

# QUARTERLY REPORT

30 September 2017



**BMW  
GROUP**

THE NEXT  
100 YEARS 



Rolls-Royce  
Motor Cars Limited

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# **BMW GROUP IN FIGURES**

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**1**

# BMW GROUP IN FIGURES

## Key performance indicators reported during the year

→ 01

		3rd quarter 2017	3rd quarter 2016	Change in %
<b>GROUP</b>				
Profit before tax	€ million	2,422	2,575	-5.9
Workforce <sup>1</sup> (at 30 September 2017/31 December 2016)		129,545	124,729	3.9
<b>AUTOMOTIVE SEGMENT</b>				
Sales volume <sup>2</sup>	units	590,415	583,499	1.2
Revenues	€ million	21,040	21,564	-2.4
EBIT margin <sup>3</sup>	% (change in %pts)	8.3	8.5	-0.2
<b>MOTORCYCLES SEGMENT</b>				
Sales volume	units	39,429	35,290	11.7
EBIT margin <sup>3</sup>	% (change in %pts)	10.3	7.1	3.2

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

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 93,641 units, 2016: 80,580 units).

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

## Further performance figures

→ 02

		3rd quarter 2017	3rd quarter 2016	Change in %
<b>AUTOMOTIVE SEGMENT</b>				
Sales volume				
BMW <sup>1</sup>	units	499,467	493,379	1.2
MINI	units	90,180	89,179	1.1
Rolls-Royce	units	768	941	-18.4
<b>Total<sup>1</sup></b>		<b>590,415</b>	<b>583,499</b>	<b>1.2</b>
Production volume				
BMW <sup>2</sup>	units	526,092	507,024	3.8
MINI	units	87,730	85,784	2.3
Rolls-Royce	units	709	939	-24.5
<b>Total<sup>2</sup></b>		<b>614,531</b>	<b>593,747</b>	<b>3.5</b>
<b>MOTORCYCLES SEGMENT</b>				
Production volume	units	41,443	31,458	31.7
<b>FINANCIAL SERVICES SEGMENT</b>				
New contracts with retail customers		435,026	467,702	-7.0
<b>Operating cash flow Automotive segment</b>	€ million	<b>2,739</b>	2,369	15.6
<b>Revenues</b>	€ million	<b>23,424</b>	<b>23,362</b>	<b>0.3</b>
Automotive	€ million	21,040	21,564	-2.4
Motorcycles	€ million	514	451	14.0
Financial Services	€ million	6,679	6,403	4.3
Other Entities	€ million	1	1	-
Eliminations	€ million	-4,810	-5,057	4.9
<b>Profit before financial result (EBIT)</b>	€ million	<b>2,304</b>	<b>2,380</b>	<b>-3.2</b>
Automotive	€ million	1,753	1,837	-4.6
Motorcycles	€ million	53	32	65.6
Financial Services	€ million	607	576	5.4
Other Entities	€ million	-12	6	-
Eliminations	€ million	-97	-71	-36.6
<b>Profit before tax (EBT)</b>	€ million	<b>2,422</b>	<b>2,575</b>	<b>-5.9</b>
Automotive	€ million	1,880	2,030	-7.4
Motorcycles	€ million	53	32	65.6
Financial Services	€ million	609	568	7.2
Other Entities	€ million	11	40	-72.5
Eliminations	€ million	-131	-95	-37.9
<b>Income taxes</b>	€ million	<b>-633</b>	<b>-754</b>	<b>16.0</b>
<b>Net profit</b>	€ million	<b>1,789</b>	<b>1,821</b>	<b>-1.8</b>
<b>Earnings per share<sup>3</sup></b>	€	<b>2.68/2.68</b>	<b>2.75/2.75</b>	<b>-2.5/-2.5</b>
<b>Group pre-tax return on sales<sup>4</sup></b>	% (change in %pts)	<b>10.3</b>	<b>11.0</b>	<b>-0.7</b>

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 93,641 units, 2016: 80,580 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 114,394 units, 2016: 91,505 units).

<sup>3</sup> Common / preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

<sup>4</sup> Group profit before tax as a percentage of Group revenues.

# BMW GROUP IN FIGURES

## Key performance indicators reported during the year

→ 03

		1 January to 30 September 2017	1 January to 30 September 2016	Change in %
<b>GROUP</b>				
Profit before tax	€ million	8,482	7,741	9.6
Workforce <sup>1</sup> (at 30 September 2017/31 December 2016)		129,545	124,729	3.9
<b>AUTOMOTIVE SEGMENT</b>				
Sales volume <sup>2</sup>	units	1,811,234	1,746,638	3.7
Revenues	€ million	64,708	63,250	2.3
EBIT margin <sup>3</sup>	% (change in %pts)	9.1	9.1	–
<b>MOTORCYCLES SEGMENT</b>				
Sales volume	units	127,818	116,044	10.1
EBIT margin <sup>3</sup>	% (change in %pts)	15.4	13.6	1.8

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

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 280,607 units, 2016: 234,281 units).

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



## Further performance figures

→ 04

		1 January to 30 September 2017	1 January to 30 September 2016	Change in %
<b>AUTOMOTIVE SEGMENT</b>				
Sales volume				
BMW <sup>1</sup>	units	1,537,497	1,479,936	3.9
MINI	units	271,394	264,077	2.8
Rolls-Royce	units	2,343	2,625	-10.7
<b>Total<sup>1</sup></b>		<b>1,811,234</b>	<b>1,746,638</b>	<b>3.7</b>
Production volume				
BMW <sup>2</sup>	units	1,593,058	1,527,373	4.3
MINI	units	281,591	277,489	1.5
Rolls-Royce	units	2,346	2,742	-14.4
<b>Total<sup>2</sup></b>		<b>1,876,995</b>	<b>1,807,604</b>	<b>3.8</b>
<b>MOTORCYCLES SEGMENT</b>				
Production volume	units	146,995	115,843	26.9
<b>FINANCIAL SERVICES SEGMENT</b>				
New contracts with retail customers		1,369,263	1,341,792	2.0
<b>Operating cash flow Automotive segment</b>	€ million	<b>7,132</b>	6,493	9.8
<b>Revenues</b>	€ million	<b>72,671</b>	<b>69,229</b>	<b>5.0</b>
Automotive	€ million	64,708	63,250	2.3
Motorcycles	€ million	1,833	1,650	11.1
Financial Services	€ million	20,769	18,940	9.7
Other Entities	€ million	4	4	-
Eliminations	€ million	-14,643	-14,615	-0.2
<b>Profit before financial result (EBIT)</b>	€ million	<b>7,879</b>	<b>7,562</b>	<b>4.2</b>
Automotive	€ million	5,862	5,778	1.5
Motorcycles	€ million	282	224	25.9
Financial Services	€ million	1,799	1,696	6.1
Other Entities	€ million	0	29	-
Eliminations	€ million	-64	-165	61.2
<b>Profit before tax (EBT)</b>	€ million	<b>8,482</b>	<b>7,741</b>	<b>9.6</b>
Automotive	€ million	6,544	6,041	8.3
Motorcycles	€ million	281	223	26.0
Financial Services	€ million	1,793	1,641	9.3
Other Entities	€ million	30	84	-64.3
Eliminations	€ million	-166	-248	33.1
<b>Income taxes</b>	€ million	<b>-2,330</b>	<b>-2,330</b>	<b>-</b>
<b>Net profit</b>	€ million	<b>6,152</b>	<b>5,411</b>	<b>13.7</b>
<b>Earnings per share<sup>3</sup></b>	€	<b>9.27/9.28</b>	<b>8.19/8.20</b>	<b>13.2/13.2</b>
<b>Group pre-tax return on sales<sup>4</sup></b>	% (change in %pts)	<b>11.7</b>	<b>11.2</b>	<b>0.5</b>

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 280,607 units, 2016: 234,281 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 297,992 units, 2016: 223,191 units).

<sup>3</sup> Common / preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

<sup>4</sup> Group profit before tax as a percentage of Group revenues.

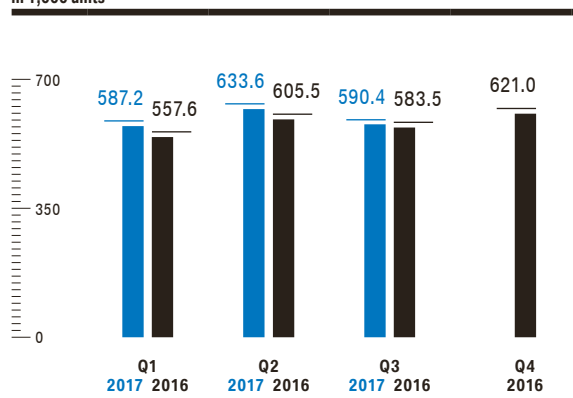
## BMW Group remains on growth course

The BMW Group remained on course for continued growth despite difficult market conditions in some areas. During the third quarter of 2017, the BMW Group delivered 590,415\* BMW, MINI and Rolls-Royce brand vehicles to customers worldwide (2016: 583,499\* units; +1.2%). In the period from January to September, sales climbed by 3.7% to 1,811,234 units (2016: 1,746,638\* units). For both periods, the Group set new sales volume records.

## BMW Group sales volume of automobiles\*

→ 05

in 1,000 units



\* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (third quarter 2017: 93,641, 2016: 80,580 units; 1 January to 30 September 2017: 280,607, 2016: 234,281 units).

The Motorcycles segment also set new sales volume records despite contraction in some markets. Worldwide, BMW Motorrad delivered 39,429 motorcycles to its customers during the period from July to September 2017, well above the previous year's figure (2016: 35,290 units; +11.7%). The total for the nine-month period rose by 10.1% to 127,818 units (2016: 116,044 units).

The Financial Services segment concluded a total of 435,026 new leasing and financing contracts with retail customers worldwide in the third quarter (2016: 467,702 contracts; -7.0%). The figure for the nine-month period was up by 2.0% to 1,369,263 contracts (2016: 1,341,792 contracts).

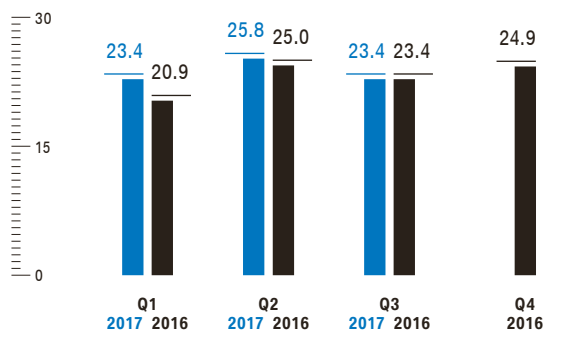
## Nine-month revenues and earnings up on previous year

At €72,671 million, nine-month revenues were 5.0% up on the previous year (2016: €69,229 million), reflecting higher sales volumes in the Automotive and Motorcycles segments and business growth in the Financial Services segment.

## BMW Group revenues

→ 06

in € billion



Group EBIT rose to €7,879 million (2016: €7,562 million; +4.2%), despite a challenging competitive environment and the planned increase in costs and expenditure for research and development, personnel and IT. Profit before tax rose by a solid 9.6% to €8,482 million (2016: €7,741 million).

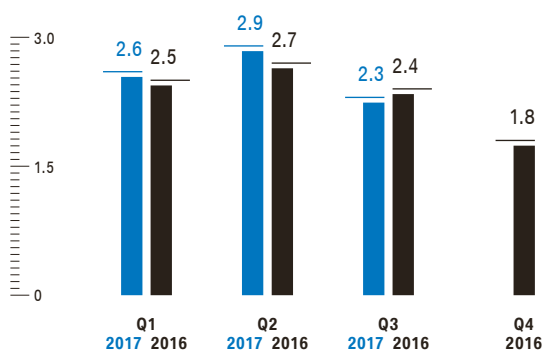


While third-quarter revenues at €23,424 million surpassed the high mark of the previous year (2016: €23,362 million; +0.3%), earnings came in slightly lower than the record level from the third quarter of 2016. Group EBIT for the period from July to September fell slightly to €2,304 million (2016: €2,380 million; -3.2%).

### BMW Group profit before financial result (EBIT)

→ 07

in € billion

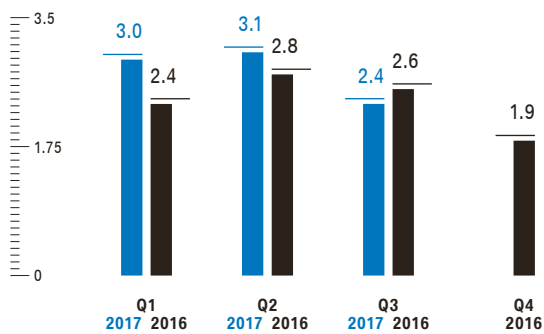


Profit before tax decreased by €153 million to €2,422 million (2016: €2,575 million; -5.9%). Higher other operating expenses and a lower financial result had a dampening effect on Group earnings. Further information is provided in the Automotive segment section.

### BMW Group profit before tax

→ 08

in € billion



### Workforce increase

The BMW Group employed a workforce of 129,545 worldwide at the end of the reporting period (31 December 2016: 124,729; +3.9%). Some 1,554 apprentices began their careers with the BMW Group at the start of the new training year, including 1,200 in Germany.

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# INTERIM GROUP MANAGEMENT REPORT

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# 2

# REPORT ON ECONOMIC POSITION

Segments continue on growth  
course

Group net profit at record level

## €8,482 million

↗ +9.6%

Group profit before tax

## GENERAL ECONOMIC ENVIRONMENT IN THE FIRST NINE MONTHS OF 2017

### International automobile markets

Registrations of new automobiles rose by 2.3% worldwide during the nine-month period from January to September, slightly up on the previous year. In particular, markets in Asia and numerous European countries reported good performances. In the USA and UK however, new registrations were down on the previous year.

In Europe, new registrations for the nine-month period rose 3.6%, mainly driven by increased demand from continental markets. In France, registrations increased by 4.0%, slightly above the Europe average. In Spain (+6.7%) and Italy (+8.8%), the rise in registrations was even stronger. The German automobile market, however, showed below average growth at 2.2% over the nine-month period. The UK reported a 3.9% drop in new registrations year-on-year.

In the USA, the steep increase in registrations seen in the years following the global financial crisis has come to an end for the time being. In the first nine months of 2017, the number of new vehicles registered on the US automobile market dropped by 1.8% compared with the same period in 2016.

The Chinese automobile market grew slightly during the nine-month period compared to the previous year. New registrations in this market increased by 2.3%.

New registrations in Japan rose by a solid 7.7% during the period from January to September.

For the nine-month period, the markets in Brazil and Russia showed an improvement on recent years. While registrations in Brazil rose by 11.0% year-on-year, the automobile market in Russia expanded even more strongly during the same period (+15.5%).

## International motorcycle markets

Developments on motorcycle markets in the 250 cc plus segment presented a varied picture during the first nine months of 2017. Worldwide, motorcycle registrations were slightly down on the previous year (-0.6%). The trend in Europe was generally positive, with further market recovery (+4.1%). The German market, however, recorded a 6.7% drop in new registrations. By contrast, the other major European motorcycle markets surpassed the previous year's figures (Italy +14.4%, Spain +4.7%, France +8.6%). The downward trend seen in the USA over the last few months continued and the market contracted by 5.7%.

In the third quarter of 2017, prices in the premium segment of international markets for pre-owned cars fluctuated within their usual ranges. The slight downward trend seen on North American markets in preceding quarters came to an end and prices stabilised. On Asian markets, too, there were no major fluctuations in selling prices. In Europe residual values are being impacted in part by the ongoing discussion around diesel vehicles. In Central Europe, prices for diesel-powered automobiles dropped slightly, while prices for petrol-driven vehicles remained stable. In Southern Europe, there have been no signs of this trend affecting the diesel segment.

## International interest rate environment and pre-owned vehicle prices

In the eurozone, economic growth continued to gather pace in the third quarter, and the job market improved. Continued low inflation led the European Central Bank (ECB) to leave its expansionary monetary policy unchanged.

In the third quarter, developments in the United Kingdom continued to be influenced by uncertainty relating to the ongoing Brexit negotiations with the European Union. Economic growth continued to weaken and the inflation rate of 3.0% in September was again significantly above the targeted 2%. The job market, however, showed signs of improvement. In September, the Bank of England announced the prospect of an increase in the base interest rate.

In light of good job market figures and continued solid economic performance, the Federal Reserve in the USA announced its intention to progressively reduce its high balance sheet total. The measure is seen as a further step towards normalising its monetary policy.

After a strong first half-year, the Chinese economy lost some momentum in the third quarter. Higher prices for raw materials caused a moderate rise in the inflation rate. After having repeatedly raised interest rates in previous quarters, the Chinese central bank refrained from any further tightening of its monetary policies in the third quarter.

