

QUARTERLY REPORT

30 JUNE 2016



**BMW
GROUP**

THE NEXT
100 YEARS



Rolls-Royce
Motor Cars Limited

BMW GROUP IN FIGURES

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		2nd quarter 2016	2nd quarter 2015	Change in %
Key performance indicators reported on during the year				
BMW Group				
Profit before tax	€ million	2,798	2,582	8.4
Workforce at 30 June ¹		123,597	119,489	3.4
Automotive segment				
Sales volume ²	units	605,534	573,079	5.7
Revenues	€ million	22,872	21,650	5.6
EBIT margin ³	% (change in %pts)	9.5	8.4	1.1
Motorcycles segment				
Sales volume	units	46,966	47,048	-0.2
Further performance figures				
Automotive segment				
Sales volume				
BMW ²	units	507,814	480,465	5.7
MINI	units	96,587	91,626	5.4
Rolls-Royce	units	1,133	988	14.7
Total²		605,534	573,079	5.7
Production				
BMW ⁴	units	529,800	468,416	13.1
MINI	units	102,648	87,664	17.1
Rolls-Royce	units	1,102	889	24.0
Total⁴		633,550	556,969	13.7
Motorcycles segment				
Production	units	44,105	43,855	0.6
Financial Services segment				
New contracts with retail customers		460,718	416,961	10.5
Operating cash flow Automotive segment				
Revenues	€ million	25,014	23,935	4.5
— Automotive	€ million	22,872	21,650	5.6
— Motorcycles	€ million	617	622	-0.8
— Financial Services	€ million	6,505	6,154	5.7
— Other Entities	€ million	2	1	100.0
— Eliminations	€ million	-4,982	-4,492	-10.9
Profit before financial result (EBIT)	€ million	2,725	2,525	7.9
— Automotive	€ million	2,178	1,819	19.7
— Motorcycles	€ million	98	112	-12.5
— Financial Services	€ million	529	503	5.2
— Other Entities	€ million	12	94	-87.2
— Eliminations	€ million	-92	-3	-
Profit before tax	€ million	2,798	2,582	8.4
— Automotive	€ million	2,277	1,844	23.5
— Motorcycles	€ million	97	112	-13.4
— Financial Services	€ million	503	496	1.4
— Other Entities	€ million	46	144	-68.1
— Eliminations	€ million	-125	-14	-
Income taxes	€ million	-849	-833	-1.9
Net profit	€ million	1,949	1,749	11.4
Earnings per share⁵	€	2.95/2.96	2.66/2.67	10.9/10.9

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

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 70,100 units, 2016: 71,801 units).

³ Profit before financial result as percentage of Automotive segment revenues.

⁴ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 75,570 units, 2016: 74,575 units).

⁵ 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.

		1 January to 30 June 2016	1 January to 30 June 2015	Change in %
Key performance indicators reported on during the year				
BMW Group				
Profit before tax	€ million	5,166	4,851	6.5
Workforce at 30 June ¹		123,597	119,489	3.4
Automotive segment				
Sales volume ²	units	1,163,139	1,099,748	5.8
Revenues	€ million	41,686	40,543	2.8
EBIT margin ³	% (change in %pts)	9.5	8.9	0.6
Motorcycles segment				
Sales volume	units	80,754	78,418	3.0
Further performance figures				
Automotive segment				
Sales volume				
BMW ²	units	986,557	932,041	5.8
MINI	units	174,898	165,938	5.4
Rolls-Royce	units	1,684	1,769	-4.8
Total²		1,163,139	1,099,748	5.8
Production				
BMW ⁴	units	1,020,349	939,820	8.6
MINI	units	191,705	171,571	11.7
Rolls-Royce	units	1,803	1,852	-2.6
Total⁴		1,213,857	1,113,243	9.0
Motorcycles segment				
Production	units	84,385	87,212	-3.2
Financial Services segment				
New contracts with retail customers		874,090	801,526	9.1
Operating cash flow Automotive segment				
	€ million	4,124	4,838	-14.8
Revenues				
	€ million	45,867	44,852	2.3
— Automotive	€ million	41,686	40,543	2.8
— Motorcycles	€ million	1,199	1,189	0.8
— Financial Services	€ million	12,537	12,212	2.7
— Other Entities	€ million	3	3	-
— Eliminations	€ million	-9,558	-9,095	-5.1
Profit before financial result (EBIT)				
	€ million	5,182	5,046	2.7
— Automotive	€ million	3,941	3,613	9.1
— Motorcycles	€ million	192	227	-15.4
— Financial Services	€ million	1,120	1,058	5.9
— Other Entities	€ million	23	134	-82.8
— Eliminations	€ million	-94	14	-
Profit before tax				
	€ million	5,166	4,851	6.5
— Automotive	€ million	4,011	3,478	15.3
— Motorcycles	€ million	191	226	-15.5
— Financial Services	€ million	1,073	1,055	1.7
— Other Entities	€ million	44	121	-63.6
— Eliminations	€ million	-153	-29	-
Income taxes				
	€ million	-1,576	-1,586	0.6
Net profit				
	€ million	3,590	3,265	10.0
Earnings per share⁵				
	€	5.44/5.45	4.96/4.97	9.7/9.7

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

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 142,285 units, 2016: 153,701 units).

³ Profit before financial result as percentage of Automotive segment revenues.

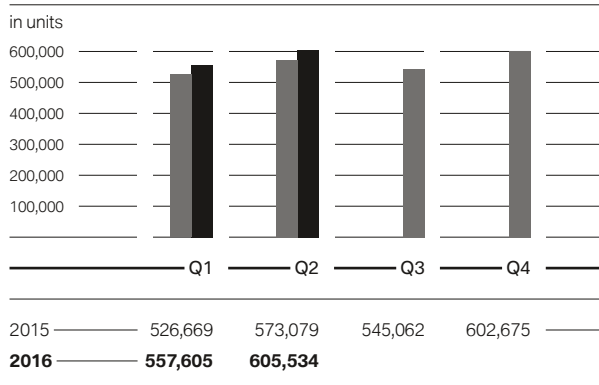
⁴ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 144,923 units, 2016: 131,686 units).

⁵ 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.

