

QUARTERLY REPORT

31 MARCH 2016



**BMW
GROUP**

THE NEXT
100 YEARS 



Rolls-Royce
Motor Cars Limited

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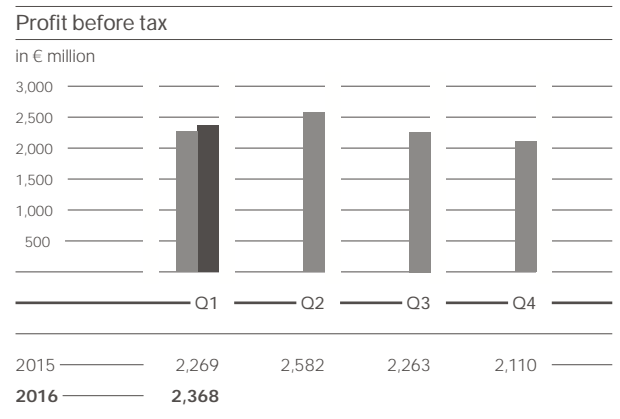
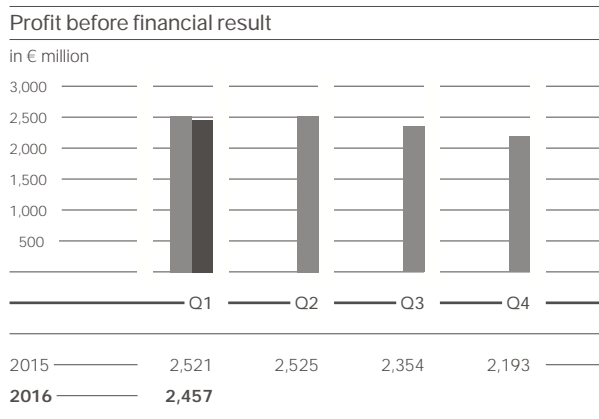
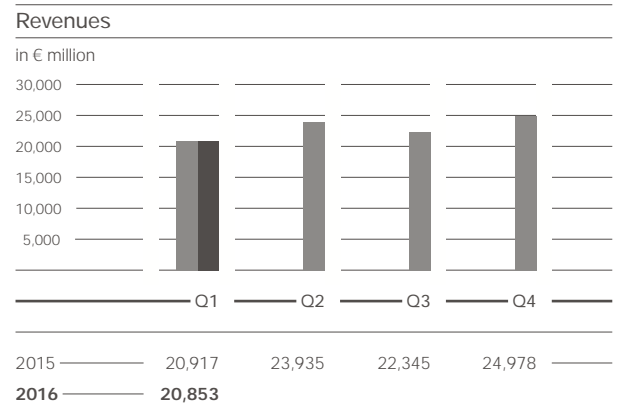
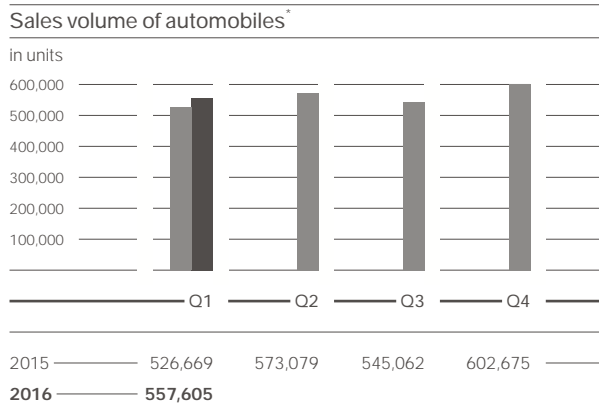
| | | 1st quarter 2016 | 1st quarter 2015 | Change in % |
|---|--------------------|------------------|------------------|-------------|
| Key performance indicators reported on during the year | | | | |
| BMW Group | | | | |
| Workforce at 31 March ¹ | | 122,692 | 117,554 | 4.4 |
| Profit before tax | € million | 2,368 | 2,269 | 4.4 |
| Automotive segment | | | | |
| Sales volume ² | units | 557,605 | 526,669 | 5.9 |
| Revenues | € million | 18,814 | 18,893 | -0.4 |
| EBIT margin | % (change in %pts) | 9.4 | 9.5 | -0.1 |
| Motorcycles segment | | | | |
| Sales volume | units | 33,788 | 31,370 | 7.7 |
| Further performance figures | | | | |
| Automotive segment | | | | |
| Sales volume | | | | |
| BMW ² | units | 478,743 | 451,576 | 6.0 |
| MINI | units | 78,311 | 74,312 | 5.4 |
| Rolls-Royce | units | 551 | 781 | -29.4 |
| Total² | | 557,605 | 526,669 | 5.9 |
| Production | | | | |
| BMW ³ | units | 490,549 | 471,404 | 4.1 |
| MINI | units | 89,057 | 83,907 | 6.1 |
| Rolls-Royce | units | 701 | 963 | -27.2 |
| Total³ | | 580,307 | 556,274 | 4.3 |
| Motorcycles segment | | | | |
| Production | units | 40,280 | 43,357 | -7.1 |
| Financial Services segment | | | | |
| New contracts with retail customers | | 413,372 | 384,565 | 7.5 |
| Operating cash flow Automotive segment | | | | |
| | € million | 1,219 | 1,830 | -33.4 |
| Revenues | | | | |
| | € million | 20,853 | 20,917 | -0.3 |
| — Automotive | € million | 18,814 | 18,893 | -0.4 |
| — Motorcycles | € million | 582 | 567 | 2.6 |
| — Financial Services | € million | 6,032 | 6,058 | -0.4 |
| — Other Entities | € million | -1 | 2 | -50.0 |
| — Eliminations | € million | -4,576 | -4,603 | -0.6 |
| Profit before financial result (EBIT) | | | | |
| | € million | 2,457 | 2,521 | -2.5 |
| — Automotive | € million | 1,763 | 1,794 | -1.7 |
| — Motorcycles | € million | 94 | 115 | -18.3 |
| — Financial Services | € million | 591 | 555 | 6.5 |
| — Other Entities | € million | 11 | 40 | -72.5 |
| — Eliminations | € million | -2 | 17 | - |
| Profit before tax | | | | |
| | € million | 2,368 | 2,269 | 4.4 |
| — Automotive | € million | 1,734 | 1,634 | 6.1 |
| — Motorcycles | € million | 94 | 114 | -17.5 |
| — Financial Services | € million | 570 | 559 | 2.0 |
| — Other Entities | € million | -2 | -23 | 91.3 |
| — Eliminations | € million | -28 | -15 | -86.7 |
| Income taxes | | | | |
| | € million | -727 | -753 | 3.5 |
| Net profit | | | | |
| | € million | 1,641 | 1,516 | 8.2 |
| Earnings per share⁴ | | | | |
| | € | 2.48/2.48 | 2.30/2.30 | 7.8/7.8 |

¹ Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 72,185 units, 2016: 81,900 units).

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 69,353 units, 2016: 57,111 units).

⁴ 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.



BMW Group makes good start to 2016

The BMW Group got off to a good start in the first three months of 2016, with 557,605* BMW, MINI and Rolls-Royce brands vehicles sold worldwide (2015: 526,669* units; +5.9%), a record first-quarter sales volume performance for the sixth year in succession.

The Motorcycles segment also achieved its best-ever first-quarter sales figure, as market conditions remained friendly, particularly in Europe. Worldwide motorcycles sales rose by a solid 7.7% to 33,788 units (2015: 31,370 units).

The Financial Services segment also picked up where it had left off last year with another fine first-quarter performance, concluding a total of 413,372 new lease and credit financing contracts with retail customers during the three-month period (2015: 384,565 contracts; +7.5%).

Profit before tax up

First-quarter revenues were at a similar level to the previous year, finishing at €20,853 million under the influence of unfavourable currency factors (2015: €20,917 million; -0.3%). Group EBIT, at €2,457 million, was 2.5% lower than one year earlier (2015: €2,521 million), reflecting, among other factors, higher administrative and selling expenses. Profit before tax improved by 4.4% to €2,368 million, thanks to the positive impact of financial derivatives (2015: €2,269 million).

Slight increase in workforce size

The BMW Group employed a worldwide workforce of 122,692 people at the end of the first quarter 2016 (2015: 117,554 employees; +4.4%). Substantial amounts are currently being invested in new technologies, digitalisation, highly automated driving, driver assistance systems and a wide variety of mobility services, all of which call for the targeted recruitment of engineers and skilled experts.

Strategy NUMBER ONE > NEXT presented

In March 2016, the BMW Group presented initial details of its Strategy NUMBER ONE > NEXT, which will serve as the basis for future strategy. The technological focus will be on achieving further advances in the fields of electric mobility and automated driving. Going forward, the Group will focus in particular on broadening its technological expertise, expanding the scope of digital interconnectedness between people, vehicles and services, and actively encouraging sustainable mobility.

Despite considerable levels of investment in, and upfront expenditure for, new technologies as well as the cost of meeting increasingly rigorous regulatory requirements, the BMW Group remains committed to achieving its target of profitable growth.

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 72,185 units, 2016: 81,900 units).

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position

General Economic Environment in the first quarter 2016

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Automobile markets in the first quarter 2016

International automobile markets continued to grow in the first quarter, with 3.2% more vehicles sold than one year earlier. The major markets of the USA and China again developed positively. Automobile markets in Europe also saw robust growth. By contrast, registration figures in the emerging markets of Brazil and Russia continued their downward trend.

New registrations in Europe were largely unaffected by growing concerns about future economic developments and increased overall by 8.1%. The major markets, such as Germany (+4.5%), the United Kingdom (+5.1%) and France (+8.5%) also recorded positive growth rates. Southern Europe has experienced particularly strong growth since the beginning of the year. Registration figures went up, for instance, by 21.4% in Italy and by a further 6.9% in Spain, following up on the previous year's extremely good performance.

With the pace of growth slowing down by more than one third in the USA compared to the first three months of the previous year, the positive trend continued, but on a more modest scale. Registration numbers on the US automobile market went up by 3.4% in the first quarter.

The pace of growth has also dropped slightly in China. With an increase of 8.6%, registration figures nevertheless remained at a high level during the period under report.

Weak economic growth is also taking its toll on the automobile market in Japan, where the previous year's negative trend continued unabated in the opening months of 2016 with a further 6.9% drop in new registrations.

The major emerging economies of Brazil and Russia are also expected to record negative growth again in 2016, thus contributing to mounting pressure on their respective automobile markets. The situation in Brazil remained tense, with registrations down by 30.4%, while Russia recorded a 17.6% drop over the same period.

Motorcycle markets in the first quarter 2016

The G 310 R presented in autumn 2015 marks BMW Motorrad's entry into a market segment within the 250 cc plus class. With effect from the beginning of 2016, market analysis has therefore been expanded to cover the whole of the 250 cc plus class.

Motorcycles sales in this class fell slightly in the opening quarter of 2016, reflected in a 1.3% decrease in motorcycle registrations worldwide. European markets grew overall by 5.9%, benefiting above all from the marked

recovery in Southern and Central Europe. However, markets in France and Germany contracted by 2.4% and 5.3% respectively. In fact, the major motorcycle market in Europe to grow was Italy, where registration figures were up by more than a quarter (+26.7%). The US market grew by a robust 5.6%.

Financial services markets in the first quarter 2016

The global economy was characterised by increasing uncertainty during the first quarter 2016. Low raw materials prices, financial market turbulence across the world, a general slowdown in the growth rates of emerging economies and concerns of a possible global recession overshadowed the stable trends currently prevailing in the majority of industrialised countries.

In March, the European Central Bank (ECB) reacted to deflationary trends within the eurozone by lowering the benchmark interest rate to 0%, by imposing negative interest rates on deposits and increasing the scale of monthly bond purchases. The purpose of this raft of measures is to bring the low inflation rate back up towards the target level of 2%.

Buoyed by domestic consumer spending, the US economy kept on growing during the first quarter. In view of increased uncertainty regarding global economic developments, the US Federal Reserve took the decision not to raise the benchmark interest rate further.

In the United Kingdom, stable growth and positive job market figures contrasted with an increasing degree of uncertainty caused by the Brexit debate and global economic trends. Against this backdrop, the Bank of England left its benchmark interest rate at an historically low level.

In January, the Bank of Japan adopted negative interest rates for deposits, with the aim of avoiding deflation on the one hand and stimulating the domestic economy on the other by encouraging banks to increase lending volumes.

Strong turbulence on stock markets and a further slowdown in economic growth were the dominant features of the first quarter in China. China's government reacted by downwardly adjusting its growth target for 2016 and announcing reforms.

Selling prices on international pre-owned vehicle markets fluctuated within normal ranges during the first quarter. Moderate price increases were recorded in the premium segment of Europe's pre-owned vehicle markets during the three-month period, while prices in Asia remained stable and even fell slightly in North America.

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position
Automotive Segment

New sales volume record for the BMW Group

The BMW Group sold 557,605¹ BMW, MINI and Rolls-Royce brand vehicles worldwide during the three-month reporting period (2015: 526,669¹ units; +5.9%), registering a record first-quarter sales volume performance for the sixth year in succession. The BMW and MINI brands in particular posted new sales volume records. Worldwide, the BMW Group sold 478,743¹ BMW brand vehicles (2015: 451,576¹ units; +6.0%) and 78,311 MINI brand vehicles (2015: 74,312 units; +5.4%). Only Rolls-Royce Motor Cars' first-quarter sales figure of 551 units was down on the previous year's level (2015: 781 units; -29.4%).

Dynamic sales volume growth in Europe and Asia

In Europe, sales of the three Group brands totalled 257,120 units, 9.5% more than in the same period last year (2015: 234,849 units). Germany saw a 3.2% rise in sales volume to 66,649 units (2015: 64,610 units). In total, 59,169 BMW, MINI and Rolls-Royce brand vehicles were handed over to customers during the three-month period under report, significantly up on the previous year (2015: 53,534 units; +10.5%).

Sales figures for Asia also showed dynamic growth during the first quarter 2016, with the number of vehicles sold rising by 9.9% to 183,204¹ units (2015: 166,678¹ units). Deliveries to customers on the Chinese mainland increased to 127,167¹ units (2015: 115,078¹ units; +10.5%).

