

# QUARTERLY REPORT

30 June 2020



**BMW  
GROUP**

THE NEXT  
100 YEARS 



Rolls-Royce  
Motor Cars Limited

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# CONTENTS

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## 1 BMW GROUP AT A GLANCE

→ Page 4 BMW Group in Figures

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## 2 INTERIM GROUP MANAGEMENT REPORT

→ Page 9 Report on Economic Position  
→ Page 9 General Economic Environment  
→ Page 10 Group Overview  
→ Page 13 Automotive Segment  
→ Page 20 Financial Services Segment  
→ Page 22 Report on Outlook, Risks and Opportunities  
→ Page 22 Outlook  
→ Page 26 Risks and Opportunities

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## 3 INTERIM GROUP FINANCIAL STATEMENTS

→ Page 28 Income Statement  
→ Page 28 Statement of Comprehensive Income  
→ Page 32 Balance Sheet  
→ Page 34 Cash Flow Statement  
→ Page 36 Statement of Changes in Equity  
→ Page 38 Notes to the Group Financial Statements  
→ Page 38 Accounting Principles and Policies  
→ Page 42 Notes to the Income Statement  
→ Page 44 Notes to the Balance Sheet  
→ Page 46 Other Disclosures  
→ Page 52 Segment Information  
→ Page 56 Responsibility Statement by the  
Company's Legal Representatives  
→ Page 57 Review Report

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## 4 OTHER INFORMATION

→ Page 59 Contacts

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# BMW GROUP AT A GLANCE

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→ Page 4 **BMW Group in Figures**

# 1

# BMW GROUP IN FIGURES

## Key performance indicators reported during the year<sup>1</sup>

→ 01

		2nd quarter 2020	2nd quarter 2019	Change in %
<b>GROUP</b>				
Profit / loss before tax	€ million	-300	2,053	-
<b>AUTOMOTIVE SEGMENT</b>				
Deliveries <sup>2,3</sup>	units	485,464	649,856	-25.3
EBIT margin <sup>4</sup>	% (change in %pts)	-10.4	6.5	-16.9
<b>MOTORCYCLES SEGMENT</b>				
Deliveries	units	41,933	54,582	-23.2
EBIT margin <sup>4</sup>	% (change in %pts)	-1.3	14.0	-15.3

<sup>1</sup> Supplementary information which was not subject of the audit review.

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 163,871 units, 2019: 136,863 units).

<sup>3</sup> In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.

<sup>4</sup> Profit / loss before financial result as a percentage of segment revenues.

Further performance figures<sup>1</sup>

→ 02

		2nd quarter 2020	2nd quarter 2019	Change in %
<b>AUTOMOTIVE SEGMENT</b>				
Deliveries				
BMW <sup>2,3</sup>	units	430,344	560,189	-23.2
MINI <sup>3</sup>	units	54,413	88,337	-38.4
Rolls-Royce <sup>3</sup>	units	707	1,330	-46.8
<b>Total<sup>2,3</sup></b>		<b>485,464</b>	<b>649,856</b>	<b>-25.3</b>
Production volume				
<b>Total<sup>4</sup></b>		<b>360,108</b>	<b>622,959</b>	<b>-42.2</b>
<b>FINANCIAL SERVICES SEGMENT</b>				
New contracts with retail customers		354,765	501,663	-29.3
<b>Free cash flow Automotive segment<sup>5</sup></b>	€ million	<b>-295</b>	869	-
<b>Group revenues</b>	€ million	<b>19,973</b>	<b>25,715</b>	<b>-22.3</b>
Automotive	€ million	14,878	22,624	-34.2
Motorcycles	€ million	522	727	-28.2
Financial Services	€ million	6,658	7,364	-9.6
Other Entities	€ million	-	2	-
Eliminations	€ million	-2,085	-5,002	-58.3
<b>Group profit / loss before financial result (EBIT)</b>	€ million	<b>-666</b>	<b>2,201</b>	<b>-</b>
Automotive	€ million	-1,554	1,469	-
Motorcycles	€ million	-7	102	-
Financial Services	€ million	77	606	-87.3
Other Entities	€ million	13	2	-
Eliminations	€ million	805	22	-
<b>Group profit / loss before tax (EBT)</b>	€ million	<b>-300</b>	<b>2,053</b>	<b>-</b>
Automotive	€ million	-1,173	1,483	-
Motorcycles	€ million	-8	100	-
Financial Services	€ million	97	573	-83.1
Other Entities	€ million	-64	-97	34.0
Eliminations	€ million	848	-6	-
<b>Group income taxes</b>	€ million	<b>88</b>	<b>-573</b>	<b>-</b>
<b>Profit / loss from continuing operations</b>	€ million	<b>-212</b>	<b>1,480</b>	<b>-</b>
Profit / loss from discontinued operations	€ million	-	-	-
<b>Group net profit / loss</b>	€ million	<b>-212</b>	<b>1,480</b>	<b>-</b>
<b>Earnings per share<sup>6</sup></b>	€	<b>-0.35 / -0.34</b>	<b>2.21 / 2.22</b>	<b>- / -</b>
<b>Group pre-tax return on sales<sup>7</sup></b>	% (change in %pts)	<b>-1.5</b>	<b>8.0</b>	<b>-9.5</b>

<sup>1</sup> Supplementary information which was not subject of the audit review.<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 163,871 units, 2019: 136,863 units).<sup>3</sup> In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.<sup>4</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 157,436 units, 2019: 106,443 units).<sup>5</sup> At the beginning of the financial year 2020, the starting point for determining cash flow was changed to profit / loss before tax; the previous year's figures have been adjusted accordingly.<sup>6</sup> Common / preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.<sup>7</sup> Group profit / loss before tax as a percentage of Group revenues.

# BMW GROUP IN FIGURES

## Key performance indicators reported during the year

→ 03

		1 January to 30 June 2020	1 January to 30 June 2019	Change in %
<b>GROUP</b>				
Profit / loss before tax	€ million	498	2,815	-82.3
<b>AUTOMOTIVE SEGMENT</b>				
Deliveries <sup>1,2</sup>	units	962,575	1,250,470	-23.0
EBIT margin <sup>3</sup>	% (change in %pts)	-4.0	2.8	-6.8
<b>MOTORCYCLES SEGMENT</b>				
Deliveries	units	76,707	93,188	-17.7
EBIT margin <sup>3</sup>	% (change in %pts)	6.0	14.5	-8.5

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 251,314 units, 2019: 265,516 units).

<sup>2</sup> In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.

<sup>3</sup> Profit / loss before financial result as a percentage of segment revenues.

## Further performance figures

→ 04

		1 January to 30 June 2020	1 January to 30 June 2019	Change in %
<b>AUTOMOTIVE SEGMENT</b>				
Deliveries				
BMW <sup>1,2</sup>	units	842,153	1,075,486	-21.7
MINI <sup>2</sup>	units	118,862	172,482	-31.1
Rolls-Royce <sup>2</sup>	units	1,560	2,502	-37.6
<b>Total<sup>1,2</sup></b>		<b>962,575</b>	<b>1,250,470</b>	<b>-23.0</b>
Production volume				
<b>Total<sup>3</sup></b>		<b>944,250</b>	<b>1,295,001</b>	<b>-27.1</b>
<b>FINANCIAL SERVICES SEGMENT</b>				
New contracts with retail customers		804,452	971,287	-17.2
<b>Free cash flow Automotive segment<sup>4</sup></b>	€ million	<b>-2,513</b>	310	-
<b>Group revenues</b>	€ million	<b>43,225</b>	<b>48,177</b>	<b>-10.3</b>
Automotive	€ million	32,867	41,837	-21.4
Motorcycles	€ million	1,079	1,313	-17.8
Financial Services	€ million	14,256	14,510	-1.8
Other Entities	€ million	1	3	-66.7
Eliminations	€ million	-4,978	-9,486	47.5
<b>Group profit / loss before financial result (EBIT)</b>	€ million	<b>709</b>	<b>2,790</b>	<b>-74.6</b>
Automotive	€ million	-1,325	1,159	-
Motorcycles	€ million	65	191	-66.0
Financial Services	€ million	619	1,254	-50.6
Other Entities	€ million	25	6	-
Eliminations	€ million	1,325	180	-
<b>Group profit / loss before tax (EBT)</b>	€ million	<b>498</b>	<b>2,815</b>	<b>-82.3</b>
Automotive	€ million	-1,093	1,456	-
Motorcycles	€ million	64	187	-65.8
Financial Services	€ million	581	1,200	-51.6
Other Entities	€ million	-408	-155	-
Eliminations	€ million	1,354	127	-
<b>Group income taxes</b>	€ million	<b>-136</b>	<b>-791</b>	<b>82.8</b>
<b>Profit / loss from continuing operations</b>	€ million	<b>362</b>	<b>2,024</b>	<b>-82.1</b>
Profit / loss from discontinued operations	€ million	-	44	-
<b>Group net profit / loss</b>	€ million	<b>362</b>	<b>2,068</b>	<b>-82.5</b>
<b>Earnings per share<sup>5</sup></b>	€	<b>0.49 / 0.50</b>	<b>3.06 / 3.07</b>	<b>-84.0 / -83.7</b>
<b>Group pre-tax return on sales<sup>6</sup></b>	% (change in %pts)	<b>1.2</b>	<b>5.8</b>	<b>-4.6</b>

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 251,314 units, 2019: 265,516 units).

<sup>2</sup> In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.

<sup>3</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 253,140 units, 2019: 244,834 units).

<sup>4</sup> At the beginning of the financial year 2020, the starting point for determining cash flow was changed to profit / loss before tax; the previous year's figures have been adjusted accordingly.

<sup>5</sup> Common / preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

<sup>6</sup> Group profit before / loss tax as a percentage of Group revenues.

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# INTERIM GROUP MANAGEMENT REPORT

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→ Page 9 **Report on Economic Position**

→ Page 9 **General Economic Environment**

→ Page 10 **Group Overview**

→ Page 13 **Automotive Segment**

→ Page 20 **Financial Services Segment**

→ Page 22 **Report on Outlook, Risks and Opportunities**

→ Page 22 **Outlook**

→ Page 26 **Risks and Opportunities**

# 2



# REPORT ON ECONOMIC POSITION

**Slump in automobile markets  
worldwide**

**Sharp drop in deliveries to customers**

**Sales of electrified vehicles  
grow against trend**

## GENERAL ECONOMIC ENVIRONMENT IN THE FIRST HALF OF 2020

### International automobile markets

In the first half of 2020, international automobile markets were generally in a very weak state, primarily due to the lockdowns imposed to tackle the corona pandemic, which were kept in place for several weeks. Despite vehicle markets in Europe and the USA staging a mild recovery from their previous lows, they are still significantly down on pre-crisis levels. The only exception is China, where more vehicles have been sold since May than in the previous year.

On a worldwide basis, new registrations recorded from January to June were significantly down year-on-year (30.9 million vehicles; -26%). Key automobile markets developed as follows compared with the previous year:

### International automobile markets

→ 05

	Change in %
EU	-40
thereof Germany	-35
thereof France	-39
thereof Italy	-46
thereof Spain	-51
United Kingdom (UK)	-49
USA	-24
China	-20
Japan	-20
<b>Total</b>	<b>-26</b>

## Group Overview

### BMW Group sales volumes down due to corona pandemic

The global spread of coronavirus had a severe impact on deliveries of BMW Group vehicles to customers, both in the second quarter of 2020 and on a six-month basis. In total, 485,464<sup>1</sup> units were sold during the period from April to June 2020, significantly lower than one year earlier (2019: 649,856 units<sup>1,2</sup>; -25.3%). During the first six months of 2020, 962,575<sup>3</sup> BMW, MINI and Rolls-Royce brand cars were delivered to customers (2019: 1,250,470<sup>2,3</sup> units; -23.0%). Sales of electrified vehicles of the BMW Group showed a positive development against the overall trend, with an increase of 3.4% in the first half-year. Plug-in hybrid variants are now available across the BMW brand's model portfolio.

A total of 354,765 new lease and credit financing contracts were concluded with retail customers during the period from April to June 2020 (2019: 501,663 contracts; -29.3%). The figure for the six-month period fell to 804,452 contracts (2019: 971,287 contracts; -17.2%). As at 30 June 2020, the portfolio of credit financing and leasing contracts with retail customers totalled 5,502,786 contracts and was therefore similar to the level recorded at the end of the previous financial year (31 December 2019: 5,486,319 contracts; +0.3%).

### Corona pandemic takes its toll on Group earnings

In the first six months of the year, the BMW Group's net assets, financial position and results of operations were negatively impacted by the spread of the corona pandemic and the accompanying regulations introduced to contain it. While the slump in the Chinese market and the closure of dealerships in other markets from mid-March onwards had a significantly dampening effect on first-quarter results, the escalation of COVID-19 to pandemic proportions and the related containment measures had an impact on all the BMW Group's other key sales markets in the second quarter. Exacerbated by lockdowns, dealership closures and the accompanying production interruptions, the drop-off in customer demand took its toll on Group earnings. Nevertheless, the Chinese market staged a slight recovery in the second quarter, sending a positive signal.

Group revenues totalled €43,225 million for the first half of the year (2019: €48,177 million; -10.3%), and €19,973 million for the second quarter (April - June 2019: €25,715 million; -22.3%). The Automotive segment's revenue performance during the first two quarters of the year reflected the lower number of vehicles sold as well as a drop in spare-parts revenues caused by the closure of dealerships and stay-at-home restrictions imposed to combat the corona pandemic. Favourable product mix effects due to the less pronounced decrease in the sale of high-revenue models and better selling prices on the back of the rejuvenated product portfolio partially offset the effect of lower volumes. Increased revenues generated with the Chinese joint venture BMW Brilliance Automotive Ltd., Shenyang, also had a positive impact in the second quarter.

Over the six-month period, a portfolio-related increase in leasing revenues was more than cancelled out by the lower level of revenues generated from the sale of returned lease vehicles.

The lower volume of new leasing business in the first half-year, as well as lower expected new leasing business, resulted in a year-on-year decrease in the amount of revenues eliminated on consolidation<sup>4</sup>.

Compared to the corresponding periods in the previous year, Group cost of sales decreased by €1,176 million (-3.0%) in the first half of the year and by €2,488 million (-11.8%) in the second quarter. Reduced manufacturing costs due to lower sales volumes - particularly in the second quarter - were partially offset by increased expenses recognised for risk provisioning, including the reassessment of residual value and credit risks. Furthermore, the elimination of revenues described above had an equal and opposite effect on cost of sales, whereby the lower volume and lower expected volume of new leasing business resulted in a year-on-year decrease in the amount of cost of sales eliminated on consolidation.