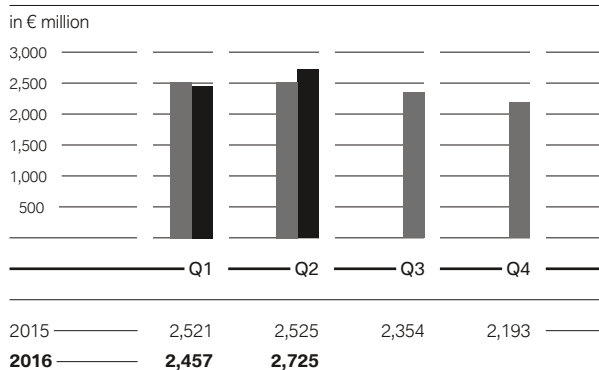
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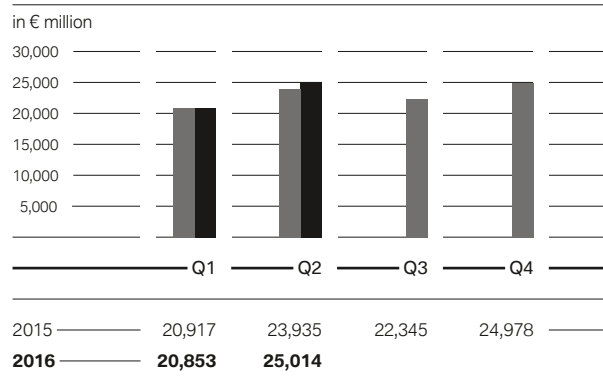
Sales volume of automobiles*



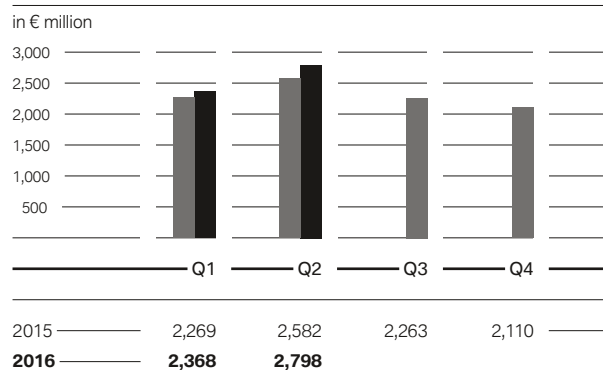
Profit before financial result



Revenues



Profit before tax



BMW Group reports all-time highs for quarterly and six-month reporting periods

The BMW Group continued to perform well during the second quarter 2016, setting new automobile sales volume records for both quarterly and six-month reporting periods. A total of 605,534* BMW, MINI and Rolls-Royce brand vehicles were delivered to customers worldwide during the period from April to June 2016 (+5.7 %), while sales for the six-month period rose by 5.8 % to 1,163,139* units.

Second-quarter sales of the Motorcycles segment totalled 46,966 units and were therefore at a similar level to the previous year (–0.2 %). In total, 80,754 motorcycles were delivered to customers between January and June (+3.0 %). These figures represented the second-best quarterly and the best six-month sales volume performances in BMW Motorrad's history.

The Financial Services segment concluded a total of 460,718 new lease and financing contracts with retail customers during the second quarter 2016 (+10.5 %), while the figure for the six-month period (874,090 contracts) rose by 9.1 %.

Group revenues and earnings increased

Mirroring the strong sales volume performance, second-quarter Group revenues grew by 4.5 % to a new record level of €25,014 million, despite being held down by negative currency factors. Group EBIT improved by 7.9 % to €2,725 million. Influenced in part by gains on financial derivatives, profit before tax for the quarter went up by €216 million to a new high level of €2,798 million (+8.4 %).

Group revenues recorded for the six-month period were 2.3 % higher at €45,867 million. Similar to the quarterly trend, reported revenues were negatively affected by currency factors. The six-month EBIT figure edged up to €5,182 million (+2.7 %), thereby surpassing the previous year's record figure. Profit before tax rose by 6.5 % to a new high of €5,166 million, helped by tailwind from a number of factors, including fair value measurement gains recognised on derivatives.

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (second quarter 2016: 71,801 units; 1 January to 30 June 2016: 153,701 units).

Workforce enlarged

At 30 June 2016, the BMW Group employed 123,597 people worldwide (+3.4 %). The growth in the size of the workforce reflects the substantial levels of investment being made in future technologies such as digitalisation, automated driving and mobility services.

Brexit – no major impact expected for the BMW Group in the short term

On 23 June 2016, a referendum was held in the United Kingdom with regard to remaining in or leaving the European Union. The decision taken by the electorate to leave the EU is not expected to have any major impact on the BMW Group's operations in the UK in the short term. As the rules for the movement of people and goods between the UK and EU member states will have to be renegotiated, a period of uncertainty is now likely to set in. Until the new arrangements have been agreed in detail, it is not possible to assess the broader impact of the impending changes.

Partnership in the field of autonomous driving

On 1 July 2016, BMW AG, Intel Corporation and Mobileye N.V. signed a memorandum of understanding, setting out their common intention to create an open platform for the next generation of highly autonomous vehicles. The three leaders from the automotive, technology and computer vision and machine learning industries are collaborating to bring solutions for highly and fully automated driving into series production by 2021 and to align the industry on a standards-based platform.

The BMW Group's autonomous driving strategy is based on the BMW iNEXT model, which includes the vision of fleets of autonomous vehicles, not only on highways but also in urban environments. Fully autonomous vehicles form the basis for the provision of new mobility services in tomorrow's urban environments.

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position

General Economic Environment in the first half of 2016

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Automobile markets

The upward trend on international automobile markets remained intact throughout the first half of 2016. New registrations increased worldwide by 4.4 %, helped in particular by good contributions from Europe and robust growth in China. Only the US market showed a slight loss of pace.

Consumer sentiment in Europe remained optimistic during the six-month period, with new registrations up by 9.1 % on average. Robust growth rates recorded on the major European markets, such as Germany (+7.1 %), the United Kingdom (+3.2 %) and France (+8.4 %) emphasised the general upward trend. Southern Europe has seen particularly strong growth since the beginning of the year, with sharp rises again recorded in Italy (+19.7 %) and Spain (+12.2 %), following the previous year's strong performances.

The automobile market in the USA grew at a significantly slower pace than one year earlier, with new registrations up by only 1.4 %.

After losing some of its momentum in the previous year, the automobile market in China picked up again during the first half of 2016 with a growth rate of 11.1 %.

Japan's sluggish economic growth is also reflected by developments on the country's automobile market, where the negative trend continued during the period under report with a further significant year-on-year drop in the number of new registrations (–4.9 %).

