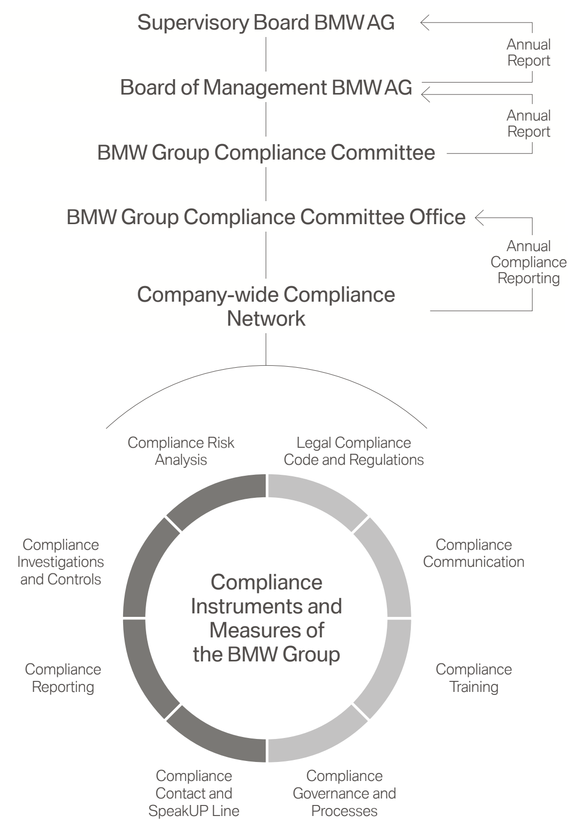
This principle has been embedded in BMW's internal rules of conduct for many years. In order to protect itself systematically against compliance-related and reputational risks, the Board of Management created a Compliance Committee several years ago, mandated to establish a worldwide Compliance Management System throughout the BMW Group.

The BMW Group Compliance Committee comprises the heads of the following departments: Legal Affairs, Corporate and Governmental Affairs, Corporate Audit, Group Reporting, Organisational Development and Corporate Human Resources. It manages and monitors activities necessary to avoid non-compliance with the law. These activities include training, information and communication measures, compliance controls and following up cases of non-compliance.

The BMW Group Compliance Committee reports regularly to the Board of Management on all compliance-related issues, including the progress made in refining the BMW Group Compliance Management System, details of investigations performed, known infringements of the law, sanctions imposed and corrective/preventative measures implemented. This ensures that the Board of Management is immediately notified of any cases of particular significance. The decisions taken by the BMW Group Compliance Committee are drafted in concept, and implemented operationally, by the BMW Group Compliance Committee Office. The BMW Group Compliance Committee Office comprises ten employees and is allocated in organisational terms to the Chairman of the Board of Management.

The Chairman of the BMW Group Compliance Committee keeps the Audit Committee (which is part of the Supervisory Board) informed on the current status of compliance activities within the BMW Group, both on a regular and a case-by-case basis as the need arises.

BMW Group Compliance Management System



The Board of Management keeps track of and analyses compliance-related developments and trends on the basis of the Group's compliance reporting and input from the BMW Group Compliance Committee. Measures to improve the Compliance Management System are initiated on the basis of identified requirements.

A coordinated set of instruments and measures is employed to ensure that the BMW Group, its representative bodies, its managers and staff act in a lawful manner. Particular emphasis is placed on compliance with antitrust legislation and the avoidance of corruption risks. Compliance measures are supplemented by a whole range of internal policies, guidelines and instructions, which in part reflect applicable legislation. The BMW Group Policy "Corruption Prevention" and the BMW Group Instruction "Corporate Hospitality and Gifts" deserve particular mention: these documents deal with lawful handling of gifts and benefits and define appropriate assessment criteria and approval procedures for specified actions.

Compliance measures are determined and prioritised on the basis of a group-wide compliance risk assessment covering all 346 business units and functions worldwide within the BMW Group. The assessment of compliance risks is updated annually. Measures are realised with the aid of a regionally structured compliance management team covering all parts of the BMW Group, which oversees a network of more than 200 Compliance Responsibles.

The various elements of the BMW Group Compliance Management System are shown in the diagram on the previous page and are applicable for all BMW Group entities worldwide. To the extent that additional compliance requirements apply to individual countries or specific lines of business, these are covered by supplementary compliance measures.

The BMW Group Legal Compliance Code is the cornerstone of the Group's Compliance Management System, spelling out the Board of Management's commitment to compliance as a joint responsibility ("tone from the top"). This document, which was revised and expanded in 2014, explains the significance of legal compliance and provides an overview of the various areas relevant for the BMW Group. It is available both as a printed brochure and for download in German and English. In addition, translations into nine other languages are available in the BMW Group intranet.

Managers in particular bear a high degree of responsibility and must set a good example with regard to preventing infringements. Managers throughout the BMW Group acknowledge this principle by signing a written declaration, in which they also undertake to inform staff working for them of the content and significance of the Legal Compliance Code and make them aware of legal risks. Managers must, at regular intervals and on their own initiative, verify compliance with the law and communicate regularly with staff on this issue. Any indication of non-compliance with the law must be rigorously investigated.

More than 31,500 managers and staff worldwide have received training in essential compliance matters since the introduction of the BMW Group Compliance Management System. The training material is available on an Internet-based training platform in German and English and includes a final test. Successful completion of the training programme, which is documented by a certificate, is mandatory for all BMW Group managers. Appropriate processes are in place to ensure that all newly recruited managers and promoted staff undergo compliance training. In this way, the BMW Group ensures full training coverage for its managers in compliance matters.

In addition to this basic training, more in-depth training is also provided to certain groups of staff on specific compliance issues. Since early 2014, a total of 1,900 employees at BMW AG branches received further training as anti-money-laundering measures were upgraded. Antitrust law training was also expanded in 2013, targeting employees who come into contact with antitrust-related issues as a result of their functions within sales and marketing, purchasing, production or development. Around 10,100 employees have already completed this training. The relevant divisions also implemented and stepped up further antitrust compliance measures and processes in 2015 to make employees who participate in meetings with competitors or work with suppliers or sales partners sufficiently aware of antitrust risks.

Additional compliance coaching has also been implemented for international sales and financial service locations. These multi-day classroom seminars strengthen the understanding of compliance in selected units and enhance cooperation between the central BMW Group Compliance Committee Office and decentralised compliance offices. In 2015, market coaching was conducted in Belgium, Denmark, Finland, Italy, Norway, Portugal, Spain and Sweden.

In order to avoid legal risks, all members of staff can discuss compliance matters with their managers and with the relevant departments within the BMW Group, in particular Legal Affairs, Corporate Audit and Corporate Security. The BMW Group Compliance Contact serves as a further point of contact for both employees and non-employees for any questions regarding compliance.

Employees also have the opportunity to submit information – anonymously and confidentially – via the BMW

Group SpeakUP Line about possible breaches of the law within the Company. The BMW Group SpeakUP Line is available in a total of 34 languages and can be reached via local toll-free numbers in all countries in which BMW Group employees are engaged in activities.

Compliance-related queries and concerns are documented and followed up by the BMW Group Compliance Committee Office using an electronic Case Management System. If necessary, Corporate Audit, Corporate Security, the Works Council and legal departments may be called upon to assist in the investigation process.

Through the group-wide reporting system, Compliance Responsibles throughout the BMW Group report on compliance-relevant issues to the Compliance Committee on a regular basis, and, if necessary, on an ad hoc basis. This includes reporting on the compliance status of the relevant entities, on identified legal risks and incidences of non-compliance, as well as on corrective/preventative measures implemented.