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 163,871 units, 2019: 136,863 units).

<sup>2</sup> In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.

<sup>3</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 251,314 units, 2019: 265,516 units).

<sup>4</sup> See Annual Report 2019, Note 4 to the Group Financial Statements

Group research and development expenses remained at a high level and totalled €2,734 million for the six-month period (2019: €2,796 million; – 2.2%), reflecting expenditure on continuing product portfolio development as well as on the ongoing electrification of vehicles (such as the BMW iNext and the iX3<sup>1</sup>). ↯

Gross profit for the six-month period and for the second quarter amounted to €4,825 million and €1,291 million respectively, in both cases significantly down on figures reported one year earlier (January – June 2019: €8,601 million; – 43.9%; April – June 2019: €4,545 million; – 71.6%).

## BMW Group performance indicators relating to research and development expenses

→ 06

in %	2nd quarter 2020 <sup>2</sup>	2nd quarter 2019	Change in %pts	1 January to 30 June 2020	1 January to 30 June 2019	Change in %pts
Research and development expenses as a percentage of revenues	6.8	5.4	1.4	6.3	5.8	0.5
Research and development expenditure ratio <sup>3</sup>	7.7	5.7	2.0	6.6	5.9	0.7
Capitalisation rate <sup>4</sup>	38.5	32.6	5.9	33.8	29.7	4.1

  

in € million	2nd quarter 2020 <sup>2</sup>	2nd quarter 2019	Change in %	1 January to 30 June 2020	1 January to 30 June 2019	Change in %
Research and development expenses	1,354	1,400	–3.3	2,734	2,796	–2.2
Capitalised development costs	589	481	22.5	965	840	14.9
Amortisation	–415	–404	2.7	–847	–806	5.1
<b>Research and development expenditure<sup>5</sup></b>	<b>1,528</b>	<b>1,477</b>	<b>3.5</b>	<b>2,852</b>	<b>2,830</b>	<b>0.8</b>

<sup>1</sup> Fuel consumption and CO<sub>2</sub> emissions information are available on page 19.

<sup>2</sup> Supplementary information which was not subject of the audit review.

<sup>3</sup> Research and development expenditure as a percentage of Group revenues.

<sup>4</sup> Capitalised development costs as a percentage of research and development expenditure.

<sup>5</sup> Research and development expenditure comprises the sum of research and non-capitalised development cost and capitalised development cost (not including the associated scheduled amortisation).

Selling and administrative expenses fell moderately by 6.0% to €4,159 million for the six-month period (2019: €4,423 million), mainly attributable to lower personnel expenses (partly due to flexible working time arrangements and scaled down performance-related remuneration components) as well as to demand-related lower expenses for communication and marketing.

The net amount of other operating income and expenses recorded for the six-month period improved by €1,431 million, reflecting the fact that a provision of approximately €1.4 billion had been recognised in the first quarter of 2019 in connection with ongoing antitrust proceedings. Further information is provided in → note 6 to the Interim Group Financial Statements. The net amount reported for the period also benefited from reversals of valuation allowances and higher income from currency transactions.

In light of the above developments, Group profit before financial result fell sharply to a positive amount

of €709 million for the six-month period (2019: positive €2,790 million; – 74.6%), and to a negative amount of €666 million for the second quarter (2019: positive €2,201 million).

The financial result in the second quarter improved by €514 million to a positive €366 million (2019: negative €148 million). The second-quarter performance benefited in particular from the increase in at-equity earnings from the Chinese joint venture BMW Brilliance Automotive Ltd., Shenyang, to €367 million (2019: €191 million) and from the gain recorded by THERE Holding B.V. on the sale of shares in the mapping service provider HERE International B.V. to Mitsubishi Corporation and Nippon Telegraph and Telephone Corporation, see → note 2 to the Interim Group Financial Statements. Losses recorded by the YOUR NOW companies had an offsetting effect. Positive changes in the market value of marketable securities contributed to an improved other financial result in the second quarter.

→ see  
note 6

→ see  
note 2

Similarly, while the improved result from equity-accounted investments described above had a positive impact on six-month earnings, it was not sufficient to offset the negative effects from interest rate hedges. In addition, the previous year's first-quarter other financial result included a positive revaluation effect arising from the pooling of mobility services with the Daimler Group. The financial result for the first half of the year was a net negative amount of €211 million (2019: positive €25 million).

Overall, Group net profit for the six-month period fell to €498 million (2019: €2,815 million), due to the effects described above.

### **Financing activities**

The BMW Group issued bonds for a total amount of €7.6 billion in the first half of the year, including a Euro benchmark bond, a further Panda bond on the Chinese capital market and a US-dollar bond on the US capital market.

In addition, ABS transactions were issued in Germany, the USA, China, Japan, the UK and Canada totalling approximately €8 billion.

Despite the spread of the corona pandemic, the BMW Group continues to have excellent access to the world's major capital markets. Liquidity-related measures have been put in place to enable the Group to react flexibly to ongoing uncertainties caused by the corona pandemic and to manage operations on a sustainable basis in the event of renewed containment measures. Accordingly, Group liquidity rose to €21.7 billion (31 December 2019: €17.4 billion) and remains at a solid level.

## Automotive Segment

### Automobile deliveries heavily impacted by corona crisis

Dominated by the corona pandemic, the first half of the current year was marked by restrictions on both public and private life worldwide, which also had a massive impact on the BMW Group's dealership organisation. As a result, despite stable supply chains, production had to be interrupted in most plants, including those of the Group's production network. In China, for example, production at the BMW Brilliance Automotive Ltd. joint venture in Shenyang was suspended from the end of January to mid-February. Not only the BMW Group's European plants, but also its manufacturing facility in Spartanburg, USA, were compelled to follow suit with a time lag on account of the global spread of coronavirus, closing their doors from mid-March to mid-May.

As a result of these developments, the BMW Group delivered significantly fewer vehicles to customers during the second quarter, namely 430,344<sup>1</sup> BMW (2019: 560,189<sup>1,2</sup> units; – 23.2 %), 54,413 MINI (2019: 88,337<sup>2</sup> units; – 38.4 %) and 707 Rolls-Royce (2019: 1,330<sup>2</sup> units; – 46.8 %) brand vehicles.

Combined with the negative impact of coronavirus on the first quarter of 2020, the outcome for the

six month-period was a significant decrease in deliveries of BMW, MINI and Rolls-Royce brand vehicles to 962,575<sup>3</sup> units (2019: 1,250,470<sup>2,3</sup> units; – 23.0 %). The BMW brand achieved a worldwide sales volume figure of 842,153<sup>3</sup> units (2019: 1,075,486<sup>2,3</sup> units; – 21.7 %). At 118,862 units, MINI deliveries were also well down on the previous year (2019: 172,482<sup>2</sup> units; – 31.1 %). Similarly, Rolls-Royce Motor Cars' sales volume figure of 1,560 units was significantly lower than one year earlier (2019: 2,502<sup>2</sup> units; – 37.6 %).

### Positive signals from China

In the first quarter, it was Asia that was hardest hit by the spread of coronavirus. However, signs of a positive trend began to emerge during the second quarter. In the period from April to June, deliveries of the Group's three brands rose by 7.4 % year-on-year to 253,942<sup>1</sup> units (2019: 236,461<sup>1,2</sup> units). Despite the favourable tailwind, sales in the Asia region nevertheless fell by 8.2 % to 416,882<sup>3</sup> for the six-month period (2019: 453,876<sup>2,3</sup> units). Developments in China, the BMW Group's largest single market worldwide, followed a similar pattern with second-quarter volumes up by 17.0 % to 212,870<sup>1</sup> units year-on-year (2019: 181,927<sup>1,2</sup> units). During the first six months of the year, the BMW Group sold 329,447<sup>3</sup> BMW, MINI and Rolls-Royce brand vehicles in the region (2019: 350,577<sup>2,3</sup> units; – 6.0 %).

### Automotive segment at a glance

→ 07

		2nd quarter 2020 <sup>4</sup>	2nd quarter 2019	Change in %
Deliveries <sup>1,5</sup>	units	485,464	649,856 <sup>2</sup>	– 25.3
Production <sup>6</sup>	units	360,108	622,959	– 42.2
Revenues	€ million	14,878	22,624	– 34.2
Profit / loss before financial result (EBIT)	€ million	–1,554	1,469	–
EBIT margin <sup>5,7</sup>	% (change in %pts)	–10.4	6.5	–16.9
Profit / loss before tax	€ million	–1,173	1,483	–

  

		1 January to 30 June 2020	1 January to 30 June 2019	Change in %
Deliveries <sup>3,5</sup>	units	962,575	1,250,470 <sup>2</sup>	– 23.0
Production <sup>8</sup>	units	944,250	1,295,001	– 27.1
Revenues	€ million	32,867	41,837	– 21.4
Profit / loss before financial result (EBIT)	€ million	–1,325	1,159	–
EBIT margin <sup>5,7</sup>	% (change in %pts)	–4.0	2.8	–6.8
Profit / loss before tax	€ million	–1,093	1,456	–

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 163,871 units, 2019: 136,863 units).

<sup>2</sup> In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.

<sup>3</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 251,314 units, 2019: 265,516 units).

<sup>4</sup> Supplementary information which was not subject of the audit review.

<sup>5</sup> Key performance indicators reported on during the year.

<sup>6</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 157,436 units, 2019: 106,443 units).

<sup>7</sup> Profit / loss before financial result as a percentage of Automotive segment revenues.

<sup>8</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 253,140 units, 2019: 244,834 units).

In Europe, the pandemic took its course with a time lag, with sales figures reaching their low point in April. In this region, 151,730 units (2019: 279,595<sup>1</sup> units; –45.7%) of the Group's three brands were delivered to customers during the second quarter, bringing the total for the six-month period to 372,754 units (2019: 550,240<sup>1</sup> units; –32.3%). The corresponding figures for Germany were 50,358 units in the second quarter (2019: 89,048<sup>1</sup> units; –43.4%) and 116,362 units in the first half of the year (2019: 161,425<sup>1</sup> units; –27.9%). In the UK, which was affected more severely by coronavirus, sales figures fell to 19,445 units (2019: 58,209<sup>1</sup> units; –66.6%) in the second quarter and to 63,919 units (2019: 120,582<sup>1</sup> units; –47.0%) for the first half of the current year.

↯

At the beginning of the year, deliveries of the Group's three brands in the Americas region were still ahead of the previous year before dropping sharply from March onwards. In the second quarter, deliveries in the region fell by 41.2% (2020: 70,502 units; 2019: 119,847<sup>1</sup> units), as a result of which cumulative deliveries for the six-month period were 30.5% down year-on-year (2020: 152,580 units; 2019: 219,556<sup>1</sup> units). Deliveries of the three Group brands in the USA totalled 121,381 units in the first half of the year (2019: 172,063<sup>1</sup> units; –29.5%) and 56,425 units in the second quarter (2019: 93,411<sup>1</sup> units; –39.6%).

## Automotive segment deliveries of vehicles by region and market

→ 08

in units	2nd quarter 2020 <sup>2</sup>	2nd quarter 2019 <sup>1</sup>	Change in %	1 January to 30 June 2020	1 January to 30 June 2019 <sup>1</sup>	Change in %
Europe	151,730	279,595	–45.7	372,754	550,240	–32.3
thereof Germany	50,358	89,048	–43.4	116,362	161,425	–27.9
thereof UK	19,445	58,209	–66.6	63,919	120,582	–47.0
Americas	70,502	119,847	–41.2	152,580	219,556	–30.5
thereof USA	56,425	93,411	–39.6	121,318	172,063	–29.5
Asia	253,942 <sup>3</sup>	236,461 <sup>3</sup>	7.4	416,882 <sup>4</sup>	453,876 <sup>4</sup>	–8.2
thereof China	212,870 <sup>3</sup>	181,927 <sup>3</sup>	17.0	329,447 <sup>4</sup>	350,577 <sup>4</sup>	–6.0
Other markets	9,290	13,953	–33.4	20,359	26,798	–24.0
<b>Total</b>	<b>485,464<sup>3</sup></b>	<b>649,856<sup>3</sup></b>	<b>–25.3</b>	<b>962,575<sup>4</sup></b>	<b>1,250,470<sup>4</sup></b>	<b>–23.0</b>

<sup>1</sup> In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.

<sup>2</sup> Supplementary information which was not subject of the audit review.

<sup>3</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 163,871 units, 2019: 136,863 units).

<sup>4</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 251,314 units, 2019: 265,516 units).

## Deliveries of BMW brand vehicles

As expected under the given circumstances, sales of BMW brand vehicles were significantly down year-on-year at 430,344<sup>1</sup> units for the second quarter (2019: 560,189<sup>1,2</sup> units; –23.2%) and at 842,153<sup>3</sup> for the six-month period (2019: 1,075,486<sup>2,3</sup> units; –21.7%). As described in the section on vehicle deliveries by region and country, automobile sales in China <sup>▽</sup>

picked up strongly again in the second quarter and even significantly exceeded the previous year's figure.

The BMW 8 Series and X7 models, both of which were launched back in mid-March 2019, continued to perform well in the second quarter. Details of deliveries by model series are shown in the following table.

### Automotive segment deliveries of BMW vehicles by model series<sup>3</sup>

→ 09

in units	1 January to 30 June 2020	1 January to 30 June 2019 <sup>2</sup>	Change in %
BMW i	10,334	20,733	–50.2
BMW 1 Series	68,736	92,660	–25.8
BMW 2 Series	38,498	60,060	–35.9
BMW 3 Series	157,221	178,592	–12.0
BMW 4 Series	18,462	41,961	–56.0
BMW 5 Series	125,884	168,038	–25.1
BMW 6 Series	9,709	12,261	–20.8
BMW 7 Series	19,500	23,658	–17.6
BMW 8 Series	9,621	5,037	91.0
BMW Z4	7,276	7,223	0.7
BMW X1	94,822	134,699	–29.6
BMW X2	32,713	48,331	–32.3
BMW X3	121,038	149,212	–18.9
BMW X4	25,156	29,730	–15.4
BMW X5	68,688	76,387	–10.1
BMW X6	13,989	13,414	4.3
BMW X7	20,506	13,490	52.0
<b>BMW total</b>	<b>842,153</b>	<b>1,075,486</b>	<b>–21.7</b>

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 163,871 units, 2019: 136,863 units).