The Japanese economy continued to gain pace in the third quarter and unemployment reached a 20-year low. As the inflation rate remained well below the 2% target, the Japanese central bank continued its ultra-expansive monetary policy.

# Automotive Segment

## Automotive segment deliveries slightly up

The BMW Group sold 590,415<sup>1</sup> BMW, MINI and Rolls-Royce brand vehicles worldwide during the third quarter (2016: 583,499<sup>1</sup> units; +1.2%), comprising 499,467<sup>1</sup> BMW (2016: 493,379<sup>1</sup> units; +1.2%), 90,180 MINI (2016: 89,179 units; +1.1%) and 768 Rolls-Royce vehicles (2016: 941 units; -18.4%).

The total number of vehicles delivered during the period from January to September increased to 1,811,234<sup>2</sup> (2016: 1,746,638<sup>2</sup> units; +3.7%), comprising 1,537,497<sup>2</sup> BMW (2016: 1,479,936<sup>2</sup> units; +3.9%), 271,394 MINI (2016: 264,077 units; +2.8%) and 2,343 Rolls-Royce (2016: 2,625 units; -10.7%) vehicles. These figures represent new volume records, not only for the Group as a whole, but also for the BMW and MINI brands.

## Dynamic growth in Asia

The favourable development of vehicle sales in Asia continued during the period under report. Deliveries of the BMW Group's three brands in the region during the third quarter totalled 205,315<sup>1</sup> (2016: 187,418<sup>1</sup> units; +9.5%). The nine-month sales figure was up 13.2% at 621,203<sup>2</sup> units (2016: 548,986<sup>2</sup> units). This positive trend was boosted in particular by China. Deliveries of BMW Group vehicles on the Chinese mainland between July and September climbed by 9.0% ↗

to 143,539<sup>1</sup> units (2016: 131,644<sup>1</sup> units). Over the nine-month period sales volumes increased significantly in China to 437,111<sup>2</sup> units (2016: 379,461<sup>2</sup> units; +15.2%).

The trend in Europe was influenced by political uncertainty in a number of countries, including Germany and the UK. Third-quarter deliveries in Europe fell slightly by 1.2% to 261,027 units (2016: 264,327 units). The nine-month figure of 816,233 units represented a slight increase of 1.1% (2016: 807,597 units). Sales volume in Germany in the third quarter of 2017 (72,760 units) was at the previous year's level (2016: 72,431 units; +0.5%). During the nine-month period, a total of 217,174 automobiles of the BMW Group's three brands were sold in Germany (2016: 220,488 units; -1.5%). Deliveries in France increased in the third quarter by 3.1% to 19,625 units (2016: 19,026 units). With a total of 64,838 vehicles delivered over the nine months, sales volumes in France were 4.0% up on the previous year (2016: 62,340 units). Following the start of Brexit negotiations, consumer spending in the UK has remained slow, with deliveries down to 61,241 units for the third quarter (2016: 66,992 units; -8.6%). Sales volume for the nine-month period was 1.5% lower than the previous year (186,785 units; 2016: 189,712 units). In Southern Europe the positive trend continued. Both Italy (62,025 units; +3.5%) and Spain (44,668 units; +11.1%) recorded an increase over the nine-month period.

## Automotive Segment at a glance

→ 09

		3rd quarter 2017	3rd quarter 2016	Change in %
Sales volume <sup>1,3</sup>	units	590,415	583,499	1.2
Production <sup>4</sup>	units	614,531	593,747	3.5
Revenues <sup>3</sup>	€ million	21,040	21,564	-2.4
Profit before financial result (EBIT)	€ million	1,753	1,837	-4.6
Profit before tax	€ million	1,880	2,030	-7.4
EBIT margin <sup>3,5</sup>	% (change in %pts)	8.3	8.5	-0.2
		1 January to 30 September 2017	1 January to 30 September 2016	Change in %
Sales volume <sup>2,3</sup>	units	1,811,234	1,746,638	3.7
Production <sup>6</sup>	units	1,876,995	1,807,604	3.8
Revenues <sup>3</sup>	€ million	64,708	63,250	2.3
Profit before financial result (EBIT)	€ million	5,862	5,778	1.5
Profit before tax	€ million	6,544	6,041	8.3
EBIT margin <sup>3,5</sup>	% (change in %pts)	9.1	9.1	-
Workforce (at 30 September 2017/31 December 2016)		117,202	112,869	3.8

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 93,641 units, 2016: 80,580 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 280,607 units, 2016: 234,281 units).

<sup>3</sup> Key performance indicators reported on during the year.

<sup>4</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 114,394 units, 2016: 91,505 units).

<sup>5</sup> Profit before financial result as percentage of Automotive segment revenues.

<sup>6</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 297,992 units, 2016: 223,191 units).

Competition in the Americas remained fierce throughout the third quarter of 2017. During the period from July to September, the BMW Group delivered a total of 109,059 BMW, MINI and Rolls-Royce brand vehicles to customers in the region (2016: 114,907 units; -5.1%). The nine-month figure of 326,589 units was also lower than one year earlier (2016: 338,005 units; -3.4%). ↱

Within a contracting overall market, sales in the USA fell short of the previous year both for the quarter (83,897 units; -7.6%; 2016: 90,782 units) and for the nine-month period (255,682 units; -5.3%; 2016: 269,884 units). Deliveries in Mexico, however, increased by 9.9% over the nine-month period to 16,163 units (2016: 14,708 units).

## Automotive Segment sales volume of vehicles by region and market

→ 10

in units	3rd quarter 2017	3rd quarter 2016	Change in %	1 January to 30 September 2017	1 January to 30 September 2016	Change in %
Europe	261,027	264,327	-1.2	816,233	807,597	1.1
thereof Germany	72,760	72,431	0.5	217,174	220,488	-1.5
thereof UK	61,241	66,992	-8.6	186,785	189,712	-1.5
Americas	109,059	114,907	-5.1	326,589	338,005	-3.4
thereof USA	83,897	90,782	-7.6	255,682	269,884	-5.3
Asia	205,315 <sup>1</sup>	187,418 <sup>1</sup>	9.5	621,203 <sup>2</sup>	548,986 <sup>2</sup>	13.2
thereof China	143,539 <sup>1</sup>	131,644 <sup>1</sup>	9.0	437,111 <sup>2</sup>	379,461 <sup>2</sup>	15.2
Other markets	15,014	16,847	-10.9	47,209	52,050	-9.3
<b>Total</b>	<b>590,415<sup>1</sup></b>	<b>583,499<sup>1</sup></b>	<b>1.2</b>	<b>1,811,234<sup>2</sup></b>	<b>1,746,638<sup>2</sup></b>	<b>3.7</b>

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 93,641 units, 2016: 80,580 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 280,607 units, 2016: 234,281 units).

### BMW brand sees continued success<sup>2</sup>

The BMW brand set a new sales volume record for both the quarter and the nine-month period under report. Among others, the BMW X1, the BMW 1 Series and the 7 Series as well as the BMW i and iPerformance vehicles provided sales momentum, with each of them registering double-digit growth rates for the nine-month period under report.

With 143,018 units delivered between January and September 2017, the BMW 1 Series achieved a significant increase of 10.8% (2016: 129,081 units). During the same period, deliveries of the BMW 2 Series dropped moderately to 135,643 units (2016: 146,690 units; -7.5%). The BMW 3 Series remained slightly down on the previous year's figures (307,619 units, -1.4%; 2016: 311,915 units), whereas the BMW 4 Series matched the previous year's performance (99,792 units, -0.6%; 2016: 100,369 units). With 249,067 units delivered, the BMW 5 Series remained at a similar level to the previous year (2016: 251,351 units; -0.9%). The latest model change is currently taking place in China. Outside of China, the new BMW 5 Series recorded 48.8% volume growth in September (23,737 units). Full availability of this highly successful model and of the extended-wheelbase version in China is likely to provide additional impetus going forward. With 47,880 units delivered during the first nine months of the current year, the

BMW 7 Series registered significant growth of 14.7% (2016: 41,752 units) and took the leading position in its segment.

The BMW X family continued to perform well during the period under report. Between January and September, 522,374 units of the various X models were delivered to customers (2016: 464,203 units; +12.5%). The BMW X1 performed particularly well, with deliveries up by more than one third to 207,663 units (2016: 149,670 units; +38.7%). Despite preparations for the model change, BMW X3 deliveries (114,852 units) were only slightly down on the previous year's figure (2016: 116,702 units; -1.6%). Deliveries of the BMW X5 rose by a solid 7.2% to 130,318 units (2016: 121,608 units).



## Automotive Segment sales volume of BMW vehicles by model series\*

→ 11

in units	1 January to 30 September 2017	1 January to 30 September 2016	Change in %
BMW 1 Series	143,018	129,081	10.8
BMW 2 Series	135,643	146,690	-7.5
BMW 3 Series	307,619	311,915	-1.4
BMW 4 Series	99,792	100,369	-0.6
BMW 5 Series	249,067	251,351	-0.9
BMW 6 Series	6,962	10,178	-31.6
BMW 7 Series	47,880	41,752	14.7
BMW X1	207,663	149,670	38.7
BMW X3	114,852	116,702	-1.6
BMW X4	39,991	44,316	-9.8
BMW X5	130,318	121,608	7.2
BMW X6	29,550	31,907	-7.4
BMW Z4	1,365	4,335	-68.5
BMW i	23,777	20,062	18.5
<b>BMW total</b>	<b>1,537,497</b>	<b>1,479,936</b>	<b>3.9</b>

\* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 280,607 units, 2016: 234,281 units).

### MINI sets new sales volume records

The MINI brand also broke previous records for both third-quarter (90,180 units, +1.1%; 2016: 89,179 units) and nine-month sales (271,394 units, +2.8%; 2016: 264,077 units). Amongst others, the MINI Convertible and the new MINI Countryman made major contributions, ▯

with 48,983 units of the MINI Countryman delivered since market launch in February. With 143,214 units sold, the MINI 3- and 5-door models fell slightly short of the previous year's figure (2016: 145,562 units; -1.6%).

## Automotive Segment sales volume of MINI vehicles by model variant

→ 12

in units	1 January to 30 September 2017	1 January to 30 September 2016	Change in %
MINI Hatch (3- and 5-door)	143,214	145,562	-1.6
MINI Convertible	26,665	23,217	14.9
MINI Clubman	44,259	43,807	1.0
MINI Countryman/Paceman	57,256	51,491	11.2
<b>MINI total</b>	<b>271,394</b>	<b>264,077</b>	<b>2.8</b>

**Rolls-Royce operating in volatile market environment**

During the first nine months of the current year, deliveries of Rolls-Royce Motor Cars were affected amongst others by political uncertainties in the Middle East and the market environment in the USA. Moreover, due to the model change, the Phantom was no longer

fully available, which also had an impact. Deliveries of the new Phantom will start from the beginning of 2018. Overall, the BMW Group delivered 2,343 Rolls-Royce vehicles to customers during the nine-month period under report (2016: 2,625 units; -10.7%).

**Automotive Segment sales volume of Rolls-Royce vehicles by model variant**

→ 13

in units	1 January to 30 September 2017	1 January to 30 September 2016	Change in %
Phantom	100	284	-64.8
Ghost	772	765	0.9
Wraith/Dawn	1,471	1,576	-6.7
<b>Rolls-Royce total</b>	<b>2,343</b>	<b>2,625</b>	<b>-10.7</b>

**Record sales of electrified vehicles**

Sales of electrified vehicles continue to grow dynamically. Since the beginning of the year, the Group has delivered 68,687 units of the BMW i, BMW iPerformance and MINI ELECTRIC worldwide (2016: 41,839 units; +64.2%). During the first nine months, deliveries of the BMW i and the BMW iPerformance rose by more than half to 65,973 units (2016: 41,839 units; +57.7%). Demand for the BMW i3

remained high and at 22,225 units, deliveries rose by more than one quarter (2016: 17,393 units; +27.8%). Deliveries of BMW plug-in hybrid models sold under the iPerformance brand name almost doubled to 42,196 units (2016: 21,771 units; +93.8%). BMW therefore occupies pole position in the premium segment for plug-in hybrids. Since the launch in June, a total of 2,714 MINI ELECTRIC vehicles have been delivered to customers.

**Automotive Segment sales volume of electrified models**

→ 14

in units	1 January to 30 September 2017	1 January to 30 September 2016	Change in %
BMW i	23,777	20,062	18.5
BMW iPerformance	42,196	21,777	-
MINI ELECTRIC	2,714	-	-
<b>Total</b>	<b>68,687</b>	<b>41,839</b>	<b>64.2</b>

### Automobile production above previous year's level

In the third quarter of 2017, 614,531<sup>1</sup> BMW, MINI and Rolls-Royce brand vehicles rolled off the assembly lines of the BMW Group's production network (2016: 593,747<sup>1</sup> units; +3.5%), comprising 526,092<sup>1</sup> BMW (2016: 507,024<sup>1</sup> units; +3.8%), 87,730 MINI (2016: 85,784 units; +2.3%) and 709 Rolls-Royce brand vehicles (2016: 939 units; -24.5%).

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 114,394 units, 2016: 91,505 units).

The total production volume of the Group's three brands during the nine-month period increased by 3.8% to 1,876,995<sup>2</sup> units (2016: 1,807,604<sup>2</sup> units), comprising 1,593,058<sup>2</sup> BMW (2016: 1,527,373<sup>2</sup> units; +4.3%), 281,591 MINI (2016: 277,489 units; +1.5%) and 2,346 Rolls-Royce brand vehicles (2016: 2,742 units; -14.4%).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 297,992 units, 2016: 223,191 units).

### Nine-month revenues and earnings up on previous year

Due to the positive sales volume performance, Automotive segment revenues grew slightly (+2.3%) during the first nine months of the year to €64,708 million (2016: €63,250 million). EBIT rose by 1.5% to €5,862 million (2016: €5,778 million) despite intense competition as well as the planned increase in costs and expenditure for research and development, personnel and IT. The EBIT margin came in at 9.1%, in line with the previous year, and therefore within the target range of between 8 and 10%. At €6,544 million, profit before tax was 8.3% up on the previous year (2016: €6,041 million). The profit before tax also benefited from the positive financial result reported for the first half year of 2017.

Revenues between July and September totalled €21,040 million, 2.4% down on the previous year, mainly resulting from a different model and regional sales mix as well as negative currency translation effects (2016: €21,564 million). In addition to these effects, EBIT for the three-month period (€1,753 million; 2016: €1,837 million; -4.6%) was also held down by higher expenses relating to allocations to provisions for legal issues and other litigation risks. The EBIT margin for the quarter came in at 8.3% (2016: 8.5%; -0.2 percentage points). At €1,880 million, third-quarter profit before tax fell short of the previous year's record figure (2016: €2,030 million; -7.4%).

### Workforce increased

The Automotive segment employed a workforce of 117,202 at the end of the reporting period (31 December 2016: 112,869 employees), a slight increase of 3.8%.

## Motorcycles Segment

### Significant rise in motorcycle sales volume

Despite difficult market conditions, particularly in the USA and Germany, the Motorcycles segment performed extremely well, achieving new records. Worldwide, BMW Motorrad delivered 39,429 vehicles to customers between July and September (2016: 35,290 units; +11.7%). Deliveries for the nine-month period rose by 10.1% to 127,818 units (2016: 116,044 units).

Significant growth was recorded in Europe during the first nine months of 2017, with deliveries up by 14.4% to 82,601 units (2016: 72,205 units). During this period, the BMW Group delivered 20,403 motorcycles to customers in Germany (2016: 19,136 units; +6.6%). Deliveries in France rose by more than a fifth to 13,558 units (2016: 11,139 units; +21.7%). Italy also saw a significant increase of 15.1% to 12,160 units (2016: 10,569 units). By contrast, the number of motorcycles sold on the highly competitive and contracting US market (10,200 units) fell short of the previous year (2016: 10,948 units; -6.8%).

### Significant increase in motorcycle production

A total of 41,443 motorcycles rolled off production lines between July and September of the current year (2016: 31,458 units; +31.7%). During the nine-month period, 146,995 units were manufactured (2016: 115,843 units; +26.9%). The significant increase was

due amongst others to production starts of numerous models and to the beginning of series production at the Group's cooperation partner TVS in India.