Sales of the Group's three brands on the American continent totalled 100,245 units (2015: 109,743 units; -8.7%), including 81,601 units sold in the USA, down by 10.8% on the previous year (2015: 91,479 units).

BMW brand achieved best first-quarter sales performance to date¹

The BMW brand achieved a new sales volume record of 478,743 units in the first quarter of 2016 (2015: 451,576 units; +6.0%), thereby retaining a leading position in the premium segment. The BMW X5 and X6 models as well as the BMW 5 and 6 Series all headed the market in their respective segments.

At 41,859 units, sales of the BMW 1 Series remained similar to the previous year (2015: 41,541 units; +0.8%). The BMW 2 Series grew its first-quarter sales volume by more than one half to 43,657 units (2015: 27,930 units; +56.3%). Customers took delivery of a total of 103,225 units of the BMW 3 Series during the three-month period (2015: 107,283 units; -3.8%). Now nearing the end of its model life cycle, the BMW 5 Series recorded sales volume of 82,171 units, just short of the previous year's high figure (2015: 88,621 units; -7.3%). With 10,588 units sold, the new BMW 7 Series recorded a 20.3% increase in first-quarter sales (2015: 8,803 units).

Demand for vehicles of the BMW X family remained exceptionally strong at the beginning of 2016, with deliveries up overall by almost one quarter to 154,746 units (2015: 124,711 units; +24.1%). Sales of the new BMW X1 climbed by some two thirds to 51,002 units (2015: 30,435 units; +67.6%). The BMW X3 also recorded a significant rise, with sales up by 26.9% to 38,719 units (2015: 30,521 units). Worldwide sales of the X5 totalled 39,007 units (2015: 40,242 units; -3.1%).

Automotive

| | 1st quarter 2016 | 1st quarter 2015 | Change in % |
|---|------------------|------------------|-------------|
| Sales volume ^{1,2} ————— units | 557,605 | 526,669 | 5.9 |
| Production ³ ————— units | 580,307 | 556,274 | 4.3 |
| Revenues ² ————— € million | 18,814 | 18,893 | -0.4 |
| Profit before financial result (EBIT) ————— € million | 1,763 | 1,794 | -1.7 |
| Profit before tax ————— € million | 1,734 | 1,634 | 6.1 |
| EBIT margin ² ————— % (change in %pts) | 9.4 | 9.5 | -0.1 |
| Workforce at 31 March ————— | 111,566 | 107,014 | 4.3 |

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 72,185 units, 2016: 81,900 units).

² Key performance indicators reported on during the year.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 69,353 units, 2016: 57,111 units).

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Sales volume of BMW vehicles by model series*

in units

| | 1st quarter 2016 | 1st quarter 2015 | Change in % |
|------------------|------------------|------------------|-------------|
| BMW 1 Series | 41,859 | 41,541 | 0.8 |
| BMW 2 Series | 43,657 | 27,930 | 56.3 |
| BMW 3 Series | 103,225 | 107,283 | -3.8 |
| BMW 4 Series | 32,729 | 36,545 | -10.4 |
| BMW 5 Series | 82,171 | 88,621 | -7.3 |
| BMW 6 Series | 3,292 | 6,977 | -52.8 |
| BMW 7 Series | 10,588 | 8,803 | 20.3 |
| BMW X1 | 51,002 | 30,435 | 67.6 |
| BMW X3 | 38,719 | 30,521 | 26.9 |
| BMW X4 | 14,975 | 13,925 | 7.5 |
| BMW X5 | 39,007 | 40,242 | -3.1 |
| BMW X6 | 11,043 | 9,588 | 15.2 |
| BMW Z4 | 1,348 | 2,529 | -46.7 |
| BMW i | 5,128 | 6,636 | -22.7 |
| BMW total | 478,743 | 451,576 | 6.0 |

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 72,185 units, 2016: 81,900 units).

MINI brand achieved best first-quarter sales performance to date

Sales of 78,311 units during the period from January to March 2016 also represented a new first-quarter sales volume record for the MINI brand (2015: 74,312 units;

+ 5.4 %). With 47,396 units sold, the MINI 3- and 5-door models fell only slightly short of the previous year's high level (2015: 47,922 units; -1.1 %). The new MINI Clubman recorded a sales volume figure of 12,173 units for the three-month period (2015: 297 units).

Sales volume of MINI vehicles by model variant

in units

| | 1st quarter 2016 | 1st quarter 2015 | Change in % |
|---------------------------------|------------------|------------------|-------------|
| MINI 3- and 5-door | 47,396 | 47,922 | -1.1 |
| MINI Convertible/Coupé/Roadster | 2,553 | 5,327 | -52.1 |
| MINI Clubman | 12,173 | 297 | - |
| MINI Countryman/Paceman | 16,189 | 20,766 | -22.0 |
| MINI total | 78,311 | 74,312 | 5.4 |

Rolls-Royce down on previous year

The first-quarter sales performance of Rolls-Royce Motor Cars was affected by a number of factors, including political and economic uncertainties, most notably in the Middle East. Preparations for the market launch of the Dawn also had an impact. In total, 551 units were handed over to customers during the period under report (2015:

781 units; -29.4 %). Worldwide sales of the Rolls-Royce Ghost totalled 206 units (2015: 310 units; -33.5 %). The Rolls-Royce Wraith (including the Dawn) achieved sales volume of 286 units (2015: 383 units; -25.3 %). The new Rolls-Royce Dawn made its debut at the end of March. Order intake is good and is expected to boost sales volume figures over the remainder of the year.

Sales volume of Rolls-Royce vehicles by model variant

in units

| | 1st quarter 2016 | 1st quarter 2015 | Change in % |
|--------------------------|------------------|------------------|--------------|
| Phantom | 59 | 88 | -33.0 |
| Ghost | 206 | 310 | -33.5 |
| Wraith/Dawn | 286 | 383 | -25.3 |
| Rolls-Royce total | 551 | 781 | -29.4 |

Automobile production higher

In total, 580,307* BMW, MINI and Rolls-Royce brand vehicles rolled off production lines during the first three months of the year (2015: 556,274* units; +4.3%), comprising 490,549* BMW (2015: 471,404* units; +4.1%), 89,057 MINI (2015: 83,907 units; +6.1%) and 701 Rolls-Royce brand vehicles (2015: 963 units; -27.2%).

Solid increase in pre-tax profit

Segment revenues totalled €18,814 million, only marginally short of the previous year's record figure (2015: €18,893 million; -0.4%). EBIT also fell slightly by €31 million to €1,763 million as a result of higher administrative and selling expenses (2015: €1,794 million; -1.7%). Segment profit before tax for the first quarter totalled €1,734 million, reflecting a solid improvement over the previous year, thanks largely to gains recognised on financial derivatives (2015: €1,634 million; +6.1%).

Despite the prevailing volatile environment i.e. in the USA and a challenging competitive situation, the BMW Group continued to grow profitably in the first quarter 2016. The EBIT margin came in at 9.4% and was thus in the upper half of the target range of between 8 and 10% (2015: 9.5%; -0.1 percentage points).

Automotive segment workforce size up on previous year

The Automotive segment employed a workforce of 111,566 people at the end of the reporting period (2015: 107,014 employees), 4.3% more than one year earlier.

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 69,353 units, 2016: 57,111 units).

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position Motorcycles Segment

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Rise in motorcycles sales volume

BMW Motorrad has also got off to a good start to the new financial year. The segment sold 33,788 motorcycles worldwide during the three-month period under report, thereby achieving a record first-quarter sales volume performance for the sixth year in succession (2015: 31,370 units; +7.7%). Within Europe, sales rose by a solid 8.8 % to 20,849 units (2015: 19,159 units), primarily driven by favourable market conditions in Southern and Central Europe. Sales in Germany rose by 5.6 % to 5,668 units (2015: 5,369 units). Business also developed well in Italy with first-quarter sales of 3,125 units (2015: 2,936 units; +6.4%). The number of motorcycles sold in France edged up by 2.4 % to 3,230 units (2015: 3,155 units). By contrast, sales volume in the USA dropped moderately to 3,022 units (2015: 3,229 unit; -6.4 %).

Fewer motorcycles produced

A total of 40,280 motorcycles were manufactured during the first three months of 2016, 7.1 % fewer than one year earlier (2015: 43,357 units).

Motorcycles segment revenues grow

First-quarter revenue in the Motorcycles segment grew by 2.6 % to €582 million (2015: €567 million). Earnings, however, were down on the previous year, due to starting a number of projects in connection with the implementation of the newly adopted strategy. Both EBIT and profit before tax fell to €94 million (EBIT 2015: €115 million; -18.3 %; pre-tax profit 2015: €114 million; -17.5 %).

Workforce larger than in previous year

The BMW Group employed 3,124 people in the Motorcycles segment at 31 March 2016 (2015: 2,981 employees; +4.8 %).

Motorcycles

| | | 1st quarter 2016 | 1st quarter 2015 | Change in % |
|---------------------------------------|-----------|------------------|------------------|-------------|
| Sales volume* | units | 33,788 | 31,370 | 7.7 |
| Production | units | 40,280 | 43,357 | -7.1 |
| Revenues | € million | 582 | 567 | 2.6 |
| Profit before financial result (EBIT) | € million | 94 | 115 | -18.3 |
| Profit before tax | € million | 94 | 114 | -17.5 |
| Workforce at 31 March | | 3,124 | 2,981 | 4.8 |

* Key performance indicator reported on during the year.

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position Financial Services Segment

Financial Services segment reports successful start to the new year

The Financial Services segment picked up where it had left off in the previous financial year and continued to grow throughout the first quarter 2016. The contract portfolio under management increased by 8.3% to reach 4,786,441 contracts at 31 March 2016 (2015: 4,419,817 contracts). In balance sheet terms, business volume slipped to €109,700 million during the three-month period under report (31 December 2015: €111,191 million; -1.3%) as a result of exchange rate factors.

Growth in new business

As in the previous year, credit financing and leasing business with retail customers again made a significant contribution to the segment's success, with 413,372 new contracts signed during the three-month period under report, 7.5% more than in the previous year (2015: 384,565 contracts).

Leasing business and credit financing grew by 5.5% and 8.6% respectively, accounting for 34.7% and 65.3% of all new business respectively.

The proportion of new BMW Group vehicles¹ either leased or financed by the Financial Services segment at 31 March 2016 was 46.1% (2015: 44.9%; +1.2 percentage points).

In the BMW and MINI brand pre-owned vehicle financing and leasing lines of business, the number of new contracts signed by the segment rose by a solid 7.9% to 85,692 contracts (2015: 79,425 contracts).

The total volume of all new credit financing and leasing contracts concluded with retail customers during the three-month period amounted to €12,460 million, an increase of 5.7% on the previous year (2015: €11,789 million).

The dynamic increase in new retail customer business is also reflected in the overall size of the contract portfolio. In total, 4,402,487 contracts were in place with retail customers at 31 March 2016 (2015: 4,071,468 contracts; +8.1%). As in the previous year, the Asia/Pacific region continued to enjoy strong growth with an 18.3% increase compared to the previous year. The Europe/Middle East/Africa region (+8.3%), the Americas region (+7.5%) and the EU Bank² region (+3.5%) also recorded year-on-year growth.

Solid growth in fleet business

Operating under the brand name "Alphabet", the BMW Group is one of the leading leasing and full-service providers of fleet management services in Europe. Alphabet offers lease and financing arrangements as well as a range of other services to commercial customers. A portfolio of 608,924 contracts was in place

Financial Services

| | 1st quarter 2016 | 1st quarter 2015 | Change in % |
|---|------------------|------------------|-------------|
| New contracts with retail customers | 413,372 | 384,565 | 7.5 |
| Revenues ————— € million | 6,032 | 6,058 | -0.4 |
| Profit before financial result (EBIT) ————— € million | 591 | 555 | 6.5 |
| Profit before tax ————— € million | 570 | 559 | 2.0 |
| Workforce at 31 March | 7,891 | 7,444 | 6.0 |
| | 31.3.2016 | 31.12.2015 | Change in % |
| Business volume in balance sheet terms ³ ————— € million | 109,700 | 111,191 | -1.3 |

¹ The calculation only includes automobile markets, in which the Financial Services segment is represented by a consolidated entity.

² EU Bank comprises BMW Bank GmbH, its branches in Italy, Spain and Portugal, and its subsidiary in France.

³ 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.

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at the end of the reporting period (2015: 563,394 contracts; + 8.1 %).

Slight decrease in multi-brand financing

Multi-brand financing saw a slight drop in new business volume, with 39,052 new contracts signed during the three-month period under report (2015: 39,429 contracts; – 1.0 %). A total portfolio of 469,922 contracts was in place at 31 March 2016, similar to the level reported one year earlier (2015: 468,992 contracts; + 0.2 %).

Dealer financing up on previous year

The total volume of dealer financing increased by 5.5 % to stand at €16,586 million at the end of the reporting period (2015: €15,719 million).

Slight decrease in deposit business

Deposit-taking represents an important source of refinancing for the Financial Services segment. The volume of bank deposits fell slightly during the first three months of 2016 to €13,319 million (31 December 2015: €13,509 million; – 1.4 %).

Growth in insurance business

Business with insurance products developed positively in the first quarter 2016, with new business up by 2.2 % to 295,439 insurance contracts (2015: 289,119 contracts) and the contract portfolio rising to 3,272,818 contracts (2015: 2,968,302 contracts; + 10.3 %).

Earnings increased

The Financial Services segment's strong performance is also reflected in its earnings. Segment profit before tax improved by 2.0 % to €570 million (2015: €559 million), mainly reflecting a more favourable risk profile. First-quarter revenues of €6,032 million were influenced by unfavourable currency factors (2015: €6,058 million; – 0.4 %).

Workforce up on previous year

The Financial Services segment's growth is also reflected in the size of its workforce. The BMW Group employed 7,891 people worldwide in the Financial Services segment at 31 March 2016 (2015: 7,444 employees), 6.0 % more than one year earlier.

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position
Results of Operations, Financial Position and Net Assets

Earnings performance

First-quarter sales of BMW, MINI and Rolls-Royce brand vehicles increased by 5.9% to 557,605 units. This figure includes 81,900 units (2015: 72,185 units) manufactured by the joint venture BMW Brilliance Automotive Ltd., Shenyang.