<sup>2</sup> In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.

<sup>3</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 251,314 units, 2019: 265,516 units).

**MINI deliveries held down by corona crisis**

In the second quarter, 54,413 MINI brand vehicles were delivered to customers (2019: 88,337\* units; –38.4%), bringing the cumulative figure for the <sup>1</sup>

period from January to June to 118,862 units (2019: 172,482\* units; –31.1%). Details by model are shown in the following table.

**Automotive segment deliveries of MINI vehicles by model variant**

→ 10

in units	1 January to 30 June 2020	1 January to 30 June 2019*	Change in %
MINI Hatch (3- and 5-door)	62,706	86,513	–27.5
MINI Convertible	10,687	16,577	–35.5
MINI Clubman	14,217	21,150	–32.8
MINI Countryman	31,252	48,242	–35.2
<b>MINI total</b>	<b>118,862</b>	<b>172,482</b>	<b>–31.1</b>

**Rolls-Royce deliveries also down**

With the corona crisis spreading globally, the luxury brand Rolls-Royce also recorded fewer deliveries, with <sup>1</sup>

1,560 units delivered to customers during the first half of the year (2019: 2,502\* units; –37.6%). Details by model are shown in the following table.

**Automotive segment deliveries of Rolls-Royce vehicles by model variant**

→ 11

in units	1 January to 30 June 2020	1 January to 30 June 2019*	Change in %
Phantom	132	287	–54.0
Ghost	151	368	–59.0
Wraith / Dawn	366	667	–45.1
Cullinan	911	1,180	–22.8
<b>Rolls-Royce total</b>	<b>1,560</b>	<b>2,502</b>	<b>–37.6</b>

\* In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.



## Deliveries of electrified vehicles buck downward trend

The percentage of total deliveries accounted for by electrified vehicles rose by 3.4 % during the first six months of the year. Between January and June, 61,652 all-electric and plug-in hybrid models were delivered to customers (2019: 59,650<sup>1</sup> units). This upward trend can also be explained by the new models, as plug-in hybrid versions are now available across the BMW brand's model portfolio. The X2<sup>2</sup> will be added to the popular range of electrified X models over the course of the year, while the BMW 3 and 5 Series will be supplemented

by additional drivetrain and engine-capacity variants as well as Touring models. The all-electric BMW iX3<sup>2</sup> will be launched on the Chinese automobile market before the end of the year. The MINI brand's youthful range of electrified vehicles is also having a positive effect, with both the plug-in hybrid MINI Cooper SE Countryman ALL4<sup>2</sup> and the all-electric MINI Cooper SE<sup>2</sup> contributing to the 4.1 % rise in deliveries of these future-oriented models. Driven by the broader model range, continued growth in demand for electrified vehicles is expected in the second half of the year.

## Automotive segment deliveries of electrified models

→ 12

in units	1 January to 30 June 2020	1 January to 30 June 2019 <sup>1</sup>	Change in %
BMW i	10,334	20,733	-50.2
BMW e	42,731	30,667	39.3
MINI Electric	8,587	8,250	4.1
<b>Total</b>	<b>61,652</b>	<b>59,650</b>	<b>3.4</b>

<sup>1</sup> In connection with a review of its sales and related reporting practices, BMW Group reviewed prior period retail vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information can be found in BMW Group's 2019 Annual Report on page 54. As an update of the information given there, BMW Group has revised the data on vehicle deliveries retrospectively going back to 2015 in its sixteen most significant markets.

<sup>2</sup> Fuel consumption and CO<sub>2</sub> emissions information are available on page 19.

## Earnings adversely impacted by pandemic

In the Automotive segment, gross profit amounted to €2,073 million for the six-month period (2019: €6,275 million; -67.0 %) and €55 million for the second quarter (2019: €3,455 million). Earnings were significantly impacted by negative volume effects caused by the corona pandemic and the related containment measures, such as lockdown restrictions and dealership closures in key sales markets. Favourable product mix effects due to the less pronounced decrease in the sale of high-revenue models in the first half of the year partially offset the volume-related drop in revenues. The reduction in manufacturing costs due to lower volumes was cancelled out by higher expenses for residual value risks, increased depreciation and amortisation and – as a consequence of the lower level of inventories – negative reversal effects arising in connection with inventory valuation. Moreover, manufacturing costs continued to be burdened by

fixed-cost components that could only be reduced at a less pronounced rate than actual capacity utilisation, particularly in the second quarter. Research and development expenses remained at a high level as planned.

Selling and administrative expenses went down year-on-year, especially in the second quarter, mainly due to lower personnel expenses as well as reduced expenses for communication and marketing.

The net amount of other operating income and expenses recorded for the six-month period improved by €1,456 million to a positive €16 million (2019: negative €1,440 million), mainly due to the provision referred to above that was recognised in 2019 – within other operating expenses – in connection with ongoing antitrust proceedings; see → note 6 to the Interim Group Statements.

→ see  
note 6

Reflecting the various effects described above, segment EBIT for the six-month period deteriorated to a loss of €1,325 million (2019: profit of €1,159 million), while second-quarter EBIT came in at a loss of €1,554 million (2019: profit of €1,469 million).

At €232 million, the six-month segment financial result was significantly down on the previous year (2019: €297 million). In the second quarter, the segment financial result improved by €367 million to €381 million <sup>↱</sup>

(2019: €14 million), mainly on the back of a far better result from equity-accounted investments, as described above. Moreover, the financial result benefited from fair value measurement gains recognised on marketable securities in the second quarter.

The segment recorded a loss before tax of €1,093 million (2019: profit of €1,456 million) for the six-month period and a loss of €1,173 million (2019: profit of €1,483 million) for the second quarter.

## Free cash flow and net financial assets

### Free cash flow Automotive segment for the period from 1 January to 30 June\*

→ 13

in € million	2020	2019	Change
Cash inflow (+)/outflow (-) from operating activities	-600	3,846	-4,446
Cash inflow (+)/outflow (-) from investing activities	-775	-3,616	2,841
Net investment in marketable securities and investment funds	-1,138	80	-1,218
<b>Free cash flow Automotive segment</b>	<b>-2,513</b>	<b>310</b>	<b>-2,823</b>

\* At the beginning of the financial year 2020, the starting point for determining cash flow was changed to profit before tax; the previous year's figures have been adjusted accordingly.

Free cash flow generated by the Automotive segment for the period from January to June 2020 was a negative amount of €2,513 million. The main factor was the deterioration in pre-tax earnings from operating activities, which were held down by the containment measures undertaken to stem the tide of the corona pandemic as well by the related dealership closures. Decreases in liabilities for bonuses and sales promotions, for buyback obligations arising in connection with car rental business and for service business also had a negative impact. Within cash flows from operating activities, the reduction in inventories had a significant positive offsetting effect on working capital.

Cash flows from investing activities reported in the previous year were impacted in particular by cash outflows relating to the acquisition of the YOUR NOW companies and by investments in the production network.

Net financial assets comprised the following:

## Net financial assets Automotive segment

→ 14

in € million	30.6.2020	31.12.2019	Change
Cash and cash equivalents	12,193	9,077	3,116
Marketable securities and investment funds	3,265	4,470	-1,205
Intragroup net financing	-676	7,784	-8,460
<b>Financial assets</b>	<b>14,782</b>	<b>21,331</b>	<b>-6,549</b>
Less: external financial liabilities <sup>1</sup>	-3,111	-3,754	643
<b>Net financial assets Automotive segment</b>	<b>11,671</b>	<b>17,577</b>	<b>-5,906</b>

<sup>1</sup> Excluding derivative financial instruments.

The decrease in net financial assets was mainly attributable to negative free cash flow and the payment of the dividend (approximately €1.6 billion) for the financial year 2019.

## BMW Group fuel consumption and CO<sub>2</sub> emissions information

→ 15

Model	Fuel consumption in l / 100 km (combined)	CO <sub>2</sub> emissions in g / km (combined)	Electric power consumption in kWh / 100 km (combined)
<b>BMW GROUP ELECTRIFIED MODELS</b>			
BMW X2 xDrive25e	1.9	43	13.7
BMW 330e Sedan	1.8–1.5	41–35	14.8–13.9
BMW 330e xDrive Sedan	2.0–1.7	45–40	15.9–15.2
BMW 330e Touring	1.9–1.7	44–38	15.6–14.5
BMW 330e xDrive Touring	2.2–1.9	49–43	15.8–14.7
BMW iX3	0	0	17.8–17.5
BMW 530e Sedan	1.8–1.7	42–39	14.8–13.7
BMW 530e xDrive Sedan	2.1–2.0	49–46	16.4–15.9
BMW 545e xDrive Sedan <sup>2</sup>	2.4–2.1	54–49	16.3–15.3
BMW 530e Touring <sup>2</sup>	2.1–1.9	47–43	15.9–14.9
BMW 530e xDrive Touring <sup>2</sup>	2.3–2.1	52–49	16.9–15.9
MINI Cooper SE Countryman ALL4	2.0–1.7	45–40	14.0–13.1
MINI Cooper SE	0	0	16.8–14.8

<sup>2</sup> Expected figures, not yet officially confirmed.

## Financial Services Segment

### Corona pandemic continues to affect Financial Services business in second quarter 2020

While revenues generated by the Financial Services segment were moderately down on the previous year due to volume-related factors caused by the slump in demand in the wake of the corona pandemic and the closure of dealerships in key sales markets, pre-tax profit for the second quarter of 2020 fell sharply compared to one year earlier. As in the first quarter, higher expenditure required to mitigate the credit and residual value risks caused by the corona pandemic placed additional downward pressure on earnings.

The initial and ongoing assessment of customer credit-worthiness is one of the key pillars of the BMW Group's credit risk management strategy. A review of the Financial Services segment's credit portfolio conducted during the second quarter highlighted significant changes in the credit risk situation, caused by a further deterioration in economic conditions. Against this backdrop, in specific markets, additional allowances for expected credit losses were again recognised in the second quarter of 2020 in order to take account of local market conditions and reflect the negative impact of the corona pandemic on retail customer and dealership business for accounting purposes. ↱

The amounts recognised were based on appropriate and well-founded information and estimates available at the end of the reporting period.

In the areas of dealership and customer financing, the credit risk management measures already implemented during the first quarter were systematically continued, including country-specific measures such as moratoriums or temporary increases in credit lines for dealerships. In some markets, these measures were scaled back at least partially in the second quarter.

Compared to the previous three-month period, the extent of the impact of the corona pandemic on the marketing of returned leasing vehicles deepened in the second quarter of 2020. Further measures were taken in terms of the level of risk provisioning expense recognised for the portfolio subject to residual value risks. Accordingly, valuation allowances were further increased on a market-by-market basis to take account of various risks, including expected losses in the market value of vehicles as well as the impact of restrictions in the remarketing process still remaining in some locations. The economic consequences of the pandemic, particularly for the development of pre-owned vehicle markets across the world within the premium segment, continue to be more uncertain than usual.

### Financial Services segment at a glance

→ 16

		2nd quarter 2020 <sup>1</sup>	2nd quarter 2019	Change in %
New contracts with retail customers		354,765	501,663	-29.3
Revenues	€ million	6,658	7,364	-9.6
Profit before financial result (EBIT)	€ million	77	606	-87.3
Profit before tax	€ million	97	573	-83.1
		1 January to 30 June 2020	1 January to 30 June 2019	Change in %
New contracts with retail customers		804,452	971,287	-17.2
Revenues	€ million	14,256	14,510	-1.8
Profit before financial result (EBIT)	€ million	619	1,254	-50.6
Profit before tax	€ million	581	1,200	-51.6
		30. 6. 2020	31. 12. 2019	Change in %
Total contract portfolio		5,922,049	5,973,682	-0.9
Contract portfolio with retail customers		5,502,786	5,486,319	0.3
Business volume in balance sheet terms <sup>2</sup>	€ million	133,526	142,834	-6.5

<sup>1</sup> Supplementary information which was not subject of the audit review.

<sup>2</sup> Calculated on the basis of the lines Leased products and Receivables from sales financing (current and non-current) of the Financial Services segment balance sheet.

The Financial Services segment monitors and provides for core business risks on an ongoing and comprehensive basis. In light of the continued volatility caused by the corona pandemic on the one hand and the lack of any historical comparability on the other, it cannot be ruled out that further unfavourable developments, such as additional increases in credit risk due to a second wave of infection, may exacerbate the Financial Services segment's risk situation in subsequent quarters. Based on current assessments, however, the Financial Services segment has recognised appropriate levels of provisions/allowances to cover residual value and credit risks.

Due to the effects of the corona pandemic, business volumes with retail customers and dealerships in balance sheet terms declined moderately compared to the end of 2019.

### **New business with retail customers also significantly down**

In total, 804,452 new credit financing and leasing contracts were signed with retail customers during the first half of the current year. Compared to the same period one year earlier, this represents a significant drop of 17.2% (2019: 971,287 contracts), affecting both new financing business (-16.3%) and new leasing business (-19.0%). Overall, leasing accounted for 33.1% and credit financing for 66.9% of new business in the first half of 2020.

The decline in the number of new contracts for pre-owned vehicles was less pronounced due to increased customer demand in a number of sales markets. New contracts signed during the period under report included 186,804 credit financing and leasing contracts relating to pre-owned BMW and MINI brand vehicles (2019: 192,954 contracts; -3.2%).

New business from credit financing and leasing contracts concluded with retail customers during the first half of the year fell sharply by 14.1% to €25,057 million (2019: €29,169 million). In the period from January to June, 51.3%<sup>1</sup> of new BMW Group vehicles were either leased or financed by the Financial Services segment (2019: 50.6%; +0.7 percentage points).

At 30 June 2020, a total of 5,502,786 credit financing and leasing contracts were in place with retail customers, similar to the level recorded at the end of 2019 (31 December 2019: 5,486,319 contracts; +0.3%). The Europe/Middle East/Africa region recorded a slight year-on-year increase (+2.2%), while the China (+0.1%) and EU Bank<sup>2</sup> (-0.1%) regions remained at a similar level to the previous year. By contrast, the contract portfolios in the Americas and Asia/Pacific regions fell slightly by 1.2% and 1.7% respectively.