### Revenues and earnings significantly higher

The Motorcycles segment continued to perform well during the period under report, achieving new records for both revenues and earnings. Third-quarter and nine-month revenues amounting to €514 million (2016: €451 million; +14.0%) and €1,833 million (2016: €1,650 million; +11.1%) respectively, were significantly higher than the previous year, reflecting sales volumes and growing business with optional equipment. Earnings also saw strong growth. Third-quarter EBIT and pre-tax profit both amounted to €53 million (2016: €32 million; +65.6%), resulting in an EBIT margin of 10.3% (2016: 7.1%; +3.2 percentage points). EBIT for the period from January to September grew by 25.9% to €282 million (2016: €224 million), resulting in an EBIT margin of 15.4% (2016: 13.6%; +1.8 percentage points). Nine-month pre-tax profit amounted to €281 million (2016: €223 million; +26.0%).

### Workforce increase

The BMW Group employed 3,523 people in the Motorcycles segment at 30 September 2017 (31 December 2016: 3,351; +5.1%).

### Motorcycles Segment at a glance

→ 15

		3rd quarter 2017	3rd quarter 2016	Change in %
Sales volume <sup>1</sup>	units	39,429	35,290	11.7
Production	units	41,443	31,458	31.7
Revenues	€ million	514	451	14.0
Profit before financial result (EBIT)	€ million	53	32	65.6
Profit before tax	€ million	53	32	65.6
EBIT margin <sup>1,2</sup>	% (change in %pts)	10.3	7.1	3.2
		1 January to 30 September 2017	1 January to 30 September 2016	Change in %
Sales volume <sup>1</sup>	units	127,818	116,044	10.1
Production	units	146,995	115,843	26.9
Revenues	€ million	1,833	1,650	11.1
Profit before financial result (EBIT)	€ million	282	224	25.9
Profit before tax	€ million	281	223	26.0
EBIT margin <sup>1,2</sup>	% (change in %pts)	15.4	13.6	1.8
Workforce (at 30 September 2017/31 December 2016)		3,523	3,351	5.1

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

<sup>2</sup> Profit before financial result as percentage of Motorcycles segment revenues.

## Financial Services Segment

### Financial Services segment grows during year to date

The pace of growth in the Financial Services segment declined in the third quarter of 2017. The segment concluded 435,026 new credit financing and leasing contracts with retail customers between July and September, down moderately by 7.0% compared to the same quarter one year earlier (2016: 467,702 contracts). The development is attributable to a limitation in the volume of new business in China imposed by the People's Bank of China as part of its strategy of regulating the banking and financial services sector. The number of new leasing contracts for the quarter was down by 2.7%, while new credit financing contracts fell by 9.1%.

The number of new contracts with retail customers during the nine-month period amounted to 1,369,263, a slight increase on the previous year (2016: 1,341,792 contracts; +2.0%). Overall, leasing accounted for 32.1% (31 December 2016: 34.2%) and credit financing for 67.9% (31 December 2016: 65.8%) of total new business with new and pre-owned vehicles during the nine-month reporting period.

The nine-month period saw a significant rise of 10.2% in the number of credit financing and leasing contracts for pre-owned BMW and MINI brand vehicles, ↗

with a total of 298,624 new contracts signed (2016: 271,076 contracts). The total volume of all new credit financing and leasing contracts concluded with retail customers during the nine-month period grew by 1.8% to €41,343 million (2016: €40,627 million).

In total, 4,946,423 contracts were in place with retail customers at the end of the reporting period, 5.2% more than at the end of the previous financial year (31 December 2016: 4,703,417 contracts). Business in the Asia/Pacific region continued to grow, with an 8.2% increase in the contract portfolio compared to 31 December 2016. As in the preceding quarter, the Europe/Middle East/Africa region (+9.3%) and the EU Bank<sup>1</sup> region (+4.1%) also recorded further growth. The portfolio of contracts with retail customers in the Americas region was in line with the end of the previous financial year (+0.9%).

In total, 46.7%<sup>2</sup> of new BMW Group vehicles were either leased or financed by the Financial Services segment in the first nine months of 2017 (2016: 49.0%<sup>2</sup>; -2.3 percentage points). In balance sheet terms, business volume<sup>3</sup> amounted to €122,267 million at 30 September 2017, in line with the end of the previous financial year (31 December 2016: €123,394 million; -0.9%). Adjusted for currency effects, the business volume showed a solid increase compared to the end of 2016.

### Financial Services Segment at a glance

→ 16

		3rd quarter 2017	3rd quarter 2016	Change in %
New contracts with retail customers		435,026	467,702	-7.0
Revenues	€ million	6,679	6,403	4.3
Profit before financial result (EBIT)	€ million	607	576	5.4
Profit before tax	€ million	609	568	7.2
		1 January to 30 September 2017	1 January to 30 September 2016	Change in %
New contracts with retail customers		1,369,263	1,341,792	2.0
Revenues	€ million	20,769	18,940	9.7
Profit before financial result (EBIT)	€ million	1,799	1,696	6.1
Profit before tax	€ million	1,793	1,641	9.3
Workforce (at 30 September 2017/31 December 2016)		8,702	8,394	3.7
		30.9.2017	31.12.2016	Change in %
Business volume in balance sheet terms <sup>3</sup>	€ million	122,267	123,394	-0.9

<sup>1</sup> EU Bank comprises BMW Bank GmbH, its branches in Italy, Spain and Portugal and its subsidiary in France.

<sup>2</sup> The calculation only includes automobile markets in which the Financial Services segment is represented by a consolidated entity.

<sup>3</sup> Calculated on the basis of Leased products and Receivables from sales financing (current and non-current) of the Financial Services segment balance sheet.

### Fleet business up slightly on previous year

In the fleet management business, the BMW Group – with its Alphabet brand – is one of Europe's foremost leasing and full-service providers. Alphabet offers leasing and financing arrangements as well as other specific services to commercial customers. A portfolio of 666,350 fleet leasing contracts was under management at 30 September 2017 (31 December 2016: 644,420 contracts; +3.4 %).

### Increase in multi-brand financing

New business in the multi-brand financing business over the nine-month period was up by 5.3 % to 123,406 contracts (2016: 117,217 contracts). The total portfolio amounted to 485,610 contracts at 30 September 2017 (31 December 2016: 466,436 contracts; +4.1 %).

### Dealership financing slightly down

The total volume of dealership financing at the end of the reporting period decreased slightly to €17,822 million (31 December 2016: €18,307 million; –2.6 %).

### Deposit business volume at previous year's level

The deposit business provides an important source of refinancing for the Financial Services segment. Banking deposits amounted to €13,440 million at 30 September 2017, in line with the level reported at the end of the previous financial year (31 December 2016: €13,512 million; –0.5 %).

### Solid increase in new insurance business

At 30 September 2017, a total of 3,589,072 brokered insurance contracts was in place (31 December 2016: 3,411,872 contracts; +5.2 %). The number of new insurance contracts signed during the period from January to September 2017 increased by 6.6 % to 994,346 contracts (2016: 932,795 contracts).

### Continued revenue and earnings growth

The Financial Services segment continued to perform well during the reporting period, and set new records for revenues and earnings alike. Third-quarter revenues totalled €6,679 million (2016: €6,403 million; +4.3 %), while nine-month revenues grew by 9.7 % to €20,769 million (2016: €18,940 million). Profit before tax improved by a solid 7.2 % to €609 million for the third quarter (2016: €568 million) and by 9.3 % to €1,793 million for the period from January to September (2016: €1,641 million).

### Slight increase in workforce size

The Financial Services workforce comprised 8,702 people worldwide at 30 September 2017 (31 December 2016: 8,394 employees), a 3.7 % increase over the nine-month period.



# RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

## Results of operations

The BMW Group recorded growth in revenues, sales volume and profit before tax in the first nine months of 2017 compared to the previous year. Deliveries of BMW, MINI and Rolls-Royce brand vehicles rose slightly by 3.7% to 1,811,234 units. The figure ↗

includes 280,607 units (2016: 234,281 units) from the joint venture BMW Brilliance Automotive Ltd., Shenyang.

At the end of the reporting period, the BMW Group's workforce comprised 129,545 employees (31 December 2016: 124,729 employees).

The solid improvement in profit before tax for the nine-month period was mainly due to sales volume growth and the development of the financial result. In addition, the previous year's figure had been influenced by higher allocations to warranty provisions relating to vehicle recalls. The pre-tax return on sales was broadly in line with the previous year's level.

## BMW Group condensed Income Statement for the period from 1 July to 30 September

→ 17

in € million	2017	2016	Change in %
Revenues	23,424	23,362	0.3
Cost of sales	-18,662	-18,774	-0.6
<b>Gross profit</b>	<b>4,762</b>	<b>4,588</b>	<b>3.8</b>
Selling and administrative expenses	-2,192	-2,161	1.4
Other operating income and expenses	-266	-47	-
<b>Profit before financial result</b>	<b>2,304</b>	<b>2,380</b>	<b>-3.2</b>
Financial result	118	195	-39.5
<b>Profit before tax</b>	<b>2,422</b>	<b>2,575</b>	<b>-5.9</b>
Income taxes	-633	-754	-16.0
<b>Net profit</b>	<b>1,789</b>	<b>1,821</b>	<b>-1.8</b>
Earnings per share of common stock in €	2.68	2.75	-2.5
Earnings per share of preferred stock in €	2.68	2.75	-2.5
in %	2017	2016	Change
Pre-tax return on sales <sup>1</sup>	10.3	11.0	-0.7
Post-tax return on sales <sup>2</sup>	7.6	7.8	-0.2
Gross margin <sup>3</sup>	20.3	19.6	0.7
Selling and administrative expenses as a percentage of revenues	9.4	9.3	0.1

<sup>1</sup> Group profit before tax as a percentage of Group revenues.

<sup>2</sup> Group net profit as a percentage of Group revenues.

<sup>3</sup> Gross profit as a percentage of Group revenues.

Revenues during the first three quarters of 2017 totalled €72,671 million, representing a solid year-on-year increase of €3,442 million. Third-quarter revenues were at a similar level to the previous year. Adjusted for currency factors, they increased slightly. The main drivers for revenue growth were the increased sales of automobiles and motorcycles, growth of the Financial Services contract portfolio and the sale of returned leasing vehicles. Revenue growth was partly offset by negative currency effects, in particular due to the development of the average exchange rate of the British pound and the Chinese renminbi against the euro.

↱

Group cost of sales went up slightly compared to the first nine months of 2016 as a result of volume and portfolio effects. Group costs relating to the Financial Services business also contributed, rising significantly by €2,081 million to €17,297 million in the nine-month period. This increase in costs mainly reflected the year-on-year development of the Financial Services portfolio. In addition, the sale of returned leasing vehicles, as well as driving revenues, had a corresponding impact on costs. The development of the warranty expense had a mitigating effect, with the previous year's figure impacted by allocations to the warranty provision for vehicle recalls. Third-quarter cost of sales remained at a similar level to the previous year.

## BMW Group condensed Income Statement for the period from 1 January to 30 September

→ 18

in € million	2017	2016	Change in %
Revenues	72,671	69,229	5.0
Cost of sales	-57,566	-55,104	4.5
<b>Gross profit</b>	<b>15,105</b>	<b>14,125</b>	<b>6.9</b>
Selling and administrative expenses	-6,709	-6,436	4.2
Other operating income and expenses	-517	-127	-
<b>Profit before financial result</b>	<b>7,879</b>	<b>7,562</b>	<b>4.2</b>
Financial result	603	179	-
<b>Profit before tax</b>	<b>8,482</b>	<b>7,741</b>	<b>9.6</b>
Income taxes	-2,330	-2,330	-
<b>Net profit</b>	<b>6,152</b>	<b>5,411</b>	<b>13.7</b>
Earnings per share of common stock in €	9.27	8.19	13.2
Earnings per share of preferred stock in €	9.28	8.20	13.2
in %	2017	2016	Change
Pre-tax return on sales <sup>1</sup>	11.7	11.2	0.5
Post-tax return on sales <sup>2</sup>	8.5	7.8	0.7
Gross margin <sup>3</sup>	20.8	20.4	0.4
Selling and administrative expenses as a percentage of revenues	9.2	9.3	-0.1
Effective tax rate <sup>4</sup>	27.5	30.1	-2.6

<sup>1</sup> Group profit before tax as a percentage of Group revenues.

<sup>2</sup> Group net profit as a percentage of Group revenues.

<sup>3</sup> Gross profit as a percentage of Group revenues.

<sup>4</sup> Income tax expenses as a percentage of Group profit before tax.

Research and development expenses for the nine-month period totalled €3,485 million (2016: €3,049 million), significantly up on the previous year due to the current product offensive, as well as activities relating to vehicle electrification and autonomous driving. Total research and development expenditure – comprising research costs, non-capitalised development costs, ↗

capitalised development costs (excluding amortisation thereon) and advanced payments – amounted to €4,058 million in the first three quarters of the year (2016: €3,332 million). The increase in research and development expenditure was mainly due to a higher level of capitalised development costs in conjunction with the launch of new models and modules.

### BMW Group research and development expenses for the period from 1 July to 30 September

→ 19

in %	2017	2016	Change
Research and development expenses as a percentage of revenues	5.1	4.4	0.7
Research and development expenditure ratio <sup>1</sup>	6.0	5.3	0.7
Capitalisation rate <sup>2</sup>	37.9	41.6	-3.7

### BMW Group research and development expenses for the period from 1 January to 30 September

→ 20

in %	2017	2016	Change
Research and development expenses as a percentage of revenues	4.8	4.4	0.4
Research and development expenditure ratio <sup>1</sup>	5.6	4.8	0.8
Capitalisation rate <sup>2</sup>	36.4	36.0	0.4

<sup>1</sup> Research and development expenditure as a percentage of Group revenues.

<sup>2</sup> Capitalised development costs as a percentage of research and development expenditure.

Gross profit in the first three quarters of 2017 amounted to €15,105 million. The solid rise of €980 million reflected increased sales of vehicles, higher business volumes in the Financial Services segment and lower allocations to the warranty provision compared to the previous year.

Selling and administrative expenses for the nine-month period rose by €273 million to €6,709 million. The slight increase mainly reflects the larger workforce and higher marketing and IT expenses.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses in the first three quarters of 2017 totalled €3,536 million (2016: €3,595 million).

The net amount of other operating income and expenses deteriorated significantly, resulting in a net negative total of -€517 million (2016: -€127 million) for the first three quarters. Higher allocations to provisions for legal issues and other litigation risks amongst others contributed to the year-on-year change.

Profit before financial result (EBIT) for the nine-month period improved slightly and amounted to €7,879 million (2016: €7,562 million).

At €603 million, the financial result for the first three quarters improved significantly compared to one year earlier, mainly due to the result from equity accounted investments. Thanks to a €183 million positive effect following the sale of 15% of the shares in HERE International B.V., Amsterdam, by THERE Holding B.V., Amsterdam, and an increase in the earnings contribution from BMW Brilliance Automotive Ltd., Shenyang, driven by increased sales volume, the result from equity accounted investments improved by €274 million to €634 million. Other financial result also improved by €64 million to €131 million. In contrast to the previous year, the result on investments for the first three quarters of 2017 included no impairment losses on other financial assets. In addition, higher interest income and lower interest and similar expenses contributed to a €86 million improvement in the interest result to –€162 million. The third-quarter financial result deteriorated significantly year-on-year, falling by €77 million to €118 million, mainly due to lower fair value gains on commodity derivatives. ↱

Profit before tax for the nine-month period increased to €8,482 million (2016: €7,741 million). This solid increase was due mainly to the positive development in gross profit relating to higher business volumes as well as to the significantly improved financial result. Higher allocations to provisions for legal issues and other litigation risks and increased selling and administrative expenses held down the rise in profit before tax. Profit before tax for the third quarter was down moderately year-on-year due to higher other operating expenses.

Income tax expense for the first nine months of 2017 amounted to €2,330 million, as in the previous year. The amount for the third quarter, at €633 million, was lower than one year earlier (2016: €754 million).

Compared to the previous year, the BMW Group's net profit was significantly higher for the nine-month period and slightly lower for the third quarter.

## Results of operations by segment

### BMW Group revenues by segment for the period from 1 July to 30 September

→ 21

in € million	2017	2016	Change in %	Currency adjusted change* in %
Automotive	21,040	21,564	–2.4	1.0
Motorcycles	514	451	14.0	17.6
Financial Services	6,679	6,403	4.3	7.0
Other Entities	1	1	–	–
Eliminations	–4,810	–5,057	–4.9	–
<b>Group</b>	<b>23,424</b>	<b>23,362</b>	<b>0.3</b>	<b>3.1</b>

\* The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

### BMW Group profit/loss before tax by segment for the period from 1 July to 30 September

→ 22

in € million	2017	2016	Change in %
Automotive	1,880	2,030	–7.4
Motorcycles	53	32	65.6
Financial Services	609	568	7.2
Other Entities	11	40	–72.5
Eliminations	–131	–95	37.9
<b>Group</b>	<b>2,422</b>	<b>2,575</b>	<b>–5.9</b>

### Automotive segment

Automotive segment revenues grew slightly in the first three quarters of 2017, with the gross margin coming in at similar level to the previous year. Revenues reported for the third quarter of 2017 were slightly down year-on-year, mainly due to negative currency effects and intense competition.