Automobile markets in Brazil and Russia also remained under pressure against a background of macroeconomic uncertainty. New registrations in Brazil slumped by almost one third (–32.8 %), while the pace of contraction in Russia slowed to a negative rate of 4.4 %.

Motorcycle markets

The G 310 R presented in autumn 2015 marks BMW Motorrad's entry into a market segment within the 250 cc plus class. Since the beginning of 2016, market definition has therefore been expanded from the half-litre class (500 cc) to cover the whole of the 250 cc plus class.

Worldwide, motorcycle markets in the 250 cc plus class grew slightly during the first half of 2016, despite weaker performances in some overseas markets. Motorcycle registrations increased by 1.4 % worldwide. European markets grew by 8.5 % year-on-year, benefiting above all from the sharp recovery in Southern and Central

Europe. Whereas France (+2.9 %) and Germany (+4.5 %) saw moderate rises, double-digit surges were recorded for the markets in Italy (+17.2 %) and Spain (+23.0 %). The US market contracted by 3.5 %.

Financial services markets

The global economy continued to darken during the second quarter 2016. Increasing political uncertainties and the parlous economic situation in some of the major emerging markets overshadowed generally positive developments in the world's industrialised countries. The surprising decision taken by the British to leave the EU triggered a great deal of turmoil on financial markets towards the end of the reporting period.

The ECB focused its attention primarily on implementing the expanded quantitative easing measures resolved in March. Despite some initial signs of economic revival, it remains to be seen whether expansionary monetary policies will really bring about a sustainable turnaround in inflation rates.

The situation in the UK was dominated by uncertainty regarding the outcome and consequences of the EU referendum. Fears of a recession prompted the Bank of England not to raise interest rates.

The US economy grew also during the second quarter. Nevertheless, in the face of surprisingly weak employment market figures and concerns about the global impact of the UK possibly leaving the EU, the US Federal Reserve decided not to raise interest rates further.

Lower investments and weaker demand for exports caused economic growth in China to lose some of its momentum. The expansionary monetary policies of the Chinese central bank prevented an even greater slow-down.

The expansionary policies of the Japanese central bank, applied on an almost permanent basis, again only had a limited impact in the second quarter 2016. Japan's export-dependent economy suffered from languishing global trade volumes and a strong yen. Generally falling prices in Japan are raising doubts as to whether the country's inflation target of 2 % can be achieved.

Prices on used car markets in Europe, Asia and North America remained largely at the previous year's levels. While Southern Europe continued to benefit from the region's economic recovery, used car markets in Central Europe remained largely unchanged during the second quarter 2016.

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position Automotive Segment

BMW Group finishes six-month period with record sales volume figures

In total, the BMW Group sold 605,534¹ BMW, MINI and Rolls-Royce brand vehicles during the second quarter (2015: 573,079¹ units; +5.7%), comprising 507,814¹ BMW (2015: 480,465¹ units; +5.7%), 96,587 MINI (2015: 91,626 units; +5.4%) and 1,133 Rolls-Royce (2015: 988 units; +14.7%). These figures represent new all-time highs for the Group as a whole as well as for the MINI brand. Rolls-Royce Motor Cars and the BMW brand both recorded their best second quarters ever.

Six-month sales of the three brands climbed by 5.8 % to 1,163,139² units (2015: 1,099,748² units). Sales of BMW brand vehicles during the first half of 2016 were 5.8 % higher at 986,557² units, a new record for a six-month period (2015: 932,041² units). MINI also recorded a new high for a six-month period by selling 174,898 units (2015: 165,938 units; +5.4 %). Rolls-Royce Motor Cars' sales volume figure of 1,684 units was slightly lower than one year earlier (2015: 1,769 units; -4.8 %).

Sharp growth in Europe

Sales of BMW, MINI and Rolls Royce brand vehicles in Europe rose sharply year-on-year, both for the quarter (286,150 units; +12.8 %; 2015: 253,641 units) and for

the six-month period (543,270 units; +11.2 %; 2015: 488,490 units). Good growth rates were also recorded for Germany and Great Britain during the period under report. A total of 81,408 units (2015: 73,220 units; +11.2 %) were sold in Germany in the second quarter, bringing sales for the six-month period from January to June to 148,057 units (2015: 137,830 units; +7.4 %). The number of vehicles delivered to customers in Great Britain totalled 63,551 units in the second quarter (2015: 57,288 units; +10.9 %) and 122,720 units during the six-month period (2015: 110,822 units; +10.7 %).

In total, 178,364¹ BMW, MINI and Rolls-Royce brand vehicles were sold in Asia during the second quarter (2015: 170,429¹ units; +4.7 %), with six-month sales rising by 7.3 % to 361,568² units (2015: 337,107² units). These figures include sales on the Chinese mainland totalling 120,650¹ units in the second quarter (2015: 115,710¹ units; +4.3 %) and 247,817² units (+7.4 %) during the six-month period (2015: 230,788² units).

Within a volatile market environment in the Americas, deliveries to customers in the period from April to June fell by 7.4 % to 122,853 units (2015: 132,636 units). During the first half of 2016, a total of 223,098 units were sold in the region (2015: 242,379 units; -8.0 %). In

Automotive

		2nd quarter 2016	2nd quarter 2015	Change in %
Sales volume ^{1,3}	units	605,534	573,079	5.7
Production ⁴	units	633,550	556,969	13.7
Revenues ³	€ million	22,872	21,650	5.6
Profit before financial result (EBIT)	€ million	2,178	1,819	19.7
Profit before tax	€ million	2,277	1,844	23.5
EBIT margin ^{3,5}	% (change in %pts)	9.5	8.4	1.1

		1 January to 30 June 2016	1 January to 30 June 2015	Change in %
Sales volume ^{2,3}	units	1,163,139	1,099,748	5.8
Production ⁶	units	1,213,857	1,113,243	9.0
Revenues ³	€ million	41,686	40,543	2.8
Profit before financial result (EBIT)	€ million	3,941	3,613	9.1
Profit before tax	€ million	4,011	3,478	15.3
EBIT margin ^{3,5}	% (change in %pts)	9.5	8.9	0.6
Workforce at 30 June		112,107	108,834	3.0

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 70,100 units, 2016: 71,801 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 142,285 units, 2016: 153,701 units).

³ Principal performance indicators reported on during the year.

⁴ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 75,570 units, 2016: 74,575 units).

⁵ Profit before financial result as percentage of Automotive segment revenues.

