

Supplementary information on agenda item 9.4:

Annual Financial Statements for BMW Fahrzeugtechnik
GmbH as of 31 December 2018

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Annual Financial Statements of BMW Fahrzeugtechnik GmbH Financial year 2018

BMW Fahrzeugtechnik GmbH

Balance sheet as at 31 December

in T€	Appendix	2018	2017
Assets			
Intangible assets	1	4	10
Property, plant and equipment	2	29.985	32.354
Financial assets	3	3.261	3.261
Fixed assets		33.250	35.625
Inventories	4	62.958	56.996
Receivables and other assets	5	12.829	2.027
Current assets		75.787	59.023
Balance sheet total		109.037	94.648
Liabilities			
Subscribed capital		26	26
Capital reserve		11.262	11.262
Retained earnings		62	62
Balance sheet profit		7	7
Equity	6	11.357	11.357
Other provisions	7	5.575	5.124
Liabilities from deliveries and services		6.959	6.448
Amounts owed to affiliated companies		84.829	71.450
Other liabilities		317	269
Liabilities	8	92.105	78.167
Balance sheet total		109.037	94.648

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Profit and loss account

in T€	Appendix	2018	2017
Revenues	9	76.819	67.377
Production costs of the services rendered to generate the sales revenue		-73.097	-62.965
Gross profit from sales		3.722	4.412
Distribution costs		-427	-328
General administrative expenses		-2.752	-2.340
Other operating income	10	761	1.168
Other operating expenses	11	-598	-614
Income from investments	12	0	23.961
Other interest and similar income	13	57	191
Interest and similar expenses	14	-728	-732
Result after taxes		35	25.718
Other taxes		-17	-17
Profits transferred on the basis of a profit and loss transfer agreement		-18	-25.701
Net profit for the year		0	0
Profit carried forward		7	7
Balance sheet profit		7	7

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Fundamentals of the financial statements

The annual financial statements of BMW Fahrzeugtechnik GmbH are prepared in accordance with the provisions of the German Commercial Code and the Limited Liability Companies Act and are stated in € thousands. BMW Fahrzeugtechnik GmbH, with its registered office in Eisenach, is registered with the Jena District Court under the commercial register number HRB 400361.

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Appendix

Accounting and valuation principles

In order to improve the clarity of presentation and to align the presentation with that of the parent company BMW AG, individual items have been combined in the balance sheet and income statement and shown separately in the notes.

Intangible assets acquired for consideration are recognised at acquisition cost. They are amortised on a straight-line basis over their expected useful life.

Property, plant and equipment are valued at acquisition or production cost less scheduled depreciation. Production costs include direct material and production costs as well as allocable parts of material and production overheads including production-related depreciation. Appropriate portions of the production-related costs of general administration, for social facilities of the company, for voluntary social benefits and for company pension schemes are not included in the production costs. Unscheduled write-downs are made if there are likely to be permanent impairments. Write-ups due to the requirement to reinstate original values are made up to the amortised cost if the reasons for a permanent impairment no longer exist. Property, plant and equipment are generally depreciated using the straight-line method, although in certain cases the declining-balance method is still applied. There is a scheduled switch to the straight-line method as soon as it leads to higher depreciation. In the year of acquisition, depreciation is carried out pro rata temporis. Depreciable fixed assets with acquisition or production costs of up to € 250 are recognised directly as expenses in the year of acquisition. For acquisition or production costs of more than € 250 and up to € 1,000, the straight-line depreciation method with a depreciation period of five years is applied.

Factory and office buildings are depreciated in up to 40 years, technical equipment and machinery usually in five to 10 years, other equipment, factory and office equipment mainly in five years.

Allowances and grants are capitalised if the material requirements for their granting are met and the necessary application has been submitted. The grants are deducted from the acquisition and production costs of the subsidised assets.

Shares in affiliated companies are recognised at acquisition cost.

The composition and development of fixed assets is shown in the fixed assets movement schedule.

Inventories of raw materials, consumables and supplies as well as merchandise are valued at the lower of cost or market. In the case of work in progress and finished goods, direct material and production costs, attributable parts of material and production overheads including production-related depreciation are included. Appropriate parts of the production-related costs of general administration, for social facilities of the company, for voluntary social benefits and for company pension schemes are not included in the production costs. Inventory risks resulting from the storage period or reduced usability are taken into account through devaluations.

Receivables and other assets are recognised at the lower of nominal value or current value.

Provisions for anniversary bonuses and partial retirement are calculated using the projected unit credit method. The calculation is based on actuarial reports taking into account biometric accounting principles. Effects on income from the compounding of interest and the change in the discount rate are recognised in the financial result.

Other provisions are measured in such a way that they take into account all identifiable risks. Provisions are recognised at the necessary settlement amount; long-term provisions are discounted at the average market interest rate corresponding to their remaining term, which is determined and published by the Deutsche Bundesbank.