Compliance with and implementation of the Legal Compliance Code are audited regularly by Corporate Audit and subjected to control checks by Corporate Security and the BMW Group Compliance Committee Office. As part of its regular activities, Corporate Audit carries out on-site audits. The BMW Group Compliance Committee also engages Corporate Audit to perform compliance-specific checks. In addition, four BMW Group Compliance Spot Checks, sample tests specifically designed to identify potential corruption risks, were carried out in 2015. Compliance control activities are coordinated by the BMW Group Panel Compliance Controls. Any necessary follow-up measures are organised by the BMW Group Compliance Committee Office.

It is essential that employees are aware of and comply with applicable legal regulations. The BMW Group does not tolerate violations of the law by its employees. Culpable violations of the law result in employment-contract sanctions and may involve personal liability consequences for the employee involved.

To avoid this, BMW Group employees are kept fully up-to-date with the instruments and measures used by the Compliance Management System via various internal channels. As of 2014, all new staff receive a welcome email underscoring the BMW Group's special commitment to compliance when they join the Company. The central means of communication is the Compliance website within the BMW Group's intranet, where employees can find compliance-related information and have access to training materials in both German and English. The website contains a special service area where various practical tools are made available to employees to help them deal with typical compliance-related matters. Since mid-2015, BMW Group employees have also had access to an IT system, which helps them verify legal admissibility and approve and document benefits, especially in connection with corporate hospitality.

In the same way that the BMW Group is committed to lawful and responsible conduct, it expects no less from its business partners. In 2012, the BMW Group developed a new Business Relations Compliance programme aimed at ensuring the reliability of its business relations. Relevant business partners are checked and evaluated with a view to identifying potential compliance risks. These procedures are particularly relevant for relations with sales partners and service providers, such as agencies and consultants. Depending on the results of the evaluation, appropriate measures – such as communication measures, training and possible monitoring – are implemented to manage compliance risks. The Business Relations Compliance programme has already been introduced in 37 units since its launch and, over the coming years, will be rolled out successively throughout the BMW Group's worldwide sales organisation. In 2015, the Company also continued integrating compliance clauses to protect contractual relationships into dealer and importer contracts.

Compliance is also an important factor in safeguarding the future of the BMW Group workforce. With this in mind, the Board of Management and the national and international employee representative bodies of the BMW Group have agreed on a binding set of Joint Principles for Lawful Conduct. In doing so, all parties involved made a commitment to the principles contained in the BMW Group Legal Compliance Code and to trustful co-operation in all matters relating to compliance. Employee representatives are therefore regularly involved in the process of refining compliance measures within the BMW Group.

In the interest of investor protection and to ensure that the BMW Group complies with regulations relating to potential insider information, the Board of Management appointed an Ad Hoc Committee back in 1994, consisting of representatives of various specialist departments, whose members examine the relevance of issues for ad hoc disclosure purposes. All persons working on behalf of the Company who have access to insider information in accordance with existing rules have been, and continue to be, included in a corresponding, regularly updated list and informed of the duties arising from insider rules.

Reportable securities transactions (“Directors Dealings”)

Pursuant to § 15 a of the German Securities Trading Act (WpHG), members of the Board of Management and the Supervisory Board, and any persons related to those members, are required to give notice to BMW AG and the Federal Agency for the Supervision of Financial Services of transactions with BMW stock or related financial instruments if the total sum of such transactions reaches or exceeds an amount of €5,000 during any given calendar year. BMW AG publishes such information without delay and communicates it to the Companies Register for archiving. Notice of publication is issued to the Federal Agency for the Supervision of Financial Services. Securities transactions notified to BMW AG during the financial year 2015 were also reported on the Company’s website.

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

The members of the Supervisory Board of BMW AG hold a total of 43.00 % of the Company’s shares of common and preferred stock (2014: 27.61 %), of which 31.26 % (2014: 16.06 %) relates to Stefan Quandt, Germany, and 26.74 % (2014: 11.54 %) to Susanne Klatten, Germany, whereby 15.00 % are held by Mr Quandt and Ms Klatten indirectly in a so-called “undivided community of heirs”, with the consequence that the 15.00 % shareholding is attributed to both in full. The shareholdings of the members of the Board of Management total less than 1 % of all issued shares.

Share-based compensation programmes for employees and members of the Board of Management

Three share-based remuneration programmes were in place at BMW AG during the year under report, namely the Employee Share Programme (under which entitled employees of BMW AG have been able to participate in the enterprise’s success since 1989 in the form of non-voting shares of preferred stock), a share-based remuneration programme for Board of Management members, and a share-based remuneration programme for senior heads of department (relating in both cases to shares of common stock). The share-based remuneration programme for Board of Management members is described in detail in the Compensation Report (see also the “Share-based remuneration” section in the Compensation Report and note 19 to the Group Financial Statements).

The share-based remuneration programme for qualifying senior heads of department, introduced with effect for financial years beginning after 1 January 2012, is closely based on the programme for Board of Management members and is aimed at rewarding a long-term, entrepreneurial approach to running the business on a sustainable basis.

Under the terms of this programme, participants give a commitment to invest an amount equivalent to 20 % of their performance-based bonus in BMW common stock and to hold the shares so acquired for four years. In return for this commitment, BMW AG pays 100 % of the investment amount as a net subsidy. Once the four-year holding period requirement has been fulfilled, the participants receive – for each three common stock shares held and at the Company’s option – one further share of common stock or the equivalent amount in cash.

Under the terms of the Employee Share Programme, in 2015 employees were entitled to acquire packages of between five and twelve shares of non-voting preferred stock with a discount of €20.83 (2014: €25.00) per share compared to the market price (average closing price in Xetra trading during the period from 5 to 11 November 2015: €74.49). All employees of BMW AG and its (directly or indirectly) wholly owned German subsidiaries (if agreed to by the directors of those entities) were entitled to participate in the programme. Employees were required to have been in an uninterrupted employment relationship with BMW AG or the relevant subsidiary for at least one year at the date on which the allocation for the year was announced. Shares of preferred stock acquired in conjunction with the Employee Share Programme are subject to a vesting period of four years, starting from 1 January of the year in which the employees acquired the shares. A total of 309,944 (2014: 239,777) shares of preferred stock were acquired by employees under the programme in 2015; 309,860 (2014: 239,757) of these shares were drawn from Authorised Capital 2014, the remainder were bought back via the stock exchange. Every year the Board of Management of BMW AG decides whether the programme is to be continued. Further information is provided in notes 19 and 34 to the Group Financial Statements.

Compensation Report

The following section describes the principles governing the compensation of the Board of Management and the stipulations set out in the statutes relating to the compensation of the Supervisory Board. In addition to explaining the compensation system, the components of compensation are also disclosed in absolute figures. Furthermore, the compensation of each member of the Board of Management and the Supervisory Board for the financial year 2015 is disclosed by individual member and analysed in its component parts.

1. Board of Management compensation

Responsibility

The Supervisory Board is responsible for determining and regularly reviewing the Board of Management's compensation. The Personnel Committee plays a preparatory role in this process.

Principles of compensation

The compensation system for the Board of Management at BMW AG is designed to encourage a management approach focused on the sustainable development of the BMW Group. One further principle applied when designing remuneration systems at BMW is that of consistency at different levels. In other words, compensation systems for the Board of Management, senior management and employees of BMW AG should all have a similar structure and contain similar components. The Supervisory Board carries out regular checks to ensure that all Board of Management compensation components are appropriate, both individually and in total, and do not encourage the Board of Management to take inappropriate risks on behalf of the BMW Group. At the same time, the compensation model used for the Board of Management needs to be sufficiently attractive for highly qualified executives in a competitive environment.