Cost of sales increased slightly in the nine-month period. In the third quarter of 2017, cost of sales decreased slightly, in line with the change in revenues.

Selling and administrative expenses for the nine-month period went up by €212 million to €5,559 million, mainly due to increased costs for personnel, marketing and IT projects.

The net amount of other operating income and expenses deteriorated by €391 million to –€531 million, ▽

mainly driven by higher allocations to provisions for legal issues and other litigation risks.

As a result of these effects, segment profit before financial result was slightly higher for the nine-month period at €5,862 million (2016: €5,778 million) and slightly lower for the third quarter at €1,753 million (2016: €1,837 million). The positive impact of the volume increase over the nine-month period was offset amongst others by increases in research and development costs, other operating expenses and selling and administrative expenses.

Overall, Automotive segment pre-tax profit showed a solid increase for the nine-month period and a moderate decrease for the third quarter.

### BMW Group revenues by segment for the period from 1 January to 30 September

→ 23

in € million	2017	2016	Change in %	Currency adjusted change* in %
Automotive	64,708	63,250	2.3	2.9
Motorcycles	1,833	1,650	11.1	11.0
Financial Services	20,769	18,940	9.7	10.1
Other Entities	4	4	–	–
Eliminations	–14,643	–14,615	0.2	–
<b>Group</b>	<b>72,671</b>	<b>69,229</b>	<b>5.0</b>	<b>5.7</b>

\*The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

### BMW Group profit/loss before tax by segment for the period from 1 January to 30 September

→ 24

in € million	2017	2016	Change in %
Automotive	6,544	6,041	8.3
Motorcycles	281	223	26.0
Financial Services	1,793	1,641	9.3
Other Entities	30	84	–64.3
Eliminations	–166	–248	–33.1
<b>Group</b>	<b>8,482</b>	<b>7,741</b>	<b>9.6</b>

**Motorcycles segment**

Motorcycles segment revenues increased significantly compared to the first three quarters of 2016, mainly reflecting year-on-year sales volume growth. Higher sales of optional equipment, spare parts and accessories as well as improved pricing also contributed to the strong revenue performance.

↱

Profit before tax was significantly higher for both the nine-month and three-month reporting periods, thanks to the positive business development.

**BMW Group segment performance indicators for the period from 1 July to 30 September**

→ 25

in %	2017	2016	Change
<b>Automotive</b>			
Gross margin	18.0	17.1	0.9
Selling and administrative expenses as a percentage of revenues	8.5	8.3	0.2
EBIT margin*	8.3	8.5	-0.2
<b>Motorcycles</b>			
Gross margin	21.8	17.3	4.5
EBIT margin*	10.3	7.1	3.2

**BMW Group segment performance indicators for the period from 1 January to 30 September**

→ 26

in %	2017	2016	Change
<b>Automotive</b>			
Gross margin	18.5	17.8	0.7
Selling and administrative expenses as a percentage of revenues	8.6	8.5	0.1
EBIT margin*	9.1	9.1	-
<b>Motorcycles</b>			
Gross margin	25.0	23.5	1.5
EBIT margin*	15.4	13.6	1.8

\* Segment profit before financial result as a percentage of segment revenues.

**Financial Services segment**

Thanks to the positive business development and the increase from the sale of returned leasing vehicles, the Financial Services segment recorded a solid increase in revenues in the first nine months of 2017 and a slight increase in the third quarter of 2017.

The risk profile remained at a historically favourable level over both the nine- and three-month reporting periods in 2017.

Segment selling and administrative expenses increased moderately compared to the first three quarters of 2016, mainly due to higher personnel and IT project costs.

Increased business volume and an improved financial result, amongst others, contributed to the solid increase in the Financial Services segment profit before tax for both the nine- and three-month reporting periods.



## Financial position

The consolidated cash flow statements for the Group and the Automotive and Financial Services segments show the sources and applications of cash flows for the financial years for the first nine months of 2017 and 2016. Cash flows are classified according to 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.

## BMW Group overview of cash flows for the period from 1 January to 30 September

→ 27

in € million	2017	2016	Change
Cash inflow/outflow from operating activities	4,667	1,804	2,863
Cash inflow/outflow from investing activities	-4,106	-4,048	-58
Cash inflow/outflow from financing activities	-750	2,117	-2,867
Effect of exchange rate and changes in composition of Group	-157	-8	-149
<b>Change in cash and cash equivalents</b>	<b>-346</b>	<b>-135</b>	<b>-211</b>

Cash flows from operating activities in the first three quarters of 2017 were influenced in particular by the lower increase in working capital and the change in leased products and receivables from sales financing.

The increased cash outflow from Group investing activities was mainly due to the increased investment in intangible assets and property, plant and equipment. This higher investment was partly offset

by lower investments in marketable securities and investment funds.

The change in cash flows from financing activities was mainly due to the net outflow of funds used to settle current other financial liabilities.

Free cash flow for the Automotive segment in the first three quarters of the year was as follows:

in € million	2017	2016	Change
Cash inflow/outflow from operating activities	7,132	6,493	639
Cash inflow/outflow from investing activities	-4,255	-3,488	-767
Net investment in marketable securities and investment funds	-174	410	-584
<b>Free cash flow Automotive segment</b>	<b>2,703</b>	<b>3,415</b>	<b>-712</b>

Increased cash inflow from operating activities was due mainly to the improved net profit and a lower increase in working capital – offset in part by the higher result from equity accounted investments.

The higher cash outflow for investing activities mainly reflects increased investments for intangible assets and property, plant and equipment, such as the construction of the plant in Mexico and the production start of the new BMW X3 in the Spartanburg plant.

Net financial assets of the Automotive segment comprise the following:

in € million	30. 9. 2017	31. 12. 2016	Change
Cash and cash equivalents	5,479	4,794	685
Marketable securities and investment funds	4,132	4,147	-15
Intragroup net financial assets	10,667	12,077	-1,410
<b>Financial assets</b>	<b>20,278</b>	<b>21,018</b>	<b>-740</b>
Less: external financial liabilities*	-1,482	-1,498	16
<b>Net financial assets Automotive segment</b>	<b>18,796</b>	<b>19,520</b>	<b>-724</b>

\* Excluding derivative financial instruments.

Cash flows from operating and investing activities in the Financial Services segment developed in the first nine months of 2017 as follows:

in € million	2017	2016	Change
Cash inflow/outflow from operating activities	-3,527	-7,181	3,654
Cash inflow/outflow from investing activities	-9	15	-24
<b>Net</b>	<b>-3,536</b>	<b>-7,166</b>	<b>3,630</b>

Cash outflows from operating activities in the Financial Services segment were driven mainly by changes in leased products and receivables from sales financing.

### Refinancing

The BMW Group uses a diversified range of funding instruments to finance its operating activities. Funds raised are used almost exclusively 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 2016.

During the period from January to September 2017, BMW Group entities issued euro benchmark bonds with a volume of €3.8 billion as well as EMTN private placements in various currencies with a total volume of €3.9 billion and promissory notes totalling €160 million. The BMW Group also issued a US dollar bond amounting to US \$ 2.2 billion on the US market.

Bonds denominated in Indian rupees, Korean won, Canadian dollars, Norwegian kroner and British pounds for a total amount of €0.9 billion were issued. In addition, eleven ABS transactions with a volume of €5.6 billion were issued in Japan, Canada, China, Germany, Switzerland, Korea, the UK and the USA. Furthermore, the Group regularly issues commercial paper as well as using the deposit business operated by BMW Bank GmbH, Munich, as further sources of refinancing.

## Net assets

### BMW Group condensed balance sheet

→ 28

in € million	Group		Change in %	Currency adjusted change* in %	Proportion of balance sheet total in %
	30.9.2017	31.12.2016			
<b>ASSETS</b>					
Intangible assets	8,776	8,157	7.6	7.8	4.6
Property, plant and equipment	17,709	17,960	-1.4	0.6	9.4
Leased products	36,061	37,789	-4.6	0.7	19.1
Investments accounted for using the equity method	2,705	2,546	6.2	6.2	1.4
Other investments	701	560	25.2	26.1	0.4
Receivables from sales financing	78,845	78,260	0.7	6.4	41.7
Financial assets	10,303	9,770	5.5	6.5	5.4
Deferred and current tax	3,484	4,265	-18.3	-7.8	1.8
Inventories	13,721	11,841	15.9	19.8	7.3
Trade receivables	2,924	2,825	3.5	8.7	1.5
Other assets	6,378	6,682	-4.5	-2.0	3.4
Cash and cash equivalents	7,534	7,880	-4.4	-1.2	4.0
<b>Total assets</b>	<b>189,141</b>	<b>188,535</b>	<b>0.3</b>	<b>4.8</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>					
Equity	52,785	47,363	11.4	14.9	27.9
Pension provisions	2,710	4,587	-40.9	-39.7	1.4
Other provisions	11,130	10,918	1.9	6.3	5.9
Deferred and current tax	4,407	3,869	13.9	39.9	2.4
Financial liabilities	92,818	97,731	-5.0	-0.6	49.1
Trade payables	9,354	8,512	9.9	12.3	4.9
Other liabilities	15,937	15,555	2.5	8.0	8.4
<b>Total equity and liabilities</b>	<b>189,141</b>	<b>188,535</b>	<b>0.3</b>	<b>4.8</b>	<b>100.0</b>

\*The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

The Group balance sheet total remained at a similar level to the end of the financial year 2016. Adjusted for currency factors, it increased slightly. The change in balance sheet items after adjustment for currency factors mainly reflects the impact of the period-end exchange rates of a number of currencies, particularly the US dollar, the Chinese renminbi and the British pound against the euro.

Intangible assets showed a solid increase during the first three quarters of 2017. Capitalised development costs included in this line item were €573 million higher than at the beginning of the year.

Receivables from sales financing remained at a similar level to 31 December 2016. Adjusted for currency factors, they showed a solid increase. A total of 929,242 new credit financing contracts were signed during the nine-month period ended 30 September 2017. As a result, the total credit financing portfolio grew to

3,234,960 contracts, an increase of 7.0% compared to 31 December 2016. Leased products, however, decreased slightly. Adjusted for currency factors, they were at a similar level to the previous year.

Inventories were significantly higher than at the end of the financial year 2016. The increase, mainly due to finished goods, reflected in particular seasonal stocking-up effects.

Financial assets showed a solid increase compared to 31 December 2016, mainly due to the positive development of currency derivatives.

Group equity rose by €5,422 million to €52,785 million. The increase was mainly driven by the net profit <sup>†</sup>

attributable to shareholders of BMW AG amounting to €6,093 million, net fair value gains on derivative financial instruments amounting to €2,220 million and the positive impact of remeasurements of the net defined benefit obligation for pension plans amounting to €1,101 million due mainly to higher interest rates in Germany and the UK. By contrast, the dividend payment reduced equity by €2,300 million.

## BMW Group equity ratio\*

→ 29

in %	30.9.2017	31.12.2016	Change
Group	27.9	25.1	2.8
Automotive	43.0	41.3	1.7
Financial Services	9.0	8.0	1.0

\* Equity capital as a percentage of the respective balance sheet total.

Pension provisions decreased significantly compared to the end of the financial year 2016, mainly due to higher interest rates in Germany and the UK. A transfer from plan assets for pre-retirement part-time working arrangements to plan assets for pension plans brought about a further reduction in pension provisions and a slight increase in other provisions.

Financial liabilities fell moderately compared to the end of the previous year. Adjusted for currency effects, they were at a similar level to 31 December 2016. The increase in bonds was more than offset in particular by the decrease in liabilities for asset-backed financing arrangements and derivatives.

Overall, the earnings performance, financial position and net assets position of the BMW Group continued to develop positively during the third quarter of 2017.

## Related parties

Further information on transactions with related parties can be found in → note 32 to the Interim Group Financial Statements.

→ see  
note 32

# REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

**Positive business development  
expected at BMW Group**

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**New records targeted for automobile  
and motorcycles sales volumes**

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**Economic growth remains stable  
despite uncertainties**

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## OUTLOOK

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including material risks and opportunities, from a Group management perspective. It contains forward-looking statements and is based on expectations and assessments which are subject to uncertainty. As a result, actual outcomes, including those due to political and economic developments, could differ – either positively or negatively – from the expectations described below. Further information on this topic is provided in the Annual Report 2016 (Outlook, pp. 82, Risks and Opportunities, pp. 88).

### **Economic outlook for 2017**

Based on International Monetary Fund forecasts, the global economy is expected to grow by around 3.6 % in 2017.

Despite uncertainties relating to the Brexit negotiations, the eurozone is currently seeing positive growth. This is supported by a more stable global economy and significantly lower unemployment. Gross domestic product (GDP) for the full year is currently expected to increase by 2.1 %.

The economic climate in Germany is likely to remain favourable with positive growth (+2.1 %). The German economy currently has broad and robust foundations, with strong foreign trade but also private consumption as well as private- and public-sector investment.

The economic outlook for France has improved since the elections held in early summer. The country's economy is forecast to grow by 1.7 % during the current year. Labour market reforms put forward by the new president are not expected to be reflected in higher growth this year, however.

Italy's economic recovery is likely to continue, with a growth rate of 1.4 % predicted for the full year. Consumption by private households is likely to continue to provide significant impetus. Business investment volumes are also likely to pick up.

The Spanish economy is currently still expected to grow by 3.1 %. However, the uncertain political situation in relation to Catalonia could weaken the outlook. Strong economic performance, declining unemployment, a more stable banking system and a favourable consumer environment are expected to contribute to a positive overall trend in Spain's economy.

In the UK, signs of an economic slowdown are increasing. The mood within companies has weakened, leading to restrained investment activity. Wage growth is lagging behind inflation, discouraging private consumption. The sluggish progress of Brexit negotiations is creating further uncertainty. A growth rate of 1.5 % is predicted for the UK in 2017.

The US economy is expected to grow by 2.1 % in the current year. Growth is being driven primarily by a combination of private household consumption and corporate investment.

The Chinese economy is predicted to beat forecasts made at the beginning of the year. Currently, GDP is expected to grow by 6.7 % for the year. However, lending to companies and corporate debt continue to rise. This could have an adverse impact on Chinese economic stability in the medium term.

In Japan, the lowest level of unemployment in twenty years and slight wage growth have led to increased domestic household consumption. Mainly as a result, the economy in Japan is set to grow by 1.6 % year-on-year.

With economic output expected to increase by 6.7 % in 2017, India is among the countries with the highest growth rates. Even the introduction of unified VAT rates from 1 July, which caused some short-term economic disruption, has not negatively impacted the outlook for the economy as a whole.

In Russia, the domestic economy is set to come out of the recession of recent years, with a positive growth rate of 1.7 % now predicted. In Brazil, the recession is also expected to end. Momentum here is expected to be significantly slower, however. Due to continuing political uncertainties, a growth rate of only 0.7 % is predicted.

The price of Brent crude oil was around 52 US dollars per barrel on average between January and August. At the end of September, the oil price briefly reached a two-year high. Continuing geopolitical tensions and severe storms in the Gulf of Mexico caused the barrel price to rise to 59 US dollars in September.

It cannot be ruled out that current political developments and increasing risks could jeopardise the overall economic outlook. Potential trade conflicts, developments in the UK, growing private debt in China and the political situation in the Middle East as well as on the Korean peninsula currently represent the greatest risks to economic growth.

### **International automobile markets in 2017**

In the full year 2017, automobile markets worldwide are still predicted to grow by 1.6% to around 87.5 million units. Positive momentum is likely to come primarily from China and Japan. The trend in new vehicle registrations in the USA and the UK on the other hand, is likely to have a dampening effect on the global automobile economy.

Positive overall growth in Europe is likely to have a favourable impact on the automobile market. New vehicle registrations are currently forecast to increase by 2.9% to 15.6 million units. The automobile market in Germany is expected to grow in line with the European market average (3.45 million units; +2.9%). The automobile sector in France is performing better, with registrations set to rise by 3.1% to 2.05 million units. Growth in Italy (1.98 million units; +7.1%) and Spain (1.21 million units; +5.7%) is likely to be even stronger for the year. In the UK, Brexit and a weakening economy could have an adverse impact on the automotive market and a 3.7% drop to 2.59 million units is expected for the full year.