### **Fleet business at previous year's level**

In the fleet management business, the BMW Group – operating under the brand name Alphabet – offers leasing and financing arrangements as well as other specific services to commercial customers. A portfolio of 712,427 contracts was in place at 30 June 2020 (31 December 2019: 717,353 contracts; -0.7%).

### **Dealership financing significantly down on previous year**

The total volume of dealership financing fell by 18.2% to €17,367 million over the six-month period (31 December 2019: €21,227 million).

## **Other Entities Segment and Eliminations**

The pre-tax effect of eliminations for the six-month period was a positive amount of €1,354 million (2019: positive €127 million). The main drivers for the year-on-year increase were the volume-related decline in new leasing business, positive reversal effects from the leased product portfolio and the lower expected new leasing business volume. Eliminations also include the impact of adjusting risk provisions for residual values in the Financial Services segment to the lower Group amounts arising on consolidation.

Within the Other Entities segment, other financial result in particular was affected by the negative fair value measurement impact of interest rate hedges entered into to refinance the Financial Services business on the basis of matching maturities.

<sup>1</sup> The calculation only includes automobile markets in which the Financial Services segment is represented by a consolidated entity or a branch office.

<sup>2</sup> EU Bank comprises BMW Bank GmbH, with its branches in Italy, Spain and Portugal.

# REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

**Automobile markets  
recovering slowly**

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**Positive signs from Asia**

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## OUTLOOK

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including the significant risks and opportunities, from a Group management perspective. It contains forward-looking statements based on expectations and assessments that are subject to uncertainty. As a result, actual outcomes, including those attributable to political, legal and economic developments, could differ positively or negatively from those described below. Further information on this topic is provided in the Annual Report 2019 (Outlook, pp. 82, Risks and Opportunities, pp. 88).

## International automobile markets

Automobile markets are expected to contract significantly in 2020 as a result of global lockdowns put in place to contain the spread of the corona pandemic. In light of weaker consumption and higher savings rates, the IMF currently expects global economic output to decline by 4.9%. The scale of the downturn will largely depend on the economic stimulus programmes implemented in various countries.

## International automobile markets 2020

→ 17

	Change in %
EU	-31
thereof Germany	-31
thereof France	-26
thereof Italy	-34
thereof Spain	-40
UK	-34
USA	-21
China	-9
Japan	-21
<b>Total</b>	<b>-19</b>

## Outlook for the BMW Group

### Assumptions used in the outlook

At the time the Annual Report 2019 was published in March 2020, the BMW Group's assessment was still based on the assumption that the sales situation across all key markets would return to normal after a few weeks. Measures to contain the spread of the corona pandemic, such as lockdowns and restrictions on business, particularly in Europe and America, have since been extended and so far only very gradually eased. To some extent, the easing of lockdown measures has already been reversed. The prolonged restrictions put in place to curb the pandemic are weighing heavily on global growth and continue to cloud the economic outlook for 2020.

In its forecasts for the rest of the year, the BMW Group now assumes that economic conditions will only begin to stabilise over the course of the third quarter. A prolonged, deep recession in key sales markets, a cyclical downturn in the Chinese economy caused by recessions in other economic regions, major supply disruptions in the wake of even greater competition, and the possible effects of local lockdowns or rising infection rates in key sales markets are not included in this outlook.

The prevailing high level of uncertainty makes accurate forecasting difficult and has resulted in a combination of scenarios being incorporated in the forecast. This approach is reflected in the broader range of EBIT now being forecast for the Automotive segment for 2020.

## Overall assessment by Group management

Within a volatile economic environment, dominated by the global spread of coronavirus, the BMW Group expects reported figures to be significantly down for the financial year 2020. Under normal circumstances, business would benefit from the numerous new automobile and motorcycle models as well as the individual mobility-related services on offer. However, this positive momentum is currently being outweighed by the impact of the negative developments currently affecting the global economy described above. Research and development expenses will remain at a high level in view of ongoing future-oriented projects. Driven by the global impact of the corona crisis, the BMW Group's pre-tax earnings for the current financial year are likely to decline sharply year-on-year.

Due to the proliferation of the virus, sales volumes in the Automotive segment are expected to be significantly down on the previous year. In light of the adverse factors described above, the Automotive segment EBIT margin is expected to lie within a range between 0 and 3 % in 2020, as already communicated in the Quarterly Statement to 31 March 2020. The segment RoCE<sup>1</sup> is also predicted to be well below the previous year's level. At the same time, fleet carbon dioxide emissions<sup>2</sup> are forecast to drop significantly, through which the emissions targets will be achieved.

The Financial Services segment is expected to be affected by an even steeper decline in new business as well as a volatile risk environment, mainly due to the unfavourable economic outlook. Accordingly, as previously reported, a moderate year-on-year drop in segment RoE<sup>3</sup> is forecast.

Motorcycles segment deliveries to customers are expected to decrease significantly over the year as a whole. The EBIT margin is currently forecast to lie within a range between 3 and 5 %, with RoCE significantly below the previous year's level.

The targets are to be achieved with a workforce size which – based on the new method of calculation described in the Annual Report 2019 – will be slightly below the level recorded one year earlier. The planned reduction will be achieved through a combination of natural fluctuation and voluntary agreements. Vocational training, however, will be continued at the same high level as in the previous year.

The prevailing extreme level of uncertainty – exacerbated in particular by the further spread of coronavirus and driven by economic and political developments such as the outcome of the negotiations between the EU and the UK on a trade agreement by 31 December 2020 as well as international trade and customs policies – may cause economic developments in many regions to differ markedly from even the most recently expected trends and outcomes. Any such deviations could have a further significant impact on the business performance of the BMW Group.

Furthermore, the actual business performance of the BMW Group may also differ from current expectations as a result of the risks and opportunities described in the Report on Risk and Opportunities (pp. 88) of the Annual Report 2019.

<sup>1</sup> RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that generally do not incur interest.

<sup>2</sup> EU-28.

<sup>3</sup> RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital attributable to the Financial Services segment balance sheet.



**BMW Group key performance indicators**

→ 18

		2019 reported	2019 adjusted	2020 Outlook <sup>1</sup>
<b>GROUP</b>				
Profit before tax	€ million	7,118	–	significant decrease
Workforce at year-end		133,778	126,016	slight decrease
<b>AUTOMOTIVE SEGMENT</b>				
Deliveries to customers <sup>2</sup>	units	2,538,367	–	significant decrease
Fleet emissions <sup>3</sup>	g CO <sub>2</sub> /km	127	–	significant decrease
EBIT margin	%	4.9	–	between 0 and 3
Return on capital employed <sup>4</sup>	%	29.0	–	significant decrease
<b>MOTORCYCLES SEGMENT</b>				
Deliveries to customers	units	175,162	–	significant decrease
EBIT margin	%	8.2	–	between 3 and 5
Return on capital employed <sup>4</sup>	%	29.4	–	significant decrease
<b>FINANCIAL SERVICES SEGMENT</b>				
Return on equity <sup>5</sup>	%	15.0	–	moderate decrease

<sup>1</sup> Based on adjusted figures.<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612 units).<sup>3</sup> EU-28.<sup>4</sup> RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that generally do not incur interest.<sup>5</sup> RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital attributable to the Financial Services segment balance sheet.

# RISKS AND OPPORTUNITIES

As a globally operating enterprise, the BMW Group is exposed to a broad range of risks and opportunities. The Group's corporate success is based on leveraging perceived opportunities as they present themselves. In order to drive growth, boost profitability, bolster efficiency and operate sustainably going forward, the BMW Group also needs to take calculated risks.

As a result of the corona pandemic, risks associated with macroeconomic and financial conditions have increased significantly – in both the short and the medium term – compared with the assessment presented in the Annual Report 2019. The level of risk due to the negative impact of the pandemic on the BMW Group's supply chains, production and sales volumes is still assessed as high. Economic conditions are currently expected to begin stabilising in the course of the third quarter. Nevertheless, in light of the containment measures required as well as the economic impact, a high level of uncertainty remains. Moreover, the pandemic has affected markets to widely differing degrees. For this reason, demand for automobiles is only likely to recover at a very sluggish rate in many markets. If the corona pandemic takes an even more serious course and the global economy deteriorates significantly, risk exposure would be considerable, particularly on the demand side. With these risks in mind, the BMW Group is continuously monitoring developments on world markets and preparing for all scenarios. Likewise, the impact of the corona pandemic on capital markets, the measurement of receivables and residual values is also assessed as high. The risk exposure in this context includes increases in financing costs, credit defaults and remarketing losses in the Financial Services business.

In parallel, the progress of negotiations on a free trade agreement between the EU and the UK and developments in global trade policy will continue to be closely monitored.

Changes in the risk profile are continuously assessed and where necessary, factored, into the current and long-term forecasts.

Further information on risks and opportunities as well as on the methods employed to manage them is also available in the "Report on risks and opportunities" section of the Annual Report 2019 (pp. 88).

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# INTERIM GROUP FINANCIAL STATEMENTS

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- Page 28 **Income Statement**
  
- Page 28 **Statement of Comprehensive Income**
  
- Page 32 **Balance Sheet**
  
- Page 34 **Cash Flow Statement**
  
- Page 36 **Statement of Changes in Equity**
  
- Page 38 **Notes to the Group Financial Statements**
- Page 38 **Accounting Principles and Policies**
- Page 42 **Notes to the Income Statement**
- Page 44 **Notes to the Balance Sheet**
- Page 46 **Other Disclosures**
- Page 52 **Segment Information**
  
- Page 56 **Responsibility Statement by the  
Company's Legal Representatives**
  
- Page 57 **Review Report**

# 3

# BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

→ BMW Group  
Income Statement  
→ Statement of  
Comprehensive  
Income

## Income Statements for Group and Segments for the period from 1 January to 30 June

→ 19

in € million	Note	Group		Automotive <sup>1</sup>		Motorcycles <sup>1</sup>	
		2020	2019	2020	2019	2020	2019
Revenues	5	43,225	48,177	32,867	41,837	1,079	1,313
Cost of sales		-38,400	-39,576	-30,794	-35,562	-904	-999
<b>Gross profit</b>		<b>4,825</b>	<b>8,601</b>	<b>2,073</b>	<b>6,275</b>	<b>175</b>	<b>314</b>
Selling and administrative expenses		-4,159 <sup>2</sup>	-4,423	-3,414	-3,676	-110	-123
Other operating income	6	517	315	549	308	-	-
Other operating expenses	6	-474	-1,703	-533	-1,748	-	-
<b>Profit / loss before financial result</b>		<b>709</b>	<b>2,790</b>	<b>-1,325</b>	<b>1,159</b>	<b>65</b>	<b>191</b>
Result from equity accounted investments		404	188	404	188	-	-
Interest and similar income		56	77	136	191	-	1
Interest and similar expenses		-189	-191	-281	-307	-1	-5
Other financial result	7	-482	-49	-27	225	-	-
<b>Financial result</b>		<b>-211</b>	<b>25</b>	<b>232</b>	<b>297</b>	<b>-1</b>	<b>-4</b>
<b>Profit / loss before tax</b>		<b>498</b>	<b>2,815</b>	<b>-1,093</b>	<b>1,456</b>	<b>64</b>	<b>187</b>
Income taxes	8	-136	-791	293	-405	-18	-55
<b>Profit / loss from continuing operations</b>		<b>362</b>	<b>2,024</b>	<b>-800</b>	<b>1,051</b>	<b>46</b>	<b>132</b>
Profit / loss from discontinued operations		-	44	-	44	-	-
<b>Net profit / loss</b>		<b>362</b>	<b>2,068</b>	<b>-800</b>	<b>1,095</b>	<b>46</b>	<b>132</b>
Attributable to minority interest		38	53	5	13	-	-
<b>Attributable to shareholders of BMW AG</b>		<b>324</b>	<b>2,015</b>	<b>-805</b>	<b>1,082</b>	<b>46</b>	<b>132</b>
Basic earnings per share of common stock in €		0.49	3.06				
Basic earnings per share of preferred stock in €		0.50	3.07				
Dilutive effects		-	-				
Diluted earnings per share of common stock in €		0.49	3.06				
Diluted earnings per share of preferred stock in €		0.50	3.07				

## Condensed Statement of Comprehensive Income for Group for the period from 1 January to 30 June

→ 20

in € million	2020	2019
<b>Net profit / loss</b>	<b>362</b>	<b>2,068</b>
Remeasurement of the net liability for defined benefit pension plans	174	-448
<b>Items not expected to be reclassified to the income statement in the future</b>	<b>174</b>	<b>-448</b>
Marketable securities (at fair value through other comprehensive income)	-13	41
Derivative financial instruments	428	-120
Costs of hedging	32	-18
Other comprehensive income from equity accounted investments	22	-4
Currency translation foreign operations	-783	62
<b>Items that can be reclassified to the income statement in the future</b>	<b>-314</b>	<b>-39</b>
<b>Other comprehensive income for the period after tax</b>	<b>-140</b>	<b>-487</b>
<b>Total comprehensive income</b>	<b>222</b>	<b>1,581</b>
Total comprehensive income attributable to minority interest	38	53
<b>Total comprehensive income attributable to shareholders of BMW AG</b>	<b>184</b>	<b>1,528</b>

<sup>1</sup> Supplementary information which was not subject of the audit review.

<sup>2</sup> Includes administrative expenses amounting to €1,750 million (2019: €1,799 million).