At 31 March 2016, the BMW Group's workforce comprised 122,692 employees (2015: 117,554 employees).

The BMW Group recorded a net profit of €1,641 million in the first quarter (2015: €1,516 million). The post-tax return on sales was 7.9% (2015: 7.2%). Earnings per share were €2.48, both for common and preferred stock (2015: €2.30 in both cases).

At €20,853 million, Group revenues for the three-month period were at a similar level to the previous year (2015: €20,917 million). Adjusted for exchange rate factors, revenues edged up by 1.3%.

External revenues from the sale of BMW, MINI and Rolls-Royce brand vehicles were at a similar level (-0.3%) to the previous year. Adjusted for exchange rate factors, the increase was 1.6%. The negative currency impact was mainly attributable to the change in the average exchange rates of the Chinese renminbi, South African rand and British pound against the euro. External revenues of the Motorcycles segment grew by 2.7%. Adjusted for exchange rate factors, segment revenues increased by a solid 5.1%. External revenues of the Financial Services segment were at a similar level to the previous year (-0.5%), largely unaffected by exchange rate factors.

Within Group revenues, income from lease instalments and interest income on loan financing increased by 7.1% and 5.6% respectively, whereas revenue from the sale of vehicles previously leased to customers fell by 10.3%. Revenues from the sale of automobiles, motorcycles and related products were at a similar level to the previous year (-0.7%).

Group cost of sales for the quarter was 1.1% lower than in the previous year. Manufacturing costs fell by 5.3%, partly as a result of exchange rate factors, while costs directly attributable to financial services went down by 1.0%. By contrast, research and development expenses increased by 5.1%.

Measured as a percentage of revenues, the research and development expense ratio increased by 0.2 percentage

points to 4.7%. Total research and development expenditure – comprising research costs, non-capitalised development costs and capitalised development costs (excluding systematic amortisation thereon) – amounted to €974 million in the first quarter (2015: €926 million). The research and development expenditure ratio was therefore 4.7% (2015: 4.4%). The proportion of development costs recognised as assets was 30.1% (2015: 26.6%).

Gross profit for the three-month period improved by 2.8% to €4,480 million, resulting in a gross profit margin of 21.5% (2015: 20.8%).

Compared to the previous year, first-quarter selling and administrative expenses were €104 million higher at €1,988 million. Overall, selling and administrative expenses were equivalent to 9.5% (2015: 9.0%) of revenues, whereby the increase was attributable primarily to the higher workforce size on the one hand and higher marketing and IT expenses on the other.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses totalled €1,187 million (2015: €1,106 million).

Other operating income and expenses deteriorated by €84 million to give a net negative amount of €35 million for the three-month period. The change compared to the previous year was mainly due to the expense recognised for donations to the BMW Foundations and lower gains on the disposal of assets.

Profit before financial result (EBIT) amounted to €2,457 million (2015: €2,521 million).

The financial result was a net negative amount of €89 million, an improvement of €163 million over the previous year's corresponding figure. The result from equity-accounted investments fell by €57 million to €71 million. It includes the Group's share of the results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungen GmbH, Munich. The figure for the first quarter 2016 also includes the Group's share of the result of THERE Holding B.V., Amsterdam. The deterioration in the result from equity-accounted investments was attributable, among other factors, to a lower contribution from BMW Brilliance Automotive Ltd., Shenyang, caused, in turn, by the impact of upfront

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Revenues by segment in the first quarter

in € million

| | External revenues | | Inter-segment revenues | | Total revenues | |
|--------------------|-------------------|---------------|------------------------|----------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Automotive | 14,607 | 14,655 | 4,207 | 4,238 | 18,814 | 18,893 |
| Motorcycles | 580 | 565 | 2 | 2 | 582 | 567 |
| Financial Services | 5,666 | 5,696 | 366 | 362 | 6,032 | 6,058 |
| Other Entities | - | 1 | 1 | 1 | 1 | 2 |
| Eliminations | - | - | -4,576 | -4,603 | -4,576 | -4,603 |
| Group | 20,853 | 20,917 | - | - | 20,853 | 20,917 |

expenditure for production start-ups of new vehicles, capacity expansion measures and the increased level of competition on the market. In addition, the inclusion of THERE Holding B.V., Amsterdam, also had a negative impact on the result from equity-accounted investments, mainly in the form of scheduled depreciation and amortisation on purchase price allocations on the one hand and transaction costs on the other. Other financial result in the first quarter was a net negative amount of €77 million, comprising the result on investments and on currency, interest rate and commodity derivatives. Other financial result improved by €223 million, mainly thanks to the lower negative impact of currency derivatives and gains on commodity derivatives. By contrast, the impairment loss recognised on the investment in SGL Carbon SE, Wiesbaden, had a negative impact on other financial result.

Profit before tax increased to €2,368 million mainly attributable to the improvement of the financial result (2015: €2,269 million). The pre-tax return on sales was 11.4% (2015: 10.8%).

Income tax expense amounted to €727 million (2015: €753 million), corresponding to an effective tax rate of

30.7% (2015: 33.2%). The lower income tax expense for the three-month period was partly attributable to the changed regional earnings mix as well as intergroup pricing issues.

Earnings performance by segment

Automotive segment deliveries to customers were 5.9% up on the previous year. At €18,814 million, revenues were at a similar level to the first quarter 2015. Adjusted for exchange rate factors, segment revenues went up by 1.0%. The gross profit margin came in at 18.4%, roughly in line with the first quarter 2015 (17.9%).

First-quarter selling and administrative expenses edged up by €61 million to €1,651 million, mainly reflecting the increased workforce size and higher marketing expenses. Overall, selling and administrative expenses were equivalent to 8.8% (2015: 8.4%) of segment revenues.

The net negative amount from other operating income and expenses deteriorated by €47 million (2015: net negative amount of €1 million). The change compared to the previous year was mainly due to the expense

Profit before tax by segment in the first quarter

in € million

| | 2016 | 2015 |
|--------------------------|--------------|--------------|
| Automotive | 1,734 | 1,634 |
| Motorcycles | 94 | 114 |
| Financial Services | 570 | 559 |
| Other Entities | -2 | -23 |
| Eliminations | -28 | -15 |
| Profit before tax | 2,368 | 2,269 |
| Income taxes | -727 | -753 |
| Net profit | 1,641 | 1,516 |

recognised for donations to the BMW Foundations and lower gains on the disposal of assets.

The Automotive segment's profit before financial result (EBIT) amounted to €1,763 million (2015: €1,794 million). The EBIT margin of 9.4% was at a similar level to the previous year (2015: 9.5%).

The Automotive segment reports a negative financial result for the first quarter of €29 million, an improvement of €131 million compared to the previous year. The result from equity-accounted investments fell by €57 million to €71 million. It includes the Group's share of the results of BMW Brilliance Automotive Ltd., Shenyang, the two DriveNow entities and – in the first quarter 2016 – THERE Holding B.V., Amsterdam. The deterioration is attributable to the lower contribution from BMW Brilliance Automotive Ltd., Shenyang, and the inclusion of THERE Holding B.V., Amsterdam, as described above. Other financial result in the first quarter was a net negative amount of €15 million, comprising the result on investments and on currency, interest rate and commodity derivatives. Other financial result improved by €224 million, mainly thanks to the lower negative impact of currency derivatives on the one hand and gains on commodity derivatives on the other. By contrast, impairment losses recognised on the investment in SGL Carbon SE, Wiesbaden, had a negative impact on other financial result.

Overall, profit before tax rose by a solid 6.1% to €1,734 million mainly attributable to the improvement of the financial result.

Motorcycles segment deliveries to customers were 7.7% and revenues 2.6% up on the previous year. Adjusted for exchange rate factors, segment revenues rose by a solid 5.1%. Profit before tax for the first quarter deteriorated by €20 million (2015: €114 million), mainly as a consequence of higher expenses for new projects in connection with the implementation of the new strategy.

Financial Services segment revenues in the first quarter amounted to €6,032 million, similar to the level reported one year earlier (2015: €6,058 million). Changes in exchange rates did not have a significant impact on reported revenues. Selling and administrative expenses were higher than one year earlier (2016: €283 million; 2015: €247 million). Other operating income and expenses improved by €5 million (2015: net expense of €5 million). In contrast, the financial result deteriorated

from €4 million to a net negative amount of €21 million. Overall, the Financial Services segment posted profit before tax of €570 million, slightly higher (+2.0%) than in the first quarter 2015.

The Other Entities segment recorded a loss before tax of €2 million. The improvement of €21 million was partly due to effects of interest rate and currency derivatives.

The negative impact on earnings at the level of profit before tax reported in the Eliminations column for the first quarter increased from €15 million to €28 million.

Financial position

The consolidated cash flow statements for the Group and the Automotive and Financial Services segments show the sources and applications of cash flows for the first quarters of 2016 and 2015, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statements correspond to the amounts disclosed in the balance sheet.

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

The cash outflow for operating activities in the first quarter 2016 totalled €86 million (2015: cash inflow of €989 million), mainly reflecting the impact of increased working capital.

The cash outflow for investing activities amounted to €449 million (2015: €1,712 million) and was therefore 73.8% lower than in the previous year, mostly due to the fact that first-quarter net investments in marketable securities and term deposits decreased by €1,230 million (2016: cash inflow of €236 million).

The cash inflow from financing activities totalled €578 million (2015: cash outflow of €931 million). Proceeds from the issue of bonds brought in €3,178 million (2015: €2,749 million), compared with an outflow of €2,273 million (2015: €1,886 million) for the repayment of bonds. Changes in other financial liabilities and commercial paper gave rise to a cash outflow of €327 million (2015: €1,794 million).

Cash outflows from operating and investing activities in the first quarter 2016 totalled €535 million. In the

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previous year, the cash outflow from investing activities exceeded the cash inflow from operating activities by €723 million.

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group totalling a positive amount of €10 million (2015: negative amount of €180 million), the various cash flows resulted in an increase in cash and cash equivalents of €33 million (2015: decrease of €1,474 million).

| in € million | 2016 | 2015 |
|---|------------|--------------|
| Cash inflow from operating activities | 1,219 | 1,830 |
| Cash outflow from investing activities | -373 | -1,697 |
| Net investment in marketable securities and term deposits | -314 | 927 |
| Free cash flow Automotive segment | 532 | 1,060 |

The cash flow statement for the Automotive segment shows that the cash inflow from operating activities exceeded the cash outflow for investing activities by €846 million (2015: €133 million). Adjusted for net investments in marketable securities and term deposits with a negative amount of €314 million (2015: positive amount of €927 million), the surplus amounted to €532 million (2015: €1,060 million).

Free cash flow of the Automotive segment can be analysed as follows:

Cash outflows from operating activities of the Financial Services segment are driven primarily by cash flows relating to leased products and receivables from sales financing and totalled €1,615 million (2015: €1,382 million). The cash inflow from investing activities totalled €8 million (2015: €9 million).

Net financial assets of the Automotive segment comprise the following:

| in € million | 31.3.2016 | 31.12.2015 |
|---|---------------|---------------|
| Cash and cash equivalents | 4,631 | 3,952 |
| Marketable securities and investment funds | 4,053 | 4,326 |
| Intragroup net financial assets | 11,173 | 11,278 |
| Financial assets | 19,857 | 19,556 |
| Less: external financial liabilities [*] | -2,346 | -2,645 |
| Net financial assets Automotive segment | 17,511 | 16,911 |

^{*} Excluding derivative financial instruments.

Refinancing

The BMW Group uses a broadly diversified and flexible range of funding sources to finance its operating activities. Almost all of the funds raised are used to finance the BMW Group's Financial Services business. Further details regarding the principles and objectives of financial management are contained in the Group Financial Statements of BMW AG at 31 December 2015.

During the period from January to March 2016, BMW Group entities issued a dual-tranche euro benchmark bond with a total volume of €1.3 billion and other EMTN private placements in various currencies with a total volume of €1.9 billion. Breaking new ground, a debt bond with a volume of 2.0 billion Chinese renminbi was also emitted. In addition four promissory notes with a total volume of €180 million were issued and an

ABS transaction with a volume of 1.0 billion US dollar executed in the USA. Moreover, commercial paper is regularly issued. Deposits taken in by the Group's banking subsidiaries are also used to refinance the BMW Group.

Net assets

The Group balance sheet total increased during the three-month period under report by 0.7% to stand at €173,332 million at 31 March 2016. Adjusted for exchange rate factors, the increase was 2.6%. The currency impact was mainly attributable to the depreciation in the value of a number of currencies against the euro, most notably the US dollar, the British pound and the Chinese renminbi.

The increase in non-current assets on the assets side of the balance sheet related primarily to financial receivables (41.8%). Leased products and property, plant and equipment decreased by 1.8% and 3.4% respectively.

Non-current financial receivables accounted for 1.8% (2015: 1.3%) of total assets. Compared to 31 December 2015, they went up by €922 million to €3,130 million, mainly reflecting changes in currency derivatives.

Leased products accounted for 19.8% of total assets at the end of the reporting period (31 December 2015: 20.3%). Adjusted for exchange rate factors, they increased by 0.6% and, on that basis, were at a similar level to the end of 2015.

Property, plant and equipment accounted for 9.9% of total assets at the end of the reporting period (31 December 2015: 10.3%), after decreasing by €598 million to €17,161 million. Adjusted for exchange rate factors, this represented a 2.5% decrease. First-quarter product and infrastructure investments amounting to €400 million were lower than one year earlier (2015: €545 million). At the same time, depreciation on property, plant and equipment went up from €806 million to €839 million.

Within current assets, the main increase was registered for inventories (18.7%), whereas receivables from sales financing decreased by 3.0%.

Inventories increased by €2,074 million to €13,145 million during the three-month period and accounted for

7.6% (31 December 2015: 6.4%) of total assets. Most of the increase related to finished goods and was primarily attributable to stocking up in the various markets. Adjusted for exchange rate factors, the increase was 20.3%.

Current receivables from sales financing decreased from €28,178 million to €27,322 million, mainly as a result of changes in exchange rates. Adjusted for currency factors, they finished at a similar level to the end of the previous financial year (-0.5%).

On the equity and liabilities side of the balance sheet, the increase was due primarily to changes in equity (4.6%), pension provisions (28.8%) and trade payables (7.0%). By contrast, non-current and current financial liabilities decreased by 0.9% and 4.8% respectively.