The compensation of members of the Board of Management is determined by the full Supervisory Board on the basis of performance criteria and after taking into account any remuneration received from Group companies. The principal performance criteria are the nature of the tasks allocated to each member of the Board of Management, the economic situation and the performance and future prospects of the BMW Group. The Supervisory Board sets ambitious and relevant parameters as the basis for variable compensation. It also ensures that variable components based on multi-year assessment criteria take account of both positive and negative developments and that the package as a whole encourages a long-term approach to business performance. Targets and other parameters may not be changed retrospectively. The Supervisory Board reviews the appropriateness of the compensation system annually. In preparation, the Personnel Committee also consults remuneration studies. The Supervisory Board reviews the appropriateness of the compensation system in horizontal terms by comparing compensation paid by other DAX companies and in vertical terms by comparing board compensation with the salaries of executive managers and with the average salaries of employees of BMW AG based in Germany, in both cases with regard to their various levels and to changes over time. Recommendations made by an independent external remuneration expert and suggestions made by investors and analysts are also considered in the consultative process.

Compensation system, compensation components

The compensation of the Board of Management comprises both fixed and variable remuneration as well as a share-based component. Retirement and surviving dependants' benefit entitlements are also in place.

Fixed remuneration

Fixed remuneration consists of a base salary (paid monthly) and other remuneration elements, which comprise mainly the use of Company and leased cars as well as the payment of insurance premiums, contributions towards security systems and an annual medical check-up. Members of the Board of Management are also entitled to purchase vehicles and other services of the BMW Group at conditions that also apply in each relevant case for employees.

The basic remuneration of members of the Board of Management is unchanged from the previous year, namely €0.75 million p.a. for a board member during the first period of office, €0.9 million p.a. for a board member from the second term of appointment or fourth year of office onwards and €1.5 million p.a. for the Chairman of the Board of Management.

Variable remuneration

The variable remuneration of Board of Management members comprises variable cash remuneration on the one hand and a share-based remuneration component on the other.

Variable cash remuneration, in particular bonuses

Variable cash remuneration consists of a cash bonus and share-based remuneration component equivalent to 20% of a board member's total bonus after taxes, which the board member is required to invest in BMW AG common stock. Taxes and social insurance relating to the share-based remuneration are also borne by the Company. In substantiated cases, the Supervisory Board also has the option of paying an additional special bonus.

The bonus comprises two components, each equally weighted, namely a corporate earnings-related bonus and a personal performance-related bonus. The target bonus (100 %) for a Board of Management member, for both components of variable compensation, totals €1.5 million p.a., rising to €1.75 million p.a. from the second term of appointment or fourth year of office onwards. The equivalent figure for the Chairman of the Board of Management is €3 million p.a. The bonus figure is capped for all Board of Management members at 200 % of the relevant target bonus.

The corporate earnings-related bonus is based on the BMW Group's net profit and post-tax return on sales (which are combined in a single earnings factor) and the level of the dividend (common stock). The corporate earnings-related bonus is derived by multiplying the target amount fixed for each member of the Board of Management by the earnings factor and by the dividend factor. In exceptional circumstances, for instance when there have been major acquisitions or disposals, the Supervisory Board may adjust the level of the corporate earnings-related bonus.

An earnings and dividend factor of 1.00 would give rise to an earnings-based bonus of €0.75 million for the financial year 2015 for a member of the Board of Management during the first period of office and €0.875 million during the second term of appointment or from the fourth year in office. The equivalent bonus for the Chairman of the Board of Management is €1.5 million. The earnings factor is 1.00 in the event of a Group net profit of €3.1 billion and a post-tax return on sales of 5.6 %. The dividend factor is 1.00 in the event that the dividend paid on the shares of common stock is between 101 and 110 cents. If the Group net profit were below €1 billion, or if the post-tax return on sales were less than 2 %, the earnings factor for the financial year 2015 would be zero. In this case, no corporate earnings-related bonus would be paid.

The personal performance-related bonus is derived by multiplying the target amount set for each member of the Board of Management by a performance factor. The Supervisory Board sets the performance factor on the basis of its assessment of the contribution of the relevant Board of Management member to sustainable and long-term oriented business development. In setting the factor, equal consideration is given to personal performance, decisions taken in previous forecasting periods, key decisions affecting the future development of the business and the effectiveness of measures taken in response to changing external conditions as well as other activities aimed at safeguarding the future viability of the business to the extent not included directly in the basis of measurement. Performance factor criteria include innovation (economic and ecological, e.g. reduction of carbon emissions), customer focus, ability to adapt, leadership accomplishments, contributions to the Company's attractiveness as an employer, progress in implementing the diversity concept, and activities that foster corporate social responsibility. The target bonus and the key figures used to determine the corporate earnings-related bonus are fixed in advance for a period of three financial years, during which time they may not be amended retrospectively.

Share-based remuneration programme

The compensation system includes a share-based remuneration programme, in which the level of share-based remuneration is based on the amount of bonus paid. The system is aimed at creating further long-term incentives to encourage sustainable governance.

This programme envisages a share-based remuneration component equivalent to 20 % of the board member's total bonus after taxes, which the board member is required to invest in BMW AG common stock. Taxes and social insurance relating to the share-based remuneration component are borne by the Company. As a general rule, the shares must be held for a minimum of four years. As part of a matching plan, at the end of the holding period the Board of Management members will normally receive from the Company either one additional share of common stock or an equivalent cash amount for three shares of common stock held, to be decided at the discretion of the Company (share-based remuneration component/matching 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.

Retirement and surviving dependants' benefits

The provision of retirement and surviving dependants' benefits for Board of Management members was changed to a defined contribution system with a guaranteed minimum return with effect from 1 January 2010. However, given the fact that board members appointed for the first time prior to 1 January 2010 for the most part had a legal right to receive the benefits already promised to them, these board members were given the option to choose between the previous system and the new one.

In the event of the termination of mandate, Board of Management members appointed for the first time prior to 1 January 2010 are entitled to receive certain defined

Overview of compensation system and compensation components

Component	Parameter / measurement base
Basic compensation p.a.	
	Member of the Board of Management: – €0.75 million (first term of appointment) – €0.90 million (from second term of appointment onwards or fourth year in office) Chairman of the Board of Management: – €1.50 million
Variable compensation	
Bonus	Target bonuses p.a. (if target is 100% achieved): – €1.50 million (first term of appointment) – €1.75 million (from second term of appointment onwards or fourth year in office) – €3.00 million (Chairman of the Board of Management)
a) Corporate earnings-related bonus (corresponds to 50% of target bonus if target is 100% achieved)	– Quantitative criteria fixed in advance for a period of three financial years – Formula: 50% of target bonus x earnings factor x dividend factor (common stock) – The earnings factor is derived from the Group net profit and the Group post-tax return on sales
b) Performance-related bonus (corresponds to 50% of target bonus if target is 100% achieved)	– Primarily qualitative criteria, expressed in terms of a performance factor aimed at measuring the board members' contribution to sustainable and long-term performance and the future viability of the business – Formula: 50% of target bonus x performance factor – Criteria for the performance factor also include: innovation (economic and ecological, e.g. reduction of CO_2 emissions), customer orientation, ability to adapt, leadership accomplishments and attractiveness as employer, progress in implementing the diversity concept and activities that foster corporate social responsibility
Special bonus payments	May be paid in justified circumstances on an appropriate basis, contractual basis, no entitlement
Share-based remuneration programme	– Requirement for Board of Management members to each invest an amount equivalent to 20% of their total bonus (after tax) in BMW AG common stock
a) Cash compensation component	– Earmarked cash remuneration equivalent to the amount required to be invested in BMW AG shares, plus taxes and social insurance contributions
b) Share-based remuneration component (matching component)	– Once the four-year holding period requirement is fulfilled, Board of Management members receive for each three common stock shares held either – at the Company's option – one further share of common stock or the equivalent amount in cash.
Other compensation	
	Contractual agreement, main points: use of Company cars, insurance premiums, contributions towards security systems, medical check-up