Financial Services <sup>1</sup>		Other Entities <sup>1</sup>		Eliminations <sup>1</sup>		
2020	2019	2020	2019	2020	2019	
14,256	14,510	1	3	-4,978	-9,486	Revenues
-12,994	-12,658	-	-	6,292	9,643	Cost of sales
<b>1,262</b>	<b>1,852</b>	<b>1</b>	<b>3</b>	<b>1,314</b>	<b>157</b>	<b>Gross profit</b>
-626	-618	-14	-10	5	4	Selling and administrative expenses
10	40	79	49	-121	-82	Other operating income
-27	-20	-41	-36	127	101	Other operating expenses
<b>619</b>	<b>1,254</b>	<b>25</b>	<b>6</b>	<b>1,325</b>	<b>180</b>	<b>Profit / loss before financial result</b>
-	-	-	-	-	-	Result from equity accounted investments
2	1	654	759	-736	-875	Interest and similar income
-2	-3	-670	-698	765	822	Interest and similar expenses
-38	-52	-417	-222	-	-	Other financial result
<b>-38</b>	<b>-54</b>	<b>-433</b>	<b>-161</b>	<b>29</b>	<b>-53</b>	<b>Financial result</b>
<b>581</b>	<b>1,200</b>	<b>-408</b>	<b>-155</b>	<b>1,354</b>	<b>127</b>	<b>Profit / loss before tax</b>
-159	-339	113	48	-365	-40	Income taxes
<b>422</b>	<b>861</b>	<b>-295</b>	<b>-107</b>	<b>989</b>	<b>87</b>	<b>Profit / loss from continuing operations</b>
-	-	-	-	-	-	Profit / loss from discontinued operations
<b>422</b>	<b>861</b>	<b>-295</b>	<b>-107</b>	<b>989</b>	<b>87</b>	<b>Net profit / loss</b>
34	40	-1	-	-	-	Attributable to minority interest
<b>388</b>	<b>821</b>	<b>-294</b>	<b>-107</b>	<b>989</b>	<b>87</b>	<b>Attributable to shareholders of BMW AG</b>
						<b>Basic earnings per share of common stock in €</b>
						<b>Basic earnings per share of preferred stock in €</b>
						Dilutive effects
						<b>Diluted earnings per share of common stock in €</b>
						<b>Diluted earnings per share of preferred stock in €</b>

# BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

→ BMW Group  
Income Statement  
→ Statement of  
Comprehensive  
Income

## Income Statements for Group and Segments for the period from 1 April to 30 June<sup>1</sup>

→ 21

in € million	Note	Group		Automotive		Motorcycles	
		2020	2019	2020	2019	2020	2019
Revenues	5	19,973	25,715	14,878	22,624	522	727
Cost of sales		-18,682	-21,170	-14,823	-19,169	-476	-561
<b>Gross profit</b>		<b>1,291</b>	<b>4,545</b>	<b>55</b>	<b>3,455</b>	<b>46</b>	<b>166</b>
Selling and administrative expenses		-1,994 <sup>2</sup>	-2,301	-1,628	-1,907	-53	-64
Other operating income	6	267	151	276	137	-	-
Other operating expenses	6	-230	-194	-257	-216	-	-
<b>Profit/loss before financial result</b>		<b>-666</b>	<b>2,201</b>	<b>-1,554</b>	<b>1,469</b>	<b>-7</b>	<b>102</b>
Result from equity accounted investments		364	31	364	31	-	-
Interest and similar income		29	42	51	104	-	-
Interest and similar expenses		-109	-98	-149	-156	-1	-3
Other financial result	7	82	-123	115	35	-	1
<b>Financial result</b>		<b>366</b>	<b>-148</b>	<b>381</b>	<b>14</b>	<b>-1</b>	<b>-2</b>
<b>Profit/loss before tax</b>		<b>-300</b>	<b>2,053</b>	<b>-1,173</b>	<b>1,483</b>	<b>-8</b>	<b>100</b>
Income taxes	8	88	-573	313	-412	2	-30
<b>Profit/loss from continuing operations</b>		<b>-212</b>	<b>1,480</b>	<b>-860</b>	<b>1,071</b>	<b>-6</b>	<b>70</b>
Profit/loss from discontinued operations		-	-	-	-	-	-
<b>Net profit/loss</b>		<b>-212</b>	<b>1,480</b>	<b>-860</b>	<b>1,071</b>	<b>-6</b>	<b>70</b>
Attributable to minority interest		18	26	1	4	-	-
<b>Attributable to shareholders of BMW AG</b>		<b>-230</b>	<b>1,454</b>	<b>-861</b>	<b>1,067</b>	<b>-6</b>	<b>70</b>
Basic earnings per share of common stock in €		-0.35	2.21				
Basic earnings per share of preferred stock in €		-0.34	2.22				
Dilutive effects		-	-				
Diluted earnings per share of common stock in €		-0.35	2.21				
Diluted earnings per share of preferred stock in €		-0.34	2.22				

## Condensed Statement of Comprehensive Income for Group for the period from 1 April to 30 June<sup>1</sup>

→ 22

in € million	2020	2019
<b>Net profit/loss</b>	<b>-212</b>	<b>1,480</b>
Remeasurement of the net liability for defined benefit pension plans	-1,147	-88
<b>Items not expected to be reclassified to the income statement in the future</b>	<b>-1,147</b>	<b>-88</b>
Marketable securities (at fair value through other comprehensive income)	34	12
Derivative financial instruments	336	267
Costs of hedging	104	15
Other comprehensive income from equity accounted investments	40	-5
Currency translation foreign operations	-275	-408
<b>Items that can be reclassified to the income statement in the future</b>	<b>239</b>	<b>-119</b>
<b>Other comprehensive income for the period after tax</b>	<b>-908</b>	<b>-207</b>
<b>Total comprehensive income</b>	<b>-1,120</b>	<b>1,273</b>
Total comprehensive income attributable to minority interest	18	26
<b>Total comprehensive income attributable to shareholders of BMW AG</b>	<b>-1,138</b>	<b>1,247</b>

<sup>1</sup> Supplementary information which was not subject of the audit review.

<sup>2</sup> Includes administrative expenses amounting to €844 million (2019: €938 million).

Financial Services		Other Entities		Eliminations		
2020	2019	2020	2019	2020	2019	
6,658	7,364	-	2	-2,085	-5,002	Revenues
-6,265	-6,460	-	-	2,882	5,020	Cost of sales
<b>393</b>	<b>904</b>	-	<b>2</b>	<b>797</b>	<b>18</b>	<b>Gross profit</b>
-306	-324	-7	-6	-	-	Selling and administrative expenses
5	37	40	24	-54	-47	Other operating income
-15	-11	-20	-18	62	51	Other operating expenses
<b>77</b>	<b>606</b>	<b>13</b>	<b>2</b>	<b>805</b>	<b>22</b>	<b>Profit / loss before financial result</b>
-	-	-	-	-	-	Result from equity accounted investments
1	1	309	381	-332	-444	Interest and similar income
-1	-2	-333	-353	375	416	Interest and similar expenses
20	-32	-53	-127	-	-	Other financial result
<b>20</b>	<b>-33</b>	<b>-77</b>	<b>-99</b>	<b>43</b>	<b>-28</b>	<b>Financial result</b>
<b>97</b>	<b>573</b>	<b>-64</b>	<b>-97</b>	<b>848</b>	<b>-6</b>	<b>Profit / loss before tax</b>
-22	-162	20	29	-225	2	Income taxes
<b>75</b>	<b>411</b>	<b>-44</b>	<b>-68</b>	<b>623</b>	<b>-4</b>	<b>Profit / loss from continuing operations</b>
-	-	-	-	-	-	Profit / loss from discontinued operations
<b>75</b>	<b>411</b>	<b>-44</b>	<b>-68</b>	<b>623</b>	<b>-4</b>	<b>Net profit / loss</b>
18	22	-1	-	-	-	Attributable to minority interest
<b>57</b>	<b>389</b>	<b>-43</b>	<b>-68</b>	<b>623</b>	<b>-4</b>	<b>Attributable to shareholders of BMW AG</b>
						<b>Basic earnings per share of common stock in €</b>
						<b>Basic earnings per share of preferred stock in €</b>
						Dilutive effects
						<b>Diluted earnings per share of common stock in €</b>
						<b>Diluted earnings per share of preferred stock in €</b>

# BMW GROUP BALANCE SHEET

in € million	Note	Group		Automotive*		Motorcycles*	
		30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
<b>ASSETS</b>							
Intangible assets	9	11,856	11,729	11,329	11,212	144	127
Property, plant and equipment	10	22,179	23,245	21,712	22,749	392	407
Leased products		42,232	42,609	–	–	–	–
Investments accounted for using the equity method		3,454	3,199	3,454	3,199	–	–
Other investments		739	703	4,665	5,144	–	–
Receivables from sales financing		47,271	51,030	–	–	–	–
Financial assets	11	2,627	1,370	380	131	–	–
Deferred tax		2,273	2,194	3,359	3,451	–	–
Other assets		1,293	1,325	2,499	2,203	35	36
<b>Non-current assets</b>		<b>133,924</b>	<b>137,404</b>	<b>47,398</b>	<b>48,089</b>	<b>571</b>	<b>570</b>
Inventories		16,194	15,891	14,724	14,404	651	679
Trade receivables		2,126	2,518	1,768	2,228	209	186
Receivables from sales financing		37,461	41,407	–	–	–	–
Financial assets	11	4,928	5,955	3,726	4,772	–	–
Current tax	12	1,313	1,209	1,084	1,000	–	–
Other assets		9,647	11,614	28,675	33,492	2	1
Cash and cash equivalents		17,720	12,036	12,193	9,077	15	11
<b>Current assets</b>		<b>89,389</b>	<b>90,630</b>	<b>62,170</b>	<b>64,973</b>	<b>877</b>	<b>877</b>
<b>Total assets</b>		<b>223,313</b>	<b>228,034</b>	<b>109,568</b>	<b>113,062</b>	<b>1,448</b>	<b>1,447</b>
<b>EQUITY AND LIABILITIES</b>							
Subscribed capital	13	659	659	–	–	–	–
Capital reserves		2,161	2,161	–	–	–	–
Revenue reserves	13	56,514	57,667	–	–	–	–
Accumulated other equity		–1,485	–1,163	–	–	–	–
<b>Equity attributable to shareholders of BMWAG</b>	13	<b>57,849</b>	<b>59,324</b>	–	–	–	–
Minority interest		591	583	–	–	–	–
<b>Equity</b>		<b>58,440</b>	<b>59,907</b>	<b>37,114</b>	<b>40,174</b>	–	–
Pension provisions		3,163	3,335	2,487	2,820	82	96
Other provisions		5,819	5,788	5,636	5,605	79	81
Deferred tax		448	632	416	543	–	–
Financial liabilities	15	72,982	70,647	2,377	2,680	–	–
Other liabilities	16	4,848	5,100	8,072	7,929	559	569
<b>Non-current provisions and liabilities</b>		<b>87,260</b>	<b>85,502</b>	<b>18,988</b>	<b>19,577</b>	<b>720</b>	<b>746</b>
Other provisions		6,965	7,421	6,506	6,962	97	105
Current tax	14	896	963	306	704	–	–
Financial liabilities	15	44,632	46,093	1,299	1,929	–	–
Trade payables		9,222	10,182	7,944	8,814	387	413
Other liabilities	16	15,898	17,966	37,411	34,902	244	183
<b>Current provisions and liabilities</b>		<b>77,613</b>	<b>82,625</b>	<b>53,466</b>	<b>53,311</b>	<b>728</b>	<b>701</b>
<b>Total equity and liabilities</b>		<b>223,313</b>	<b>228,034</b>	<b>109,568</b>	<b>113,062</b>	<b>1,448</b>	<b>1,447</b>

\* Supplementary information which was not subject of the audit review.



	Financial Services*		Other Entities*		Eliminations*		
	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019	
							<b>ASSETS</b>
	382	389	1	1	-	-	Intangible assets
	75	89	-	-	-	-	Property, plant and equipment
	48,743	50,348	-	-	-6,511	-7,739	Leased products
	-	-	-	-	-	-	Investments accounted for using the equity method
	20	1	6,892	6,847	-10,838	-11,289	Other investments
	47,322	51,079	-	-	-51	-49	Receivables from sales financing
	174	139	2,137	1,168	-64	-68	Financial assets
	524	512	199	84	-1,809	-1,853	Deferred tax
	3,314	3,351	41,035	38,919	-45,590	-43,184	Other assets
	<b>100,554</b>	<b>105,908</b>	<b>50,264</b>	<b>47,019</b>	<b>-64,863</b>	<b>-64,182</b>	<b>Non-current assets</b>
	819	808	-	-	-	-	Inventories
	148	103	1	1	-	-	Trade receivables
	37,461	41,407	-	-	-	-	Receivables from sales financing
	886	1,009	361	187	-45	-13	Financial assets
	70	84	159	125	-	-	Current tax
	5,767	5,106	59,029	64,692	-83,826	-91,677	Other assets
	2,883	2,075	2,629	873	-	-	Cash and cash equivalents
	<b>48,034</b>	<b>50,592</b>	<b>62,179</b>	<b>65,878</b>	<b>-83,871</b>	<b>-91,690</b>	<b>Current assets</b>
	<b>148,588</b>	<b>156,500</b>	<b>112,443</b>	<b>112,897</b>	<b>-148,734</b>	<b>-155,872</b>	<b>Total assets</b>
							<b>EQUITY AND LIABILITIES</b>
							Subscribed capital
							Capital reserves
							Revenue reserves
							Accumulated other equity
							<b>Equity attributable to shareholders of BMW AG</b>
							Minority interest
	<b>14,904</b>	<b>15,545</b>	<b>22,757</b>	<b>21,972</b>	<b>-16,335</b>	<b>-17,784</b>	<b>Equity</b>
	40	47	554	372	-	-	Pension provisions
	104	102	-	-	-	-	Other provisions
	3,341	3,804	32	34	-3,341	-3,749	Deferred tax
	17,694	18,170	52,975	49,865	-64	-68	Financial liabilities
	41,101	39,639	526	102	-45,410	-43,139	Other liabilities
	<b>62,280</b>	<b>61,762</b>	<b>54,087</b>	<b>50,373</b>	<b>-48,815</b>	<b>-46,956</b>	<b>Non-current provisions and liabilities</b>
	289	299	73	55	-	-	Other provisions
	582	184	8	75	-	-	Current tax
	27,742	26,938	15,636	17,239	-45	-13	Financial liabilities
	882	943	9	12	-	-	Trade payables
	41,909	50,829	19,873	23,171	-83,539	-91,119	Other liabilities
	<b>71,404</b>	<b>79,193</b>	<b>35,599</b>	<b>40,552</b>	<b>-83,584</b>	<b>-91,132</b>	<b>Current provisions and liabilities</b>
	<b>148,588</b>	<b>156,500</b>	<b>112,443</b>	<b>112,897</b>	<b>-148,734</b>	<b>-155,872</b>	<b>Total equity and liabilities</b>

# BMW GROUP

## CASH FLOW STATEMENT

→ BMW Group  
Cash Flow Statement

### Condensed Cash Flow Statement for the period from 1 January to 30 June

→ 23

in € million	Group	
	2020	2019
Profit / loss before tax <sup>2</sup>	498	2,815
Depreciation and amortisation of tangible, intangible and investment assets	3,050	2,905
Change in provisions	-365	614
Change in leased products and receivables from sales financing	5,708	-1,350
Changes in working capital	-682	-3,195
Other	-992	-492
<b>Cash inflow/outflow from operating activities</b>	<b>7,217</b>	<b>1,297</b>
Total investment in intangible assets and property, plant and equipment	-2,796	-3,132
Net investment in marketable securities and investment funds	1,350	53
Other	766	-520
<b>Cash inflow/outflow from investing activities</b>	<b>-680</b>	<b>-3,599</b>
<b>Cash inflow/outflow from financing activities</b>	<b>-874</b>	<b>1,860</b>
<b>Effect of exchange rate on cash and cash equivalents</b>	<b>21</b>	<b>39</b>
<b>Change in cash and cash equivalents</b>	<b>5,684</b>	<b>-403</b>
Cash and cash equivalents as at 1 January	12,036	10,979
<b>Cash and cash equivalents as at 30 June</b>	<b>17,720</b>	<b>10,576</b>

<sup>1</sup> Supplementary information which was not subject of the audit review.