Group equity rose by €1,984 million to €44,748 million, mainly as a result of fair value gains on derivative financial instruments recognised directly in equity (€2,165 million) and the net profit attributable to shareholders of BMW AG (€1,631 million). Furthermore, income and expenses relating to equity accounted investments and recognised directly in equity (before tax) increased equity by €54 million. The fair value measurement of marketable securities benefited equity by a further €48 million, while minority interests increased by €6 million. By contrast, remeasurements of the net defined benefit liability for pension plans reduced equity by €1,053 million, mainly as a result of the lower discount rate applied in Germany. Currency translation differences also had a negative impact of €445 million on equity. Deferred taxes on items recognised directly in equity decreased equity by €422 million.

The Group equity ratio at the end of the reporting period was 25.8% (31 December 2015: 24.8%). The equity ratio of the Automotive segment was 41.0% (31 December 2015: 40.1%) and that of the Financial Services segment was 8.4% (31 December 2015: 8.2%).

Pension provisions increased from €3,000 million to €3,863 million during the three-month period, mainly as a result of the lower discount factor used in Germany.

Trade payables went up from €7,773 million to €8,316 million. Adjusted for exchange rate factors, they increased by 8.1%, mainly reflecting higher production volumes.

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Trade payables accounted for 4.8 % of the balance sheet total at the end of the reporting period (31 December 2015: 4.5 %).

Current and non-current financial liabilities fell from €91,683 to €89,216 million during the three-month period. Adjusted for exchange rate factors, they were 1.2 % lower than at the end of 2015. Fair value gains on currency derivatives were the main factor for the decreases in non-current and current financial liabilities.

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

Related party relationships

Further information on transactions with related parties can be found in note 30 to the Interim Group Financial Statements.

Events after the end of the reporting period

No events have occurred after the balance sheet date which could have a major impact on the earnings performance, financial position or net assets of the BMW Group.

INTERIM GROUP MANAGEMENT REPORT

Report on Outlook, Risks and Opportunities
Report on Outlook

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including the associated material risks and opportunities, from a Group management perspective.

The report on outlook, risks and opportunities contains forward-looking assertions based on the BMW Group's expectations and assessments, which are, by their very nature, subject to a certain degree of uncertainty. As a result, actual outcomes, including those attributable to political and economic developments, could differ substantially – either positively or negatively – from the expectations described below. Further information is also available in the "Report on risks and opportunities" section of the Annual Report 2015 (page 68 et seq.).

Further information on the assumptions used in the BMW Group's outlook can be found in the "Outlook" section of the Annual Report 2015 (page 63 et seq.).

Global economy continues to grow

Based on the most recent predictions of the International Monetary Fund, the global economy is set to continue growing in 2016, this time by an expected 3.2%.

Gross domestic product (GDP) in the USA is forecast to grow by 2.0% over the full year. Inflation is expected to be in the region of 1.3%, with the consequence that the Federal Reserve is likely to proceed with the gradual normalisation of monetary policies by imposing moderate interest rate increases. Consumer spending and industrial production should both grow robustly, accompanied by a further reduction in the unemployment rate. The only potential downside is that export volumes may be held down by a relatively strong US dollar. If the US Federal Reserve does raise interest rates more quickly than expected, the downward pressure on some emerging economy currencies could mount.

The eurozone as a whole is forecast to grow at a moderate rate of 1.5% in 2016. The highly expansive monetary policies of the European Central Bank (ECB) are likely to keep the value of the euro on the low side for the time being, thus helping the export sector. However, the various economies within the eurozone are set to grow at greatly differing paces, with forecast GDP growth rates ranging from a positive 4.7% for Ireland to a negative 0.6% for Greece. The German economy is predicted

to grow by 1.6% in 2016, with consumer spending providing the main impetus on the back of favourable employment market conditions. Although the French economy is expected to grow at a rate of 1.3% and therefore lower than the eurozone average, it is nevertheless likely to remain ahead of Italy, where a growth rate of 1.0% is predicted. The Spanish economy is forecast to grow by 2.7% in the current year.

A growth rate of 2.0% is predicted for the United Kingdom, with consumer spending remaining strong. At the same time, the "Brexit" referendum to be held in June 2016 is causing increased levels of uncertainty and could have a negative impact on the economy, particularly in terms of investment growth.

The Japanese economy is only likely to expand by a modest 0.7% in 2016, despite the fiscal measures taken by the government. After several years of decline, there are hopes that consumer spending could stabilise in the current year, whereas export growth is likely to lose further pace.

China's GDP is forecast to grow by 6.5% in the current year, at the lower end of the government's targeted range of 6.5 to 7.0%. Despite China's domestic market problems due to overcapacity in the steel and coal sectors and its exposure to reduced demand for exports, state-backed stimulus measures should help to steer the country away from an economic slump.

The Brazilian economy is set to contract for the second year in succession in 2016 (-3.5%), due to a combination of high inflation, low export prices and political uncertainty. The position in Russia remains tense, due to the ongoing negative impact of sanctions and the low price of oil, which point to a further decline in overall economic output (-1.3%). The appreciation in the value of the rouble during the first quarter 2016 should enable the central bank to bring the inflation rate back down to below 10%. GDP growth of 7.5% is predicted for India in 2016, with infrastructure improvements and foreign investments recognised as prerequisites for the country's ability to generate high growth rates going forward.

The price of oil is not expected to rise significantly during the current year, given that inventory levels remain high

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and oversupply is only likely to be reduced gradually. Low energy prices are expected to provide an additional boost to consumer spending.

Automobile markets in 2016

For the full year 2016, the BMW Group expects automobile markets to grow by approximately 2.8% worldwide. Growth in China is likely to be more pronounced than in Europe or the USA, which are both likely to improve on their previous year's performance, according to forecasts.

Generally positive consumer sentiment in Europe is also likely to be reflected in greater demand for passenger vehicles, new registrations of which are forecast to increase by 3.6% to 14.7 million units. Germany is expected to report a 1.4% increase to 3.3 million new registrations. The UK market is expected to slightly increase to 2.7 million units (+1.2%). The automobile market in France is also likely to continue recovering, with the number of new vehicles on the road rising by 3.3% to 1.9 million. The Italian automobile market is predicted to expand by 10.5% to 1.8 million units. A strong performance is forecast for the Spanish market, which is expected to grow by 11.2% to 1.2 units.

Despite the trend towards deteriorating financing conditions, registration numbers in the USA are currently benefiting from positive consumer sentiment but are expected to increase only by 1.3% to 17.7 million units in 2016 (2015: +5.7%). The pace of growth of the Chinese automobile market is likely to slow down year-on-year, nevertheless expanding by 6.9% to 22.0 million units. There are good signs that the market in Japan will be able to reverse the previous year's downward trend and grow to around 5.0 million units (+3.2%).

The difficult economic situation in Brazil is also likely to be reflected in the number of new registrations, whereby the forecast decrease of 21.1% to 2.0 million units is less pronounced than the previous year's contraction. The situation in Russia also remains tense, with the recession likely to hold down registration numbers to 1.3 million units (-15.4%).

Motorcycle markets in 2016

Markets for 250 cc plus motorcycles are likely to continue their slight upward trend in 2016. Registration figures for Europe as a whole are also expected to rise moderately,

including a minor increase in Germany. Italy and France are set to remain at similar levels to the previous year. Motorcycle registrations in the USA should be up slightly over the year as a whole.

Financial services markets in 2016

Uncertainty about developments on key emerging markets and the potentially negative consequences of a further downturn are likely to play an important role in global economic performance over the coming months. However, the global economy is expected to grow at a stable rate. Central banks in the majority of industrialised countries are predicted to support these developments with a range of expansionary monetary policies in 2016.

The ECB is set to continue its policy of quantitative easing within the eurozone. The benchmark interest rate in the USA is likely to be increased in a number of steps. The situation in the UK in the coming months will be overshadowed by uncertainty about the outcome of the forthcoming EU referendum, the result of which will have a significant influence on the decisions of the Bank of England. The growth rate in China is likely to slow down as the year progresses, with both the government and the central bank endeavouring to counter the trend with a combination of economic and fiscal measures.

The BMW Group expects premium-sector selling prices to remain predominantly stable on European and Asian pre-owned vehicle markets over the course of the year, whereas prices in North America could fall slightly.

Outlook for the BMW Group**BMW Group**

Profit before tax: slight increase expected

Competition on international automobile markets is set to remain fierce in the current year. Furthermore, the continuing normalisation on the Chinese market and developments in major emerging economies and the USA are likely to influence the pace of earnings growth. Political and macroeconomic uncertainties in Europe may also play a role (see the "Political and global economic risks" section in the Risk Report of the Annual Report 2015).

Nevertheless, the BMW Group expects to remain firmly on course for growth in 2016. This upward trend will, however, be held down by rising personnel expenses and high levels of investment in projects that ultimately

help safeguard future competitiveness. Overall, Group profit before tax is expected to increase slightly year-on-year (2015: €9,224 million).

Workforce at year-end: slight increase expected

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

Automotive segment

Deliveries to customers: slight increase expected

The BMW Group forecasts successful sales volume performances for all three of its brands in 2016. Assuming economic conditions remain stable, deliveries to customers are expected to rise slightly to a new record level (2015: 2,247,485¹ units).

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

Carbon fleet emissions²: slight decrease expected

Regulations governing vehicle carbon emissions are becoming stricter all around the world. Developing highly efficient combustion engines and increasing the scope of electrification in its fleet of vehicles are key aspects in the BMW Group's constant endeavours to reduce fuel consumption and carbon emissions, without compromising its excellent standards in terms of sporting flair and dynamic driving performance. Fleet emissions are forecast to drop slightly in 2016, thus continuing the trend seen in previous years (2015: 127 grams CO₂/km).

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 282,000 units).

² EU-28.

Revenues: slight increase expected

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

EBIT margin in target range between 8 and 10 % expected

The Automotive segment continues to target an EBIT margin between 8 and 10 % for 2016 (2015: 9.2%).

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

Motorcycles segment

Deliveries to customers: slight increase expected

The BMW Group expects the upward trend most recently recorded in the Motorcycles segment to continue, helped in particular by impetus from the F 700 GS and F 800 GS models launched in March 2016 and the new R NineT Scrambler and G 310 R models presented in autumn 2015. Overall, deliveries of BMW motorcycles to customers are forecast to increase slightly year-on-year (2015: 136,963 units).

Return on capital employed: slight decrease expected

The Motorcycles segment's RoCE is forecast to decrease slightly in the current year (2015: 31.6%), mainly reflecting the scheduled build-up of inventory levels due to the Indian partner entity, TVS, commencing production and the plants in Brazil and Thailand raising production volumes.

Financial Services segment

Return on equity expected at previous year's level

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

Overall assessment by Group management

Business is expected to develop well in the financial year 2016. Despite the many challenges described above, Group profit before tax is forecast to increase slightly. Automotive segment revenues are expected to edge up on the back of a slight increase in deliveries to customers. Simultaneously, a slight decrease in fleet carbon emissions is predicted. The Group's targets are to

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be met with only a slight rise in staff numbers world-wide. The Automotive segment's EBIT margin is set to remain within the target range of between 8 and 10%, whereas its RoCE is likely to decrease moderately. The Financial Services segment's RoE will be broadly in line with the previous year. Nevertheless, both performance indicators will be higher than their long-term targets of 26% (RoCE) and 18% (RoE) respectively. Motorcycles segment sales are also forecast to grow slightly, accompanied by a slight drop in RoCE.

Depending on the political and economic situation and the outcomes of the risks and opportunities described in the Annual Report 2015, actual business performance could, however, differ from current expectations.

Report on Risks and Opportunities

As a globally operating enterprise, the BMW Group is constantly confronted with a broad range of risks, but also with numerous opportunities. Making full use of the opportunities that present themselves is the basis for the Group's corporate success. Risks are also taken consciously in order to achieve growth, profitability, greater efficiency and sustainable levels of future business. There have been no material changes to the overall risk profile compared to that described in the Group Management Report 2015. Further information on risks and opportunities, and on the methods employed to manage them, can also be found in the "Report on risks and opportunities" section of the Annual Report 2015 (page 68 et seq.).

Key performance indicators

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

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 282,000 units).

² EU-28.

BMW stock and capital markets in the first quarter 2016

The high level of volatility that characterised the 2015 stock market year continued throughout the first quarter 2016. At the beginning of the year, investors were unsettled by China's economic slowdown. Chinese stock market indices slumped accordingly, dragging down stock markets worldwide. The decision taken by the ECB at the beginning of March to include corporate bonds in its buyback program temporarily brightened the mood on stock markets. However, concerns about a possible UK exit from the European Union and falling oil prices (generally seen as an indicator of slower economic growth) took hold and ultimately resulted in the financial markets recording losses for the opening quarter of the year.

The German stock index (DAX) finished at 9,966 points, a drop of 7.2% compared to the end of the previous year, although significantly up on the low for the quarter (8,753 points).

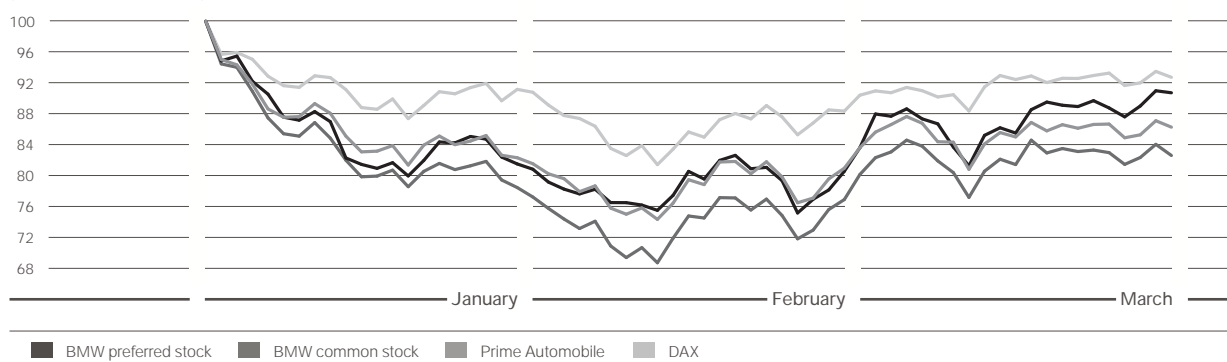
The Prime Automobile sector index was also subject to strong fluctuations during the period under report, initially falling by more than a quarter to 1,187 points (-25.6%), before finishing the three-month period at 1,377 points, 13.7% below its closing level on 30 December 2015. Concerns about the health of the global economy were therefore more pronounced for automobile stocks than for the DAX as a whole.