Retirement and surviving dependants' benefits

Model	Principal features
a) Defined benefits (only applies to board members appointed for the first time before 1 January 2010; based on legal right to receive the benefits already promised to them, this group of persons is entitled to opt between (a) and (b))	Pension of €120,000 p.a. plus fixed amounts based on length of Company and board service
b) Defined contribution system with guaranteed minimum rate of return	Pension based on amounts credited to individual savings accounts for contributions paid and interest earned, various forms of disbursement Pension contributions p.a.: Member of the Board of Management: €350,000 – €400,000 Chairman of the Board of Management: €500,000 – €700,000

Remuneration caps (maximum remuneration)

in € p.a.	Bonus	Share-based compensation programme: Cash compensation for share acquisition	Share-based compensation programme: Monetary value of matching component	Possible special bonus	Total*
Member of the Board of Management in the first term of appointment	3,000,000	700,000	700,000	1,000,000	4,925,000
Member of the Board of Management in the second term of appointment or from fourth year in office	3,500,000	800,000	800,000	1,200,000	5,500,000
Chairman of the Board of Management	6,000,000	1,400,000	1,400,000	1,500,000	9,850,000

* Including basic remuneration, other fixed remuneration elements and pension contribution. The overall cap is lower than the sum of the maximum amounts for each of the individual components.

benefits in accordance with the rules of an older (defined benefit) pension plan. Under the defined benefit plan, the entitlement to retirement benefits arises at the earliest on reaching the age of 60 or in case of invalidity. The amount of the pension comprises a basic monthly amount of €10,000 plus a fixed amount. The fixed amount is made up of approximately €75 for each year of service in the Company before becoming a member of the Board of Management and between €400 and €600 for each full year of service on the board (up to a maximum of 15 years). Pension payments are adjusted based on the rules applicable for the adjustment of civil servants' pensions, i.e. the pensions of members of the Board of Management are adjusted when the civil servants remuneration level B6 (excluding allowances) is increased by more than 5% or in accordance with the Company Pension Act.

If a mandate is terminated, the new defined contribution system provides entitlements which can be paid either (a) in case of death or invalidity as a one-off amount, in instalments, or (b) upon retirement – depending on the wish of the ex-board member concerned – optionally in the form of a lifelong monthly pension, as a one-off amount, or in instalments, or in a combined form (e.g. a combination of a one-off payment and a proportionately reduced lifelong monthly pension). Former members of the Board of Management are entitled to receive the retirement benefit at the earliest upon reaching the age of 60, or in the case of entitlements awarded after 1 January 2012, upon reaching the age of 62.

The amount of the benefits to be paid is determined on the basis of the amount accrued in each board member's individual pension savings account. The amount on this account arises from annual contributions paid in, plus interest earned depending on the type of investment.

If a member of the Board of Management with a vested entitlement dies prior to the commencement of benefit payments, a surviving spouse or otherwise surviving children – in the latter case depending on their age and education – are entitled to receive benefits as surviving dependants. In case of invalidity or death, a minimum benefit based on the potential annual contributions (up to a maximum of 10) will be paid until the person concerned would have reached the age of 60. In addition, following the death of a retired board member who has elected to receive a lifelong pension, 60% of that amount is paid as a lifelong widow's pension. Pensions are increased annually by at least 1%.

Depending on the length of membership in the Board of Management and the board member's previous activities, the annual contribution to be paid amounts to between €350,000 and €400,000 for a member of the Board of Management and between €500,000 and €700,000 for its Chairman. The guaranteed minimum rate of return p.a. corresponds to the maximum interest rate used to calculate insurance reserves for life insurance policies (guaranteed interest on life insurance policies). When granting pension entitlements, the Supervisory Board considers the targeted level of pension provision in each case as well as the resulting expense for the BMW Group.

Contributions falling due under the defined contribution model are paid into an external fund in conjunction with a trust model that is also used to fund pension obligations to employees.

Income earned on an employed or a self-employed basis up to the age of 63 may be offset against pension entitlements. In addition, certain circumstances have been specified, in the event of which the Company no longer has any obligation to pay benefits. In such cases, no transitional payments will be made.

Board of Management members who retire immediately after their service on the board and who draw a retirement pension are entitled to purchase vehicles and other BMW Group services at conditions that also apply in each relevant case for pensioners and to lease BMW Group vehicles in accordance with the guidelines applicable to senior heads of departments. Retired Chairmen of the Board of Management are entitled to use a BMW Group vehicle as a Company car on a similar basis to senior heads of departments, and depending on availability and against payment, use BMW chauffeur services.

Termination benefits on premature termination of board activities, benefits paid by third parties

In conjunction with the amicable early termination of Dr Reithofer's Board of Management mandate with effect from the end of the Annual General Meeting 2015, the Company also reached an agreement with Dr Reithofer concerning the early termination of his service contract with effect from the end of the Annual General Meeting 2015. The contract termination agreement envisages the calculation of variable cash remuneration for prorated activities in the financial year 2015 based on target attainment for the financial year 2013. This arrangement ensures that, having been elected to the Supervisory Board, he will not be involved in deciding on the level of his own performance-related remuneration. Other entitlements resulting from the service contract were settled subsequent to Dr Reithofer leaving the Board of Management, in line with agreed terms, by a payment of €2.5 million in 2015. The Company made a final pension contribution of €0.7 million on behalf of Dr Reithofer for the financial year 2015.

No commitments or agreements exist to pay compensation if a board member's mandate is terminated early in the event of a change of control or a takeover offer. No members of the Board of Management received any payments or benefits from third parties in 2015 on account of their activities as members of the Board of Management of BMW AG.

Remuneration caps

The Supervisory Board has stipulated caps for all variable remuneration components and for the remuneration of Board of Management members in total. The caps are shown in the table "Overview of compensation system and compensation components".

Total compensation of the Board of Management for the financial year 2015 (2014)

The total compensation of the current members of the Board of Management of BMW AG for the financial year 2015 amounted to €35.5 million (2014: €35.4 million), of which €7.7 million (2014: €7.7 million) relates to fixed components (including other remuneration). Variable components amounted to €27.1 million (2014: €27.0 million) and the share-based remuneration component to €0.7 million (2014: €0.7 million).

in € million	2015		2014	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	**7.7**	**21.7**	7.7	21.8
Variable cash compensation	**27.1**	**76.3**	27.0	76.3
Share-based compensation component*	**0.7**	**2.0**	0.7	1.9
Total compensation	**35.5**	**100.0**	**35.4**	**100.0**

* Matching component; provisional number or provisional monetary value calculated at grant date (date on which the entitlement became binding in law). The final number of matching shares is determined in each case when the requirement to invest in BMW AG common stock has been fulfilled.