<sup>2</sup> At the beginning of the financial year 2020, the starting point for determining cash flow was changed to profit before tax; the previous year's figures have been adjusted accordingly.

Automotive <sup>1</sup>		Financial Services <sup>1</sup>		
2020	2019	2020	2019	
-1,093	1,456	581	1,200	Profit / loss before tax <sup>2</sup>
2,968	2,830	23	25	Depreciation and amortisation of tangible, intangible and investment assets
-329	990	-21	-48	Change in provisions
-	-	6,892	-1,311	Change in leased products and receivables from sales financing
-544	-3,047	-115	-141	Changes in working capital
-1,602	1,617	-1,420	-1,238	Other
<b>-600</b>	<b>3,846</b>	<b>5,940</b>	<b>-1,513</b>	<b>Cash inflow/outflow from operating activities</b>
-2,728	-3,083	-5	-4	Total investment in intangible assets and property, plant and equipment
1,138	-80	214	133	Net investment in marketable securities and investment funds
815	-453	-1	1	Other
<b>-775</b>	<b>-3,616</b>	<b>208</b>	<b>130</b>	<b>Cash inflow/outflow from investing activities</b>
<b>4,475</b>	<b>-903</b>	<b>-5,370</b>	<b>1,849</b>	<b>Cash inflow/outflow from financing activities</b>
<b>16</b>	<b>13</b>	<b>30</b>	<b>19</b>	<b>Effect of exchange rate on cash and cash equivalents</b>
<b>3,116</b>	<b>-660</b>	<b>808</b>	<b>485</b>	<b>Change in cash and cash equivalents</b>
9,077	8,631	2,075	1,985	Cash and cash equivalents as at 1 January
<b>12,193</b>	<b>7,971</b>	<b>2,883</b>	<b>2,470</b>	<b>Cash and cash equivalents as at 30 June</b>

# BMW GROUP

## STATEMENT OF CHANGES IN EQUITY

→ BMW Group  
Statement of  
Changes in Equity

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
<b>1 January 2020</b>		<b>659</b>	<b>2,161</b>	<b>57,667</b>
Net profit		–	–	324
Other comprehensive income for the period after tax		–	–	174
<b>Comprehensive income at 30 June 2020</b>		<b>–</b>	<b>–</b>	<b>498</b>
Dividend payments		–	–	–1,646
Other changes		–	–	–5
<b>30 June 2020</b>	<b>13</b>	<b>659</b>	<b>2,161</b>	<b>56,514</b>

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
<b>1 January 2019 (as originally reported)</b>		<b>658</b>	<b>2,118</b>	<b>55,862</b>
Effects of accounting policy change*		–	–	–32
<b>1 January 2019</b>		<b>658</b>	<b>2,118</b>	<b>55,830</b>
Net profit		–	–	2,015
Other comprehensive income for the period after tax		–	–	–448
<b>Comprehensive income at 30 June 2019</b>		<b>–</b>	<b>–</b>	<b>1,567</b>
Dividend payments		–	–	–2,303
Other changes		–	–	–51
<b>30 June 2019</b>		<b>658</b>	<b>2,118</b>	<b>55,043</b>

\* Regarding the effects of the accounting policy change, see the Financial Statements of BMW AG at 31 December 2019.

Accumulated other equity							
Translation differences	Marketable Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total	
-760	29	15	-447	59,324	583	59,907	1 January 2020
-	-	-	-	324	38	362	Net profit
-855	-13	487	67	-140	-	-140	Other comprehensive income for the period after tax
-855	-13	487	67	184	38	222	<b>Comprehensive income at 30 June 2020</b>
-	-	-	-	-1,646	-25	-1,671	Dividend payments
-	-	-5	-3	-13	-5	-18	Other changes
-1,615	16	497	-383	57,849	591	58,440	<b>30 June 2020</b>

Accumulated other equity							
Translation differences	Marketable Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total	
-1,326	-1	558	-569	57,300	529	57,829	1 January 2019 (as originally reported)
-	-	-	-	-32	-	-32	Effects of accounting policy change*
-1,326	-1	558	-569	57,268	529	57,797	1 January 2019
-	-	-	-	2,015	53	2,068	Net profit
80	41	-164	4	-487	-	-487	Other comprehensive income for the period after tax
80	41	-164	4	1,528	53	1,581	<b>Comprehensive income at 30 June 2019</b>
-	-	-	-	-2,303	-61	-2,364	Dividend payments
-	-	-	-2	-53	7	-46	Other changes
-1,246	40	394	-567	56,440	528	56,968	<b>30 June 2019</b>

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES AND POLICIES

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### 01

#### **Basis of preparation**

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW Group Financial Statements or Group Financial Statements) at 31 December 2019 were drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 e (1) of the German Commercial Code (HGB). The Interim Group Financial Statements (Interim Report) at 30 June 2020, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as those utilised in the 2019 Group Financial Statements. The BMW Group applies the option of publishing condensed group financial statements. All Interpretations issued by the IFRS Interpretations Committee which are mandatory at 30 June 2020 have been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the German Accounting Standards Committee e.V. (GASC).

The reporting period for these Interim Group Financial Statements in accordance with IAS 34 is the six-month period from 1 January 2020 to 30 June 2020. In addition, the income statement and statement of comprehensive income as well as the related notes disclosures for the period from 1 April to 30 June 2020 are presented for informational purposes, but were not subject of the audit review.

Further information regarding the Group's accounting principles and policies is contained in the BMW Group Financial Statements at 31 December 2019.

The Group currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise. Information regarding foreign currency translation is provided in note 3 to the Group Financial BMW Statements at 31 December 2019.

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

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

In order to provide a better insight into the results of operations, financial position and net assets of the BMW Group, and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include an income statement and a balance sheet for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by a statement of cash flows for the Automotive and Financial Services segments. Inter-segment transactions relate primarily to internal sales of products, the provision of funds for Group companies and the related interest. These items are eliminated on consolidation. More detailed information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in the explanatory notes to segment information in the BMW Group Financial Statements at 31 December 2019.

The Interim Group Financial Statements at 30 June 2020 have been reviewed by the Group auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich office.

## 02

### Group reporting entity

The BMW Group Financial Statements to 30 June 2020 include BMW AG and all material subsidiaries over which BMW AG – either directly or indirectly – exercises control. This also includes 57 structured entities used exclusively in conjunction with the BMW Group's asset-backed financing arrangements or as special purpose funds.

The following changes took place in the Group reporting entity during the first six months of 2020:

	Germany	Foreign	Total
Included at 31 December 2019	21	186	207
Included for the first time in 2020	–	7	7
No longer included in 2020	–	5	5
<b>Included at 30 June 2020</b>	<b>21</b>	<b>188</b>	<b>209</b>

In June 2020, a joint decision was taken to temporarily put on hold the cooperation with the Daimler Group for the development of highly automated driving systems, which is accounted for as a joint operation.

In December 2019, it was announced that Mitsubishi Corporation, Tokyo and Nippon Telegraph and Telephone Corporation, Tokyo will jointly acquire 30%

of the shares in HERE International B.V., Amsterdam, an associated company of THERE Holding B.V. (THERE), Amsterdam. The acquisition was completed in May 2020 following approval by the antitrust authorities. The sale of the shares gave rise to a positive impact of €105 million which is reported in the line item "Result on investments". In addition, a share capital reduction was implemented at the level of THERE in June 2020, resulting in €184 million being returned to the BMW Group.

None of the other changes to the Group reporting entity have a material impact on the results of operations, financial position and net assets of the Group.

## 03

### Financial reporting rules

- No significant new Standards or revised Standards were applied by the BMW Group for the first time in the first six months of the current financial year.
- Other financial reporting standards issued by the IASB and not yet applied are not expected to have any significant impact on the BMW Group Financial Statements.

## 04

### Impact of the corona pandemic on the Interim Group Financial Statements

#### General situation

Group profit for the first half of the current financial year was negatively impacted by the spread of the corona pandemic and the accompanying measures introduced to contain it.

Whereas the main negative factors in the first quarter were the drop in demand in China and the closure of dealerships in some markets, business in the second quarter was adversely impacted by the global spread of the pandemic, which also affected other key sales markets of the BMW Group. Reduced customer demand due to lockdowns and dealership closures was particularly evident in the development of revenues, which fell primarily due to the lower volume of vehicles and spare parts sold in the first half of the year. The drop in sales volume was also reflected in cost of sales, whereby fixed costs fell at a less pronounced rate than the actual reduction in capacity utilisation. Group earnings were also negatively impacted by higher risk provisioning expenses, related in particular to the reassessment of residual value and credit risks.

Working in the opposite direction, the lower level of new leasing business in the first half of the year, combined with the expectation of further decreases going forward, gave rise to a positive effect at the level of eliminations on consolidation and thus made a positive contribution to earnings during the period under report. Eliminations also include the impact of adjusting risk provisions for residual values in the Financial Services segment to the lower Group amounts arising on consolidation.

The year-on-year decrease in selling and administrative expenses for the six-month period mainly reflected the reduction in communication and marketing expenses arising as a result of the containment measures implemented to curb the spread of the corona pandemic. Moreover, lower personnel expenses due to the use of flexible working time arrangements and lower performance-related remuneration components had a positive impact.

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

## Accounting policies and key financial ratios

### Impairment test

The spread of the coronavirus across the globe in the second quarter and the accompanying decline in BMW AG's market capitalisation provided an indication of impairment relating to the carrying amounts of tangible and intangible assets. As a result, impairment tests were performed for the Automotive, Motorcycles and Financial Services cash-generating units. In this context, values in use were determined on the basis of updated long-term forecasts that already reflect adjustments to expectations made in light of coronavirus. A detailed description of impairment test procedures is provided in note 4 to the BMW Group Financial Statements for the financial year 2019. The following discount rates were applied to measure the relevant values:

in %	30.6.2020	31.12.2019
Automotive	9.3	10.9
Motorcycles	9.3	10.9
Financial Services	12.2	11.5

For the purposes of determining the internal rate of return, the risk-adjusted cost of capital rates is averaged over several years (see note 4 to the BMW Group Financial Statements for the financial year 2019).

From the BMW Group's perspective, the spread of coronavirus also provided an indication of impairment relating to investments accounted for using the equity method. The exception to this general consideration was the BMW Brilliance Automotive joint venture in China, given the rapid economic recovery registered in that region. The impairment tests were performed on the basis of forecasts approved by management. Where these forecasts still reflected business expectations prior to the outbreak of coronavirus, the corresponding cash flows were reduced by knockdown factors. For the purposes of determining these knockdown factors, a range of possible macroeconomic scenarios were drawn up, allocated probabilities of occurrence and, in a further step, translated into expected effects on cash flows. The at-equity loss reported for YOUR NOW includes an impairment loss of €40 million (recorded at the level of YOUR NOW Holding GmbH).

### De-designation of hedge relationships

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

### Residual value risk

The methodology used to measure and account for residual value risks was not adjusted in light of the corona pandemic. The general procedures applied are described in note 4 to the BMW Group Financial Statements for the financial year 2019.

The regular measurement of residual values did, however, give rise to a higher level of risk provisioning expense. For the portfolio subject to residual value risks, additional write-downs were recognised on a market-by-market basis to take account of expected market value losses and, for some areas, remaining restrictions that could affect the remarketing process. The measurement models applied took a variety of factors into account, including changes in macroeconomic forecasts, the potential impact of a wave of insolvencies and the pull-forward effects of government incentive programmes.



**Credit risk****I. Receivables from sales financing**

Allowances for expected credit losses were increased in the second quarter to take account of the negative impact of the corona pandemic on retail and dealership business, to the extent not covered by the BMW Group's standard loss provisioning models. In the case of retail customer business, portfolios were measured taking into account market-specific qualitative factors with the aim of identifying portfolio segments particularly affected by the corona pandemic (such as the tourism sector). This assessment was based on local expertise and took into account various scenarios, including the number of payment deferral applications, government measures and additional qualitative portfolio data. For the identified portfolio segments affected, amounts were reclassified from stage 1 (impairment allowance based on twelve-month expected credit losses) to stage 2 (impairment

allowance based on lifetime expected credit losses), resulting in the recognition of additional risk allowances. Credit risk parameters were otherwise left unchanged.

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

Impairment allowances developed as follows:

in € million	Stage 1	Stage 2		Stage 3	Total
		General	Simplified		
Impairment allowances at 31 December 2019	361	209	12	512	1,099
<b>Impairment allowances at 30 June 2020</b>	<b>473</b>	<b>438</b>	<b>27</b>	<b>570</b>	<b>1,508</b>

**II. Trade receivables**

The effects of a higher risk on receivables within stage 2 were calculated using a scenario model with a view to recognising additional credit risk allowances for trade receivables. The standard model used by the BMW Group to determine expected credit losses is currently unable to appropriately take account of the impact of the corona pandemic. The increasing overdue status of these receivables is seen as a risk. A simulated reclassification of receivables to a higher

overdue band was run, taking account of a range of expected values, and an additional allowance for expected credit losses was calculated and recorded on this basis. Further information on the computation of impairment allowances in accordance with IFRS 9 is provided in note 4 to the BMW Group Financial Statements for the financial year 2019.

Impairment allowances developed as follows:

in € million	Stage 2	Stage 3	Total
Impairment allowances at 31 December 2019	26	46	72
<b>Impairment allowances at 30 June 2020</b>	<b>33</b>	<b>28</b>	<b>61</b>

Overall, the additional risk provisioning expense described above was offset by a volume-related decrease in impairment allowances. The lower level of impairment allowances compared to 31 December 2019 was therefore attributable to the lower level of receivables overall.