⁶ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 144,923 units, 2016: 131,686 units).

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the USA, too, second-quarter sales were down by 9.7 % for the quarter to 97,501 units (2015: 107,939 units) and by 10.2 % to 179,102 units for the six-month period (2015: 199,418 units).

BMW achieves solid sales volume increases*

The BMW brand enjoyed both the best second quarter and the best six-month period in its entire history. Good contributions to this performance were again made by the BMW X5, X6 and BMW 5 Series, each of which achieved pole position in their relevant segments.

At 86,198 units, sales of the BMW 1 Series in the first half of 2016 were at a similar level to the previous year (2015: 86,029 units; +0.2 %). Customers took delivery of a total of 97,949 units of the BMW 2 Series during the six-month period (2015: 64,285 units; +52.4 %). Sales of the 3 Series fell slightly by 3.3 % to 212,180 units (2015:

219,369 units). Influenced by model life cycle factors, the BMW 5 Series' six-month sales volume of 169,398 units fell slightly short of the previous year's figure (2015: 174,228 units; – 2.8 %). At 25,453 units, sales of the new BMW 7 Series during the first half of the year were nearly one third higher year-on-year (2015: 19,324 units; +31.7 %).

The various models of the BMW X family continued to perform well, with a combined total of 305,084 units of the five X models sold worldwide during the six-month period (2015: 260,924; +16.9 %). The BMW X1 recorded a particularly strong surge in demand (94,156 units; 2015: 58,226; +61.7 %). Sales of the X3, at 77,486 units, were also significantly up on the previous year (2015: 66,444 units; 16.6 %). The BMW X5 sales volume of 81,351 units fell just short of the previous year's high figure (2015: 85,983 units; – 5.4 %).

Sales volume of BMW vehicles by model series*

in units

	1 January to 30 June 2016	1 January to 30 June 2015	Change in %
BMW 1 Series	86,198	86,029	0.2
BMW 2 Series	97,949	64,285	52.4
BMW 3 Series	212,180	219,369	–3.3
BMW 4 Series	69,430	79,351	–12.5
BMW 5 Series	169,398	174,228	–2.8
BMW 6 Series	6,896	11,393	–39.5
BMW 7 Series	25,453	19,324	31.7
BMW X1	94,156	58,226	61.7
BMW X3	77,486	66,444	16.6
BMW X4	30,075	28,146	6.9
BMW X5	81,351	85,983	–5.4
BMW X6	22,016	22,125	–0.5
BMW Z4	2,941	4,576	–35.7
BMW i	11,028	12,562	–12.2
BMW total	986,557	932,041	5.8

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 142,285 units, 2016: 153,701 units).

MINI up on previous year

The new models boosted MINI sales during the first half of the year, enabling the brand to set a new all-time sales volume record (174,898 units; 2015: 165,938 units; +5.4 %). The MINI Clubman put in an excellent six-

month performance, with 27,511 units delivered to customers (2015: 491 units). Sales of the MINI 3- and 5-door models, however, at 98,546 units, fell short of the previous year's high figure (2015: 107,542; –8.4 %).

Sales volume of MINI vehicles by model variant

in units

	1 January to 30 June 2016	1 January to 30 June 2015	Change in %
MINI 3- and 5-door	98,546	107,542	-8.4
MINI Convertible/Coupé/Roadster	14,354	12,829	11.9
MINI Clubman	27,511	491	-
MINI Countryman/Paceman	34,487	45,076	-23.5
MINI total	174,898	165,938	5.4

Rolls-Royce posts new sales volume record in second quarter

Rolls-Royce Motor Cars achieved a new sales volume record of 1,133 units in the second quarter (2015: 988 units; +14.7%). The performance was helped by a strong contribution from the new Rolls-Royce Dawn, of which 514 units had been sold since its market launch

in March. The addition of this latest member to the Rolls-Royce family provided the expected boost to the brand's sales figures, which had been held down in the early months of the year by the production changeover. Rolls-Royce Motor Cars sold 1,684 units worldwide during the first six months of the year (2015: 1,769 units; -4.8%).

Sales volume of Rolls-Royce vehicles by model variant

in units

	1 January to 30 June 2016	1 January to 30 June 2015	Change in %
Phantom	176	194	-9.3
Ghost	489	764	-36.0
Wraith/Dawn	1,019	811	25.6
Rolls-Royce total	1,684	1,769	-4.8

Automobile production increased at Group level

Between April and June 2016, 633,550¹ BMW, MINI and Rolls-Royce brand cars rolled off the various lines of the BMW Group's production network (2015: 556,969¹ units; +13.7%), comprising 529,800¹ BMW (2015: 468,416¹ units; +13.1%), 102,648 MINI (2015: 87,664 units; +17.1%) and 1,102 Rolls-Royce (2015: 889 units; +24.0%). A total of 1,213,857² units of the Group's three brands were produced during the first six months of the year (2015: 1,113,243² units; +9.0%), comprising 1,020,349² BMW (2015: 939,820² units; +8.6%), 191,705 MINI (2015: 171,571 units; +11.7%) and 1,803 Rolls-Royce (2015: 1,852 units; -2.6%). The BMW brand therefore exceeded sales of one million units in the first half of a year for the first time in its history.

Segment revenues and earnings increased

In line with its strong sales volume performance, second-quarter Automotive segment revenues grew by a solid 5.6% to €22,872 million (2015: €21,650 million), while six-month revenues were 2.8% higher at €41,686 million (2015: €40,543 million). In both reporting periods, currency factors dampened the scale of the increases.

Earnings for both the second quarter and the six-month period benefited from the increase in the cost of sales

being less pronounced than that of revenues. EBIT for the second quarter 2016 totalled €2,178 million (2015: €1,819 million; +19.7%). The EBIT margin came in at 9.5% and was thus at the upper end of the target range of between 8 and 10% (2015: 8.4%). Six-month EBIT improved by 9.1% to €3,941 million (2015: €3,613 million), resulting in an EBIT margin of 9.5% (2015: 8.9%) for the period. Profit before tax recorded by the Automotive segment for both the three-month (€2,277 million; +23.5%; 2015: €1,844 million) and the six-month period (€4,011 million; +15.3%; 2015: €3,478 million) was significantly up on the previous year. The improvement in profit before tax was also attributable in part to fair value measurement gains on financial derivatives.

Employee numbers in the Automotive segment slightly up

The Automotive segment employed a workforce of 112,107 people at the end of the first half of the year (30 June 2015: 108,834 employees), a 3.0% increase.