In the USA, the automobile market is unlikely to match the previous year's level, despite a generally favourable economic environment. Current predictions envisage a decline of 2.6% to 17.1 million units for the full year 2017.

Following a reduction in the tax concession available for smaller vehicles, new registrations in China are expected to grow by a moderate 3.2% to 24.9 million units.

In light of the positive economic outlook for Japan, the forecast for the domestic automobile market has also improved. An increase of 3.7% to 4.95 million vehicles is expected for the full year.

Economic recovery in both Russia and Brazil is also likely to be reflected in the performance of their respective automobile markets. The Russian market is expected to grow by 12.0% to 1.4 million units. New registrations in Brazil are forecast to rise by 6.3% to 1.79 million units.

### **International motorcycle markets in 2017**

Global motorcycle markets in the 250 cc plus class are predicted to contract slightly in 2017 compared to the previous year. In Europe, the positive trend is expected to continue in the major markets, such as France, Italy and Spain. Motorcycle markets in Germany and the USA are forecast to contract slightly compared to the previous year.

### **International interest rate environment and pre-owned vehicle prices in 2017**

In October, the ECB announced its plan to continue its expansionary monetary policy, albeit on a reduced scale. The Bank of England raised interest rates in November, in order to strengthen the British pound and reduce pressure on inflation. In the USA, the Federal Reserve began the process of gradually scaling back its balance sheet in October and has raised the prospect of a further increase in interest rates in December. In China, the government and the central bank are expected to support the economic transformation process with stimulus and monetary measures. In the struggle against persistently low inflation, the Japanese central bank is likely to maintain its expansionary monetary policy.

The current trend for pre-owned, premium-segment vehicle selling prices is expected to continue worldwide during the fourth quarter. Prices in North America and Asia are forecast to remain stable. The trend in Europe will depend on the continuing diesel discussions.



## Outlook for the BMW Group

Competition on international automobile markets will remain intense throughout the current year. The ongoing withdrawal negotiations between the EU and the UK are also a source of uncertainty for future political and economic developments within Europe. Political risks are also looming in the Middle East and on the Korean peninsula. Further information is provided in the "Report on Risks and Opportunities" section of the Annual Report 2016 (pp. 88).

### Group

#### Profit before tax: solid increase expected

Despite a challenging environment, the BMW Group intends to maintain its growth course in 2017. New automobiles, such as the BMW 5 Series and MINI Countryman, and motorcycles such as the new R NineT Pure and Racer models, are expected to contribute to earnings growth. However, major investments in future projects such as the electrification of automobiles, digitalisation and the expansion of the BMW Group's production network will have a dampening effect on the upward trend. Overall, however, a solid increase in Group profit before tax is expected compared to the previous year (2016: €9,665 million).

In the Quarterly Report to 30 June 2017, the outlook predicted a slight increase in profit before tax. Mainly due to the better business development, as well as the improved financial result (mainly the result from equity accounted investments and commodity derivatives), the original forecast has been revised.

#### Workforce at year-end: slight increase expected

The BMW Group's workforce is expected to grow slightly over the twelve-month period (2016: 124,729 employees). The increase is mainly driven by projects relating to electrification of vehicles and autonomous driving, growth in the automobile and motorcycles business, and the expansion of financial and mobility services.

## Automotive segment

### Deliveries to customers: slight increase expected

The positive sales development seen in the first nine months is likely to continue to the end of 2017. Assuming economic conditions do not deteriorate, deliveries to customers are forecast to rise slightly to a new high (2016: 2,367,603<sup>1</sup> units). The BMW Group therefore aims to occupy a leading position again in the global premium segment with its BMW, MINI and Rolls-Royce brands.

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2016: 316,200 units).

Good contributions to the targeted sales volume growth are expected to come mainly from new models. The all-new BMW 5 Series Sedan was launched in mid-February 2017, followed by the BMW 5 Series iPerformance and M Performance models in March. The new extended-wheelbase version of the BMW 5 Series Sedan has been on sale in China since the end of June. The new BMW 5 Series Touring was launched during the same month. The model revisions of the BMW 4 Series and the BMW M4 Coupé and Convertible were launched in March. The second generation of the highly successful MINI Countryman model was launched in February. Since mid-year 2017, two further versions were added to this highly successful model, namely the particularly sporty John Cooper Works version and a plug-in hybrid model. Model revisions of the BMW 1 Series, the BMW 2 Series Convertible and the 2 Series Coupé have been on the market since July. The new BMW 6 Series Gran Turismo and the new X3 are set to follow in autumn.

### <sup>2</sup> EU-28. Fleet carbon dioxide<sup>2</sup>: slight decrease expected

Reduction of fuel consumption and carbon dioxide emissions across its fleet of vehicles is a key aspect of the BMW Group's development work on highly efficient combustion engines and innovative plug-in hybrids. According to forecasts, fleet carbon dioxide emissions will continue the downward trend seen in previous years, with a further slight decrease expected for the current year (2016: 124 grams CO<sub>2</sub>/km).

**Revenues: slight increase expected**

Automotive segment revenues are expected to grow slightly during the outlook period (2016: €86,424 million). In the Quarterly Report to 30 June 2017, the outlook was for segment revenues to increase solidly. The favourable translation effects on foreign currencies, which led to an upward revision of the outlook for revenues at the end of the first-half year, are unlikely to materialise at the level assumed at that time.

**EBIT margin expected in target range between 8 and 10 %**

An EBIT margin (profit before financial result as a percentage of Automotive segment revenues) within a range of 8 to 10 % (2016: 8.9 %) remains the target for the Automotive segment.

**Return on capital employed\* (RoCE): expected at previous year's level**

Segment RoCE is forecast to be at the previous year's level (2016: 74.3 %). In the Annual Report 2016, the Group had expected RoCE to decrease slightly. The development is due to an improvement in capital employed. The long-term target RoCE of at least 26 % for the Automotive segment will be significantly exceeded.

**Motorcycles segment****Deliveries to customers: significant increase expected**

The positive trend in the Motorcycles segment observed during the year to date is expected to continue throughout 2017. The new R NineT Pure and R NineT Racer models unveiled at international motor shows in autumn 2016 have been available to customers since March 2017. Similarly, the new G 310 R and the updated version of the R 1200 GS have also been on the market since March. The revised version of the S 1000 RR has been on sale since January. Updated versions of the S 1000 R and the K 1600 GT were introduced in February. The model revision of the luxury K 1600 GTL and the R NineT Urban G/S were launched in June. The new K 1600 B and the new G 310 GS have been available to customers since August 2017 and the beginning of September respectively. The broader product range appeals to new customer groups and provides further momentum for sales volume growth. Overall, deliveries of BMW motorcycles to customers are forecast to increase significantly year-on-year (2016: 145,032 units).

**EBIT margin expected in target range between 8 and 10 %**

With effect from the financial year 2017, EBIT margin for the Motorcycles segment also serves as a key performance indicator. A target range of 8 to 10 % has been defined for the Motorcycles segment. The segment EBIT margin is expected to lie within this range in 2017 (2016: 9.0 %). Further information is available in the "Group Management System" section of the Annual Report 2016.

**Return on capital employed\*: slight increase expected**

Segment RoCE is forecast to increase slightly in 2017 and the long-term target RoCE of 26 % will be exceeded (2016: 33.0 %). The improvement in RoCE is due amongst others to the expected growth in earnings. In the Annual Report 2016, RoCE was forecast to be in line with the previous year.

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

## Financial Services segment

### Return on equity\* (RoE): slight decrease expected

According to forecasts, the Financial Services segment should continue its successful performance in 2017. Due to regulatory requirements relating to equity capital and a normalisation of the hitherto favourable risk situation, the segment RoE is expected to decrease slightly year-on-year (2016: 21.2%). The target of at least 18% is nevertheless expected to be exceeded again.

\*RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital attributable to the Financial Services segment balance sheet.

## Overall assessment by Group management

Business is expected to develop positively in the financial year 2017. The introduction of numerous new automobile and motorcycle models as well as the expansion of services around individual mobility give reason to expect further profitable growth during the current year.

Despite the challenges previously described, Group profit before tax is expected to show a solid increase. Based on a slight increase in deliveries, Automotive segment revenues are expected to grow slightly. At the same time, a slight decrease in fleet carbon dioxide emissions is predicted. The stipulated targets will be supported by a slight increase in the workforce. The Automotive segment's EBIT margin in 2017 is again expected to be within the target range of between 8 and 10%, while its RoCE is forecast to remain at the previous year's level. A slight decline is forecast for the RoE in the Financial Services segment. Both performance indicators are expected to be above their long-term targets of 26% (RoCE) and 18% (RoE) respectively. Motorcycles segment deliveries to customers are expected to rise significantly in the forecast period, with the EBIT margin within the target range of between 8 and 10% and RoCE slightly up on the previous year.

Depending on the political and economic situation and the risks and opportunities described in the Annual Report 2016, actual business performance could differ from current expectations.

A summary of the forecast outcomes for key performance indicators is provided in the following table:

## BMW Group key performance indicators

→ 30

		2016	2017 Outlook
<b>GROUP</b>			
Profit before tax	€ million	9,665	solid increase
Workforce at year-end		124,729	slight increase
<b>AUTOMOTIVE SEGMENT</b>			
Sales volume <sup>1</sup>	units	2,367,603	slight increase
Fleet emissions <sup>2</sup>	g CO <sub>2</sub> /km	124	slight decrease
Revenues	€ million	86,424	slight increase
EBIT margin	%	8.9	between 8 and 10
Return on capital employed	%	74.3	at previous year's level
<b>MOTORCYCLES SEGMENT</b>			
Sales volume	units	145,032	significant increase
EBIT margin	%	9.0	between 8 and 10
Return on capital employed	%	33.0	slight increase
<b>FINANCIAL SERVICES SEGMENT</b>			
Return on equity	%	21.2	slight decrease

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2016: 316,200 units).

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

# RISKS AND OPPORTUNITIES

As a globally operating enterprise, the BMW Group is confronted with a broad range of risks and opportunities. Making full use of the opportunities that present themselves is the basis for the Group's success. In order to achieve growth, profitability, greater efficiency and sustainable business going forward, the Group consciously takes risks.

There have been no material changes to the overall risk profile as described in the Group Management Report 2016. The overall risk profile is based on a consolidated view of all significant individual risks and opportunities.

Current issues such as the progress of Brexit negotiations or new political developments relating to diesel engines, including potential driving bans in city centres or tighter regulations relating to vehicle emissions and safety, continue to be closely monitored and where appropriate factored into forecasts promptly.

For legal risks relating to anti-trust law please refer to → note 30 of the Interim Group Financial Statements.

→ see  
note 30

Further information on risks and opportunities, as well as on the methods employed to manage them can also be found in the "Report on Risks and Opportunities" section of the Annual Report 2016 (pp. 88).

# BMW AG STOCK AND CAPITAL MARKETS

## DAX makes gains in third quarter

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## BMW stock benefits from favourable market sentiment

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## Earnings per share of common stock increase in quarter to €9.27 (+13.2%)

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## BMW AG STOCK AND CAPITAL MARKETS IN THE THIRD QUARTER 2017

In the third quarter of 2017, political events in particular led to high levels of volatility on equity markets. Tensions between the USA and North Korea had a negative impact on stocks early in the quarter. Furthermore, discussions around diesel vehicles were a source of uncertainty among investors, putting automotive stocks under pressure. A more positive mood emerged amongst investors in the second half of the quarter. Following this year's International Motor Show (IAA) in Frankfurt, investors began showing greater interest in the automotive industry, causing the share prices of German manufacturers to rise significantly and register gains in the third quarter.

At 30 September 2017, the German DAX index closed at a high for the quarter of 12,829 points. Compared to the end of 2016, when it stood at 11,481 points, the index recorded a gain of 11.7%. The DAX rose by 4.1% compared to the previous quarter, not least due to the gains made by automotive stocks.

After a weak first six-month period, the Prime Automobile index gathered pace in the third quarter, finishing at 1,576 points on 30 September 2017, 4.6% up on the final day's trading of the previous year. The Prime Automobile index recorded a gain of 7.1% compared with the end of the second quarter.

The various initiatives promoting electric mobility presented by the automotive sector at this year's IAA in Frankfurt helped bolster optimism among investors and BMW stock also profited. BMW common stock was up compared to the end of the previous quarter, closing at €85.83 (+5.6%) on 30 September 2017. BMW preferred stock also performed well, gaining 4.4% in value to reach €75.38 during the same period.

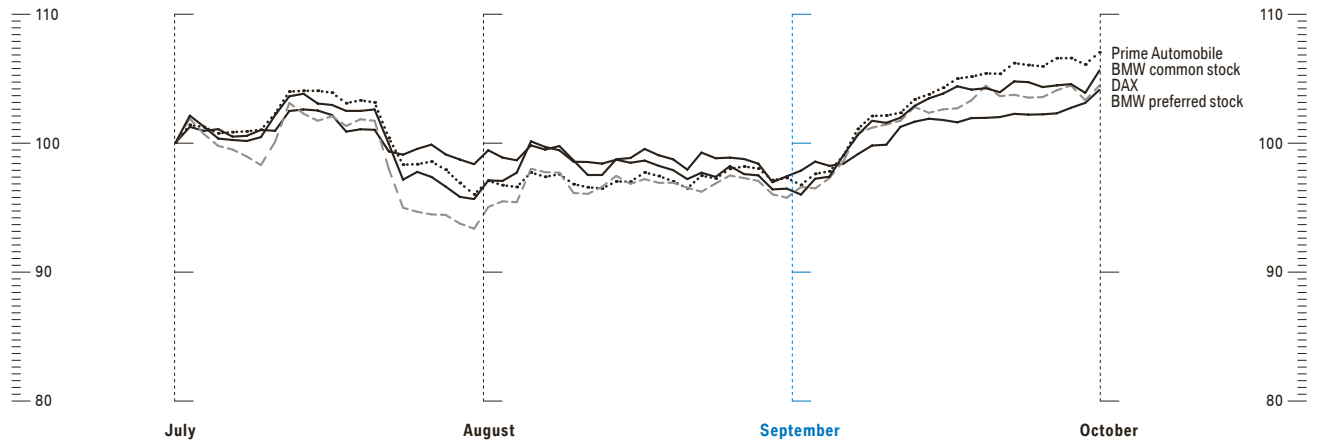
The US dollar continued the downward trend seen in the earlier part of the year and lost further value against the euro during the third quarter. At 1.18 US dollars to the euro at the end of reporting period, it finished 11.3% down on its closing rate at the end of the previous year (31 December 2016: 1.06 US dollars to the euro).

## BMW AG development of stock

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→ BMW AG Stock and  
Capital Markets

(Index: 30.06.2017 = 100)



Source: Reuters.