# NOTES TO THE INCOME STATEMENT

## 05

### Revenues

Revenues by activity comprise the following:

in € million	2nd quarter 2020 <sup>1</sup>	2nd quarter 2019 <sup>2</sup>	1 January to 30 June 2020	1 January to 30 June 2019 <sup>2</sup>
Sales of products and related goods	13,033	18,075	28,530	33,211
Income from lease instalments	2,841	2,645	5,732	5,252
Sales of products previously leased to customers	2,088	2,730	4,829	5,295
Interest income on loan financing and finance leases	916	994	1,922	1,980
Revenues from service contracts, telematics and roadside assistance	554	760	1,212	1,461
Other income	541	511	1,000	978
<b>Revenues</b>	<b>19,973</b>	<b>25,715</b>	<b>43,225</b>	<b>48,177</b>

<sup>1</sup> Supplementary information which was not subject of the audit review.

<sup>2</sup> Figures reported for the previous year have been restated. In the first half of 2019, revenues from sales of products previously leased to customers incorrectly included income from lease instalments amounting to €188 million (second quarter 2019: €94 million). In addition, a number of accounts relating to other income on the one hand and interest income on loan financing and finance lease on the other have been reclassified.

Revenues recognised from contracts with customers in accordance with IFRS 15 totalled €35,489 million (2019: €40,976 million).

An analysis of revenues by segment is shown in the segment information in → note 22. Revenues from the sale of products and related goods are generated primarily in the Automotive segment and, to a lesser extent, in the Motorcycles segment. Revenues from lease instalments, from sales of products previously leased to customers and interest income on loan financing and finance leases are allocated to the Financial Services segment. Other income relates mainly to the Automotive segment and the Financial Services segment.

→ see  
note 22

Interest income on loan financing and finance leases includes interest calculated on the basis of the effective interest method totalling €1,793 million (2019: €1,829 million). This interest income is not reported separately in the income statement as it is not significant compared to total Group revenues.

**06****Other operating income and expenses**

These line items principally include exchange gains and losses, gains and losses on the disposal of assets, impairment allowances, as well as income/expense from the reversal of and allocation to provisions, including provisions for ongoing legal disputes, legal disputes that have been concluded and other litigation risks.

→<sup>1</sup>

In the previous year, an expense of approximately €1.4 billion was also recognised in connection with the ongoing anti-trust proceedings instigated by the EU Commission (see also note 10 to the BMW Group Financial Statements for the financial year 2019). In December 2019, the BMW Group submitted a detailed response to the EU Commission regarding the latter's Statement of Objections. A decision by the EU Commission is pending. The financial impact cannot be definitively assessed at this point in time.

**07****Other financial result**

Other financial developed as follows:

in € million	2nd quarter 2020*	2nd quarter 2019	1 January to 30 June 2020	1 January to 30 June 2019
Result on investments	74	4	7	179
Sundry other financial result	8	-127	-489	-228
<b>Other financial result</b>	<b>82</b>	<b>-123</b>	<b>-482</b>	<b>-49</b>

\* Supplementary information which was not subject of the audit review.

Sundry other financial result mainly reflects the impact of changes in interest rates in the USA.

**08****Income taxes**

The effective tax rate for the six-month period to 30 June 2020 was 27.2% (2019: 28.1%) and corresponds to the best estimate of the weighted average annual income tax rate for the full year. This tax rate has been applied to the pre-tax profit for the period under report.

# NOTES TO THE BALANCE SHEET

## 09

### Intangible assets

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

in € million	30. 6. 2020	31. 12. 2019
Capitalised development costs	10,558	10,443
Goodwill	379	380
thereof allocated to the Automotive cash-generating unit	33	33
thereof allocated to the Financial Services cash-generating unit	346	347
Other intangible assets	919	906
<b>Intangible assets</b>	<b>11,856</b>	<b>11,729</b>

Intangible assets developed during the first six months of the year as follows:

in € million	2020	2019
Capitalised development costs		
Additions	965	840
Amortisation	847	806
Other intangible assets		
Additions	107	232
Amortisation	87	67

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

## 10

### Property, plant and equipment (including right-of-use assets from leases)

Property, plant and equipment developed during the first six months as follows:

in € million	2020	2019
Additions	1,370	1,943
Depreciation	2,116	2,032
Disposals	130	33

Purchase commitments for property, plant and equipment (excluding right-of-use assets from leases) totalled €3,161 million (31 December 2019: €3,128 million).

## 11

### Financial assets

Financial assets comprise:

in € million	30. 6. 2020	31. 12. 2019
Marketable securities and investment funds	3,980	5,391
Derivative instruments	3,323	1,620
Loans to third parties	83	54
Other	169	260
<b>Financial assets</b>	<b>7,555</b>	<b>7,325</b>

## 12

### Income tax assets

Current income taxes amounting to €1,313 million (31 December 2019: €1,209 million) include €196 million (31 December 2019: €186 million), which is expected to be settled after more than twelve months. Claims may be settled earlier than this depending on the timing of the underlying proceedings.

**13****Equity**

The Group Statement of Changes in Equity is shown on → pages 36 and 37.

→ see  
pages 36  
and 37

**Subscribed capital**

The number of shares of common stock issued by BMW AG at 30 June 2020 was 601,995,196 shares, each with a par value of €1, unchanged from 31 December 2019. The number of shares of preferred stock at that date was 56,867,304 shares, each with a par value of €1, unchanged from 31 December 2019. Unlike the common stock, no voting rights are attached to the preferred stock. Subscribed capital therefore stood at €659 million, unchanged from 31 December 2019. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

The shareholders passed a resolution at the 2019 Annual General Meeting authorising the Board of Management, with the approval of the Supervisory Board, to increase the Company's share capital by up to €5 million prior to 15 May 2024 by the issuance of new shares of non-voting preferred stock, carrying the same rights as existing non-voting preferred stock, in return for cash contributions. So far, 740,400 shares of preferred stock have been issued to employees on the basis of this authorisation. The number of authorised shares and amount of authorised capital at the level of BMW AG therefore remain at 4.3 million shares and €4.3 million respectively. The BMW Group did not hold any treasury shares at 30 June 2020.

**Revenue reserves**

During the second quarter of 2020, BMW AG paid the dividend for the financial year 2019 amounting to €1,505 million for common stock and €141 million for preferred stock.

**14****Income tax liabilities**

Current income taxes amounting to €896 million (31 December 2019: €963 million) include liabilities of €56 million (31 December 2019: €89 million), which are expected to be settled after more than twelve months. Liabilities may be settled earlier than this depending on the timing of the underlying proceedings.

Current income tax liabilities comprise €134 million (31 December 2019: €300 million) for taxes payable and €762 million (31 December 2019: €663 million) for tax provisions.

**15****Financial liabilities**

Financial liabilities of the BMW Group comprise the following:

in € million	30.6.2020	31.12.2019
Bonds	63,856	62,165
Asset backed financing transactions	19,560	19,549
Liabilities from customer deposits (banking)	17,013	14,657
Liabilities to banks	10,326	11,436
Lease liabilities	2,628	2,895
Derivative instruments	1,676	2,096
Commercial paper	1,304	2,615
Other	1,251	1,327
<b>Financial liabilities</b>	<b>117,614</b>	<b>116,740</b>

Further information is provided in the section on financing activities in the Interim Group Management Report.

**16****Other liabilities**

Other liabilities include contract liabilities relating to contracts with customers amounting to €5,071 million (31 December 2019: €5,038 million). The liabilities relate mainly to service and repair work as well as telematics services and roadside assistance agreed to be part of the sale of a vehicle (in some cases multi-component arrangements).

## OTHER DISCLOSURES

### 17

#### Research and development expenditure

Research and development expenditure was as follows:

in € million	2nd quarter 2020*	2nd quarter 2019	1 January to 30 June 2020	1 January to 30 June 2019
Research and development expenses	1,354	1,400	2,734	2,796
Expenditure for capitalised development costs	589	481	965	840
Amortisation	-415	-404	-847	-806
<b>Total research and development expenditure</b>	<b>1,528</b>	<b>1,477</b>	<b>2,852</b>	<b>2,830</b>

\* Supplementary information which was not subject of the audit review.

### 18

#### Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	30. 6. 2020	31.12.2019
Investment subsidies	175	284
Litigation	120	139
Performance guarantees	43	46
Other	911	618
<b>Contingent liabilities</b>	<b>1,249</b>	<b>1,087</b>

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

The BMW Group determines its best estimate of contingent liabilities based on the information available at the date the financial statements are prepared. The assessment may change over time and is adjusted regularly on the basis of new information and circumstances. The risks are partially covered by insurance policies.

The European Commission is currently conducting an investigation in connection with antitrust allegations against five German car manufacturers. The BMW Group has provided for the potential outcome of the investigation in the form of a provision measured on the basis of the Statement of Objections, at the best possible estimate (see also note 10 to the Group Financial Statements for the financial year 2019). In relation to these allegations, numerous class action lawsuits have been brought in the USA and Canada as well as several private lawsuits in South Korea. The class action lawsuits in the USA were again dismissed in March 2020 after the preliminary dismissal of the lawsuit in June 2019 for failure to state a claim.

The applicants resubmitted their claims in June 2020 in an amended form. The defendants are currently preparing their motions to have the action dismissed. Class action lawsuits in Canada and private lawsuits in South Korea are still at an early stage. Further civil lawsuits based on the allegations are possible going forward. In addition, the Chinese State Administration for Market Regulation (SAMR) opened antitrust proceedings against BMW AG in March 2019, followed by the Korea Fair Trade Commission in May 2020 and the Turkish Competition Authority in July 2020. The proceedings are still at an early stage. Possible risks for the BMW Group cannot be currently foreseen, either in terms of their outcome or the amounts involved. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

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

During the first half of the year, the BMW Group initiated voluntary recalls for specific vehicle models in conjunction with the exhaust gas recirculation module (EGR), for which provision had previously been recognised as part of the warranty provision. In addition to the risks already covered by provisions, it cannot be ruled out that further vehicles manufactured by the BMW Group will be affected. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

In September 2019, the Japan Fair Trade Commission conducted a search at the premises of BMW Japan Corp. in connection with its market practices in relation to dealerships. The official investigations are ongoing. Possible risks for the BMW Group cannot be currently foreseen, either in terms of their outcome or the amounts involved. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

The BMW Group has been notified that the U.S. Securities and Exchange Commission (SEC) is conducting an investigation related to vehicle sales practices and the reporting of delivery figures. Risks for the BMW Group arising from the SEC investigation cannot be definitively quantified at the present time. Further disclosures pursuant to IAS 37.86 cannot be provided at present. <sup>71</sup>

## 19

**Financial instruments**

Information is provided in notes 4 and 39 of the Group Financial Statements for the financial year 2019 regarding the recognition and measurement of financial instruments.

**Disclosures relating to financial instruments measured at fair value**

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

in € million	30. 6. 2020		
	Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral receivables	3,376	323	–
Other investments	72	–	397
Cash equivalents	–	2,350	–
Loans to third parties	–	–	28
Derivative instruments (assets)			
Interest rate risk	–	2,482	–
Currency risk	–	620	–
Raw material market price risk	–	217	–
Other risks	–	–	4
Derivative instruments (liabilities)			
Interest rate risk	–	1,074	–
Currency risk	–	170	–
Raw material market price risk	–	421	11
	31.12. 2019		
	Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral receivables	4,582	365	–
Other investments	106	–	355
Cash equivalents	–	462	–
Loans to third parties	–	–	14
Derivative instruments (assets)			
Interest rate risk	–	1,274	–
Currency risk	–	74	–
Raw material market price risk	–	267	–
Other risks	–	–	5
Derivative instruments (liabilities)			
Interest rate risk	–	1,155	–
Currency risk	–	723	–
Raw material market price risk	–	218	–

There have not been any reclassifications within the level hierarchy during the financial year 2020 to date. In the previous financial year, marketable securities amounting to €187 million were transferred as at 30 June 2019 from Level 1 to Level 2 in view of the

fact that their fair value was determined on the basis of observable market data. As a general rule, any transfers between fair-value hierarchy levels are made at the end of the relevant reporting period.

Financial instruments measured at fair value using input factors not based on observable market prices <sup>⌋</sup>

are allocated to Level 3. Fair values are determined in accordance with the following table:

in € million	30. 6. 2020 Fair value	31. 12. 2019 Fair value	Valuation method	Input Parameter
Unquoted equity instruments	397	355	Market-based approach Milestone analysis (quantitative and qualitative factors)	Financial ratios Technical company-specific ratios Liquidity-specific ratios
Convertible bonds	28	14	Market-based approach Milestone analysis (quantitative and qualitative factors)	Financial ratios Technical company-specific ratios Liquidity-specific ratios
Options on unquoted equity instruments	4	5	Market-based approach Milestone analysis (quantitative and qualitative factors)	Financial ratios Technical company-specific ratios Liquidity-specific ratios Exercise price
Derivative instruments	-11	-	Discounted cash flow method	Bank, trader inquiries Market data for forward curves

Financial instruments allocated to Level 3 relate mainly to investments in a private-equity fund. For valuation purposes, the investment advisor provides the external fund manager with relevant, investment-specific information on an ongoing basis (at least quarterly). The latter subsequently assesses the underlying individual companies in accordance with the guidelines for international private equity and venture capital valuations (IPEV).

As part of the valuation analysis process, the external fund manager reviews the investment-specific milestones, including an analysis of financial, technical and liquidity-specific performance indicators. Based on this analysis, it is considered whether the price of the most recent financing round can be accepted as an appropriate market valuation for the investments, which are often in an early/growth phase. The key performance indicators used for milestone analysis depend on the business model underlying the investment. Typical technical performance indicators include licensing and patent awards, the progress of technological development (i.e. proof of concept and prototypes), market entries, customer and user growth rates and appointments to key management positions. The main financial performance indicators used are revenues, EBITDA, growth rates and specific contribution margins. Liquidity-specific performance indicators include cash on hand, cash burn rates and prospects for future financing rounds.

A change of +/-10% in the relevant input parameter (e.g. the price of the most recent financing round) would normally also lead to a similar change of +/-10% in the valuation of the investments made by the private equity fund. Similarly, a significant reduction in growth rates or financial ratio margins could result in impairment and therefore a lower valuation of an investment.