Similar to stocks of other automobile manufacturers, BMW stocks were unable to escape the generally overcast mood on stock markets. BMW common stock recorded its low of €67.18 in mid-February, then proceeded to recover well and finished the quarter at €80.70, 17.3% lower than at the end of 2015. BMW preferred stock also lost ground during the first quarter, closing the reporting period at €70.26 (2015: €77.41; -9.2%).

The US dollar lost in value against the euro, finishing the first quarter at US dollar 1.14 to the euro (2015: US dollar 1.09 to the euro; -4.6%).

Development of BMW stock compared to stock exchange indices

(Index: 30.12.2015 = 100)



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Income Statements for Group and Segments for the period from 1 January to 31 March 2016
Statement of Comprehensive Income for Group for the period from 1 January to 31 March 2016

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Income Statements for Group and Segments for the first quarter

in € million

| | Note | Group | Automotive |
|---|------|--------------|--------------|
| | | 2016 | 2015 |
| Revenues | 5 | 20,853 | 18,893 |
| Cost of sales | 6 | -16,373 | -15,508 |
| Gross profit | | 4,480 | 3,385 |
| Selling and administrative expenses | 7 | -1,988 | -1,590 |
| Other operating income | 8 | 213 | 238 |
| Other operating expenses | 8 | -248 | -239 |
| Profit before financial result | | 2,457 | 1,794 |
| Result from equity accounted investments | 9 | 71 | 128 |
| Interest and similar income | 10 | 35 | 91 |
| Interest and similar expenses | 10 | -118 | -140 |
| Other financial result | 11 | -77 | -239 |
| Financial result | | -89 | -160 |
| Profit before tax | | 2,368 | 1,634 |
| Income taxes | 12 | -727 | -551 |
| Net profit/loss | | 1,641 | 1,083 |
| Attributable to minority interest | | 10 | -1 |
| Attributable to shareholders of BMW AG | | 1,631 | 1,084 |
| Basic earnings per share of common stock in € | 13 | 2.48 | 2.30 |
| Basic earnings per share of preferred stock in € | 13 | 2.48 | 2.30 |
| Dilutive effects | 13 | - | - |
| Diluted earnings per share of common stock in € | 13 | 2.48 | 2.30 |
| Diluted earnings per share of preferred stock in € | 13 | 2.48 | 2.30 |

Statement of Comprehensive Income for Group for the first quarter

in € million

| | Note | 2016 | 2015 |
|--|------|--------------|---------------|
| Net profit | | 1,641 | 1,516 |
| Remeasurement of the net liability for defined benefit pension plans | | -1,053 | -1,604 |
| Deferred taxes | | 331 | 585 |
| Items not expected to be reclassified to the income statement in the future | | -722 | -1,019 |
| Available-for-sale securities | | 48 | 27 |
| Financial instruments used for hedging purposes | | 2,165 | 4,637 |
| Other comprehensive income from equity accounted investments | | 54 | 130 |
| Deferred taxes | | -753 | -1,561 |
| Currency translation foreign operations | | -445 | -1,347 |
| Items expected to be reclassified to the income statement in the future | | 1,069 | -1,832 |
| Other comprehensive income for the period after tax | 14 | 347 | -2,851 |
| Total comprehensive income | | 1,988 | -1,335 |
| Total comprehensive income attributable to minority interests | | 10 | 4 |
| Total comprehensive income attributable to shareholders of BMW AG | | 1,978 | -1,339 |

| Motorcycles | | Financial Services | | Other Entities | | Eliminations | | |
|-------------|------------|--------------------|------------|----------------|------------|--------------|------------|--|
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| 582 | 567 | 6,032 | 6,058 | 1 | 2 | 4,576 | 4,603 | Revenues |
| 427 | 403 | 5,158 | 5,251 | - | - | 4,564 | 4,601 | Cost of sales |
| <u>155</u> | <u>164</u> | <u>874</u> | <u>807</u> | <u>1</u> | <u>2</u> | <u>-12</u> | <u>-2</u> | Gross profit |
| 55 | 49 | 283 | 247 | 5 | 4 | 6 | 6 | Selling and administrative expenses |
| - | - | 5 | 3 | 43 | 57 | 16 | 3 | Other operating income |
| 6 | - | 5 | 8 | 28 | 15 | 20 | 16 | Other operating expenses |
| <u>94</u> | <u>115</u> | <u>591</u> | <u>555</u> | <u>11</u> | <u>40</u> | <u>-2</u> | <u>17</u> | Profit before financial result |
| - | - | - | - | - | - | - | - | Result from equity accounted investments |
| - | - | 1 | 2 | 301 | 289 | 359 | 340 | Interest and similar income |
| - | 1 | 1 | 1 | 273 | 288 | 333 | 308 | Interest and similar expenses |
| - | - | 21 | 3 | 41 | 64 | - | - | Other financial result |
| - | 1 | 21 | 4 | 13 | 63 | 26 | 32 | Financial result |
| <u>94</u> | <u>114</u> | <u>570</u> | <u>559</u> | <u>-2</u> | <u>-23</u> | <u>-28</u> | <u>-15</u> | Profit before tax |
| 30 | 37 | 154 | 175 | 1 | 6 | 10 | 4 | Income taxes |
| <u>64</u> | <u>77</u> | <u>416</u> | <u>384</u> | <u>-1</u> | <u>-17</u> | <u>-18</u> | <u>-11</u> | Net profit/loss |
| - | - | 11 | 5 | - | - | - | - | Attributable to minority interest |
| <u>64</u> | <u>77</u> | <u>405</u> | <u>379</u> | <u>-1</u> | <u>-17</u> | <u>-18</u> | <u>-11</u> | Attributable to shareholders of BMW AG |
| | | | | | | | | Basic earnings per share of common stock in € |
| | | | | | | | | Basic earnings per share of preferred stock in € |
| | | | | | | | | Dilutive effects |
| | | | | | | | | Diluted earnings per share of common stock in € |
| | | | | | | | | Diluted earnings per share of preferred stock in € |

INTERIM GROUP FINANCIAL STATEMENT

Balance Sheets for Group and Segments to 31 March 2016

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| | | Note | Group | Automotive |
|---|----|----------------|----------------|---------------|
| in € million | | | 31.12.2015 | 31.12.2015 |
| | | | 31.3.2016 | 31.3.2016 |
| Assets | | | | |
| Intangible assets | 15 | 7,313 | 7,372 | 6,846 |
| Property, plant and equipment | 16 | 17,161 | 17,759 | 16,830 |
| Leased products | 17 | 34,329 | 34,965 | - |
| Investments accounted for using the equity method | 18 | 2,343 | 2,233 | 2,343 |
| Other investments | 18 | 309 | 428 | 5,077 |
| Receivables from sales financing | 19 | 41,972 | 41,865 | - |
| Financial assets | 20 | 3,130 | 2,208 | 1,314 |
| Deferred tax | 21 | 2,004 | 1,945 | 3,760 |
| Other assets | 22 | 1,389 | 1,568 | 3,329 |
| Non-current assets | | 109,950 | 110,343 | 39,499 |
| Inventories | 23 | 13,145 | 11,071 | 12,690 |
| Trade receivables | | 2,977 | 2,751 | 2,615 |
| Receivables from sales financing | 19 | 27,322 | 28,178 | - |
| Financial assets | 20 | 6,568 | 6,635 | 4,535 |
| Current tax | 21 | 2,621 | 2,381 | 1,465 |
| Other assets | 22 | 4,594 | 4,693 | 21,057 |
| Cash and cash equivalents | | 6,155 | 6,122 | 4,631 |
| Current assets | | 63,382 | 61,831 | 46,993 |
| Total assets | | 173,332 | 172,174 | 86,492 |

Equity and liabilities

| | | Note | Group | Automotive |
|--|----|----------------|----------------|---------------|
| in € million | | | 31.12.2015 | 31.12.2015 |
| | | | 31.3.2016 | 31.3.2016 |
| Subscribed capital | 24 | 657 | 657 | |
| Capital reserves | 24 | 2,027 | 2,027 | |
| Revenue reserves | 24 | 41,936 | 41,027 | |
| Accumulated other equity | 24 | -112 | -1,181 | |
| Equity attributable to shareholders of BMW AG | 24 | 44,508 | 42,530 | |
| Minority interest | 24 | 240 | 234 | |
| Equity | | 44,748 | 42,764 | 35,429 |
| Pension provisions | | 3,863 | 3,000 | 2,764 |
| Other provisions | 25 | 4,529 | 4,621 | 4,065 |
| Deferred tax | 26 | 2,730 | 2,116 | 918 |
| Financial liabilities | 27 | 49,068 | 49,523 | 1,856 |
| Other liabilities | 28 | 4,502 | 4,559 | 5,531 |
| Non-current provisions and liabilities | | 64,692 | 63,819 | 15,134 |
| Other provisions | 25 | 5,076 | 5,009 | 4,471 |
| Current tax | 26 | 1,335 | 1,441 | 650 |
| Financial liabilities | 27 | 40,148 | 42,160 | 2,220 |
| Trade payables | | 8,316 | 7,773 | 7,353 |
| Other liabilities | 28 | 9,017 | 9,208 | 21,235 |
| Current provisions and liabilities | | 63,892 | 65,591 | 35,929 |
| Total equity and liabilities | | 173,332 | 172,174 | 86,492 |

| | | | | | | | | Assets | |
|--------------|------------|--------------------|----------------|----------------|---------------|-----------------|-----------------|---|--|
| Motorcycles | | Financial Services | | Other Entities | | Eliminations | | | |
| 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 | | |
| 47 | 48 | 419 | 424 | 1 | 1 | - | - | Intangible assets | |
| 302 | 313 | 29 | 30 | - | - | - | - | Property, plant and equipment | |
| - | - | 40,406 | 41,148 | - | - | -6,077 | -6,183 | Leased products | |
| - | - | - | - | - | - | - | - | Investments accounted for using the equity method | |
| - | - | 2 | 2 | 5,966 | 5,966 | -10,736 | -10,687 | Other investments | |
| - | - | 41,972 | 41,865 | - | - | - | - | Receivables from sales financing | |
| - | - | 209 | 236 | 2,046 | 1,985 | -439 | -599 | Financial assets | |
| - | - | 262 | 222 | 183 | 205 | -2,201 | -2,596 | Deferred tax | |
| 23 | 25 | 2,402 | 2,469 | 22,575 | 22,268 | -26,940 | -27,129 | Other assets | |
| 372 | 386 | 85,701 | 86,396 | 30,771 | 30,425 | -46,393 | -47,194 | Non-current assets | |
| 449 | 453 | 6 | 7 | - | - | - | - | Inventories | |
| 201 | 139 | 159 | 158 | 2 | 1 | - | - | Trade receivables | |
| - | - | 27,322 | 28,178 | - | - | - | - | Receivables from sales financing | |
| - | - | 1,420 | 1,354 | 1,091 | 1,121 | -478 | -699 | Financial assets | |
| - | - | 59 | 37 | 1,097 | 1,104 | - | - | Current tax | |
| - | - | 4,656 | 4,540 | 44,489 | 45,379 | -65,608 | -65,133 | Other assets | |
| - | - | 1,381 | 1,359 | 143 | 811 | - | - | Cash and cash equivalents | |
| 650 | 592 | 35,003 | 35,633 | 46,822 | 48,416 | -66,086 | -65,832 | Current assets | |
| 1,022 | 978 | 120,704 | 122,029 | 77,593 | 78,841 | -112,479 | -113,026 | Total assets | |

| | | | | | | | | Equity and liabilities | |
|--------------|------------|--------------------|----------------|----------------|---------------|-----------------|-----------------|--|--|
| Motorcycles | | Financial Services | | Other Entities | | Eliminations | | | |
| 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 | | |
| - | - | 10,079 | 9,948 | 15,054 | 15,225 | -15,814 | -15,869 | Subscribed capital | |
| - | - | - | - | - | - | - | - | Capital reserves | |
| - | - | - | - | - | - | - | - | Revenue reserves | |
| - | - | - | - | - | - | - | - | Accumulated other equity | |
| | | | | | | | | Equity attributable to shareholders of BMW AG | |
| - | - | - | - | - | - | - | - | Minority interest | |
| - | - | 10,079 | 9,948 | 15,054 | 15,225 | -15,814 | -15,869 | Equity | |
| 45 | 45 | 65 | 55 | 989 | 1,130 | - | - | Pension provisions | |
| 136 | 136 | 298 | 313 | 30 | 31 | - | - | Other provisions | |
| - | - | 5,898 | 6,158 | 26 | 28 | -4,112 | -4,499 | Deferred tax | |
| - | - | 15,716 | 16,030 | 31,935 | 31,471 | -439 | -599 | Financial liabilities | |
| 419 | 401 | 23,943 | 23,613 | 493 | 835 | -25,884 | -25,835 | Other liabilities | |
| 600 | 582 | 45,920 | 46,169 | 33,473 | 33,495 | -30,435 | -30,933 | Non-current provisions and liabilities | |
| 72 | 85 | 527 | 518 | 6 | 8 | - | - | Other provisions | |
| - | - | 284 | 223 | 401 | 408 | - | - | Current tax | |
| - | - | 22,485 | 23,038 | 15,921 | 16,610 | -478 | -699 | Financial liabilities | |
| 292 | 263 | 645 | 630 | 26 | 24 | - | - | Trade payables | |
| 58 | 48 | 40,764 | 41,503 | 12,712 | 13,071 | -65,752 | -65,525 | Other liabilities | |
| 422 | 396 | 64,705 | 65,912 | 29,066 | 30,121 | -66,230 | -66,224 | Current provisions and liabilities | |
| 1,022 | 978 | 120,704 | 122,029 | 77,593 | 78,841 | -112,479 | -113,026 | Total equity and liabilities | |