Compensation of the individual members of the Board of Management for the financial year 2015 (2014)

in € or number of matching shares	Fixed compensation: Basic compensation	Fixed compensation: Other compensation	Fixed compensation: Total	Variable cash compensation	Share-based compensation component (matching component)[1]: Number	Share-based compensation component (matching component)[1]: Monetary value	**Compensation Total**	Total value of benefits granted in financial year[2]
Harald Krüger	1,280,645	21,809	1,302,454	4,786,438	1,478	130,079	**6,218,971**	6,088,892
	(900,000)	(18,071)	(918,071)	(3,245,550)	(1,055)	(88,135)	(4,251,756)	(4,163,621)
Norbert Reithofer[3]	552,419	11,652	564,071	1,940,981[4]	(–)	(–)	**2,505,052**	2,505,052
	(1,500,000)	(30,152)	(1,530,152)	(5,563,800)	(1,810)	(151,207)	(7,245,159)	(7,093,952)
Milagros Caiña Carreiro-Andree	825,000	74,717	899,717	3,058,588	1,014	89,242	**4,047,547**	3,958,305
	(750,000)	(68,555)	(818,555)	(2,781,900)	(971)	(81,117)	(3,681,572)	(3,600,455)
Klaus Draeger	900,000	24,797	924,797	3,293,863	1,092	96,107	**4,314,767**	4,218,660
	(900,000)	(24,790)	(924,790)	(3,245,550)	(1,133)	(94,651)	(4,264,991)	(4,170,340)
Friedrich Eichiner	900,000	23,982	923,982	3,293,863	1,092	96,107	**4,313,952**	4,217,845
	(900,000)	(21,952)	(921,952)	(3,245,550)	(1,133)	(94,651)	(4,262,153)	(4,167,502)
Klaus Fröhlich	750,000	71,792	821,792	2,823,290	871	76,657	**3,721,739**	3,645,082
	(46,371)	(394)	(46,765)	(172,000)	(52)	(4,623)	(223,388)	(218,765)
Ian Robertson	900,000	14,501	914,501	3,293,863	1,092	96,107	**4,304,471**	4,208,364
	(900,000)	(14,161)	(914,161)	(3,245,550)	(1,133)	(94,651)	(4,254,362)	(4,159,711)
Peter Schwarzenbauer	750,000	31,101	781,101	2,823,311	936	82,377	**3,686,789**	3,604,412
	(750,000)	(26,481)	(776,481)	(2,781,900)	(971)	(81,117)	(3,639,498)	(3,558,381)
Oliver Zipse[5]	475,806	44,089	519,895	1,791,119	457	48,602	**2,359,616**	2,311,014
	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Total[6]	**7,333,870**	**318,440**	**7,652,310**	**27,105,316**	**8,032**	**715,278**	**35,472,904**	**34,757,626**
	(7,490,726)	(225,136)	(7,715,862)	(27,031,160)	(8,258)	(690,152)	(35,437,174)	(34,747,022)

[1] Provisional number or provisional monetary value calculated at grant date (date on which the entitlement became binding in law). The final number of matching shares is determined in each case when the requirement to invest in BMW AG common stock has been fulfilled. See note 19 to the Group Financial Statements for a description of the accounting treatment of the share-based compensation component.
[2] Value of benefits granted in financial year 2015 for work performed on the Board of Management during the financial year 2015. No share-based remuneration component (matching component) from previous years fell due for payment in the financial year 2015, since holding period requirements had not yet been fulfilled.
[3] Member of the Board of Management until 13.05.2015.
[4] In line with agreed terms, the variable cash remuneration of Dr Reithofer for the financial year 2015 was calculated based on target attainment for the financial year 2013.
[5] Member of the Board of Management since 13.05.2015.
[6] Disclosures for the previous year include amounts relating to a member of the Board of Management who left office during the financial year 2014.

In addition, an expense of €2.6 million (2014: €2.1 million) was recognised in the financial year 2015 for current members of the Board of Management for the period after the end of their service relationship, which relates to the expense for allocations to pension provisions.

Total benefits paid to former members of the Board of Management and their surviving dependants for the financial year 2015 amounted to €8.0 million (2014: €5.8 million). This amount includes the above-mentioned settlement of €2.5 million paid to Dr Reithofer.

Pension obligations to former members of the Board of Management, including Dr Reithofer, and their surviving dependants are fully covered by pension provisions amounting to €71.8 million (2014: €68.4 million), computed in accordance with IAS 19.

Share-based compensation component of the individual members of the Board of Management for the financial year 2015 (2014)

in €	Expense in 2015 in accordance with HGB and IFRS	Provision at 31.12.2015 in accordance with HGB and IFRS[1]
Harald Krüger	166,581 (94,542)	369,498 (202,917)
Norbert Reithofer[2]	278,201 (191,845)	690,016 (411,815)
Milagros Caiña Carreiro-Andree	109,760 (103,493)	268,970 (159,210)
Klaus Draeger	90,275 (191,814)	497,690 (407,415)
Friedrich Eichiner	133,415 (181,389)	497,259 (363,844)
Klaus Fröhlich	34,245 (130)	34,375 (130)
Ian Robertson	224,354 (125,621)	491,185 (266,831)
Peter Schwarzenbauer	59,311 (31,055)	100,747 (41,435)
Oliver Zipse[3]	9,915 (–)	9,915 (–)
Total[4]	**1,106,057** (1,012,523)	**2,959,655** (1,253,625)

Pension benefits of the individual members of the Board of Management

in €	Service cost in accordance with IFRS for the financial year 2015[5]	Service cost in accordance with HGB for the financial year 2015[5]	Present value of pension obligations (defined benefit plans), in accordance with IFRS[6]	Present value of pension obligations (defined benefit plans), in accordance with HGB[6]
Harald Krüger	175,287 (220,609)	358,331 (359,256)	3,993,819 (3,927,671)	3,992,702 (3,204,346)
Milagros Caiña Carreiro-Andree	360,767 (366,848)	364,656 (368,968)	1,427,599 (990,507)	1,427,072 (989,277)
Klaus Draeger	184,066 (147,483)	408,960 (409,663)	5,251,799 (5,359,750)	5,011,606 (4,485,792)
Friedrich Eichiner	201,018 (177,335)	408,960 (409,663)	5,465,539 (5,599,794)	5,163,692 (4,633,694)
Klaus Fröhlich	350,000 (3,643)	350,000 (2,747)	1,510,725 (2,138,633)	1,510,706 (1,286,247)
Ian Robertson	448,139 (356,067)	411,555 (414,827)	3,279,690 (3,029,448)	2,968,379 (2,395,377)
Peter Schwarzenbauer	360,305 (369,234)	364,312 (371,398)	1,081,408 (688,271)	1,081,155 (687,570)
Oliver Zipse[3]	221,667 (–)	221,667 (–)	1,188,313 (–)	1,187,721 (–)
Total[4]	**2,301,249** (1,922,497)	**2,888,441** (3,054,178)	**23,198,892** (31,334,919)	**22,343,033** (25,028,384)
Norbert Reithofer[2]	354,143 (281,278)	715,679 (717,656)	8,232,832 (9,600,845)	8,232,832 (7,346,081)

[1] Provisional number or provisional monetary value calculated on the basis of the closing price of BMW common stock in the Xetra trading system on 30 December 2015 (€97.63) (fair value at reporting date).
[2] Member of the Board of Management until 13.05.2015.
[3] Member of the Board of Management since 13.05.2015.
[4] Disclosures for the previous year include amounts relating to a member of the Board of Management who left office during the financial year 2014.
[5] Service cost differs due to the different valuation bases used to measure pension obligations for HGB purposes (expected settlement amount) and for IFRS purposes (present value of the defined benefit obligation).
[6] Based on a legal right to receive the benefits already promised to them, Board of Management members appointed for the first time prior to 1 January 2010 were given the option of choosing between the previous defined benefit model and the new defined contribution model.

2. Supervisory Board compensation

Responsibilities, regulations pursuant to the Articles of Incorporation

The compensation of the Supervisory Board is specified either by a resolution of the shareholders at the Annual General Meeting or in the Articles of Incorporation. The compensation regulation valid for the financial year under report was resolved by shareholders at the Annual General Meeting on 14 May 2013 and is set out in Article 15 of BMW AG's Articles of Incorporation, which can be viewed and/or downloaded at www.bmwgroup.com/ir under the menu items "Facts about the BMW Group" and "Corporate Governance".