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# INTERIM GROUP FINANCIAL STATEMENTS

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# 3

# BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

→ BMW Group  
Income Statement  
→ Statement of  
Comprehensive  
Income

## Income Statements for Group and Segments for the period from 1 July to 30 September

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in € million	Note	Group		Automotive		Motorcycles	
		2017	2016	2017	2016	2017	2016
Revenues	5	23,424	23,362	21,040	21,564	514	451
Cost of sales	6	-18,662	-18,774	-17,244	-17,876	-402	-373
<b>Gross profit</b>		<b>4,762</b>	<b>4,588</b>	<b>3,796</b>	<b>3,688</b>	<b>112</b>	<b>78</b>
Selling and administrative expenses	7	-2,192	-2,161	-1,789	-1,782	-60	-63
Other operating income	8	131	112	145	87	1	23
Other operating expenses	8	-397	-159	-399	-156	-	-6
<b>Profit/loss before financial result</b>		<b>2,304</b>	<b>2,380</b>	<b>1,753</b>	<b>1,837</b>	<b>53</b>	<b>32</b>
Result from equity accounted investments	9	144	162	144	162	-	-
Interest and similar income	10	36	38	69	74	-	-
Interest and similar expenses	10	-119	-100	-156	-148	-	-
Other financial result	11	57	95	70	105	-	-
<b>Financial result</b>		<b>118</b>	<b>195</b>	<b>127</b>	<b>193</b>	<b>-</b>	<b>-</b>
<b>Profit/loss before tax</b>		<b>2,422</b>	<b>2,575</b>	<b>1,880</b>	<b>2,030</b>	<b>53</b>	<b>32</b>
Income taxes	12	-633	-754	-584	-617	-18	-10
<b>Net profit/loss</b>		<b>1,789</b>	<b>1,821</b>	<b>1,296</b>	<b>1,413</b>	<b>35</b>	<b>22</b>
Attributable to minority interest		29	15	10	4	-	-
<b>Attributable to shareholders of BMW AG</b>		<b>1,760</b>	<b>1,806</b>	<b>1,286</b>	<b>1,409</b>	<b>35</b>	<b>22</b>
Basic earnings per share of common stock in €	13	2.68	2.75				
Basic earnings per share of preferred stock in €	13	2.68	2.75				
Dilutive effects	13	-	-				
Diluted earnings per share of common stock in €	13	2.68	2.75				
Diluted earnings per share of preferred stock in €	13	2.68	2.75				

## Statement of Comprehensive Income for Group for the period from 1 July to 30 September

→ 33

in € million	Note	2017	2016
<b>Net profit</b>		<b>1,789</b>	<b>1,821</b>
Remeasurement of the net liability for defined benefit pension plans		190	-880
Deferred taxes		2	231
<b>Items not expected to be reclassified to the income statement in the future</b>		<b>192</b>	<b>-649</b>
Available-for-sale securities		90	24
Financial instruments used for hedging purposes		704	781
Other comprehensive income from equity accounted investments		-28	1
Deferred taxes		-213	-265
Currency translation foreign operations		-346	-167
<b>Items expected to be reclassified to the income statement in the future</b>		<b>207</b>	<b>374</b>
<b>Other comprehensive income for the period after tax</b>	14	<b>399</b>	<b>-275</b>
<b>Total comprehensive income</b>		<b>2,188</b>	<b>1,546</b>
Total comprehensive income attributable to minority interest		29	15
<b>Total comprehensive income attributable to shareholders of BMW AG</b>		<b>2,159</b>	<b>1,531</b>

Financial Services		Other Entities		Eliminations		
2017	2016	2017	2016	2017	2016	
6,679	6,403	1	1	-4,810	-5,057	Revenues
-5,718	-5,510	-	-	4,702	4,985	Cost of sales
<b>961</b>	<b>893</b>	<b>1</b>	<b>1</b>	<b>-108</b>	<b>-72</b>	<b>Gross profit</b>
-339	-313	-7	-7	3	4	Selling and administrative expenses
6	3	14	17	-35	-18	Other operating income
-21	-7	-20	-5	43	15	Other operating expenses
<b>607</b>	<b>576</b>	<b>-12</b>	<b>6</b>	<b>-97</b>	<b>-71</b>	<b>Profit / loss before financial result</b>
-	-	-	-	-	-	Result from equity accounted investments
3	4	283	301	-319	-341	Interest and similar income
-2	-4	-246	-265	285	317	Interest and similar expenses
1	-8	-14	-2	-	-	Other financial result
<b>2</b>	<b>-8</b>	<b>23</b>	<b>34</b>	<b>-34</b>	<b>-24</b>	<b>Financial result</b>
<b>609</b>	<b>568</b>	<b>11</b>	<b>40</b>	<b>-131</b>	<b>-95</b>	<b>Profit / loss before tax</b>
-49	-146	-13	-21	31	40	Income taxes
<b>560</b>	<b>422</b>	<b>-2</b>	<b>19</b>	<b>-100</b>	<b>-55</b>	<b>Net profit / loss</b>
20	11	-1	-	-	-	Attributable to minority interest
<b>540</b>	<b>411</b>	<b>-1</b>	<b>19</b>	<b>-100</b>	<b>-55</b>	<b>Attributable to shareholders of BMW AG</b>
						<b>Basic earnings per share of common stock in €</b>
						<b>Basic earnings per share of preferred stock in €</b>
						Dilutive effects
						<b>Diluted earnings per share of common stock in €</b>
						<b>Diluted earnings per share of preferred stock in €</b>

# BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

→ BMW Group  
Income Statement  
→ Statement of  
Comprehensive  
Income

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

→ 34

in € million	Note	Group		Automotive		Motorcycles	
		2017	2016	2017	2016	2017	2016
Revenues	5	72,671	69,229	64,708	63,250	1,833	1,650
Cost of sales	6	-57,566	-55,104	-52,756	-51,985	-1,375	-1,262
<b>Gross profit</b>		<b>15,105</b>	<b>14,125</b>	<b>11,952</b>	<b>11,265</b>	<b>458</b>	<b>388</b>
Selling and administrative expenses	7	-6,709	-6,436	-5,559	-5,347	-177	-183
Other operating income	8	460	474	450	399	3	27
Other operating expenses	8	-977	-601	-981	-539	-2	-8
<b>Profit/loss before financial result</b>		<b>7,879</b>	<b>7,562</b>	<b>5,862</b>	<b>5,778</b>	<b>282</b>	<b>224</b>
Result from equity accounted investments	9	634	360	634	360	-	-
Interest and similar income	10	143	111	235	221	-	-
Interest and similar expenses	10	-305	-359	-390	-497	-1	-1
Other financial result	11	131	67	203	179	-	-
<b>Financial result</b>		<b>603</b>	<b>179</b>	<b>682</b>	<b>263</b>	<b>-1</b>	<b>-1</b>
<b>Profit/loss before tax</b>		<b>8,482</b>	<b>7,741</b>	<b>6,544</b>	<b>6,041</b>	<b>281</b>	<b>223</b>
Income taxes	12	-2,330	-2,330	-1,897	-1,867	-81	-68
<b>Net profit/loss</b>		<b>6,152</b>	<b>5,411</b>	<b>4,647</b>	<b>4,174</b>	<b>200</b>	<b>155</b>
Attributable to minority interest		59	33	16	7	-	-
<b>Attributable to shareholders of BMW AG</b>		<b>6,093</b>	<b>5,378</b>	<b>4,631</b>	<b>4,167</b>	<b>200</b>	<b>155</b>
Basic earnings per share of common stock in €	13	9.27	8.19				
Basic earnings per share of preferred stock in €	13	9.28	8.20				
Dilutive effects	13	-	-				
Diluted earnings per share of common stock in €	13	9.27	8.19				
Diluted earnings per share of preferred stock in €	13	9.28	8.20				

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

→ 35

in € million	Note	2017	2016
<b>Net profit</b>		<b>6,152</b>	<b>5,411</b>
Remeasurement of the net liability for defined benefit pension plans		1,101	-2,968
Deferred taxes		-254	898
<b>Items not expected to be reclassified to the income statement in the future</b>		<b>847</b>	<b>-2,070</b>
Available-for-sale securities		123	126
Financial instruments used for hedging purposes		2,220	2,838
Other comprehensive income from equity accounted investments		-	74
Deferred taxes		-697	-1,006
Currency translation foreign operations		-1,042	-568
<b>Items expected to be reclassified to the income statement in the future</b>		<b>604</b>	<b>1,464</b>
<b>Other comprehensive income for the period after tax</b>	14	<b>1,451</b>	<b>-606</b>
<b>Total comprehensive income</b>		<b>7,603</b>	<b>4,805</b>
Total comprehensive income attributable to minority interest		59	33
<b>Total comprehensive income attributable to shareholders of BMW AG</b>		<b>7,544</b>	<b>4,772</b>

Financial Services		Other Entities		Eliminations		
2017	2016	2017	2016	2017	2016	
20,769	18,940	4	4	-14,643	-14,615	Revenues
-17,981	-16,287	-	-	14,546	14,430	Cost of sales
<b>2,788</b>	<b>2,653</b>	<b>4</b>	<b>4</b>	<b>-97</b>	<b>-185</b>	<b>Gross profit</b>
-970	-904	-20	-19	17	17	Selling and administrative expenses
42	13	91	85	-126	-50	Other operating income
-61	-66	-75	-41	142	53	Other operating expenses
<b>1,799</b>	<b>1,696</b>	<b>-</b>	<b>29</b>	<b>-64</b>	<b>-165</b>	<b>Profit / loss before financial result</b>
-	-	-	-	-	-	Result from equity accounted investments
9	6	837	922	-938	-1,038	Interest and similar income
-7	-24	-743	-792	836	955	Interest and similar expenses
-8	-37	-64	-75	-	-	Other financial result
-6	-55	30	55	-102	-83	<b>Financial result</b>
<b>1,793</b>	<b>1,641</b>	<b>30</b>	<b>84</b>	<b>-166</b>	<b>-248</b>	<b>Profit / loss before tax</b>
-345	-426	-14	-35	7	66	Income taxes
<b>1,448</b>	<b>1,215</b>	<b>16</b>	<b>49</b>	<b>-159</b>	<b>-182</b>	<b>Net profit / loss</b>
43	26	-	-	-	-	Attributable to minority interest
<b>1,405</b>	<b>1,189</b>	<b>16</b>	<b>49</b>	<b>-159</b>	<b>-182</b>	<b>Attributable to shareholders of BMW AG</b>
						<b>Basic earnings per share of common stock in €</b>
						<b>Basic earnings per share of preferred stock in €</b>
						Dilutive effects
						<b>Diluted earnings per share of common stock in €</b>
						<b>Diluted earnings per share of preferred stock in €</b>

# BMW GROUP BALANCE SHEET

in € million	Note	Group		Automotive		Motorcycles	
		30.9.2017	31.12.2016	30.9.2017	31.12.2016	30.9.2017	31.12.2016
<b>ASSETS</b>							
Intangible assets	15	8,776	8,157	8,299	7,705	46	46
Property, plant and equipment	16	17,709	17,960	17,315	17,566	368	365
Leased products	17	36,061	37,789	–	–	–	–
Investments accounted for using the equity method	18	2,705	2,546	2,705	2,546	–	–
Other investments	18	701	560	5,801	5,195	–	–
Receivables from sales financing	19	48,551	48,032	–	–	–	–
Financial assets	20	2,629	2,705	1,495	1,287	–	–
Deferred tax	21	1,764	2,327	3,855	4,310	–	–
Other assets	22	1,557	1,595	3,627	4,043	28	28
<b>Non-current assets</b>		<b>120,453</b>	<b>121,671</b>	<b>43,097</b>	<b>42,652</b>	<b>442</b>	<b>439</b>
Inventories	23	13,721	11,841	13,149	11,344	566	492
Trade receivables		2,924	2,825	2,616	2,502	148	144
Receivables from sales financing	19	30,294	30,228	–	–	–	–
Financial assets	20	7,674	7,065	5,340	4,862	–	–
Current tax	21	1,720	1,938	847	1,000	–	–
Other assets	22	4,821	5,087	22,763	21,561	5	2
Cash and cash equivalents		7,534	7,880	5,479	4,794	9	–
<b>Current assets</b>		<b>68,688</b>	<b>66,864</b>	<b>50,194</b>	<b>46,063</b>	<b>728</b>	<b>638</b>
<b>Total assets</b>		<b>189,141</b>	<b>188,535</b>	<b>93,291</b>	<b>88,715</b>	<b>1,170</b>	<b>1,077</b>
<b>EQUITY AND LIABILITIES</b>							
Subscribed capital	24	657	657	–	–	–	–
Capital reserves	24	2,047	2,047	–	–	–	–
Revenue reserves	24	49,112	44,445	–	–	–	–
Accumulated other equity	24	563	–41	–	–	–	–
<b>Equity attributable to shareholders of BMWAG</b>	24	<b>52,379</b>	<b>47,108</b>	–	–	–	–
Minority interest	24	406	255	–	–	–	–
<b>Equity</b>		<b>52,785</b>	<b>47,363</b>	<b>40,084</b>	<b>36,624</b>	<b>–</b>	<b>–</b>
Pension provisions	25	2,710	4,587	1,829	2,911	48	83
Other provisions	26	5,363	5,039	4,888	4,570	113	103
Deferred tax	27	3,323	2,795	1,893	740	–	–
Financial liabilities	28	53,920	55,405	900	1,942	–	–
Other liabilities	29	5,364	5,357	6,721	6,530	467	442
<b>Non-current provisions and liabilities</b>		<b>70,680</b>	<b>73,183</b>	<b>16,231</b>	<b>16,693</b>	<b>628</b>	<b>628</b>
Other provisions	26	5,767	5,879	5,125	5,187	99	90
Current tax	27	1,084	1,074	777	770	–	–
Financial liabilities	28	38,898	42,326	909	1,481	–	–
Trade payables		9,354	8,512	8,175	7,483	351	303
Other liabilities	29	10,573	10,198	21,990	20,477	92	56
<b>Current provisions and liabilities</b>		<b>65,676</b>	<b>67,989</b>	<b>36,976</b>	<b>35,398</b>	<b>542</b>	<b>449</b>
<b>Total equity and liabilities</b>		<b>189,141</b>	<b>188,535</b>	<b>93,291</b>	<b>88,715</b>	<b>1,170</b>	<b>1,077</b>

Financial Services		Other Entities		Eliminations		
30.9.2017	31.12.2016	30.9.2017	31.12.2016	30.9.2017	31.12.2016	
<b>ASSETS</b>						
430	405	1	1	–	–	Intangible assets
26	29	–	–	–	–	Property, plant and equipment
43,422	45,134	–	–	–7,361	–7,345	Leased products
–	–	–	–	–	–	Investments accounted for using the equity method
2	3	7,103	6,585	–12,205	–11,223	Other investments
48,551	48,032	–	–	–	–	Receivables from sales financing
179	221	1,170	1,780	–215	–583	Financial assets
414	389	133	263	–2,638	–2,635	Deferred tax
2,913	3,093	25,941	27,120	–30,952	–32,689	Other assets
<b>95,937</b>	<b>97,306</b>	<b>34,348</b>	<b>35,749</b>	<b>–53,371</b>	<b>–54,475</b>	<b>Non-current assets</b>
6	5	–	–	–	–	Inventories
157	178	3	1	–	–	Trade receivables
30,294	30,228	–	–	–	–	Receivables from sales financing
1,546	1,504	1,062	1,329	–274	–630	Financial assets
55	44	818	894	–	–	Current tax
5,540	5,417	47,815	44,782	–71,302	–66,675	Other assets
1,992	3,046	54	40	–	–	Cash and cash equivalents
<b>39,590</b>	<b>40,422</b>	<b>49,752</b>	<b>47,046</b>	<b>–71,576</b>	<b>–67,305</b>	<b>Current assets</b>
<b>135,527</b>	<b>137,728</b>	<b>84,100</b>	<b>82,795</b>	<b>–124,947</b>	<b>–121,780</b>	<b>Total assets</b>
<b>EQUITY AND LIABILITIES</b>						
Subscribed capital						
Capital reserves						
Revenue reserves						
Accumulated other equity						
<b>Equity attributable to shareholders of BMW AG</b>						
Minority interest						
<b>12,221</b>	<b>11,049</b>	<b>18,353</b>	<b>16,744</b>	<b>–17,873</b>	<b>–17,054</b>	<b>Equity</b>
75	77	758	1,516	–	–	Pension provisions
362	353	–	13	–	–	Other provisions
6,139	6,755	48	48	–4,757	–4,748	Deferred tax
16,052	17,718	37,183	36,328	–215	–583	Financial liabilities
27,908	29,413	265	601	–29,997	–31,629	Other liabilities
<b>50,536</b>	<b>54,316</b>	<b>38,254</b>	<b>38,506</b>	<b>–34,969</b>	<b>–36,960</b>	<b>Non-current provisions and liabilities</b>
535	599	8	3	–	–	Other provisions
294	255	13	49	–	–	Current tax
24,929	27,368	13,334	14,107	–274	–630	Financial liabilities
817	702	11	24	–	–	Trade payables
46,195	43,439	14,127	13,362	–71,831	–67,136	Other liabilities
<b>72,770</b>	<b>72,363</b>	<b>27,493</b>	<b>27,545</b>	<b>–72,105</b>	<b>–67,766</b>	<b>Current provisions and liabilities</b>
<b>135,527</b>	<b>137,728</b>	<b>84,100</b>	<b>82,795</b>	<b>–124,947</b>	<b>–121,780</b>	<b>Total equity and liabilities</b>



# BMW GROUP

## CASH FLOW STATEMENT

→ BMW Group  
Cash Flow Statement

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

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in € million	Group	
	2017	2016
Net profit	6,152	5,411
Depreciation and amortisation of tangible, intangible and investment assets	3,536	3,662
Change in provisions	-132	108
Change in leased products and receivables from sales financing	-4,864	-7,007
Change in deferred taxes	513	1,030
Changes in working capital	-1,524	-2,475
Other	986	1,075
<b>Cash inflow/outflow from operating activities</b>	<b>4,667</b>	<b>1,804</b>
Investment in intangible assets and property, plant and equipment	-4,293	-3,170
Net investment in marketable securities and investment funds	61	-676
Other	126	-202
<b>Cash inflow/outflow from investing activities</b>	<b>-4,106</b>	<b>-4,048</b>
<b>Cash inflow/outflow from financing activities</b>	<b>-750</b>	<b>2,117</b>
<b>Effect of exchange rate on cash and cash equivalents</b>	<b>-222</b>	<b>-50</b>
<b>Effect of changes in composition of Group on cash and cash equivalents</b>	<b>65</b>	<b>42</b>
<b>Change in cash and cash equivalents</b>	<b>-346</b>	<b>-135</b>
Cash and cash equivalents as at 1 January	7,880	6,122
<b>Cash and cash equivalents as at 30 September</b>	<b>7,534</b>	<b>5,987</b>