INTERIM GROUP FINANCIAL STATEMENT

Condensed Cash Flow Statements for Group and Segments for the period from 1 January to 31 March 2016

| | Group | | |
|---|---|--------------|---------------|
| in € million | 2016 | 2015 | |
| 2 BMW GROUP IN FIGURES | | | |
| 4 INTERIM GROUP MANAGEMENT REPORT | | | |
| 4 Report on Economic Position | Net profit | 1,641 | 1,516 |
| 16 Events after the End of the Reporting Period | Depreciation and amortisation of tangible, intangible and investment assets | 1,256 | 1,106 |
| 17 Report on Outlook, Risks and Opportunities | Change in provisions | -123 | -12 |
| 21 BMW Stock and Capital Markets | Change in leased products and receivables from sales financing | -1,029 | -930 |
| | Change in deferred taxes | 358 | 186 |
| | Changes in working capital | -1,903 | -1,055 |
| | Other | -286 | 178 |
| 22 INTERIM GROUP FINANCIAL STATEMENTS | Cash inflow/outflow from operating activities | -86 | 989 |
| 22 Income Statements for Group and Segments | Investment in intangible assets and property, plant and equipment | -698 | -794 |
| 22 Statement of Comprehensive Income for Group | Net investment in marketable securities and term deposits | 236 | -994 |
| 24 Balance Sheets for Group and Segments | Other | -13 | 76 |
| 26 Cash Flow Statements for Group and Segments | Cash inflow/outflow from investing activities | -449 | -1,712 |
| 28 Group Statement of Changes in Equity | Cash inflow/outflow from financing activities | 578 | -931 |
| 30 Notes to the Group Financial Statements | Effect of exchange rate on cash and cash equivalents | -52 | 180 |
| 44 OTHER INFORMATION | Effect of changes in composition of Group on cash and cash equivalents | 42 | - |
| 44 Financial Calendar | Change in cash and cash equivalents | 33 | -1,474 |
| 45 Contacts | Cash and cash equivalents as at 1 January | 6,122 | 7,688 |
| | Cash and cash equivalents as at 31 March | 6,155 | 6,214 |

| Automotive | | Financial Services | | |
|--------------|---------------|--------------------|---------------|---|
| 2016 | 2015 | 2016 | 2015 | |
| 1,180 | 1,083 | 416 | 384 | Net profit |
| 1,231 | 1,083 | 7 | 8 | Depreciation and amortisation of tangible, intangible and investment assets |
| -4 | 144 | 92 | -17 | Change in provisions |
| - | 3 | -996 | -930 | Change in leased products and receivables from sales financing |
| 263 | 267 | -9 | -12 | Change in deferred taxes |
| -1,885 | -914 | 10 | -49 | Changes in working capital |
| 434 | 164 | -1,135 | -790 | Other |
| 1,219 | 1,830 | -1,615 | -1,382 | Cash inflow/outflow from operating activities |
| -692 | -785 | -1 | -1 | Investment in intangible assets and property, plant and equipment |
| 314 | -927 | 9 | 10 | Net investment in marketable securities and term deposits |
| 5 | 15 | - | - | Other |
| -373 | -1,697 | 8 | 9 | Cash inflow/outflow from investing activities |
| -179 | -1,232 | 1,639 | 992 | Cash inflow/outflow from financing activities |
| -18 | 81 | -22 | -11 | Effect of exchange rate on cash and cash equivalents |
| 30 | - | 12 | - | Effect of changes in composition of Group on cash and cash equivalents |
| 679 | -1,018 | 22 | -392 | Change in cash and cash equivalents |
| 3,952 | 5,752 | 1,359 | 1,783 | Cash and cash equivalents as at 1 January |
| 4,631 | 4,734 | 1,381 | 1,391 | Cash and cash equivalents as at 31 March |

INTERIM GROUP FINANCIAL STATEMENT

Group Statement of Changes in Equity to 31 March 2016

| | in € million | Note | Subscribed capital | Capital reserves | Revenue reserves |
|---|---|------|--------------------|------------------|------------------|
| 2 BMW GROUP IN FIGURES | | | | | |
| 4 INTERIM GROUP MANAGEMENT REPORT | | | | | |
| 4 Report on Economic Position | | | | | |
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| 17 Report on Outlook, Risks and Opportunities | | | | | |
| 21 BMW Stock and Capital Markets | | | | | |
| | 1 January 2015 | 24 – | 656 | 2,005 | 35,621 |
| 22 INTERIM GROUP FINANCIAL STATEMENTS | Net profit | | - | - | -1,512 |
| 22 Income Statements for Group and Segments | Other comprehensive income for the period after tax | | - | - | -1,019 |
| 22 Statement of Comprehensive Income for Group | Comprehensive income 31 March 2015 | | - | - | 493 |
| 24 Balance Sheets for Group and Segments | Other changes | | - | - | - |
| 26 Cash Flow Statements for Group and Segments | 31 March 2015 | 24 – | 656 | 2,005 | 36,114 |
| 28 Group Statement of Changes in Equity | | | | | |
| 30 Notes to the Group Financial Statements | | | | | |
| 44 OTHER INFORMATION | in € million | Note | Subscribed capital | Capital reserves | Revenue reserves |
| 44 Financial Calendar | | | | | |
| 45 Contacts | | | | | |
| | 1 January 2016 | 24 – | 657 | 2,027 | 41,027 |
| | Net profit | | - | - | -1,631 |
| | Other comprehensive income for the period after tax | | - | - | -722 |
| | Comprehensive income 31 March 2016 | | - | - | 909 |
| | Other changes | | - | - | - |
| | 31 March 2016 | 24 – | 657 | 2,027 | 41,936 |

| Accumulated other equity | | | Equity attributable to shareholders of BMW AG | Minority interest | Total | |
|--------------------------|------------|----------------------------------|---|-------------------|---------------|---|
| Translation differences | Securities | Derivative financial instruments | | | | |
| <u>-723</u> | <u>141</u> | <u>-480</u> | <u>37,220</u> | <u>217</u> | <u>37,437</u> | 1 January 2015 |
| - | - | - | 1,512 | 4 | 1,516 | Net profit |
| -1,545 | -26 | -3,403 | -2,851 | - | -2,851 | Other comprehensive income for the period after tax |
| <u>1,545</u> | <u>26</u> | <u>-3,403</u> | <u>-1,339</u> | <u>4</u> | <u>-1,335</u> | Comprehensive income 31 March 2015 |
| - | - | - | - | 25 | 25 | Other changes |
| <u>822</u> | <u>167</u> | <u>-3,883</u> | <u>35,881</u> | <u>246</u> | <u>36,127</u> | 31 March 2015 |

| Accumulated other equity | | | Equity attributable to shareholders of BMW AG | Minority interest | Total | |
|--------------------------|------------|----------------------------------|---|-------------------|---------------|---|
| Translation differences | Securities | Derivative financial instruments | | | | |
| <u>132</u> | <u>24</u> | <u>-1,337</u> | <u>42,530</u> | <u>234</u> | <u>42,764</u> | 1 January 2016 |
| - | - | - | 1,631 | 10 | 1,641 | Net profit |
| -520 | -34 | -1,555 | -347 | - | -347 | Other comprehensive income for the period after tax |
| <u>-520</u> | <u>34</u> | <u>1,555</u> | <u>1,978</u> | <u>10</u> | <u>1,988</u> | Comprehensive income 31 March 2016 |
| - | - | - | - | -4 | -4 | Other changes |
| <u>-388</u> | <u>58</u> | <u>218</u> | <u>44,508</u> | <u>240</u> | <u>44,748</u> | 31 March 2016 |

INTERIM GROUP FINANCIAL STATEMENT

Condensed Notes to the Group Financial Statement to 31 March 2016
Accounting Principles and Policies

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1 – Basis of preparation

The Group Financial Statements of BMW AG at 31 December 2015 were drawn up in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) at that date. The Interim Group Financial Statements (Interim Report) at 31 March 2016, 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 2015 Group Financial Statements. The BMW Group applies the option of publishing condensed group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which were mandatory at 31 March 2016 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).

Further information regarding the Group's accounting principles and policies is contained in the Group Financial Statements of BMW AG at 31 December 2015.

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

A Statement of Comprehensive Income is presented at Group level, reconciling the net profit to comprehensive income for the periods under report.

In order to provide a better insight into the earnings performance, 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 balance sheets and income statements for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by statements of cash flows for the Automotive and Financial Services segments.

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

Inter-segment transactions – relating primarily to internal sales of products, the provision of funds and the related interest – are eliminated in the “Eliminations”

column. 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 Group Financial Statements of BMW AG for the year ended 31 December 2015.

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

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

The Interim Group Financial Statements at 31 March 2016 have neither been audited nor reviewed by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

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

The preparation of the Interim Group Financial Statements requires management to make certain assumptions and judgements and to use estimations that can affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. All assumptions and estimates are based on factors known at the end of the reporting period. They are determined on the basis of the most likely outcome of future business developments. Actual amounts could differ from those assumptions and estimates if business conditions develop differently to the Group's expectations at the end of the reporting period. Estimates and underlying assumptions are checked regularly.

2 – Consolidated companies

The Group Financial Statements for the first quarter 2016 include, besides BMW AG, 21 German and 159 foreign subsidiaries. This includes one special purpose securities fund and 21 special purpose trusts, almost all of which are used for asset backed financing. In addition, three joint operations are consolidated proportionately.

BMW SLP S.A. de C.V., San Luis Potosí, and BMW Financial Services Polska Sp. z o.o., Warsaw, were consolidated for the first time in the first quarter 2016.

Compared to the corresponding three-month period last year, two subsidiaries and seven special purpose trusts have been consolidated for the first time. One subsidiary and 16 special purpose trusts ceased to be consolidated companies compared to the same period last year.

The changes to the composition of the Group do not have a material impact on the results of operations, financial position or net assets of the Group. Moreover, there were no acquisitions during first quarter 2016 which were material for the BMW Group as a whole.

3 – Foreign currency translation

The exchange rates applied for currency translation purposes in accordance with the modified closing rate

method, and which have a material impact on the Group Financial Statements, were as follows:

| | Closing rate | Average rate | | |
|--------------------|--------------|--------------|------------------|------------------|
| | 31.3.2016 | 31.12.2015 | 1st quarter 2016 | 1st quarter 2015 |
| US Dollar | 1.14 | 1.09 | 1.10 | 1.13 |
| British Pound | 0.79 | 0.74 | 0.77 | 0.74 |
| Chinese Renminbi | 7.35 | 7.07 | 7.21 | 7.02 |
| Japanese Yen | 128.20 | 130.74 | 126.98 | 134.10 |
| Russian Rouble | 76.39 | 79.91 | 82.33 | 70.88 |
| Korean Won | 1,303.82 | 1,278.92 | 1,325.04 | 1,238.41 |
| South African Rand | 16.79 | 16.86 | 17.46 | 13.22 |

For further information regarding foreign currency translation, reference is made to note 5 of the Group

Financial Statements of BMW AG for the year ended 31 December 2015.

4 – Financial reporting rules

(a) Financial reporting rules applied for the first time in the first quarter 2016

The following Standards, Revised Standards, Amendments and Interpretations were applied for the first time in the first quarter 2016:

| Standard/Interpretation | Date of issue by IASB | Date of mandatory application IASB | Date of mandatory application EU | Impact on BMW Group |
|--|-----------------------|------------------------------------|----------------------------------|--------------------------|
| IFRS 11 – Acquisition of an Interest in a Joint Operation – (Amendments to IFRS 11) | 6.5.2014 | 1.1.2016 | 1.1.2016 | Insignificant |
| IAS 1 – Presentation of Financial Statements (Initiative to Improve Disclosure Requirements – Amendments to IAS 1) | 18.12.2014 | 1.1.2016 | 1.1.2016 | Significant in principle |
| IAS 16/IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | 12.5.2014 | 1.1.2016 | 1.1.2016 | Insignificant |
| IAS 16/IAS 41 – Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) | 30.6.2014 | 1.1.2016 | 1.1.2016 | None |
| IAS 27 – Equity Method in Separate Financial Statements (Amendments to IAS 27) | 12.8.2014 | 1.1.2016 | 1.1.2016 | None |
| Annual Improvements to IFRS 2012–2014 | 25.9.2014 | 1.1.2016 | 1.1.2016 | Insignificant |

Application of these new rules does not have a material impact on the Group Financial Statements.

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

During the first quarter, there have been no significant changes in the assessments of the impact of financial reporting rules that have not yet been applied. For further

details, please see the comments in the Group Financial Statements of BMW AG for the year ended 31 December 2015.

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Notes to the Income Statement

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5 – Revenues

Revenues by activity comprise the following:

| in € million | 1st quarter 2016 | 1st quarter 2015 |
|--|---------------------|---------------------|
| Sales of products and related goods | 14,871 | 14,980 |
| Income from lease instalments | 2,335 | 2,181 |
| Sales of products previously leased to customers | 2,041 | 2,276 |
| Interest income on loan financing | 835 | 791 |
| Other income | 771 | 689 |
| Revenues | 20,853 | 20,917 |

An analysis of revenues by segment is shown in the segment information in note 31.

6 – Cost of sales

Cost of sales includes €8,778 million (2015: €9,267 million) in the first quarter relating to manufacturing costs.

Cost of sales includes €4,912 million (2015: €4,964 million) relating to financial services business.

First-quarter cost of sales includes research and development expenses of €985 million (2015: €937 million), comprising all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to €304 million (2015: €257 million).

7 – Selling and administrative expenses

Selling expenses amounted to €1,327 million for the three-month period (2015: €1,254 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative expenses, comprising expenses for administration not attributable to development, production or sales functions, amounted to €661 million in the first quarter (2015: €630 million).

8 – Other operating income and expenses

Other operating income in the first quarter totalled €213 million (2015: €295 million), while other operating expenses amounted to €248 million (2015: €246 million). These items principally include exchange gains and

losses, gains and losses on the disposal of assets, write-downs and income/expense from the reversal of, and allocation to, provisions. Income from the reversal of provisions includes amounts arising on the termination of legal disputes.

9 – Result from equity accounted investments

The result from equity accounted investments in the first quarter was a positive amount of €71 million (2015: €128 million). These figures include the results

of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, and the associated company THERE Holding B.V., Amsterdam.