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 75,570 units, 2016: 74,575 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 144,923 units, 2016: 131,686 units).

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Slight sales volume growth for BMW Motorrad

At 46,966 units, second-quarter sales volume for the Motorcycles segment reached a similar level to the previous year (2015: 47,048 units; –0.2%). BMW Motorrad delivered 80,754 motorcycles to customers in the first half of the year, marking a new sales volume record for a six-month period (2015: 78,418 units; +3.0%).

The BMW Group sold 51,930 units (2015: 49,335 units; +5.3%) in Europe during the first six months of the year. The number of motorcycles sold in Germany edged up by 2.0% to 13,792 units (2015: 13,521 units). In France, too, at 7,790 units six-month sales were up on the previous year (2015: 7,375 units; +5.6%). The number sold in Italy grew by 6.9% to 7,912 units (2015: 7,401 units). The highly competitive US market continued to contract, a development mirrored in a 24.5% sales volume decrease for BMW Motorrad to 6,897 units (2015: 9,138 units).

Motorcycle production down in first half of year

In the period from April to June 2016, the BMW Group produced 44,105 motorcycles at its four production sites worldwide (2015: 43,855 units; +0.6%). A total of 84,385 motorcycles rolled off production lines (2015: 87,212 units; –3.2%) during the six-month period. During the second quarter, production of the new G 310 R commenced at the premises of the Group's cooperation partner TVS Motor Company in Bangalore, India. This model marks BMW Motorrad's entry into the under-500 cc class and will go on sale in autumn.

Earnings negatively impacted by upfront expenditure

As a result of unfavourable currency factors, Motorcycles segment revenues remain at a similar level to the previous year, for both the second quarter (€617 million; –0.8%; 2015: €622 million) and the six-month period (€1,199 million; +0.8%; 2015: €1,189 million). EBIT and pre-tax earnings for both periods were significantly down on the previous year, due to costs incurred to expand the segment's model range and enlarge the workforce. Second-quarter EBIT amounted to €98 million (2015: €112 million; –12.5%), while profit before tax came in at €97 million (2015: €112 million; –13.4%). EBIT and the profit before tax for the period from January to June amounted to €192 million (2015: €227 million; –15.4%) and €191 million (2015: €226 million; –15.5%) respectively.

Additions to workforce

The BMW Group employed 3,210 people in the Motorcycles segment at the end of the reporting period (30 June 2015: 3,020 people; +6.3%). The workforce was enlarged in line with the segment's new strategy, which includes the accompanying expansion of the model range.

Motorcycles

		2nd quarter 2016	2nd quarter 2015	Change in %
Sales volume*	units	46,966	47,048	–0.2
Production	units	44,105	43,855	0.6
Revenues	€ million	617	622	–0.8
Profit before financial result (EBIT)	€ million	98	112	–12.5
Profit before tax	€ million	97	112	–13.4

		1 January to 30 June 2016	1 January to 30 June 2015	Change in %
Sales volume*	units	80,754	78,418	3.0
Production	units	84,385	87,212	–3.2
Revenues	€ million	1,199	1,189	0.8
Profit before financial result (EBIT)	€ million	192	227	–15.4
Profit before tax	€ million	191	226	–15.5
Workforce at 30 June		3,210	3,020	6.3

* Key performance indicator reported on during the year.

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position Financial Services Segment

Financial Services segment remains on growth course

The Financial Services segment continued to perform well in the second quarter 2016. The contract portfolio under management increased by a solid 8.7% to stand at 4,890,279 contracts at the end of the reporting period (30 June 2015: 4,500,056 contracts). In balance sheet terms, business volume increased slightly to €114,131 million during the six-month period under report (31 December 2015: €111,191 million; +2.6%).

New business continues to grow

Credit financing and leasing business with retail customers contribute significantly to the segment's success. During the second quarter, 460,718 new contracts were signed, representing a significant 10.5% increase on the previous year (2015: 416,961 contracts). The corresponding six-month figure for new contracts with retail customers was 874,090 contracts, exceeding the previous year's figure by 9.1% (2015: 801,526 contracts).

Leasing business grew by 14.0% year-on-year, while credit financing went up by 8.8%. Overall, leasing accounted for 34.4% and credit financing for 65.6% of new business.

The proportion of new BMW Group vehicles either leased or financed by the Financial Services segment

during the six-month period was 47.4%, an increase of 2.3 percentage points (2015: 45.1%).¹

In the BMW and MINI brand pre-owned vehicle financing and leasing lines of business, the number of new contracts entered into by the segment during the six-month period rose by a solid 8.7% to 177,506 contracts (2015: 163,247 contracts).

The total volume of new credit financing and leasing contracts concluded with retail customers during the period from January to June increased by 7.0% to €26,353 million (2015: €24,626 million).

The rapid upward trend in new business also resulted in further growth of the overall contract portfolio with retail customers. In total, 4,491,551 contracts were in place with retail customers at the end of the reporting period, 8.3% more than one year earlier (30 June 2015: 4,146,505 contracts). The Asia/Pacific region continued to enjoy significant growth with a 17.4% increase compared to the previous year. The Europe/Middle East/Africa region (8.1%), the Americas region (6.9%) and the EU Bank² region (5.2%) also recorded year-on-year growth.

Financial Services

	2nd quarter 2016	2nd quarter 2015	Change in %
New contracts with retail customers	460,718	416,961	10.5
Revenues ————— € million	6,505	6,154	5.7
Profit before financial result (EBIT) ————— € million	529	503	5.2
Profit before tax ————— € million	503	496	1.4
	1 January to 30 June 2016	1 January to 30 June 2015	Change in %
New contracts with retail customers	874,090	801,526	9.1
Revenues ————— € million	12,537	12,212	2.7
Profit before financial result (EBIT) ————— € million	1,120	1,058	5.9
Profit before tax ————— € million	1,073	1,055	1.7
Workforce at 30 June	8,166	7,520	8.6
	30.6.2016	31.12.2015	Change in %
Business volume in balance sheet terms ³ ————— € million	114,131	111,191	2.6

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

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

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

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Solid growth in fleet business

The Financial Services segment's fleet management line of business offers lease and financing arrangements as well as other fleet-related services to commercial customers under the brand name "Alphabet". The BMW Group is therefore one of Europe's leading leasing and full-service providers in the field of fleet management. The portfolio of fleet-related leasing contracts comprised 619,828 contracts at the end of the reporting period (30 June 2015: 572,764 contracts; +8.2%).