Compensation principles, compensation components

The Supervisory Board of BMW AG receives a fixed compensation component as well as a corporate performance-related compensation component, which is oriented toward sustainable growth and based on a multiyear assessment. The corporate performance-related component is based on average earnings per share of common stock for the remuneration year and the two preceding financial years.

These two interacting components are intended to ensure that the compensation of Supervisory Board members is commensurate overall in relation to the tasks performed and the Company's financial condition and also takes account of business performance over several years.

In accordance with the Articles of Incorporation, each member of BMW AG's Supervisory Board receives, in addition to the reimbursement of reasonable expenses, a fixed amount of €70,000 (payable at the end of the year) as well as a corporate performance-related compensation of €170 for each full €0.01 by which the average amount of (undiluted) earnings per share (EPS) of common stock reported in the Group Financial Statements for the remuneration year and the two preceding financial years exceeds a minimum amount of €2.00 (payable after the Annual General Meeting held in the following year). An upper limit corresponding to twice the amount of the fixed compensation (€140,000) is in place for the corporate performance-related compensation.

With this combination of fixed compensation elements and a corporate performance-related compensation component oriented toward sustainable growth, the compensation structure in place for BMW AG's Supervisory Board complies with the recommendation on supervisory board compensation contained in section 5.4.6 paragraph 2 sentence 2 of the German Corporate Governance Code (version dated 5 May 2015).

The German Corporate Governance Code also recommends in section 5.4.6 paragraph 1 sentence 2 that the exercising of chair and deputy chair positions in the Supervisory Board as well as the chair and membership of committees should also be considered when determining the level of compensation.

Accordingly, the Articles of Incorporation of BMW AG stipulate that the Chairman of the Supervisory Board shall receive three times the amount and each Deputy Chairman shall receive twice the amount of the remuneration of a Supervisory Board member. Provided the relevant committee convened for meetings on at least three days during the financial year, each chairman of the Supervisory Board's committees receives twice the amount and each member of a committee receives one-and-a-half times the amount of the remuneration of a Supervisory Board member. If a member of the Supervisory Board exercises more than one of the functions referred to above, the compensation is measured only on the basis of the function that is remunerated with the highest amount.

In addition, each member of the Supervisory Board receives an attendance fee of €2,000 for each full meeting of the Supervisory Board (Plenum) that the member has attended (payable at the end of the financial year). Attendance at more than one meeting on the same day is not remunerated separately.

The Company also reimburses to each member of the Supervisory Board reasonable expenses and any value-added tax arising on the member's remuneration. The amounts disclosed below are net amounts.

In order to be able to perform his duties, the Chairman of the Supervisory Board is provided with secretariat and chauffeur services.

Compensation of the Supervisory Board for the financial year 2015 (total)

In accordance with Article 15 of the Articles of Incorporation, the compensation of the Supervisory Board for activities during the financial year 2015 amounted to €5.1 million (2014: €4.8 million). This amount includes fixed compensation of €2.0 million (2014: €2.0 million) and variable compensation of €3.1 million (2014: €2.8 million).

in € million	**2015**		2014	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	**2.0**	**39.2**	2.0	41.7
Variable compensation	**3.1**	**60.8**	2.8	58.3
Total compensation	**5.1**	**100.0**	**4.8**	**100.0**

Supervisory Board members did not receive any further compensation or benefits from the BMW Group for advisory and/or agency services personally rendered.

Compensation of the individual members of the Supervisory Board for the financial year 2015 (2014)

in €	Fixed compensation	Attendance fee	Variable compensation	Total
Norbert Reithofer (Chairman)[1]	134,055	8,000	223,986	**366,041**
	(–)	(–)	(–)	(–)
Joachim Milberg (Chairman)[2]	76,521	2,000	127,855	**206,376**
	(210,000)	(10,000)	(317,730)	(537,730)
Manfred Schoch (Deputy Chairman)[3]	140,000	10,000	233,920	**383,920**
	(140,000)	(10,000)	(211,820)	(361,820)
Stefan Quandt (Deputy Chairman)	140,000	10,000	233,920	**383,920**
	(140,000)	(10,000)	(211,820)	(361,820)
Stefan Schmid (Deputy Chairman)[3]	140,000	10,000	233,920	**383,920**
	(140,000)	(10,000)	(211,820)	(361,820)
Karl-Ludwig Kley (Deputy Chairman)	140,000	4,000	233,920	**377,920**
	(140,000)	(6,000)	(211,820)	(357,820)
Christiane Benner[3]	70,000	10,000	116,960	**196,960**
	(44,301)	(8,000)	(67,028)	(119,329)
Franz Haniel	70,000	10,000	116,960	**196,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Reinhard Hüttl	70,000	10,000	116,960	**196,960**
	(70,000)	(8,000)	(105,910)	(183,910)
Henning Kagermann	70,000	10,000	116,960	**196,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Susanne Klatten	70,000	10,000	116,960	**196,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Renate Köcher	70,000	10,000	116,960	**196,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Ulrich Kranz	70,000	10,000	116,960	**196,960**
	(44,301)	(8,000)	(67,028)	(119,329)
Robert W. Lane	70,000	10,000	116,960	**196,960**
	(70,000)	(8,000)	(105,910)	(183,910)
Horst Lischka[3]	70,000	8,000	116,960	**194,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Willibald Löw[3]	70,000	10,000	116,960	**196,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Wolfgang Mayrhuber[4]	25,507	2,000	42,618	**70,125**
	(70,000)	(8,000)	(105,910)	(183,910)
Simone Menne[5]	44,685	8,000	74,662	**127,347**
	(–)	(–)	(–)	(–)
Dominique Mohabeer[3]	70,000	10,000	116,960	**196,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Brigitte Rödig[3]	70,000	10,000	116,960	**196,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Jürgen Wechsler[3]	70,000	8,000	116,960	**194,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Werner Zierer[3]	70,000	10,000	116,960	**196,960**
	(70,000)	(10,000)	(105,910)	(185,910)
Total[6]	**1,820,768**	**190,000**	**3,042,241**	**5,053,009**
	(1,820,382)	(190,000)	(2,754,240)	(4,764,622)

[1] Member and Chairman of the Supervisory Board since 13.05.2015.
[2] Member and Chairman of the Supervisory Board until 13.05.2015.
[3] These employee representatives have – in line with the guidelines of the Deutsche Gewerkschaftsbund – requested that their remuneration be paid into the Hans Böckler Foundation.
[4] Member of the Supervisory Board until 13.05.2015.
[5] Member of the Supervisory Board since 13.05.2015.
[6] Figures for the previous year include the remuneration of members of the Supervisory Board who left office during the financial year 2014.