10 – Net interest result

| in € million | 1st quarter 2016 | 1st quarter 2015 |
|-------------------------------|---------------------|---------------------|
| Interest and similar income | 35 | 42 |
| Interest and similar expenses | -118 | -122 |
| Net interest result | -83 | -80 |

11 – Other financial result

| in € million | 1st quarter 2016 | 1st quarter 2015 |
|-------------------------------|---------------------|---------------------|
| Result on investments | - 66 | - |
| Sundry other financial result | - 11 | - 300 |
| Other financial result | -77 | -300 |

The result on investments comprises an impairment loss on the investment in SGL Carbon SE, Wiesbaden.

12 – Income taxes

Taxes on income comprise the following:

| in € million | 1st quarter 2016 | 1st quarter 2015 |
|----------------------|---------------------|---------------------|
| Current tax expense | 369 | 567 |
| Deferred tax expense | 358 | 186 |
| Income taxes | 727 | 753 |

The effective tax rate for the three-month period was 30.7 % (2015: 33.2%) 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 interim reporting period.

13 – Earnings per share

The computation of earnings per share is based on the following figures:

| | 1st quarter 2016 | 1st quarter 2015 |
|--|---------------------|---------------------|
| Profit attributable to shareholders of BMW AG — € million | 1,631.3 | 1,511.7 |
| Profit attributable to common stock — € million | 1,495.2 | 1,386.2 |
| Profit attributable to preferred stock — € million | 136.1 | 125.5 |
| Average number of common stock shares in circulation — number | 601,995,196 | 601,995,196 |
| Average number of preferred stock shares in circulation — number | 54,809,404 | 54,499,544 |
| Basic earnings per share of common stock — € | 2.48 | 2.30 |
| Basic earnings per share of preferred stock — € | 2.48 | 2.30 |

Basic earnings per share are calculated for common and preferred stock by dividing the net profit after minority interests, as attributable to each category of stock, by the average number of shares in circulation.

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

INTERIM GROUP FINANCIAL STATEMENT

Condensed Notes to the Group Financial Statement to 31 March 2016
Notes to the Statement of Comprehensive Income

| 2 BMW GROUP IN FIGURES | 14 Disclosures relating to the statement of total comprehensive income | Other comprehensive income for the period after tax comprises the following: | |
|---|--|--|---------------------|
| 4 INTERIM GROUP MANAGEMENT REPORT | in € million | 1st quarter 2016 | 1st quarter 2015 |
| 4 Report on Economic Position | | | |
| 16 Events after the End of the Reporting Period | | | |
| 17 Report on Outlook, Risks and Opportunities | Remeasurement of the net liability for defined benefit pension plans | -1,053 | -1,604 |
| 21 BMW Stock and Capital Markets | Deferred taxes | 331 | 585 |
| | Other comprehensive income from equity accounted investments | - | - |
| 22 INTERIM GROUP FINANCIAL STATEMENTS | Items not expected to be reclassified to the income statement in the future | -722 | -1,019 |
| 22 Income Statements for Group and Segments | Available-for-sale securities | 48 | 27 |
| 22 Statement of Comprehensive Income for Group | — thereof gains/losses arising in the period under report | 55 | 90 |
| 24 Balance Sheets for Group and Segments | — thereof reclassifications to the income statement | -7 | -63 |
| 26 Cash Flow Statements for Group and Segments | Financial instruments used for hedging purposes | 2,165 | -4,637 |
| 28 Group Statement of Changes in Equity | — thereof gains/losses arising in the period under report | 1,959 | -4,878 |
| 30 Notes to the Group Financial Statements | — thereof reclassifications to the income statement | 206 | 241 |
| | Other comprehensive income from equity accounted investments | 54 | -130 |
| 44 OTHER INFORMATION | Deferred taxes | -753 | -1,561 |
| 44 Financial Calendar | Currency translation foreign operations | -445 | -1,347 |
| 45 Contacts | Items expected to be reclassified to the income statement in the future | 1,069 | -1,832 |
| | Other comprehensive income for the period after tax | 347 | -2,851 |

Deferred taxes for the three-month period related to following items:

| in € million | 1st quarter 2016 | | | 1st quarter 2015 | | |
|--|------------------|----------------|------------|------------------|----------------|---------------|
| | Before tax | Deferred taxes | After tax | Before tax | Deferred taxes | After tax |
| Remeasurement of the net liability for defined benefit pension plans | -1,053 | 331 | -722 | -1,604 | 585 | -1,019 |
| Available-for-sale securities | 48 | -14 | 34 | 27 | -1 | 26 |
| Financial instruments used for hedging purposes | 2,165 | -707 | 1,458 | -4,637 | 1,480 | -3,157 |
| Other comprehensive income from equity accounted investments | 54 | -32 | 22 | -130 | 82 | -48 |
| Currency translation foreign operations | -445 | - | -445 | -1,347 | - | -1,347 |
| Other comprehensive income | 769 | -422 | 347 | -4,997 | 2,146 | -2,851 |

INTERIM GROUP FINANCIAL STATEMENT

Condensed Notes to the Group Financial Statement to 31 March 2016
Notes to the Balance Sheet

15 – Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects, software and acquired customer lists. Capitalised development costs amounted to €6,340 million at the end of the reporting period (31 December 2015: €6,351 million). Additions to development costs in the first quarter 2016 totalled €293 million (2015: €246 million). The amortisation expense for the period was €304 million (2015: €257 million).

At 31 March 2016 other intangible assets amounted to €609 million (31 December 2015: €657 million). This includes a brand-name right with a carrying amount of €45 million (31 December 2015: €48 million), which is allocated to the Automotive segment and is not subject to scheduled depreciation since its useful life is deemed

to be indefinite. The change compared to 31 December 2015 is due entirely to currency factors. Other intangible assets also include concessions, protected rights and licenses amounting to €362 million (31 December 2015: €394 million). During the first three months of 2016, €5 million (2015: €3 million) was invested in other intangible assets. Amortisation on other intangible assets in the first quarter totalled €44 million (2015: €43 million).

In addition, intangible assets include goodwill of €33 million (31 December 2015: €33 million) allocated to the Automotive cash-generating unit and goodwill of €331 million (31 December 2015: €331 million) allocated to the Financial Services cash-generating unit.

Intangible assets amounting to €45 million (31 December 2015: €48 million) are subject to restrictions on title.

16 – Property, plant and equipment

Capital expenditure for property, plant and equipment in the first three months of 2016 totalled €400 million (2015: €545 million). The depreciation expense for the period amounted to €839 million (2015: €806 million), while disposals amounted to €5 million (2015: €10 mil-

lion). No impairment losses were recognised during the first quarter 2016.

Purchase commitments for property, plant and equipment totalled €2,837 million at the end of the reporting period (31 December 2015: €2,217 million).

17 – Leased products

Additions to leased products and depreciation thereon amounted to €3,540 million (2015: €3,936 million) and

€1,075 million (2015: €899 million) respectively, while disposals totalled €2,311 million (2015: €2,629 million).

18 – Investments accounted for using the equity method and other investments

Investments accounted for using the equity method comprise the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich and the associated company THERE Holding B.V., Amsterdam.

Other investments relate to investments in non-consolidated subsidiaries, joint ventures, joint operations and associated companies, participations and non-current marketable securities. An impairment loss of €66 million (2015: €- million) was recognised on the investment in SGL Carbon SE, Wiesbaden, during the period under report.

19 – Receivables from sales financing

Receivables from sales financing totalling €69,294 million (31 December 2015: €70,043 million) relate to credit financing for retail customers and dealerships and to finance leases.

Receivables from sales financing include €41,972 million (31 December 2015: €41,865 million) with a remaining term of more than one year.

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20 – Financial assets

Financial assets comprise:

| in € million | 31.3.2016 | 31.12.2015 |
|--|--------------|--------------|
| Derivative instruments | 4,084 | 3,030 |
| Marketable securities and investment funds | 5,077 | 5,261 |
| Loans to third parties | 131 | 133 |
| Credit card receivables | 252 | 272 |
| Other | 154 | 147 |
| Financial assets | 9,698 | 8,843 |
| thereof non-current | 3,130 | 2,208 |
| thereof current | 6,568 | 6,635 |

A description of the measurement of derivatives is provided in note 29.

21 – Income tax assets

Income tax assets totalling €2,621 million (31 December 2015: €2,381 million) include claims amounting to €513 million (31 December 2015: €519 million) which

are expected to be settled after more than twelve months. Some of the claims may be settled earlier than this depending on the timing of proceedings.

22 – Other assets

Other assets comprise the following items:

| in € million | 31.3.2016 | 31.12.2015 |
|---|--------------|--------------|
| Prepayments | 1,699 | 1,527 |
| Receivables from subsidiaries | 374 | 716 |
| Receivables from other companies in which an investment is held | 912 | 893 |
| Other taxes | 940 | 1,036 |
| Collateral receivables | 322 | 412 |
| Expected reimbursement claims | 719 | 711 |
| Sundry other assets | 1,017 | 966 |
| Other assets | 5,983 | 6,261 |
| thereof non-current | 1,389 | 1,568 |
| thereof current | 4,594 | 4,693 |

23 – Inventories

Inventories comprise the following:

| in € million | 31.3.2016 | 31.12.2015 |
|--------------------------------------|---------------|---------------|
| Raw materials and supplies | 1,175 | 1,004 |
| Work in progress, unbilled contracts | 1,171 | 1,098 |
| Finished goods and goods for resale | 10,799 | 8,969 |
| Inventories | 13,145 | 11,071 |

24 – Equity

The Group Statement of Changes in Equity is shown on pages 28 and 29.

Number of shares issued

At 31 March 2016 common stock issued by BMW AG was divided, as at the end of the previous year, into 601,995,196 shares of common stock with a par-value of €1. Preferred stock issued by BMW AG was divided at the end of the reporting period – also unchanged from 31 December 2015 – into 54,809,404 shares with a par-value of €1. Unlike the common stock, no voting rights are attached to the preferred stock. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

The shareholders passed a resolution at the 2014 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 14 May 2019 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, 549,617 shares of preferred stock have been issued on the basis of this authorisation. Authorised Capital therefore stands at €4.5 million at the end of the reporting period. The BMW Group did not hold any treasury shares at 31 March 2016.

Capital reserves

Capital reserves include premiums arising from the issue of shares and were unchanged from 31 December 2015 at €2,027 million.

25 – Other provisions

Other provisions, at €9,605 million (31 December 2015: €9,630 million) primarily include employee and social-related obligations as well as obligations for ongoing operational expenses.

Current other provisions amounted to €5,076 million at the end of the reporting period (31 December 2015: €5,009 million).

Revenue reserves

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

Revenue reserves increased during the three-month period to stand at €41,936 million at the end of the reporting period (31 December 2015: €41,027 million). Revenue reserves increased during the first quarter 2016 by the net profit attributable to the shareholders of BMW AG amounting to €1,631 million (2015: €1,512 million) and decreased by €722 million (2015: €1,019 million) for remeasurements of net defined benefit liability for pension plans, net of related deferred tax recognised directly in equity.

Accumulated other equity

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

Minority interests

Equity attributable to minority interests amounted to €240 million (31 December 2015: €234 million). This includes a minority interest of €10 million in the results for the period (31 December 2015: €27 million).

For disclosures relating to contingent liabilities, please see note 41 to the Group Financial Statements of BMW AG for the year ended 31 December 2015, since there have been no significant changes during the first three months of 2016.

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26 – Income tax liabilities

Income tax liabilities totalling €1,335 million (31 December 2015: €1,441 million) include obligations amounting to €334 million (31 December 2015: €485 million) which are expected to be settled after more than twelve months. Some of the liabilities may

be settled earlier than this depending on the timing of proceedings.

Current tax liabilities comprise €276 million (31 December 2015: €288 million) for taxes payable and €1,059 million (31 December 2015: €1,153 million) for tax provisions.

27 – Financial liabilities

Financial liabilities include all obligations of the BMW Group relating to financing activities. Financial liabilities comprise the following:

| in € million | 31.3.2016 | 31.12.2015 |
|--|---------------|---------------|
| Bonds | 41,047 | 40,319 |
| Liabilities to banks | 12,160 | 12,720 |
| Liabilities from customer deposits (banking) | 13,319 | 13,509 |
| Commercial paper | 5,392 | 5,415 |
| Asset backed financing transactions | 13,253 | 13,631 |
| Derivative instruments | 2,704 | 4,550 |
| Other | 1,341 | 1,539 |
| Financial liabilities | 89,216 | 91,683 |
| thereof non-current | 49,068 | 49,523 |
| thereof current | 40,148 | 42,160 |

During the first quarter 2016, a number of bonds were issued in various currencies with a total volume of €3,433 million (2015: €2,884 million). Repayments during the three-month period amounted to €2,536 million (2015: €1,801 million). Currency translation differences accounted for most of the remainder of the change in bonds.

Further information relating to the change in other items within financial liabilities is provided in the Interim Group Management Report. A description of the measurement of derivatives is provided in note 29.

28 – Other liabilities

Other liabilities comprise the following items:

| in € million | 31.3.2016 | 31.12.2015 |
|--|---------------|---------------|
| Other taxes | 1,145 | 1,080 |
| Social security | 83 | 89 |
| Advance payments from customers | 740 | 802 |
| Deposits received | 823 | 871 |
| Payables to subsidiaries | 94 | 86 |
| Payables to other companies in which an investment is held | 103 | 107 |
| Deferred income | 6,316 | 6,254 |
| Other | 4,215 | 4,478 |
| Other liabilities | 13,519 | 13,767 |
| thereof non-current | 4,502 | 4,559 |
| thereof current | 9,017 | 9,208 |

29 – Financial instruments

The fair values shown are computed using market information available at the balance sheet date, on the basis of prices quoted by the contract partners or using

appropriate measurement methods e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 March 2016 on the basis of the following interest rates:

| ISO Code in % | EUR | USD | GBP | JPY | CNY |
|------------------------------|-------|-------|-------|-------|------|
| Interest rate for six months | -0.13 | -0.67 | 0.84 | -0.21 | 2.83 |
| Interest rate for one year | -0.15 | -0.74 | 0.75 | -0.05 | 2.82 |
| Interest rate for five years | 0.05 | -1.21 | -1.01 | -0.07 | 3.04 |
| Interest rate for ten years | 0.58 | -1.69 | -1.45 | -0.15 | 3.25 |

The interest rates derived from interest-rate structures are adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument.