Liabilities are recognised at the settlement amount on the balance sheet date.

Foreign currency receivables and liabilities are recorded at the mean spot exchange rate at the time of the transaction. Gains resulting from the reporting date valuation are only recognised for receivables and liabilities with a remaining term of one year or less. Losses from exchange rate changes are taken into account by revaluation on the balance sheet date.

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Development of fixed assets

	Acquisition and production costs				
in T€	1.1.2018	Access	Transfers	Disposals	31.12.2018
Intangible assets	86	-	-	65	21
Land, land rights and buildings including buildings on third-party land	24.217	-	-	-	24.217
Technical equipment and machinery	83.962	1.673	2.061	253	87.443
Other equipment, operating and office equipment	14.131	559	-	287	14.403
Payments on account and assets under construction	4.461	594	-2.061		2.994
Property, plant and equipment	126.771	2.826	-	540	129.057
Shares in affiliated companies	3.261	-	-	-	3.261
Financial assets	3.261	-	-	-	3.261
Fixed assets	130.118	2.826	-	605	132.339

Depreciation			Book values			
1.1.2018	Current year	Disposals	31.12.2018	31.12.2018	31.12.2017	
76	6	65	17	4	10	Intangible assets
13.475	382	-	13.857	10.360	10.742	Land, land rights and buildings including buildings on third-party land
67.721	4.518	253	71.986	15.457	16.241	Technical equipment and machinery
13.221	295	287	13.229	1.174	910	Other equipment, operating and office equipment
-	-	-	-	2.994	4.461	Payments on account and assets under construction
94.417	5.195	540	99.072	29.985	32.354	Property, plant and equipment
-	-	-	-	3.261	3.261	Shares in affiliated companies
-	-	-	-	3.261	3.261	Financial assets
94.493	5.201	605	99.089	33.250	35.625	Fixed assets

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Notes to the balance sheet

1 – Intangible assets

Intangible assets mainly include purchased software and licences. Scheduled amortisation for the current financial year amounts to € 6 thousand (2017: € 20 thousand).

2 – Property, plant and equipment

The additions to property, plant and equipment mainly relate to technical equipment and machinery. Scheduled depreciation for the current financial year amounts to € 5,195 thousand (2017: € 6,027 thousand).

3 – Financial assets

Financial assets held are 25 % of the nominal capital of BMW Russia Trading OOO, Moscow. The annual financial statements as at 31 December 2018 of BMW Russia Trading OOO, Moscow, were not yet available at the time of preparation. The equity of this company amounted to € 145,917 thousand as at 31 December 2017 (2016: € 133,524 thousand). In the 2017 financial year, a net profit of €120,383 thousand (2016: €68,064 thousand) was achieved in accordance with Russian Accounting Standards (RAS). Equity was translated at the exchange rate on the balance sheet date, while the result was translated at the average exchange rate for the respective period.

4 – Inventories

in € thou.	31.12.2018	31.12.2017
Raw materials and supplies	2.417	1.825
Work in progress, unfinished services	59.773	54.302
Finished products and goods	768	869
Inventories	62.958	56.996

5 – Receivables and other assets

in € thou.	31.12.2018	31.12.2017
Receivables from deliveries and services	1.210	1.833
Receivables from affiliated companies	11.514	121
Other assets	105	73
Receivables and other assets	12.829	2.027

Receivables from affiliated companies are exclusively trade receivables.

Other assets mainly include receivables from employees and tax receivables.

The receivables and other assets are due within one year.

6 – Equity

The company's share capital is DM 50,000. This corresponds to a balance sheet amount of € 25,565. The revenue reserves relate to other revenue reserves and include discounting effects of other provisions from the first-time application of the BilMoG.

7 – Other provisions

The other provisions are composed as follows:

in € thou.	31.12.2018	31.12.2017
Top-up amounts from partial retirement	3.236	2.786
Other personnel provisions	1.757	1.688
Miscellaneous other provisions	582	650
Provisions	5.575	5.124

As in previous years, the calculation of partial retirement obligations is based on the biometric calculation principles in accordance with the 2018 G mortality tables of Heubeck Richttafeln GmbH. In addition, the following parameters are taken into account:

in %	31.12.2018	31.12.2017
Discount factor	0,85	1,30
Salary trend	3,06	2,94
Pension trend	1,62	1,82

The expenses from the compounding of pension obligations, the change in the discount rate and the effects from the change in fair value are reported in the financial result. All other components are recognised in the functional costs.

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Notes to the balance sheet

8 – Liabilities

in € thou.