3. Other

Apart from vehicle lease contracts entered into on customary market conditions, no advances and loans were granted by the Company to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Statement pursuant to § 37y No. 1 of the Securities Trading Act (WpHG) in conjunction with § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (HGB)

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Munich, 18 February 2016

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree

Dr.-Ing. Klaus Draeger

Dr. Friedrich Eichiner

Klaus Fröhlich

Dr. Ian Robertson (HonDSc)

Peter Schwarzenbauer

Oliver Zipse

We have audited the consolidated financial statements prepared by Bayerische Motoren Werke Aktiengesellschaft, comprising the income statement for group and statement of comprehensive income for group, the balance sheet for group, cash flow statement for group, group statement of changes in equity and the notes to the group financial statements and its report on the position of the Company and the Group for the business year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the group management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 25 February 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pastor	Feege
Wirtschaftsprüfer	Wirtschaftsprüfer

BMW Group Ten-year Comparison

		2015	2014	2013	2012
Sales volume					
Automobiles	units	**2,247,485**	2,117,965	1,963,798	1,845,186
Motorcycles[1]	units	**136,963**	123,495	115,215	106,358
Production volume					
Automobiles	units	**2,279,503**	2,165,566	2,006,366	1,861,826
Motorcycles[1]	units	**151,004**	133,615	110,127	113,811
Financial Services					
Contract portfolio	contracts	**4,718,970**	4,359,572	4,130,002	3,846,364
Business volume (based on balance sheet carrying amounts)[2]	€ million	**111,191**	96,390	84,347	80,974
Income Statement					
Revenues	€ million	**92,175**	80,401	76,059	76,848
Gross profit margin Group[3]	%	**19.7**	21.2	20.1	20.2
Profit before financial result	€ million	**9,593**	9,118	7,978	8,275
Profit before tax	€ million	**9,224**	8,707	7,893	7,803
Return on sales (earnings before tax / revenues)	%	**10.0**	10.8	10.4	10.2
Income taxes	€ million	**2,828**	2,890	2,564	2,692
Effective tax rate	%	**30.7**	33.2	32.5	34.5
Net profit for the year	€ million	**6,396**	5,817	5,329	5,111
Balance Sheet					
Non-current assets	€ million	**110,343**	97,959	86,193	81,305
Current assets	€ million	**61,831**	56,844	52,184	50,530
Equity	€ million	**42,764**	37,437	35,600	30,606
Equity ratio Group	%	**24.8**	24.2	25.7	23.2
Non-current provisions and liabilities	€ million	**63,819**	58,288	51,643	52,834
Current provisions and liabilities	€ million	**65,591**	59,078	51,134	48,395
Balance sheet total	€ million	**172,174**	154,803	138,377	131,835
Cash Flow Statement					
Cash and cash equivalents at balance sheet date	€ million	**6,122**	7,688	7,671	8,370
Operating cash flow Automotive segment[4]	€ million	**11,836**	9,423	9,964	9,167
Capital expenditure	€ million	**5,890**	6,100	6,711	5,240
Capital expenditure ratio (capital expenditure / revenues)	%	**6.4**	7.6	8.8	6.8
Personnel					
Workforce at year-end[5]		**122,244**	116,324	110,351	105,876
Personnel cost per employee	€	**97,136**	92,337	89,869	89,161
Dividend					
Dividend total	€ million	**2,102**	1,904	1,707	1,640
Dividend per share of common stock / preferred stock	€	**3.20[6] / 3.22[6]**	2.90 / 2.92	2.60 / 2.62	2.50 / 2.52

[1] Excluding Husqvarna, sales volume up to 2013: 59,776 units; production up to 2013: 59,426 units.
[2] Amount computed on the basis of balance sheet figures: until 2007 from the Group balance sheet, from 2008 onwards from the Financial Services segment balance sheet.
[3] Research and development expenses included in cost of sales with the effect from 2008.
[4] Figures are reported in the cash flow statement up to 2006 as cash inflow from operating activities of Industrial Operations.
[5] Figures exclude dormant employment contracts, employees in the non-work phases of pre-retirement part-time arrangements and low wage earners.
[6] Proposal by management.

	2011	2010	2009	2008	2007	2006
Sales volume						
Automobiles	1,668,982	1,461,166	1,286,310	1,435,876	1,500,678	1,373,970
Motorcycles[1]	104,286	98,047	87,306	101,685	102,467	100,064
Production volume						
Automobiles	1,738,160	1,481,253	1,258,417	1,439,918	1,541,503	1,366,838
Motorcycles[1]	110,360	99,236	82,631	104,220	104,396	103,759
Financial Services						
Contract portfolio	3,592,093	3,190,353	3,085,946	3,031,935	2,629,949	2,270,528
Business volume (based on balance sheet carrying amounts)[2]	75,245	66,233	61,202	60,653	51,257	44,010
Income Statement						
Revenues	68,821	60,477	50,681	53,197	56,018	48,999
Gross profit margin Group[3]	21.1	18.1	10.5	11.4	21.8	23.1
Profit before financial result	8,018	5,111	289	921	4,212	4,050
Profit before tax	7,383	4,853	413	351	3,873	4,124
Return on sales (earnings before tax / revenues)	10.7	8.0	0.8	0.7	6.9	8.4
Income taxes	2,476	1,610	203	21	739	1,250
Effective tax rate	33.5	33.1	49.2	6.0	19.1	30.3
Net profit for the year	4,907	3,243	210	330	3,134	2,874
Balance Sheet						
Non-current assets	74,425	67,013	62,009	62,416	56,619	50,514
Current assets	49,004	43,151	39,944	38,670	32,378	28,543
Equity	27,103	23,930	19,915	20,273	21,744	19,130
Equity ratio Group	22.0	21.7	19.5	20.1	24.4	24.2
Non-current provisions and liabilities	49,113	46,100	45,119	41,526	33,469	31,372
Current provisions and liabilities	47,213	40,134	36,919	39,287	33,784	28,555
Balance sheet total	123,429	110,164	101,953	101,086	88,997	79,057
Cash Flow Statement						
Cash and cash equivalents at balance sheet date	7,776	7,432	7,767	7,454	2,393	1,336
Operating cash flow Automotive segment[4]	8,110	8,149	4,921	4,471	6,246	5,373
Capital expenditure	3,692	3,263	3,471	4,204	4,267	4,313
Capital expenditure ratio (capital expenditure / revenues)	5.4	5.4	6.8	7.9	7.6	8.8
Personnel						
Workforce at year-end[5]	100,306	95,453	96,230	100,041	107,539	106,575
Personnel cost per employee	84,887	83,141	72,349	75,612	76,704	76,621
Dividend						
Dividend total	1,508	852	197	197	694	458
Dividend per share of common stock / preferred stock	2.30/ 2.32	1.30/1.32	0.30/ 0.32	0.30/ 0.32	1.06/1.08	0.70/ 0.72

BMW Group Locations

The BMW Group is present in the world markets with 30 production and assembly plants, 42 sales subsidiaries and a research and development network.

— H **Headquarters**

— R Research and Development

BMW Group Research and Innovation Centre (FIZ), Munich, Germany
BMW Group Research and Technology, Munich, Germany
BMW Car IT, Munich, Germany
BMW Innovation and Technology Centre, Landshut, Germany
BMW Diesel Competence Centre, Steyr, Austria
BMW Group Designworks, Newbury Park, USA
BMW Group Technology Office USA, Mountain View, USA
BMW Group Engineering and Emission Test Center, Oxnard, USA
BMW Group ConnectedDrive Lab China, Shanghai, and BMW Group Designworks Studio Shanghai, China
BMW Group Engineering China, Beijing, China
BMW Group Engineering Japan, Tokyo, Japan
BMW Group Engineering USA, Woodcliff Lake, USA
BMW Technology, Chicago, USA

— P Production

BMW Group plant Araquari, Brazil
BMW Group plant Berlin
BMW Group plant Chennai, India
BMW Group plant Dingolfing
BMW Group plant Eisenach
BMW Group plant Hams Hall, GB
BMW Group plant Landshut
BMW Group plant Leipzig
BMW Group plant Munich
BMW Group plant Oxford, GB
BMW Group plant Rayong, Thailand
BMW Group plant Regensburg
BMW Group plant Rosslyn, South Africa
BMW Group plant Spartanburg, USA
BMW Group plant Steyr, Austria
BMW Group plant Swindon, GB
BMW Group plant Wackersdorf
Rolls-Royce Manufacturing Plant, Goodwood, GB
BMW Brilliance Automotive, China (joint venture – 3 plants)
SGL Automotive Carbon Fibers (joint operation – 2 plants)