Derivative financial instruments are measured at their fair value. The fair values of derivative financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market price spreads are taken into account in the measurement of derivative financial instruments. The supply of data to the model used to calculate fair values also takes account of tenor and currency basis spreads, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on their disposal. In addition, the Group's own default risk and that of counterparties is taken into account in the form of credit default swap

contracts which have matching terms and which can be observed on the market.

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

1. measured at their fair values in an active market for identical financial instruments (Level 1),
2. measured at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (Level 2), or
3. using input factors not based on observable market data (Level 3).

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

| 31 March 2016 in € million | Level hierarchy in accordance with IFRS 13 | | |
|--|--|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Marketable securities, investment fund shares and collateral assets – available-for-sale | 5,077 | - | - |
| Other investments – available-for-sale/fair value option | 174 | - | - |
| Derivative instruments (assets) | | | |
| — Interest rate risks | - | 2,268 | - |
| — Currency risks | - | 1,806 | - |
| — Raw materials price risks | - | 10 | - |
| Derivative instruments (liabilities) | | | |
| — Interest rate risks | - | 952 | - |
| — Currency risks | - | 881 | - |
| — Raw materials price risks | - | 871 | - |

INTERIM GROUP FINANCIAL STATEMENT

Condensed Notes to the Group Financial Statement to 31 March 2016
Other disclosures

| 2 | BMW GROUP IN FIGURES | 31 December 2015 | | | |
|--------------|--|--|---------|---------|---|
| | | Level hierarchy in accordance with IFRS 13 | | | |
| in € million | | Level 1 | Level 2 | Level 3 | |
| 4 | INTERIM GROUP MANAGEMENT REPORT | | | | |
| 4 | Report on Economic Position | Marketable securities, investment fund shares and collateral assets – available-for-sale | 5,259 | - | - |
| 16 | Events after the End of the Reporting Period | Other investments – available-for-sale/fair value option | 244 | - | - |
| 17 | Report on Outlook, Risks and Opportunities | Derivative instruments (assets) | | | |
| 21 | BMW Stock and Capital Markets | — Interest rate risks | - | 1,939 | - |
| | | — Currency risks | - | 1,086 | - |
| | | — Raw materials price risks | - | 5 | - |
| 22 | INTERIM GROUP FINANCIAL STATEMENTS | Derivative instruments (liabilities) | | | |
| 22 | Income Statements for Group and Segments | — Interest rate risks | - | 1,352 | - |
| 22 | Statement of Comprehensive Income for Group | — Currency risks | - | 2,136 | - |
| 24 | Balance Sheets for Group and Segments | — Raw materials price risks | - | 1,062 | - |

As in the financial year 2015, there were no reclassifications within the level hierarchy during the first quarter of 2016.

In situations where a fair value was required to be measured for a financial instrument only for disclosure purposes, this was achieved using the discounted cash flow method and taking account of the BMW Group's own

default risk. For this reason, the fair values calculated can be allocated to Level 2.

In the case of financial instruments held by the BMW Group which are not measured at fair value, the carrying amounts of such instruments correspond as a general rule to fair values. The following items are the main exceptions to this general rule:

| in € million | 31. 3. 2016 | | 31.12. 2015 | |
|--|-------------|-----------------|-------------|-----------------|
| | Fair value | Carrying amount | Fair value | Carrying amount |
| Loans and receivables – Receivables from sales financing | 72,013 | 69,294 | 72,309 | 70,043 |
| Other liabilities – Bonds | 41,621 | 41,047 | 40,701 | 40,319 |

30 – Related party relationships

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities which have the ability to control the BMW Group or which are controlled by the BMW Group, must be disclosed unless such parties are already included in the Group Financial Statements of BMW AG as consolidated companies. Control is defined as ownership of more than one half of the voting power of BMW AG or the power to direct, by statute or agreement, the financial and operating policies of the management of the BMW Group.

In addition, the disclosure requirements of IAS 24 also cover transactions with associated companies, joint ventures and individuals that have the ability to exercise significant influence over the financial and operating policies of the BMW Group. This also includes close relatives and intermediary entities. Significant influence over the financial and operating policies of the BMW Group is presumed when a party holds 20% or more of the voting power of BMW AG. In addition, the requirements contained in IAS 24 relating to key management

personnel and close members of their families or intermediary entities are also applied. In the case of the BMW Group, this applies to members of the Board of Management and Supervisory Board.

For the first three months of 2016, the disclosure requirements contained in IAS 24 affect the BMW Group with regard to business relationships with affiliated, non-consolidated entities, joint ventures and associated companies as well as with members of the Board of Management and Supervisory Board of BMW AG.

The BMW Group maintains normal business relationships with **non-consolidated subsidiaries**. Transactions with these companies are small in scale, arise in the normal course of business and are conducted on the basis of arm's length principles.

Transactions of BMW Group companies with the **joint venture** BMW Brilliance Automotive Ltd., Shenyang, arise without exception in the normal course of business and are conducted on the basis of arm's length principles.

Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during the first quarter 2016 for an amount of €1,087 million (2015: €1,149 million). At 31 March 2016, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, totalled €910 million (31 December 2015: €892 million). Trade and financial payables of Group companies to BMW Brilliance Automotive Ltd., Shenyang, amounted to €103 million (31 December 2015: €107 million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, during the first three months of 2016 for an amount of €8 million (2015: €4 million).

All relationships of BMW Group entities with the **joint ventures** DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, are conducted on the basis of arm's length principles. Transactions with these entities arise in the normal course of business and are small in scale.

THERE Holding B.V., Amsterdam, was consolidated in the Group Financial Statements of BMW AG for the year ended 31 December 2015 for the first time as an **associated company** using the equity method. Transactions of BMW Group companies with THERE Holding B.V., Amsterdam, and that entity's subsidiaries (HERE Group), arise without exception in the normal course of business and are conducted on the basis of arm's length principles. The HERE Group's digital maps are fundamental for the next generation of mobility and location-based services, providing the basis for new assistance systems and, ultimately, fully automated driving. Using high-precision digital maps in combination with real-time vehicle data, it will be possible to increase road safety and facilitate the development of innovative new products and services. The BMW Group did not sell any goods or services to the HERE Group during the first quarter 2016. Group companies received goods and services from the HERE Group during the first three months of 2016 in the form of licenses amounting to €12 million. At 31 March 2016, payables of Group companies to the HERE Group totalled €7 million (31 December 2015: €3 million). Group companies had no receivables from the HERE Group at the end of the reporting period (31 December 2015: €– million).

Business transactions between BMW Group entities and other **associated companies** are small in scale, arise without exception in the normal course of business and are conducted on the basis of arm's length principles.

Stefan Quandt is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v.d.H., which, via its subsidiaries, performed logistic-related services for the BMW Group during the first three months of 2016. In addition, companies of the DELTON Group used vehicles provided by the BMW Group, mostly in the form of leasing contracts. Stefan Quandt is also the indirect majority shareholder of Solarwatt GmbH, Dresden. Cooperation arrangements are in place between BMW AG and Solarwatt GmbH, Dresden, within the field of 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 quarter 2016. The service, cooperation and lease contracts referred to above are not material for the BMW Group. They all arise in the normal course of business and are conducted without exception on the basis of arm's length principles.

Susanne Klatten is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairman of the Supervisory Board of Altana AG, Wesel. Altana AG, Wesel, acquired vehicles from the BMW Group during the first three months of 2016, mostly in the form of lease contracts. These contracts are not material for the BMW Group, arise in the course of ordinary activities and are made, without exception, on the basis of arm's length principles.

Apart from vehicle lease contracts concluded on an arm's length basis, companies of the BMW Group have not entered into any contracts with members of the Board of Management or Supervisory Board of BMW AG. The same applies to close members of the families of those persons.

BMW Trust e.V., Munich, administers assets on a trustee basis to secure obligations relating to pensions and pre-retirement part-time working arrangements in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity, which is a registered association (eingetragener Verein) under German law, does not have any assets of its own. It did not have any income or expenses during the period under report. BMW AG bears expenses on an immaterial scale and performs services for BMW Trust e.V., Munich.

| | |
|----|--|
| 2 | BMW GROUP IN FIGURES |
| 4 | INTERIM GROUP MANAGEMENT REPORT |
| 4 | Report on Economic Position |
| 16 | Events after the End of the Reporting Period |
| 17 | Report on Outlook, Risks and Opportunities |
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31 Explanatory notes to segment information

For information on the basis used for identifying and assessing the performance of reportable segments along internal management lines, please see the Group Financial Statements of BMW AG for the year ended 31 December 2015. No changes have been made either in the

accounting policies applied or in the basis used for identifying reportable segments as compared to 31 December 2015.

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

Segment information by operating segment

| | Automotive | | Motorcycles | |
|---|---------------|---------------|-------------|------------|
| in € million | 2016 | 2015 | 2016 | 2015 |
| External revenues | 14,607 | 14,655 | 580 | 565 |
| Inter-segment revenues | 4,207 | 4,238 | 2 | 2 |
| Total revenues | 18,814 | 18,893 | 582 | 567 |
| Segment result | 1,763 | 1,794 | 94 | 115 |
| Result from equity accounted investments | 71 | 128 | - | - |
| Capital expenditure on non-current assets | 692 | 785 | 5 | 8 |
| Depreciation and amortisation on non-current assets | 1,162 | 1,083 | 18 | 16 |

| | Automotive | | Motorcycles | |
|---|------------|------------|-------------|------------|
| in € million | 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 |
| Investments accounted for using the equity method | 2,343 | 2,233 | - | - |
| Segment assets | 10,378 | 10,024 | 577 | 557 |

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

| in € million | 1st quarter 2016 | 1st quarter 2015 |
|--|------------------|------------------|
| Reconciliation of segment result | | |
| — Total for reportable segments | 2,425 | 2,445 |
| — Financial result of Automotive segment and Motorcycles segment | -29 | -161 |
| — Elimination of inter-segment items | -28 | -15 |
| Group profit before tax | 2,368 | 2,269 |
| Reconciliation of capital expenditure on non-current assets | | |
| — Total for reportable segments | 5,456 | 5,909 |
| — Elimination of inter-segment items | -1,218 | -1,179 |
| Total Group capital expenditure on non-current assets | 4,238 | 4,730 |
| Reconciliation of depreciation and amortisation on non-current assets | | |
| — Total for reportable segments | 3,529 | 3,207 |
| — Elimination of inter-segment items | -1,267 | -1,202 |
| Total Group depreciation and amortisation on non-current assets | 2,262 | 2,005 |

| Financial Services | | Other Entities | | Reconciliation to Group figures | | Group | | |
|--------------------|--------------|----------------|----------|---------------------------------|---------------|---------------|---------------|---|
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| 5,666 | 5,696 | - | -1 | - | - | 20,853 | 20,917 | External revenues |
| 366 | 362 | -1 | -1 | -4,576 | -4,603 | - | - | Inter-segment revenues |
| 6,032 | 6,058 | 1 | 2 | -4,576 | -4,603 | 20,853 | 20,917 | Total revenues |
| 570 | 559 | -2 | -23 | -57 | -176 | 2,368 | 2,269 | Segment result |
| - | - | - | - | - | - | 71 | 128 | Result from equity accounted investments |
| 4,759 | 5,116 | - | - | -1,218 | -1,179 | 4,238 | 4,730 | Capital expenditure on non-current assets |
| 2,349 | 2,108 | - | - | -1,267 | -1,202 | 2,262 | 2,005 | Depreciation and amortisation on non-current assets |

| Financial Services | | Other Entities | | Reconciliation to Group figures | | Group | | |
|--------------------|------------|----------------|------------|---------------------------------|------------|-----------|------------|---|
| 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 | 31.3.2016 | 31.12.2015 | |
| - | - | - | - | - | - | 2,343 | 2,233 | Investments accounted for using the equity method |
| 10,079 | 9,948 | 70,451 | 71,709 | 81,847 | 79,936 | 173,332 | 172,174 | Segment assets |

| in € million | | 31.3.2016 | 31.12.2015 |
|--|--|----------------|----------------|
| Reconciliation of segment assets | | | |
| Total for reportable segments | | 91,485 | 92,238 |
| Non-operating assets – Other Entities segment | | 7,142 | 7,132 |
| Total liabilities – Financial Services segment | | 110,625 | 112,081 |
| Non-operating assets – Automotive and Motorcycles segments | | 43,310 | 41,932 |
| Liabilities of Automotive and Motorcycles segments not subject to interest | | 33,249 | 31,817 |
| Elimination of inter-segment items | | -112,479 | -113,026 |
| Total Group assets | | 173,332 | 172,174 |

OTHER INFORMATION

Financial Calendar

| | | | |
|------|---|---------------------------------------|-----------------|
| 2 — | BMW GROUP IN FIGURES | Annual General Meeting | 12 May 2016 |
| 4 | INTERIM GROUP MANAGEMENT REPORT | Quarterly Report to 30 June 2016 | 2 August 2016 |
| 4 | Report on Economic Position | Quarterly Report to 30 September 2016 | 4 November 2016 |
| 16 | Events after the End of the Reporting Period | Annual Report 2016 | 21 March 2017 |
| 17 | Report on Outlook, Risks and Opportunities | Annual Accounts Press Conference | 21 March 2017 |
| 21 | BMW Stock and Capital Markets | Analyst and Investor Conference | 22 March 2017 |
| 22 | INTERIM GROUP FINANCIAL STATEMENTS | Quarterly Report to 31 March 2017 | 4 May 2017 |
| 22 | Income Statements for Group and Segments | Annual General Meeting | 11 May 2017 |
| 22 | Statement of Comprehensive Income for Group | Quarterly Report to 30 June 2017 | 3 August 2017 |
| 24 | Balance Sheets for Group and Segments | Quarterly Report to 30 September 2017 | 7 November 2017 |
| 26 | Cash Flow Statements for Group and Segments | | |
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The BMW Group on the Internet

Further information about the BMW Group is available online at www.bmwgroup.com. Investor Relations information is available directly at www.bmwgroup.com/ir. Information about the various BMW Group brands is available at www.bmw.com, www.mini.com and www.rolls-roycemotorcars.com.

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