Multi-brand financing slightly down

The volume of multi-brand financing business was slightly down on the previous year, with 79,787 new contracts signed during the six-month period (2015: 81,186 contracts; -1.7%). The total portfolio comprised 470,618 contracts at the end of the reporting period, slightly more than one year earlier (30 June 2015: 464,544 contracts; +1.3%).

Significant rise in dealership financing

At €17,378 million, the total volume of dealership financing was 11.5 % higher than one year earlier (30 June 2015: €15,584 million).

Slight decrease in deposit business

Deposit-taking represents an important source of re-financing for the BMW Group. The volume of bank deposits fell slightly during the first six months of 2016 to €13,272 million (31 December 2015: €13,509 million; -1.8%).

Insurance business continues to grow

Business with insurance products has continued to grow since the beginning of the year, with new business up by 5.2 % to 627,503 insurance contracts (2015: 596,685 contracts) and the contract portfolio rising to 3,322,508 contracts (30 June 2015: 3,041,162 contracts; +9.3%).

Revenues and earnings up

The Financial Services segment benefited in the reporting period from the general upward trend in business volumes and a favourable risk profile. Currency factors, however, held down the reported increase in revenues. Overall, segment revenues grew by 5.7 % to €6,505 million for the second quarter (2015: €6,154 million) and by 2.7 % to €12,537 million for the six-month period (2015: €12,212 million). Profit before tax improved by 1.4 % to €503 million for the second quarter (2015: €496 million) and by 1.7 % to €1,073 million for the six-month period (2015: €1,055 million).

Increase in workforce size

The BMW Group employed 7,936 people worldwide in the Financial Services segment at 30 June 2016 (2015: 7,520 employees), 5.5 % more than one year earlier.

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Report on Economic Position
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Earnings performance

The BMW Group increased sales of BMW, MINI and Rolls-Royce brand cars in the first half of 2016 by 5.8 % to 1,163,139 units compared to the corresponding period one year earlier. This figure includes 153,701 units (2015: 142,285 units) manufactured by the joint venture BMW Brilliance Automotive Ltd., Shenyang.

At the end of the reporting period, the BMW Group's workforce comprised 123,597 employees (30 June 2015: 119,489 employees).

The BMW Group generated a net profit of €3,590 million for the six-month period ended 30 June 2016, €325 million up on the previous year. The post-tax return on sales – calculated as Group net profit divided by Group revenues – was 7.8 % (2015: 7.3 %). Earnings per share of common and preferred stock were €5.44 (2015: €4.96) and €5.45 (2015: €4.97) respectively.

Earnings performance for the second quarter 2016

Second-quarter Group revenues grew by 4.5 % to €25,014 million. Adjusted for exchange rate factors*, they increased by 7.8 %, mainly reflecting sales volume growth on the one hand and business volume/portfolio developments within the Financial Services segment on the other.

External revenues from the sale of BMW, MINI and Rolls-Royce brand cars were slightly higher than in the previous year (4.3 %), in line with sales volume growth. Adjusted for exchange rate factors, the increase was 7.7 %. The negative currency impact was mainly attributable to the change in the average exchange rates of the Chinese renminbi, the British pound and the South African rand against the euro. External revenues of the

Motorcycles segment were 0.8 % lower than in the previous year. The Financial Services segment performed well, with second-quarter external revenues up by a solid 5.8 %. Adjusted for exchange rate factors, revenues of the Motorcycles and Financial Services segments rose by 1.9 % and 8.6 % respectively.

Second-quarter cost of sales increased by €625 million to €19,957 million. Warranty expenses included in cost of sales increased primarily as a result of vehicle recall actions, the cost of which is expected to exceed amounts previously recognised. Accordingly, an additional amount of €472 million was allocated in the second quarter to the warranty provision for various issues, including air-bags supplied by the Takata group of companies and the ISOFIX attachment system used for child car seats. In addition, costs attributable to financial services business increased by €110 million. By contrast, research and development expenses were €44 million lower than one year earlier.

As a percentage of revenues, the research and development expense ratio decreased by 0.3 percentage points to 4.2 %. Research and development expenses include amortisation of capitalised development costs amounting to €308 million (2015: €259 million). Total research and development expenditure – comprising research costs, non-capitalised development costs and capitalised development costs (excluding systematic amortisation thereon) – amounted to €1,128 million in the second quarter (2015: €1,172 million). This corresponds to a research and development ratio – calculated as research

* The adjustment for exchange rate factors is calculated by applying the relevant current and prior year exchange rates.

Revenues by segment in the second quarter

in € million

	External revenues		Inter-segment revenues		Total revenues	
	2016	2015	2016	2015	2016	2015
Automotive	18,290	17,544	4,582	4,106	22,872	21,650
Motorcycles	615	620	2	2	617	622
Financial Services	6,108	5,771	397	383	6,505	6,154
Other Entities	1	-	1	1	2	1
Eliminations	-	-	-4,982	-4,492	-4,982	-4,492
Group	25,014	23,935	-	-	25,014	23,935

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and non-capitalised development costs divided by Group revenues – of 4.5 % (2015: 4.9 %). The second-quarter capitalisation rate – calculated as capitalised development costs divided by total research and development expenditure – amounted to 35.0 % (2015: 29.5 %).

Gross profit amounted to €5,057 million, 9.9 % up on the previous year. The gross profit margin – calculated as gross profit divided by Group revenues – came in at 20.2 % (2015: 19.2 %).

Compared to the previous year, selling and administrative expenses increased by €120 million to €2,287 million. Overall, selling and administrative expenses were equivalent to 9.1 % (2015: 9.1 %) of revenues. Administrative expenses went up as a result of various factors, including the enlarged workforce size and higher IT expenditure.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses totalled €1,194 million (2015: €1,128 million).

Other operating income and expenses deteriorated by €134 million to a net negative expense of €45 million for the second quarter, mainly reflecting the impact of lower income from the reversal of provisions, lower exchange gains and lower gains on the disposal of assets. The change in net operating income and expenses was also influenced by allocations to provisions.

Profit before financial result (EBIT) amounted to €2,725 million (2015: €2,525 million).