— A Partner plants

Partner plant, Born, Netherlands
Partner plant, Cairo, Egypt
Partner plant, Graz, Austria
Partner plant, Jakarta, Indonesia
Partner plant, Kaliningrad, Russia
Partner plant, Kulim, Malaysia
Partner plant, Manaus, Brazil

— S Sales subsidiary markets / Locations Financial Services

Argentina*
Australia
Austria
Belgium
Brazil
Bulgaria*
Canada
China
Czech Republic*
Denmark
Finland*
France
Germany
Great Britain
Greece
Hungary*
India
Indonesia*
Ireland
Italy
Japan
Luxembourg
Malaysia
Malta*
Mexico
Netherlands
New Zealand
Norway
Poland
Portugal
Romania*
Russia
Singapore*
Slovakia*
Slovenia*
South Africa
South Korea
Spain
Sweden
Switzerland
Thailand
USA

* Sales locations only.

CFRP
Abbreviation for carbon-fibre reinforced polymer. CFRP is a composite material, consisting of carbon-fibres surrounded by a plastic matrix (resin). On a comparative basis, CFRP is approximately 50 % lighter than steel and 30 % lighter than aluminium.

Combined heat and power
Combined heat and power (CHP) or cogeneration is the simultaneous conversion of energy sources into electricity and useful heating. In comparison to separate generation of electricity in conventional power plants, energy is converted more efficiently and with greater flexibility. As a result, this technology helps to reduce CO_2 emissions.

Common stock
Stock with voting rights (cf. preferred stock).

Connected Drive
Under the term Connected Drive, the BMW Group already unites a unique portfolio of innovative features that enhance comfort, raise infotainment to new levels and significantly boost safety in BMW Group vehicles.

Cost of materials
Comprises all expenditure to purchase raw materials and supplies.

DAX
Abbreviation for "Deutscher Aktienindex", the German Stock Index. The index is based on the weighted market prices of the 30 largest German stock corporations (by stock market capitalisation).

Deferred taxes
Accounting for deferred taxes is a method of allocating tax expense to the appropriate accounting period.

Derivatives
Financial products, whose measurement is derived principally from market price, market price fluctuations and expected market price changes of the underlying instrument (e.g. indices, stocks or bonds).

DJSI World
Abbreviation for "Dow Jones Sustainability Index World". A family of indexes created by Dow Jones and the Swiss investment agency SAM Sustainability Group for companies with strategies based on a sustainability concept. The BMW Group has been one of the leading companies in the DJSI since 1999.

EBIT
Abbreviation for "Earnings Before Interest and Taxes". The profit before income taxes, minority interest and financial result.

EBITDA
Abbreviation for "Earnings Before Interest, Taxes, Depreciation and Amortisation". The profit before income taxes, minority interest, financial result and depreciation/amortisation.

Effectiveness
The degree to which offsetting changes in fair value or cash flows attributable to a hedged risk are achieved by the hedging instrument.

Efficient Dynamics
The aim of Efficient Dynamics is to reduce consumption and emissions whilst simultaneously increasing dynamics and performance. This involves a holistic approach to achieving optimum automobile potential, ranging from efficient engine technologies and lightweight construction to comprehensive energy and heat management inside the vehicle.

Equity ratio
The proportion of equity (= subscribed capital, reserves, accumulated other equity and minority interest) to the balance sheet total.

Free cash flow
Free cash flow corresponds to the cash inflow from operating activities of the Automotive segment less the cash outflow for investing activities of the Automotive segment adjusted for net investments in marketable securities and term deposits.

Gross margin
Gross profit as a percentage of revenues.

IFRS

International Financial Reporting Standards, intended to ensure global comparability of financial reporting and consistent presentation of financial statements. The IFRS are issued by the International Accounting Standards Board and include the International Accounting Standards (IAS), which are still valid.

Indicator for water consumption

The indicators for water consumption refer to the production sites of the BMW Group. The water consumption includes the process water input for the production as well as the general water consumption, e.g. for sanitation facilities.

Operating cash flow

Cash inflow from the operating activities of the Automotive segment.

Preferred stock

Stock which receives a higher dividend than common stock, but without voting rights.

Rating

Standardised evaluation of a company's credit standing which is widely accepted on the global capital markets. Ratings are published by independent rating agencies, e.g. Standard & Poor's or Moody's, based on their analysis of a company.

Return on sales

Pre-tax: Profit before tax as a percentage of revenues.
Post-tax: Profit as a percentage of revenues.

Risk management

An integral component of all business processes. Following enactment of the German Law on Control and Transparency within Businesses (KonTraG), all companies listed on a stock exchange in Germany are required to set up a risk management system. The purpose of this system is to identify risks at an early stage which could have a significant adverse effect on the assets, liabilities, financial position and results of operations, and which could endanger the continued existence of the Company. This applies in particular to transactions involving risk, errors in accounting or financial reporting and violations of legal requirements. The Board of Management is required to set up an appropriate system, to document that system and monitor it regularly with the aid of the internal audit department.

Subsidiaries

Subsidiaries are those enterprises which, either directly or indirectly, are under the uniform control of the management of BMW AG or in which BMW AG, either directly or indirectly

- holds the majority of the voting rights
- has the right to appoint or remove the majority of the members of the Board of Management or equivalent governing body, and in which BMW AG is at the same time (directly or indirectly) a shareholder
- has control (directly or indirectly) over another enterprise on the basis of a control agreement or a provision in the statutes of that enterprise.

Supplier relationship management

Supplier relationship management (SRM) uses focused procurement strategies to organise networked supplier relationships, optimise processes for supplier qualification and selection, ensure the application of uniform standards throughout the Group and create efficient sourcing and procurement processes along the whole value added chain.

Sustainability

Sustainability, or sustainable development, gives equal consideration to ecological, social and economic development. In 1987 the United Nations "World Commission on Environment and Development" defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The economic relevance of corporate sustainability to the BMW Group is evident in three areas: resources, reputation and risk.

Index of Graphs

This version of the Annual Report is a translation from the German version. Only the original German version is binding.

Financial Calendar

Annual Accounts Press Conference	16 March 2016
Analyst and Investor Conference	17 March 2016
Quarterly Report to 31 March 2016	3 May 2016
Annual General Meeting	12 May 2016
Quarterly Report to 30 June 2016	2 August 2016
Quarterly Report to 30 September 2016	4 November 2016

Annual Report 2016	21 March 2017
Annual Accounts Press Conference	21 March 2017
Analyst and Investor Conference	22 March 2017
Quarterly Report to 31 March 2017	4 May 2017
Annual General Meeting	11 May 2017
Quarterly Report to 30 June 2017	3 August 2017
Quarterly Report to 30 September 2017	7 November 2017

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The BMW Group on the Internet

Further information about the BMW Group is available online at www.bmwgroup.com. Investor Relations information is available directly at www.bmwgroup.com/ir. Information about the various BMW Group brands is available at www.bmw.com, www.mini.com and www.rolls-roycemotorcars.com

A FURTHER CONTRIBUTION TOWARDS PRESERVING RESOURCES

The BMW Group Annual Report was printed on paper with the Blue Angel eco-label. The paper used was produced, climate-neutrally and without optical brighteners and chlorine bleach, from recycled waste paper.

The corresponding emissions were compensated by additional climate protection measures as part of a hydroelectric project (certificate number: ID53152-1602-1014).

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