Automotive		Financial Services		
2017	2016	2017	2016	
4,647	4,174	1,448	1,215	Net profit
3,445	3,587	27	21	Depreciation and amortisation of tangible, intangible and investment assets
291	243	59	258	Change in provisions
–	–	–5,244	–7,392	Change in leased products and receivables from sales financing
422	571	16	409	Change in deferred taxes
–1,678	–2,534	142	13	Changes in working capital
5	452	25	–1,705	Other
7,132	6,493	–3,527	–7,181	<b>Cash inflow/outflow from operating activities</b>
–4,220	–3,114	–7	–4	Investment in intangible assets and property, plant and equipment
174	–410	–5	19	Net investment in marketable securities and investment funds
–209	36	3	–	Other
–4,255	–3,488	–9	15	<b>Cash inflow/outflow from investing activities</b>
–2,116	–2,440	2,563	7,247	<b>Cash inflow/outflow from financing activities</b>
–76	–17	–146	–14	Effect of exchange rate on cash and cash equivalents
–	30	65	12	Effect of changes in composition of Group on cash and cash equivalents
685	578	–1,054	79	<b>Change in cash and cash equivalents</b>
4,794	3,952	3,046	1,359	Cash and cash equivalents as at 1 January
5,479	4,530	1,992	1,438	<b>Cash and cash equivalents as at 30 September</b>

# BMW GROUP

## STATEMENT OF CHANGES IN EQUITY

→ BMW Group  
Statement of  
Changes in Equity

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
<b>1 January 2017</b>	24	657	2,047	44,445
Dividends paid		–	–	–2,300
Net profit		–	–	6,093
Other comprehensive income for the period after tax		–	–	847
<b>Comprehensive income to 30 September 2017</b>		–	–	6,940
Other changes		–	–	27
<b>30 September 2017</b>	24	657	2,047	49,112

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
<b>1 January 2016</b>	24	657	2,027	41,027
Dividends paid		–	–	–2,102
Net profit		–	–	5,378
Other comprehensive income for the period after tax		–	–	–2,070
<b>Comprehensive income to 30 September 2016</b>		–	–	3,308
Other changes		–	–	–11
<b>30 September 2016</b>	24	657	2,027	42,222

Accumulated other equity						
Translation differences	Securities	Derivative financial instruments	Equity attributable to shareholders of BMW AG	Minority interest	Total	
-171	52	78	47,108	255	47,363	1 January 2017
-	-	-	-2,300	-	-2,300	Dividends paid
-	-	-	6,093	59	6,152	Net profit
-1,209	117	1,696	1,451	-	1,451	Other comprehensive income for the period after tax
-1,209	117	1,696	7,544	59	7,603	<b>Comprehensive income to 30 September 2017</b>
-	-	-	27	92	119	Other changes
-1,380	169	1,774	52,379	406	52,785	<b>30 September 2017</b>

Accumulated other equity						
Translation differences	Securities	Derivative financial instruments	Equity attributable to shareholders of BMW AG	Minority interest	Total	
132	24	-1,337	42,530	234	42,764	1 January 2016
-	-	-	-2,102	-	-2,102	Dividends paid
-	-	-	5,378	33	5,411	Net profit
-683	96	2,051	-606	-	-606	Other comprehensive income for the period after tax
-683	96	2,051	4,772	33	4,805	<b>Comprehensive income to 30 September 2016</b>
-	-	-	-11	-28	-39	Other changes
-551	120	714	45,189	239	45,428	<b>30 September 2016</b>

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES AND POLICIES

### 01

#### Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW AG Group Financial Statements or Group Financial Statements) at 31 December 2016 were drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 a (1) of the German Commercial Code (HGB). The Interim Group Financial Statements (Interim Report) at 30 September 2017, 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 2016 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 30 September 2017 have been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the Accounting Standards Committee of Germany (ASCG).

Further information regarding the Group's accounting principles and policies is contained in the Group Financial Statements of BMW AG at 31 December 2016.

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

The BMW Group and segment income statements are presented using the cost of sales method.

In order to provide a better insight into the net assets, financial position and performance of the BMW Group, and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include balance sheets and income statements for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by statements of cash flows for the Automotive and Financial Services segments. Inter-segment transactions relate primarily to internal sales of products, the provision of funds for Group companies and the related interest. These items are eliminated in the relevant "Eliminations" columns. 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 2016.

## 02 Group reporting entity

The Interim Group Financial Statements at 30 September 2017 include BMW AG, all material subsidiaries including one special purpose securities fund and 42 structured entities, over which BMW AG – either directly or indirectly – exercises control. The structured entities are used exclusively in conjunction with the BMW Group's asset-backed financing arrangements. In addition, three joint operations are consolidated proportionately.

The following changes took place in the Group reporting entity during the first nine months of 2017:

	Germany	Foreign	Total
Included at 31 December 2016	21	178	199
Included for the first time in 2017	–	14	14
No longer included in 2017	1	9	10
<b>Included at 30 September 2017</b>	<b>20</b>	<b>183</b>	<b>203</b>

Herald International Financial Leasing Co., Ltd., Tianjin, BMW i Ventures Fund SCS SICAV-RAIF, Senningerberg, and BiV Carry I SCS SICAV, Senningerberg, were consolidated for the first time in the first nine months of 2017.

The other changes to the Group reporting entity do not have a material impact on the results of operations, financial position or net assets of the Group.

In December 2016, THERE Holding B.V., Amsterdam, signed contracts relating to the sale of shares in HERE International B.V., Amsterdam. A stake of 15 % was sold to Intel Holdings B.V., Schiphol-Rijk, and 10 % to a consortium comprising NavInfo Co. Ltd., Beijing, Tencent Holdings Ltd., Shenzhen, and GIC Private Ltd., Singapore. The sale of the shares to the consortium will not be completed, however, as no practicable approach was found during a regulatory review process to obtain approval from the relevant authorities. The transaction will therefore not be pursued further.

The transaction with Intel Holdings B.V., Schiphol-Rijk, was completed on 31 January 2017. The sale of the shares resulted in a loss of control, as defined by IFRS 10, at the level of THERE Holding B.V., Amsterdam. Since THERE Holding B.V., Amsterdam, still exerts a significant influence over HERE International B.V., Amsterdam, the latter is now included in the financial statements of THERE Holding B.V., Amsterdam, as an associated company, accounted for using the equity method. The loss of control and the subsequent deconsolidation of HERE International B.V., Amsterdam, and its subsidiaries led to a positive earnings effect at the level of THERE Holding B.V., Amsterdam. The BMW Group portion amounted to €183 million, which was recognised in the result from equity accounted investments.

## 03

**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	
	30.9.2017	31.12.2016	1 January to 30 September 2017	1 January to 30 September 2016
US Dollar	1.18	1.06	1.11	1.12
British Pound	0.88	0.85	0.87	0.80
Chinese Renminbi	7.85	7.34	7.58	7.35
Japanese Yen	132.85	123.34	124.59	120.99
Korean Won	1,351.46	1,274.34	1,267.20	1,295.85

For further information regarding foreign currency translation, please refer to note 3 of the Group Financial Statements of BMW AG for the year ended 31 December 2016.

## 04

**Financial reporting rules**

- (a) For the BMW Group, no significant new Standards or revised Standards were applied for the first time in the first nine months of 2017.
- (b) Financial reporting pronouncements issued by the IASB that are significant for the BMW Group, but have not yet been applied:

Compared to the comments provided in the Group Financial Statements of BMW AG at 31 December 2016, the following additional information can now be provided with respect to the expected impact of IFRS 9:

In conjunction with the implementation of the new impairment model in the Financial Services segment, further simulations have been run for subsidiaries and validations performed for the data-delivery process. Based on the results of these calculations and validations, no material change is expected overall to the value adjustments on receivables from sales financing.

In future, all costs in conjunction with hedge accounting will be reported as part of the profit before financial result. As the cost of options to hedge foreign currency exposures is currently reported in the financial result, this will result in a shift between the items "Financial result" and "Profit before financial result". The scale of the shift will depend mainly on the future volume of option contracts. The volume of option contracts at 30 September 2017 is not material.

Regarding IFRS 15, compared to the comments provided in the Group Financial Statements of BMW AG at 31 December 2016, the following has been added:

Buyback agreements between the Automotive and Financial Services segments will not result in any changes in the presentation of segment information.

Buyback agreements in the Automotive segment with the Financial Services segment are not considered in the internal management reporting, and therefore according to IFRS 8 lead to no change in the presentation of segment information.

Regarding IFRS 16, compared to the comments provided in the Group Financial Statements of BMW AG at 31 December 2016, it has now been decided to apply the available exemptions to recognition of short-term leases and low value leasing assets. In addition, the grandfather clause available for existing leases will be applied.

For further details, please see the comments in the Group Financial Statements for the year ended 31 December 2016.



# NOTES TO THE INCOME STATEMENT

## 05 Revenues

Revenues by activity comprise the following:

in € million	3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
Sales of products and related goods	16,858	17,017	52,166	50,474
Sales of products previously leased to customers	2,403	2,305	7,806	6,786
Income from lease instalments	2,399	2,386	7,366	7,076
Interest income on loan financing	922	868	2,798	2,547
Other income	842	786	2,535	2,346
<b>Revenues</b>	<b>23,424</b>	<b>23,362</b>	<b>72,671</b>	<b>69,229</b>

An analysis of revenues by business segment is shown in the segment information in → note 34.

→ see  
note 34

## 06 Cost of sales

Cost of sales relate to the following items:

in € million	3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
Manufacturing costs	10,226	10,731	31,573	30,870
Cost of sales relating to financial services business	5,539	5,066	17,297	15,216
Research and development expenses	1,187	1,023	3,485	3,049
thereof amortisation of capitalised development costs	312	305	903	917
Other cost of sales	1,710	1,954	5,211	5,969
<b>Cost of sales</b>	<b>18,662</b>	<b>18,774</b>	<b>57,566</b>	<b>55,104</b>

Other cost of sales comprises mainly warranty expenses, service contracts, telematics and roadside assistance.

## 07 Selling and administrative expenses

in € million	3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
Selling expenses	1,424	1,422	4,352	4,249
Administrative expenses	768	739	2,357	2,187
<b>Selling and administrative expenses</b>	<b>2,192</b>	<b>2,161</b>	<b>6,709</b>	<b>6,436</b>

Selling expenses comprise mainly marketing, advertising and sales personnel costs. Administrative expenses comprise mainly personnel and IT costs.

## 08 Other operating income and expenses

These items mainly include currency gains and losses, gains and losses on the disposal of assets, impairment losses and reversals, as well as income or expense from the reversal of and allocation to provisions, including provisions for legal risks. Income from the reversal of provisions includes amounts arising on the termination of legal disputes.

↱

## 09 Result from equity accounted investments

Result from equity accounted investments includes 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. Information regarding the earnings impact of the sale of 15% of the shares of HERE International B.V., Amsterdam, by THERE Holding B.V., Amsterdam, is provided in → note 2.

→ see  
note 2

## 10 Net interest result

in € million	3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
Interest and similar income	36	38	143	111
Interest and similar expenses	-119	-100	-305	-359
<b>Net interest result</b>	<b>-83</b>	<b>-62</b>	<b>-162</b>	<b>-248</b>

## 11 Other financial result

in € million	3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
Result on investments	-	-5	14	-57
Sundry other financial result	57	100	117	124
<b>Other financial result</b>	<b>57</b>	<b>95</b>	<b>131</b>	<b>67</b>

Result on investments in the first three quarters of the previous year included an impairment loss of €66 million on the investment in SGL Carbon SE, Wiesbaden.

## 12

**Income taxes**

Taxes on income comprise the following:

in € million	3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
Current tax expense	676	596	1,817	1,300
Deferred tax expense	-43	158	513	1,030
<b>Income taxes</b>	<b>633</b>	<b>754</b>	<b>2,330</b>	<b>2,330</b>

The effective tax rate for the nine-month period ending 30 September 2017 was 27.5 % (2016: 30.1 %) and corresponds to the best estimate of the weighted average

annual income tax rate for the full year. This tax rate has been applied to the pre-tax profit for the interim reporting period.

## 13

**Earnings per share**

The calculation of earnings per share is based on the following data:

		3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
Profit attributable to shareholders of BMW AG	€ million	1,759.7	1,805.5	6,092.5	5,377.8
Profit attributable to common stock	€ million	1,612.1	1,654.8	5,581.0	4,928.5
Profit attributable to preferred stock	€ million	147.6	150.7	511.5	449.3
Average number of common stock shares in circulation	number	601,995,196	601,995,196	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	55,114,404	54,809,404	55,114,404	54,809,404
<b>Basic earnings per share of common stock</b>	€	<b>2.68</b>	<b>2.75</b>	<b>9.27</b>	<b>8.19</b>
<b>Basic earnings per share of preferred stock</b>	€	<b>2.68</b>	<b>2.75</b>	<b>9.28</b>	<b>8.20</b>

In calculating earnings per share of preferred stock, the additional dividend of €0.02 per share of preferred stock is 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.

# NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

## 14

### Disclosures relating to the statement of total comprehensive income

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

in € million	3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
Remeasurement of the net defined benefit liability for pension plans	190	-880	1,101	-2,968
Deferred taxes	2	231	-254	898
<b>Items not expected to be reclassified to the income statement in the future</b>	<b>192</b>	<b>-649</b>	<b>847</b>	<b>-2,070</b>
<b>Available-for-sale securities</b>	<b>90</b>	<b>24</b>	<b>123</b>	<b>126</b>
thereof gains / losses arising in the period under report	78	36	114	156
thereof reclassifications to the income statement	12	-12	9	-30
<b>Financial instruments used for hedging purposes</b>	<b>704</b>	<b>781</b>	<b>2,220</b>	<b>2,838</b>
thereof gains / losses arising in the period under report	743	673	2,177	2,343
thereof reclassifications to the income statement	-39	108	43	495
<b>Other comprehensive income from equity accounted investments</b>	<b>-28</b>	<b>1</b>	<b>-</b>	<b>74</b>
<b>Deferred taxes</b>	<b>-213</b>	<b>-265</b>	<b>-697</b>	<b>-1,006</b>
<b>Currency translation foreign operations</b>	<b>-346</b>	<b>-167</b>	<b>-1,042</b>	<b>-568</b>
<b>Items expected to be reclassified to the income statement in the future</b>	<b>207</b>	<b>374</b>	<b>604</b>	<b>1,464</b>
<b>Other comprehensive income for the period after tax</b>	<b>399</b>	<b>-275</b>	<b>1,451</b>	<b>-606</b>

Deferred taxes on components of other comprehensive income for the third quarter were as follows:

in € million	3rd quarter 2017			3rd quarter 2016		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	190	2	192	-880	231	-649
Available-for-sale securities	90	-4	86	24	-4	20
Financial instruments used for hedging purposes	704	-208	496	781	-253	528
Other comprehensive income from equity accounted investments	-28	-1	-29	1	-8	-7
Currency translation foreign operations	-346	-	-346	-167	-	-167
<b>Other comprehensive income</b>	<b>610</b>	<b>-211</b>	<b>399</b>	<b>-241</b>	<b>-34</b>	<b>-275</b>

Deferred taxes on components of other comprehensive income for the nine-month period were as follows:

in € million	1 January to 30 September 2017			1 January to 30 September 2016		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	1,101	-254	847	-2,968	898	-2,070
Available-for-sale securities	123	-6	117	126	-30	96
Financial instruments used for hedging purposes	2,220	-649	1,571	2,838	-929	1,909
Other comprehensive income from equity accounted investments	-	-42	-42	74	-47	27
Currency translation foreign operations	-1,042	-	-1,042	-568	-	-568
<b>Other comprehensive income</b>	<b>2,402</b>	<b>-951</b>	<b>1,451</b>	<b>-498</b>	<b>-108</b>	<b>-606</b>

Other comprehensive income arising from equity accounted investments is reported in the Statement of Changes in Equity within currency translation with an amount of -€167 million (2016: -€115 million) and within financial instruments used for hedging purposes with an amount of €167 million (2016: €142 million).