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



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

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Derivative instruments	Financial Instruments Level 3
1 January 2020	355	14	5	–	374
Additions	24	14	–	–	38
Disposals	–13	–	–	–	–13
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	–11	–11
Gains (+)/losses (–) recognised in the income statement	32	–	–1	–	31
Currency translation differences	–1	–	–	–	–1
<b>30 June 2020</b>	<b>397</b>	<b>28</b>	<b>4</b>	<b>–11</b>	<b>418</b>

Gains and losses recognised through profit and loss are reported within the line item “Sundry other financial result”. Of the gains and losses recorded in the financial year 2020 to date, €30 million are unrealised.

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

### Disclosures relating to financial instruments measured at amortised cost

The following table shows the fair values and carrying amounts of financial assets and liabilities that are measured at amortised cost and whose carrying amounts differ from their fair value. Fair values are determined using the discounted cash flow method and taking into account the risk of default. For this

reason, the fair values can be allocated to Level 2 in the level hierarchy pursuant to IFRS 13.

In the case of other financial instruments measured at amortised cost not included here, the carrying amount represents an appropriate approximation of fair value. For this reason, they are not presented separately.

in € million	30.6.2020		31.12.2019	
	Fair value	Carrying amount	Fair value	Carrying amount
Receivables from sales financing – credit financing	66,826	63,988	73,699	70,625
Receivables from sales financings – finance and operating leases	22,410	20,744	22,741	21,812
Financial assets – marketable securities and investment funds	282	281	446	444
<b>Financial liabilities</b>				
Bonds	65,450	63,856	62,757	62,165
Asset backed financing transactions	19,529	19,560	19,659	19,549
Liabilities from customer deposits (banking)	17,201	17,013	14,739	14,657
Liabilities to banks	10,571	10,326	12,071	11,436

## 20

**Related party relationships**

Transactions of Group entities with related parties arise exclusively in the normal course of business of each of the parties concerned and are conducted at normal market conditions.

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

in € million	Supplies and services performed		Supplies and services received		Receivables		Payables	
	1 January to 30 June 2020	1 January to 30 June 2019	1 January to 30 June 2020	1 January to 30 June 2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
BMW Brilliance Automotive Ltd.	4,199	4,113	36	48	1,812	2,639	57	496

in € million	Supplies and services performed		Supplies and services received		Receivables		Payables	
	2nd quarter 2020*	2nd quarter 2019	2nd quarter 2020*	2nd quarter 2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
BMW Brilliance Automotive Ltd.	2,567	2,197	23	26	1,812	2,639	57	496

\* Supplementary information which was not subject of the audit review.

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

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

Stefan Quandt, Germany, is also the indirect majority shareholder of SOLARWATT GmbH, Dresden. Cooperation arrangements are in place between BMW AG and SOLARWATT GmbH, Dresden, within the field of electric mobility. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. SOLARWATT GmbH, Dresden, leased vehicles from the BMW Group during the first six months of 2020.

Susanne Klatten, Germany, is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairwoman of the Supervisory Board of ALTANA AG, Wesel. ALTANA AG, Wesel, acquired vehicles from the BMW Group during the first six months of 2020, primarily by way of leasing.

Susanne Klatten, Germany, is also the sole shareholder and Chairwoman of the Supervisory Board of UnternehmerTUM GmbH, Garching. During the first six months of 2020, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, primarily in the form of consultancy and workshop services.

In addition, Susanne Klatten, Germany, and Stefan Quandt, Germany, are indirectly sole shareholders of Entrust Datacard Corp., Shakopee, Minnesota. Stefan Quandt is also a member of the supervisory board of this entity. Entrust Datacard Corp., Shakopee, Minnesota, leased vehicles from the BMW Group during the first six months of 2020.

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

in € thousand	Supplies and services performed		Supplies and services received		Receivables		Payables	
	1 January to 30 June 2020	1 January to 30 June 2019	1 January to 30 June 2020	1 January to 30 June 2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
DELTON Health AG (formerly DELTON AG)	960	1,032	–	–	9	20	–	–
DELTON Logistics S.à r.l.	685	754	9,413	10,752	5	14	3,695	1,871
DELTON Technology SE	3	3	–	–	–	–	–	–
SOLARWATT GmbH	1,275	59	–	–	873	8	–	–
ALTANA AG	1,031	1,029	–	–	203	355	–	65
UnternehmerTUM GmbH	–	82	498	710	–	27	196	693
Entrust Datacard Corp.	69	76	–	–	11	10	–	–

in € thousand	Supplies and services performed		Supplies and services received		Receivables		Payables	
	2nd quarter 2020*	2nd quarter 2019	2nd quarter 2020*	2nd quarter 2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
DELTON Health AG (formerly DELTON AG)	446	520	–	–	9	20	–	–
DELTON Logistics S.à r.l.	299	361	3,654	5,193	5	14	3,695	1,871
DELTON Technology SE	1	3	–	–	–	–	–	–
SOLARWATT GmbH	1,158	54	–	–	873	8	–	–
ALTANA AG	512	520	–	–	203	355	–	65
UnternehmerTUM GmbH	–	82	367	470	–	27	196	693
Entrust Datacard Corp.	34	39	–	–	11	10	–	–

\* Supplementary information which was not subject of the audit review.

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

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

## 21

### Events after the end of the reporting period

No events have occurred after the balance sheet date with a particular significance for the results of operations, financial position or net assets of the BMW Group.

# SEGMENT INFORMATION

22

## Explanatory notes to segment information

For information on the basis used for identifying and managing reportable segments, please refer to the Group Financial Statements for the year ended 31 December 2019. Due to the management system, reported segment results and asset values are based on different performance measures. Details are provided in note 45 of the Group Financial Statements of BMW AG for the year ended 31 December 2019.

Segment information is prepared as a general rule in conformity with the accounting policies adopted for ↗

preparing and presenting the Interim Group Financial Statements. Exceptions to this general principle include the treatment of inter-segment guarantees, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business. In addition, intragroup repurchase agreements between the Automotive and Financial Services segments pursuant to IFRS 15, impairment allowances on intragroup receivables and changes in the value of consolidated other investments pursuant to IFRS 9 are also excluded. Intragroup leasing arrangements are not reflected in the internal management and reporting system on a IFRS 16 basis and therefore, in accordance with IFRS 8, do not give rise to any changes in the presentation of segment information.

Segment information by operating segment for the first six months is as follows:

in € million	Automotive		Motorcycles		Financial Services	
	2020	2019	2020	2019	2020	2019
<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>						
External revenues	28,626	33,025	1,083	1,316	13,516	13,835
Inter-segment revenues	4,241	8,812	-4	-3	740	675
<b>Total revenues</b>	<b>32,867</b>	<b>41,837</b>	<b>1,079</b>	<b>1,313</b>	<b>14,256</b>	<b>14,510</b>
Segment result	-1,325	1,159	65	191	581	1,200
Result from equity accounted investments	404	188	-	-	-	-
Capital expenditure on non-current assets	2,370	2,958	64	46	12,982	12,442
Depreciation and amortisation on non-current assets	2,968	2,830	59	50	6,501	5,375

Segment information by operating segment for the second quarter\* is as follows:

in € million	Automotive		Motorcycles		Financial Services	
	2020	2019	2020	2019	2020	2019
<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>						
External revenues	13,147	17,949	524	729	6,302	7,036
Inter-segment revenues	1,731	4,675	-2	-2	356	328
<b>Total revenues</b>	<b>14,878</b>	<b>22,624</b>	<b>522</b>	<b>727</b>	<b>6,658</b>	<b>7,364</b>
Segment result	-1,554	1,469	-7	102	97	573
Result from equity accounted investments	364	31	-	-	-	-
Capital expenditure on non-current assets	1,333	1,618	42	30	6,381	6,915
Depreciation and amortisation on non-current assets	1,446	1,427	30	25	3,313	2,790

in € million	Automotive		Motorcycles		Financial Services	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
Segment assets	18,017	16,193	695	712	14,904	15,545
Investments accounted for using the equity method	3,454	3,199	-	-	-	-

\* Supplementary information which was not subject of the audit review.

Other Entities		Reconciliation to Group figures		Group		
2020	2019	2020	2019	2020	2019	
						<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>
-	1	-	-	43,225	48,177	External revenues
1	2	-4,978	-9,486	-	-	Inter-segment revenues
1	3	-4,978	-9,486	43,225	48,177	<b>Total revenues</b>
-408	-155	1,585	420	498	2,815	Segment result
-	-	-	-	404	188	Result from equity accounted investments
-	-	-2,623	-3,398	12,793	12,048	Capital expenditure on non-current assets
-	-	-3,486	-3,055	6,042	5,200	Depreciation and amortisation on non-current assets

Other Entities		Reconciliation to Group figures		Group		
2020	2019	2020	2019	2020	2019	
						<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>
-	1	-	-	19,973	25,715	External revenues
-	1	-2,085	-5,002	-	-	Inter-segment revenues
-	2	-2,085	-5,002	19,973	25,715	<b>Total revenues</b>
-64	-97	1,228	6	-300	2,053	Segment result
-	-	-	-	364	31	Result from equity accounted investments
-	-	-1,177	-1,908	6,579	6,655	Capital expenditure on non-current assets
-	-	-1,769	-1,528	3,020	2,714	Depreciation and amortisation on non-current assets

Other Entities		Reconciliation to Group figures		Group		
30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019	
105,413	106,038	84,284	89,546	223,313	228,034	Segment assets
-	-	-	-	3,454	3,199	Investments accounted for using the equity method

Segment figures for the first half-year can be reconciled to the corresponding Group figures as follows:

in € million	2020	2019
Reconciliation of segment result		
Total for reportable segments	-1,087	2,395
Financial result of Automotive segment	232	297
Financial result of Motorcycles segment	-1	-4
Elimination of inter-segment items	1,354	127
<b>Group profit / loss before tax from continuing operations</b>	<b>498</b>	<b>2,815</b>
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	15,416	15,446
Elimination of inter-segment items	-2,623	-3,398
<b>Total Group capital expenditure on non-current assets</b>	<b>12,793</b>	<b>12,048</b>
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	9,528	8,255
Elimination of inter-segment items	-3,486	-3,055
<b>Total Group depreciation and amortisation on non-current assets</b>	<b>6,042</b>	<b>5,200</b>

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

in € million	2020*	2019
Reconciliation of segment result		
Total for reportable segments	-1,528	2,047
Financial result of Automotive segment	381	14
Financial result of Motorcycles segment	-1	-2
Elimination of inter-segment items	848	-6
<b>Group profit / loss before tax from continuing operations</b>	<b>-300</b>	<b>2,053</b>
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	7,756	8,563
Elimination of inter-segment items	-1,177	-1,908
<b>Total Group capital expenditure on non-current assets</b>	<b>6,579</b>	<b>6,655</b>
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	4,789	4,242
Elimination of inter-segment items	-1,769	-1,528
<b>Total Group depreciation and amortisation on non-current assets</b>	<b>3,020</b>	<b>2,714</b>

\* Supplementary information which was not subject of the audit review.

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

in € million	30. 6. 2020	31.12. 2019
Reconciliation of segment assets		
Total for reportable segments	139,029	138,488
Non-operating assets – Automotive	56,876	58,612
Liabilities of Automotive segment not subject to interest	34,675	38,257
Non-operating assets – Motorcycles	50	47
Liabilities of Motorcycles segment not subject to interest	703	688
Total liabilities – Financial Services segment	133,684	140,955
Non-operating assets – Other Entities segment	7,030	6,859
Elimination of inter-segment items	-148,734	-155,872
<b>Total Group assets</b>	<b>223,313</b>	<b>228,034</b>

Munich, 28 July 2020

**Bayerische Motoren Werke**  
Aktiengesellschaft

The Board of Management

Oliver Zipse

Ilka Horstmeier

Dr. Milan Nedeljković

Pieter Nota

Dr. Nicolas Peter

Frank Weber

Dr.-Ing. Andreas Wendt

# BMW GROUP RESPONSIBILITY STATE- MENT BY THE COMPANY'S LEGAL REPRESENTATIVES

"To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the Interim Group Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Interim Group Management Report includes a true and 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 for the remaining months of the financial year."

Munich, 28 July 2020

**Bayerische Motoren Werke**  
Aktiengesellschaft

The Board of Management

Oliver Zipse

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Frank Weber

Dr.-Ing. Andreas Wendt



# BMW GROUP REVIEW REPORT

## To Bayerische Motoren Werke Aktiengesellschaft, München

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, condensed statement of comprehensive income, balance sheet, condensed cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of Bayerische Motoren Werke Aktiengesellschaft, München, for the period from 1 January 2020 to 30 June 2020, which are part of the half-year financial report pursuant to § (Article) 115 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review 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 review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Munich, 4 August 2020

**PricewaterhouseCoopers GmbH**  
Wirtschaftsprüfungsgesellschaft

Petra Justenhoven  
Wirtschaftsprüferin  
(German Public Auditor)

Andreas Fell  
Wirtschaftsprüfer  
(German Public Auditor)

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# OTHER INFORMATION

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→ Page 59 **Contacts**

# 4

# CONTACTS

**Business and Finance Press**

Telephone +49 89 382-2 45 44  
+49 89 382-2 41 18  
Fax +49 89 382-2 44 18  
E-mail [presse@bmwgroup.com](mailto:presse@bmwgroup.com)

**Investor Relations**

Telephone +49 89 382-2 53 87  
Fax +49 89 382-1 46 61  
E-mail [ir@bmwgroup.com](mailto:ir@bmwgroup.com)

**The BMW Group on the Internet**

Further information about the BMW Group is available online at → [www.bmwgroup.com](http://www.bmwgroup.com).

Investor Relations information is available directly at → [www.bmwgroup.com/ir](http://www.bmwgroup.com/ir).

Information about the various BMW Group brands is available at → [www.bmw.com](http://www.bmw.com), → [www.mini.com](http://www.mini.com)

and → [www.rolls-roycemotorcars.com](http://www.rolls-roycemotorcars.com) and → [www.bmw-motorrad.com](http://www.bmw-motorrad.com).

This version of the Quarterly Report is a translation from the German version. Only the original German version is binding.

**PUBLISHED BY**

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Bayerische Motoren Werke

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Aktiengesellschaft

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80788 Munich

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Germany

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Telephone +49 89 382-0

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