	31.12.2018 (31.12.2017)			
	Total amount	of which with a residual term		
		up to one year	from 1 to 5 years	from more than 5 years
Liabilities from deliveries and services	6.959	6.959	-	-
	(6.488)	(6.488)	-	-
Amounts owed to affiliated companies	84.829	63.829	-	21.000
	(71.450)	(51.450)	(10.000)	(10.000)
Other liabilities	-			
thereof tax liabilities	259	259	-	-
	(215)	(215)	-	-
of which within the framework of social security	58	58	-	-
	(54)	(54)	-	-
	317	317	-	-
	(269)	(269)	(-)	(-)
Liabilities	92.105	71.105	-	21.000
	(78.167)	(58.167)	(10.000)	(10.000)

The liabilities to affiliated companies relate in full (2018: € 84,829 thousand; 2017 : € thousand 71.450) to the shareholder. These are mainly financial liabilities and trade payables.

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Notes to the profit and loss account

9 – Revenues

The turnover results from the following activities:

in € thou.	2018	2017
Sale of forming tools	55.914	47.908
Sale of series pressed parts	20.905	19.439
Other revenues	-	30
Revenues	76.819	67.377

The turnover can be broken down into the following geographical markets:

in € thou.	2018	2017
Domestic	72.558	58.700
Abroad	4.261	8.677
Revenues	76.819	67.377

10 – Other operating income

The other operating income, which in the financial year amounted to 761 Tsd. € amount to (2017:1.168 Tsd. €), mainly includes income from reimbursements from BMW AG.

Other operating income unrelated to the accounting period amounted to € 15,000 in the financial year. 2017 These result from proceeds from the disposal of technical equipment and machinery).

11 – Other operating expenses

Other operating expenses mainly include expenses unrelated to the accounting period in the amount of € 70 thousand (2017: € 53 thousand) as well as expenses from the top-up of partial retirement in the amount of € 341 thousand (2017: € 469 thousand).

12 – Income from investments

There was no distribution in 2018, so there was no income from investments in the financial year. The income from investments in 2017 was generated by a distribution of € thousand 23.961 from BMW Russia Trading OOO, Moscow.

13 – Other interest and similar income

Interest income amounted to € 57 thousand in the financial year (2017: € 191 thousand) and is fully attributable to the shareholder, as in the previous year.

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Notes to the profit and loss account

14 – Interest and similar expenses

Interest expenses amounted to € 728 thousand in the financial year (2017: € 732 thousand) and € 617 thousand (2017: € 640 thousand) resulted from long-term loan liabilities to the shareholder.

The expenses from the compounding of pension obligations and long-term personnel provisions as well as the effect on profit or loss from the change in the discount rate amount to the following in the financial year 63 Tsd. € (2017: 56 Tsd. €).

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Other information**15 – Cost of materials**

in € thou.	2018	2017
Cost of raw materials, consumables and supplies and of purchased goods	3.122	2.781
Expenses for purchased services	47.763	48.996
Cost of materials	50.885	51.777

16 – Personnel expenses

in € thou.	2018	2017
Wages and salaries	17.449	15.925
Social security and pension costs	3.173	3.038
of which for pensions	283	280
Personnel expenses	20.622	18.963

17 – Auditor's fee expense

With respect to the disclosure of the total fee charged by the auditor for the financial year 2018 The simplification option pursuant to § 285 no. 17 of the German Commercial Code (HGB) has been used with regard to the disclosure of the total fee charged by the auditor for the financial year. The auditor's total fee is shown in the notes to the consolidated financial statements.

18 – Other financial obligations

The obligations - especially from rental and leasing contracts - in the amount of 2.021 Tsd. € (2017: 1.653 Tsd. €) break down by maturity as follows:

in € thou.	31.12.2018	31.12.2017
Due within one year	885	1.291
Due between one and five years	1.136	362
Other financial obligations	2.021	1.653

19 – Transactions with related parties

Only arm's length transactions are concluded with related parties.

20 – **Employees**

The average number of employees during the year was 255 (2017: 247). In addition, an annual average of 34 (2017: 27) employees were in training.

21 – **Management**

On 1 July 2018, Mr Alexander Eras (graduate engineer) took over the management of BMW Fahrzeugtechnik GmbH from Dr Michael Eckl (graduate engineer).

The total remuneration of the management is not disclosed in accordance with § 286 para. 4 HGB.

22 – **Group affiliation**

BMW Fahrzeugtechnik GmbH is a wholly owned subsidiary of BMW AG, Munich.

There is a profit and loss transfer agreement with the parent company.

The Consolidated Financial Statements of BMW AG for the financial year 2018 are submitted to the operator of the electronic Federal Gazette and are accessible via the website of the Company Register.

23 – **Supplementary report**

No events occurred after the end of the financial year that are of particular significance for the earnings, financial and asset situation of BMW Fahrzeugtechnik GmbH.

24 – **Management Report**

The company makes use of the exemption option of § 264 para. 3 HGB with regard to the preparation of the management report.

Eisenach, 29 March 2019

BMW Fahrzeugtechnik GmbH

[SIGNATURE]

Alexander Eras
Managing Director