# NOTES TO THE BALANCE SHEET

## 15

### Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle and engine projects as well as pre-payments for tool costs, licences, purchased development projects, software and purchased customer lists.

in € million	30. 9. 2017	31. 12. 2016
Capitalised development costs	7,794	7,221
Goodwill	380	364
thereof allocated to the Automotive cash-generating unit	33	33
thereof allocated to the Financial Services cash-generating unit	347	331
Other intangible assets	602	572
<b>Intangible assets</b>	<b>8,776</b>	<b>8,157</b>

Other intangible assets include a brand-name right amounting to €41 million (31 December 2016: €42 million), which is allocated to the Automotive segment and is not subject to amortisation since its useful life is deemed to be indefinite. The change is entirely due to currency factors.

Intangible assets amounting to €41 million (31 December 2016: €42 million) are subject to restrictions on title.

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

in € million	2017	2016
Capitalised development costs		
Additions	1,476	1,200
Amortisation	903	917
Other intangible assets		
Additions	161	35
Amortisation	142	134

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

## 16

### Property, plant and equipment

Property, plant and equipment developed during the first nine months of the year as follows:

in € million	2017	2016
Additions	2,656	1,935
Depreciation	2,491	2,544
Disposals	13	12

No impairment losses were recognised during the first nine months of 2017.

Purchase commitments for property, plant and equipment totalled €4,643 million (31 December 2016: €3,141 million).

17

**Leased products**

Leased products developed during the first nine months of the year as follows:

in € million	2017	2016
Additions	12,904	15,787
Depreciation	2,041	2,391
Disposals	10,582	11,762

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 BMW Group's interests in 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.

19

**Receivables from sales financing**

Receivables from sales financing totalling €78,845 million (31 December 2016: €78,260 million) include credit financing for retail customers and dealerships, as well as finance leases.

20

**Financial assets**

Financial assets comprise:

in € million	30.9.2017	31.12.2016
Marketable securities and investment funds	5,263	5,287
Derivative instruments	4,535	3,922
Credit card receivables	244	287
Loans to third parties	113	129
Other	148	145
<b>Financial assets</b>	<b>10,303</b>	<b>9,770</b>

21

**Income tax assets**

Income tax assets totalling €1,720 million (31 December 2016: €1,938 million) include €354 million (31 December 2016: €351 million), which is expected to be settled after more than twelve months. Depending on the timing of proceedings, such claims may also be settled at an earlier time.

22

**Other assets**

Other assets comprise:

in € million	30.9.2017	31.12.2016
Prepayments	1,943	1,914
Receivables from companies in which an investment is held	1,166	1,217
Other taxes	1,142	1,135
Expected reimbursement claims	830	779
Receivables from subsidiaries	305	422
Collateral receivables	292	387
Sundry other assets	700	828
<b>Other assets</b>	<b>6,378</b>	<b>6,682</b>

23

**Inventories**

Inventories comprise the following:

in € million	30.9.2017	31.12.2016
Finished goods and goods for resale	11,172	9,684
Work in progress, unbilled contracts	1,293	1,157
Raw materials and supplies	1,256	1,000
<b>Inventories</b>	<b>13,721</b>	<b>11,841</b>

**24****Shareholder's equity**

The Group Statement of Changes in Equity is shown on → pages 50 and 51.

→ see pages  
50 and 51

**Subscribed capital**

At 30 September 2017 common stock issued by BMW AG amounted to 601,995,196 shares with a par value of €1, unchanged from 31 December 2016. The number of shares of preferred stock at that date was 55,114,404 shares, as at 31 December 2016, each with a par value of €1. Unlike the common stock, no voting rights are attached to the preferred stock. Subscribed capital stood at €657 million, unchanged from 31 December 2016. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

To date, 854,617 shares of preferred stock have been issued to employees. BMW AG is authorised until 14 May 2019 to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million. As a result, 4.2 million authorised shares and Authorised Capital amounting to €4.2 million remained available for issue at the end of the reporting period. No treasury shares were held at 30 September 2017.

**Capital reserves**

Capital reserves include premiums arising from the issue of shares and were unchanged from 31 December 2016 at €2,047 million.

**Revenue reserves**

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

During the first nine months of 2017, BMW AG paid the dividend for the financial year 2016 amounting to €2,107 million for common stock and €193 million for preferred stock.

**Accumulated other equity**

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

**25****Pension provisions**

Pension provisions stood at €2,710 million (31 December 2016: €4,587 million). Remeasurements of the net defined benefit obligation for pension plans decreased provisions by €1,101 million in the first nine months of 2017, mainly due to increased interest rates in Germany and the UK. In addition, the pension provision decreased due to a transfer from plan assets for pre-retirement part-time working arrangements to plan assets for pension plans. A plan settlement in the UK of limited significance was recorded in the third quarter of 2017.

**26****Other provisions**

Other provisions consist of the following:

in € million	30.9.2017	31.12.2016
Obligations for ongoing operational expenses	6,210	6,527
Obligations for personnel and social expenses	2,332	2,191
Other obligations	2,588	2,200
<b>Other provisions</b>	<b>11,130</b>	<b>10,918</b>

Provisions for obligations for ongoing operational expenses mainly include warranty obligations. Also included are other provisions for expected payments for bonuses, rebates and other price deductions.

**27****Income tax liabilities**

Income tax liabilities totalling €1,084 million (31 December 2016: €1,074 million) include €102 million (31 December 2016: €33 million), which is expected to be settled after more than twelve months. Depending on the timing of proceedings, some liabilities may be settled earlier than this.

Current income tax liabilities comprise €158 million (31 December 2016: €269 million) for taxes payable and €926 million (31 December 2016: €805 million) for tax provisions.



## 28

**Financial liabilities**

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

in € million	30.9.2017	31.12.2016
Bonds	46,213	44,421
Asset backed financing transactions	15,164	16,474
Liabilities from customer deposits (banking)	13,440	13,512
Liabilities to banks	12,602	14,892
Commercial paper	3,126	3,852
Derivative instruments	1,125	3,331
Other	1,148	1,249
<b>Financial liabilities</b>	<b>92,818</b>	<b>97,731</b>

## 29

**Other liabilities**

Other liabilities comprise the following items:

in € million	30.9.2017	31.12.2016
Deferred income	7,335	7,256
Other taxes	1,013	807
Deposits received	884	893
Advance payments from customers	800	977
Payables to other companies in which an investment is held	640	615
Payables to subsidiaries	120	99
Social security	93	92
Sundry	5,052	4,816
<b>Other liabilities</b>	<b>15,937</b>	<b>15,555</b>

Sundry other liabilities include mainly bonuses for services already performed as well as sales promotions, commission payables and credit balances on customers' accounts.

## OTHER DISCLOSURES

### 30

#### Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	30.9.2017	31.12.2016
Guarantees	74	67
Performance guarantees	–	–
Other	432	474
<b>Contingent liabilities</b>	<b>506</b>	<b>541</b>

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

Regulatory authorities have ordered the BMW Group to recall various vehicle models that are fitted with airbags supplied by the Takata Corporation. Provisions for the costs involved have been recognised within warranty provisions. It cannot be ruled out, however, that further BMW Group vehicles will be affected by future recall actions. Further disclosures pursuant to IAS 37.86 cannot be provided at present due to ongoing technical studies.

In June 2016, Germany's competition authority conducted searches at various carmakers and suppliers, ↱

### 31

#### Financial instruments

A description of the accounting treatment and measurement of derivative financial instruments and allocation of recognised financial instruments to different measurement levels is provided in notes 4 and 37 of the Group Financial Statements of BMW AG for the year ended 31 December 2016. ↱

including BMW AG, as part of an investigation into the purchase of steel. The investigations have not yet been completed. No further details can be provided at present.

In July 2017, media reports appeared containing allegations of anti-competitive practices against five German car manufacturers. The BMW Group immediately initiated internal investigations. These have not yet been completed. In October 2017, the European Commission began an inspection at the BMW Group. A series of class action lawsuits was filed in the USA and Canada. The potential risks for the BMW Group cannot be quantified at the present time; further disclosures pursuant to IAS 37.86 cannot be provided at present.

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

Amounts are discounted at 30 September 2017 on the basis of the following interest rates:

in %	ISO Code				
	EUR	USD	GBP	JPY	CNY
Interest rate for six months	–0.32	1.37	0.68	–0.15	5.14
Interest rate for one year	–0.26	1.55	0.64	0.01	4.36
Interest rate for five years	0.25	1.99	1.11	0.11	4.43
Interest rate for ten years	0.94	2.29	1.43	0.29	4.57

Interest rates taken from interest rate curves were adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument.



## 32

**Related parties**

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

↱

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

in € million	Supplies and services performed			
	3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
BMW Brilliance Automotive Ltd.	1,521	1,414	4,290	3,828

in € million	Supplies and services received			
	3rd quarter 2017	3rd quarter 2016	1 January to 30 September 2017	1 January to 30 September 2016
BMW Brilliance Automotive Ltd.	16	13	48	35

in € million	Receivables		Payables	
	30.9.2017	31.12.2016	30.9.2017	31.12.2016
BMW Brilliance Automotive Ltd.	1,165	1,215	639	615

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

Stefan Quandt, Germany, is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v.d.H., which, via its subsidiaries, performed logistics-related services for the BMW Group during the first nine months of 2017. In addition, companies of the DELTON Group acquired vehicles from the BMW Group by way of leasing.

Stefan Quandt, Germany, is also the indirect majority shareholder of SOLARWATT GmbH, Dresden. Cooperation arrangements are in place between BMW AG and SOLARWATT GmbH, Dresden, within the field of electric mobility. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. SOLARWATT GmbH, Dresden, leased vehicles from the BMW Group during the first nine months of 2017.

Susanne Klatten, Germany, is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairwoman of the Supervisory Board of ALTANA AG, Wesel. ALTANA AG, Wesel, acquired vehicles from the BMW Group during the first nine months of 2017, mostly by way of leasing.

Susanne Klatten, Germany, is also the sole shareholder and Chairwoman of the Supervisory Board of UnternehmerTUM GmbH, Garching. During the first nine months of 2017, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, primarily in the form of consultancy and workshop services.

In addition, Susanne Klatten, Germany, and Stefan Quandt, Germany, are indirectly sole shareholders of Entrust Datacard Corp., Minnetonka, Minnesota. Stefan Quandt is also a member of the supervisory board of this entity. Entrust Datacard Corp., Minnetonka, Minnesota, leased vehicles from the BMW Group during the first nine months of 2017.

Apart from vehicle leasing and credit financing contracts concluded at normal market conditions, 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, manages fund assets on a trustee basis for performance of pension obligations and manages the accrued entitlements relating to 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 has no assets of its own. It had no income or expenses during the period under report. BMW AG bears expenses on an immaterial scale and performs services for BMW Trust e.V., Munich.

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**33****Events after the end of the reporting period**

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

# SEGMENT INFORMATION

34

## Explanatory notes to segment information

For information on the basis used for identifying and managing reportable segments, please refer to the Group Financial Statements of BMW AG for the year ended 31 December 2016.

↱

Due to the management system, reported segment results and asset values are based on different performance measures. Details can be found in note 44 of the Group Financial Statements of BMW AG at 31 December 2016. No changes have been made either in the valuation methods applied or in the basis used for identifying reportable segments as compared to 31 December 2016.

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

in € million	Automotive		Motorcycles		Financial Services	
	2017	2016	2017	2016	2017	2016
<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>						
External revenues	16,673	16,887	510	449	6,241	6,026
Inter-segment revenues	4,367	4,677	4	2	438	377
<b>Total revenues</b>	<b>21,040</b>	<b>21,564</b>	<b>514</b>	<b>451</b>	<b>6,679</b>	<b>6,403</b>
Segment result	1,753	1,837	53	32	609	568
Result from equity accounted investments	144	162	–	–	–	–
Capital expenditure on non-current assets	1,857	1,409	31	27	5,603	6,484
Depreciation and amortisation on non-current assets	1,155	1,188	23	19	1,874	2,734

Segment information by operating segment for the nine months of the year is as follows:

in € million	Automotive		Motorcycles		Financial Services	
	2017	2016	2017	2016	2017	2016
<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>						
External revenues	51,321	49,784	1,824	1,644	19,525	17,800
Inter-segment revenues	13,387	13,466	9	6	1,244	1,140
<b>Total revenues</b>	<b>64,708</b>	<b>63,250</b>	<b>1,833</b>	<b>1,650</b>	<b>20,769</b>	<b>18,940</b>
Segment result	5,862	5,778	282	224	1,793	1,641
Result from equity accounted investments	634	360	–	–	–	–
Capital expenditure on non-current assets	4,220	3,114	67	51	17,667	20,691
Depreciation and amortisation on non-current assets	3,445	3,520	64	54	6,658	7,438

in € million	Automotive		Motorcycles		Financial Services	
	30.9.2017	31.12.2016	30.9.2017	31.12.2016	30.9.2017	31.12.2016
Segment assets	10,578	9,411	600	600	12,221	11,049
Investments accounted for using the equity method	2,705	2,546	–	–	–	–

Other Entities		Reconciliation to Group figures		Group		
2017	2016	2017	2016	2017	2016	
						<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>
-	-	-	-	23,424	23,362	External revenues
1	1	-4,810	-5,057	-	-	Inter-segment revenues
1	1	-4,810	-5,057	23,424	23,362	<b>Total revenues</b>
11	40	-4	98	2,422	2,575	Segment result
-	-	-	-	144	162	Result from equity accounted investments
-	-	-1,605	-2,160	5,886	5,760	Capital expenditure on non-current assets
-	-	-1,525	-1,507	1,527	2,434	Depreciation and amortisation on non-current assets

Other Entities		Reconciliation to Group figures		Group		
2017	2016	2017	2016	2017	2016	
						<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>
1	1	-	-	72,671	69,229	External revenues
3	3	-14,643	-14,615	-	-	Inter-segment revenues
4	4	-14,643	-14,615	72,671	69,229	<b>Total revenues</b>
30	84	515	14	8,482	7,741	Segment result
-	-	-	-	634	360	Result from equity accounted investments
-	-	-4,757	-4,899	17,197	18,957	Capital expenditure on non-current assets
-	-	-4,590	-4,150	5,577	6,862	Depreciation and amortisation on non-current assets

Other Entities		Reconciliation to Group figures		Group		
30.9.2017	31.12.2016	30.9.2017	31.12.2016	30.9.2017	31.12.2016	
76,262	75,363	89,480	92,112	189,141	188,535	Segment assets
-	-	-	-	2,705	2,546	Investments accounted for using the equity method

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

in € million	2017	2016
Reconciliation of segment result		
Total for reportable segments	2,426	2,477
Financial result of Automotive segment and Motorcycles segment	127	193
Elimination of inter-segment items	-131	-95
<b>Group profit before tax</b>	<b>2,422</b>	<b>2,575</b>
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	7,491	7,920
Elimination of inter-segment items	-1,605	-2,160
<b>Total Group capital expenditure on non-current assets</b>	<b>5,886</b>	<b>5,760</b>
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	3,052	3,941
Elimination of inter-segment items	-1,525	-1,507
<b>Total Group depreciation and amortisation on non-current assets</b>	<b>1,527</b>	<b>2,434</b>

Segment figures for the first nine months of the year can be reconciled to the corresponding Group figures as follows:

in € million	2017	2016
Reconciliation of segment result		
Total for reportable segments	7,967	7,727
Financial result of Automotive segment and Motorcycles segment	681	262
Elimination of inter-segment items	-166	-248
<b>Group profit before tax</b>	<b>8,482</b>	<b>7,741</b>
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	21,954	23,856
Elimination of inter-segment items	-4,757	-4,899
<b>Total Group capital expenditure on non-current assets</b>	<b>17,197</b>	<b>18,957</b>
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	10,167	11,012
Elimination of inter-segment items	-4,590	-4,150
<b>Total Group depreciation and amortisation on non-current assets</b>	<b>5,577</b>	<b>6,862</b>



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

in € million	30.9.2017	31.12.2016
<b>Reconciliation of segment assets</b>		
Total for reportable segments	99,661	96,423
Non-operating assets – Other Entities segment	7,838	7,432
Total liabilities – Financial Services segment	123,306	126,679
Non-operating assets – Automotive and Motorcycles segments	48,098	45,923
Liabilities of Automotive and Motorcycles segments not subject to interest	35,185	33,858
Elimination of inter-segment items	-124,947	-121,780
<b>Total Group assets</b>	<b>189,141</b>	<b>188,535</b>

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# OTHER INFORMATION

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# FINANCIAL CALENDAR

## 2018

**21 March 2018**

Annual Report 2017

**21 March 2018**

Annual Accounts Press Conference

**22 March 2018**

Analyst and Investor Conference

**4 May 2018**

Quarterly Report to 31 March 2018

**17 May 2018**

Annual General Meeting

**2 August 2018**

Quarterly Report to 30 June 2018

**7 November 2018**

Quarterly Report to 30 September 2018

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

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



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