The financial result finished at a net positive amount of €73 million, an improvement of €16 million over the second quarter 2015. Other financial result in the second quarter improved by €75 million to a net positive amount of €49 million, mainly thanks to the result on investments, net fair value measurement gains on commodity derivatives and lower losses on currency derivatives. In contrast, the result from equity-accounted investments decreased by €28 million to €127 million. These figures include the Group's share of the results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, and the asso-

ciated company THERE Holding B.V., Amsterdam. The deterioration in the result from equity-accounted investments was attributable, among other factors, to a lower contribution from BMW Brilliance Automotive Ltd., Shenyang, caused, in turn, by the impact of upfront expenditure for production start-ups of new vehicles and capacity expansion measures. In addition, the inclusion of THERE Holding B.V., Amsterdam, had a negative impact of €12 million on the result from equity-accounted investments, mainly in the form of scheduled depreciation and amortisation on purchase price allocations on the one hand and transaction costs on the other.

Profit before tax increased to €2,798 million (2015: €2,582 million). The pre-tax return on sales – calculated by dividing Group profit before tax by Group revenues – improved to 11.2 % (2015: 10.8 %).

Income tax expense amounted to €849 million (2015: €833 million).

Net profit for the period from April to June amounted to €1,949 million and was therefore €200 million ahead of the previous year. In the second quarter 2016, the BMW Group generated earnings per share of common stock of €2.95 (2015: €2.66) and earnings per share of preferred stock of €2.96 (2015: €2.67).

Earnings performance for the first half of 2016

Six-month Group revenues increased by 2.3 % to €45,867 million. Adjusted for exchange rate factors, the increase was 4.7 %, mainly reflecting sales volume growth on the one hand and business volume/portfolio developments within the Financial Services segment on the other.

External revenues from the sale of BMW, MINI and Rolls-Royce brand cars were slightly higher than in the previous year (2.2 %). Adjusted for exchange rate factors, the increase was 4.9 %. The negative currency impact was mainly attributable to the change in the average exchange rates of the Chinese renminbi, the British pound and the South African rand against the euro. External revenues of the Motorcycles segment were at a similar level to the previous year (0.8 %). Financial Services operations recorded a 2.7 % increase in external revenues. Adjusted for exchange rate factors, revenues of

Revenues by segment in the period from 1 January to 30 June

in € million

	External revenues		Inter-segment revenues		Total revenues	
	2016	2015	2016	2015	2016	2015
Automotive	32,897	32,199	8,789	8,344	41,686	40,543
Motorcycles	1,195	1,185	4	4	1,199	1,189
Financial Services	11,774	11,467	763	745	12,537	12,212
Other Entities	1	1	2	2	3	3
Eliminations	-	-	-9,558	-9,095	-9,558	-9,095
Group	45,867	44,852	-	-	45,867	44,852

the Motorcycles and Financial Services segments rose by 3.5 % and 4.4 % respectively.

Six-month cost of sales increased slightly by €437 million to €36,330 million. Warranty expenses included in cost of sales increased primarily as a result of vehicle recall actions, the cost of which is expected to exceed amounts previously recognised. Accordingly, an additional amount of €472 million was allocated to the warranty provision for various issues, including airbags supplied by the Takata group of companies and the ISOFIX attachment system used for child car seats. Costs attributable to financial services business totalling €10,150 million (2015: €10,092 million) and research and development expenses totalling €2,026 million (2015: €2,022 million) were almost in line with the corresponding six-month period one year earlier.

As a percentage of revenues, the research and development expense ratio decreased year-on-year by 0.1 percentage points to 4.4 %. Research and development expenses include amortisation of capitalised development costs amounting to €612 million (2015: €516 million). Total research and development expenditure for the six-month period amounted to €2,102 million (2015: €2,098 million). The research and development expenditure ratio was therefore 4.6 % (2015: 4.7 %). The capitalisation ratio was 32.7 % (2015: 28.2 %).

Gross profit amounted to €9,537 million, 6.5 % up on the previous year, resulting in a gross profit margin of 20.8 % (2015: 20.0 %).

Compared to the previous year, selling and administrative expenses increased by €224 million to €4,275 million. Overall, selling and administrative expenses were equivalent to 9.3 % (2015: 9.0 %) of revenues. Administrative expenses went up as a result of various factors, including the enlarged workforce size and higher IT expenditure.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses totalled €2,381 million (2015: €2,234 million).

Other operating income and expenses deteriorated by €218 million to a net negative amount of €80 million for the six-month period, mainly due to lower gains on the disposal of assets and lower income from the reversal of provisions. In addition, higher allocations to provisions contributed to the deterioration.

At €5,182 million, Group profit before financial result (EBIT) was slightly higher than one year earlier (2015: €5,046 million).

The financial result was a net negative expense of €16 million, an improvement of €179 million compared to the first half of 2015. Other financial result improved year-on-year by €298 million to a net negative expense of €28 million, mainly thanks to the lower losses on currency derivatives on the one hand and gains on commodity derivatives on the other. The result from equity accounted investments includes the Group's share of the

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results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, and the two DriveNow companies. The figure for the first half of 2016 also includes the Group's share of the result of the associated company, THERE Holding B.V., Amsterdam. Compared to the first half of the previous year, the result from equity accounted investments was €85 million lower at €198 million. The deterioration was mainly attributable to a lower contribution from BMW Brilliance Automotive Ltd., Shenyang, caused, in turn, by the impact of upfront expenditure for production start-ups of new vehicles and capacity expansion measures. In addition, the inclusion of THERE Holding B.V., Amsterdam, had a negative impact of €40 million on the result from equity-accounted investments, mainly in the form of scheduled depreciation and amortisation on purchase price allocations on the one hand and transaction costs on the other.

Profit before tax increased to €5,166 million (2015: €4,851 million). The pre-tax return on sales was 11.3 % (2015: 10.8 %).

Income tax expense amounted to €1,576 million (2015: €1,586 million), resulting in an effective tax rate – calculated by dividing income tax expense by Group profit before tax – of 30.5 % (2015: 32.7 %).

Earnings performance by segment

Revenues of the Automotive segment increased both in the second quarter (5.6 %) and in the first half of 2016 (2.8 %). The gross profit margin for the six-month period was 18.2 % (2015: 17.4 %). Profit before tax amounted to €2,277 million (2015: €1,844 million) for the second quarter and to €4,011 million (2015: €3,478 million) for the six-month period, in both cases significantly higher than one year earlier. This positive

development was partially due to higher sales volume figures and an improved financial result for both the second quarter and the six-month period. The improvement in the financial result was influenced by net fair value measurement gains on commodity derivatives and lower losses on currency derivatives.

Motorcycles segment revenues remained stable in both the second quarter (–0.8 %) and the six-month period (0.8 %). Second-quarter segment profit before tax was significantly lower at €97 million (2015: €112 million), while for the six-month period it fell by 15.5 % to €191 million. The six-month gross margin dropped to 25.9 % (2015: 28.1 %), mainly as a consequence of higher expenses for further projects in connection with the implementation of the segment's new strategy.

Revenues of the Financial Services segment grew by 5.7 % to €6,505 million in the second quarter, while the gross profit margin improved by 0.9 percentage points to 13.6 %. At €503 million (2015: €496 million), the second-quarter segment profit before tax showed a slight improvement. Six-month revenues went up by 2.7 % to €12,537 million. Pre-tax profit edged up by €18 million to €1,073 million.

The profit before tax of the Other Entities segment totalled €46 million (2015: €144 million) for the second quarter 2016 and €44 million (2015: €121 million) for six-month period.

Inter-segment eliminations during the six-month period up to the level of profit before tax gave rise to a net expense of €153 million (2015: net expense of €29 million), partly reflecting higher eliminations triggered by volume changes within the leased products portfolio.

Profit by segment

in € million

	2nd quarter 2016	2nd quarter 2015	1 January to 30 June 2016	1 January to 30 June 2015
Automotive	2,277	1,844	4,011	3,478
Motorcycles	97	112	191	226
Financial Services	503	496	1,073	1,055
Other Entities	46	144	44	121
Eliminations	–125	–14	–153	–29
Profit before tax	2,798	2,582	5,166	4,851
Income taxes	–849	–833	–1,576	–1,586
Net profit	1,949	1,749	3,590	3,265

Financial position

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

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

The cash inflow from operating activities for the first half of 2016 increased by €427 million to €1,212 million, benefiting from the €325 million higher net profit and the change in provisions.

The cash outflow for investing activities amounted to €1,969 million (2015: €2,500 million), whereby the year-on-year decrease of €531 million mainly reflected the fact that investments in intangible assets and property, plant and equipment during the six-month period were €478 million lower at €1,730 million.

Cash inflow from financing activities totalled €1,821 million (2015: €824 million). Proceeds from the issue of bonds brought in €9,794 million (2015: €7,335 million), compared with an outflow of €4,837 million (2015: €4,966 million) for the repayment of bonds. The change in other financial liabilities and commercial paper gave rise to a cash outflow of €1,015 million (2015: cash inflow of €372 million). The payment of dividends resulted in a cash outflow of €2,121 million (2015: €1,917 million).

Cash outflows for investing activities exceeded cash inflows from operating activities in the first half of 2016 by €757 million. A similar constellation arose in the previous year, when the shortfall had amounted to €1,715 million.

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group totalling a negative amount of €6 million (2015: positive amount of €142 million), the various cash flows resulted in an increase in cash and cash equivalents of €1,058 million (2015: decrease of €749 million).

Free cash flow for the first half year for the Automotive segment was as follows:

in € million	2016	2015
Cash inflow from operating activities	4,124	4,838
Cash outflow from investing activities	-1,461	-2,559
Net investment in marketable securities and term deposits	-141	278
Free cash flow Automotive segment	2,522	2,557

Net financial assets of the Automotive segment comprise the following:

in € million	30.6.2016	31.12.2015
Cash and cash equivalents	5,536	3,952
Marketable securities and investment funds	4,281	4,326
Intragroup net financial assets	9,280	11,278
Financial assets	19,097	19,556
Less: external financial liabilities*	-2,611	-2,645
Net financial assets Automotive segment	16,486	16,911

* Excluding derivative financial instruments.

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Cash outflows for operating activities of the Financial Services segment were driven primarily by the increase in leased products and receivables from sales financing and totalled €4,174 million (2015: €3,406 million). Cash inflows from investing activities amounted to €20 million (2015: cash outflows of €75 million).

Refinancing

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

During the period from January to June 2016, BMW Group entities issued euro-benchmark bonds with a volume of €2.75 billion. For the first time, the BMW Group also placed a bond (for US \$ 4 billion) on the US capital market.

Bonds denominated in other foreign currencies (Australian dollar, Canadian dollar, and Chinese renminbi) with a total volume of €754 million, private placements in various currencies with a total volume of €2.9 billion and promissory notes totalling €540 million were also issued during the six-month period. Furthermore, six ABS transactions with a total volume of €3.2 billion were executed in Germany, the USA, South Africa, Canada, China and Japan. The regular issue of commercial paper on the one hand and deposit-taking by the Group's banking subsidiaries on the other, are also used to refinance the BMW Group.

Net assets

The Group balance sheet total increased during the period under report by 4.9 % to stand at €180,602 million at 30 June 2016. Adjusted for exchange rate factors, the increase was 6.1 %. The currency impact was mainly attributable to the depreciation in the value of various currencies against the euro, most notably the British pound, the US dollar and the Chinese renminbi.

The increase in non-current assets on the assets side of the balance sheet related primarily to receivables

from sales financing (5.5 %), financial assets (49.5 %) and leased products (1.7 %). By contrast, property, plant and equipment decreased (–4.3 %).

Non-current receivables from sales financing rose by €2,305 million to €44,170 million during the six-month period and accounted for 24.5 % (31 December 2015: 24.3 %) of total assets. The solid increase in this line item mainly reflects the higher volume of financing to customers. Adjusted for exchange rate factors, the increase was 7.3 %.

Non-current financial assets accounted for 1.8 % (31 December 2015: 1.3 %) of total assets. Non-current financial assets rose significantly during the six-month period by €1,092 million to stand at €3,300 million, mainly reflecting the favourable development of currency derivative fair values. Adjusted for exchange rate factors, the increase was 48.2 %.

Leased products went up slightly from €34,965 million to €35,544 million on the back of the general growth of Financial Services business. Leased products accounted for 19.7 % of total assets (31 December 2015: 20.3 %). Adjusted for exchange rate factors, they increased by 3.1 %.

Property, plant and equipment accounted for 9.4 % of total assets at the end of the reporting period (31 December 2015: 10.3 %), decreasing by €768 million to €16,991 million. Investments in property, plant and equipment during the six-month period amounting to €1,017 million were lower than one year earlier (2015: €1,598 million), mainly reflecting the lower amount incurred for the start-up of new products. At the same time, depreciation on property, plant and equipment increased from €1,632 million to €1,681 million. Adjusted for exchange rate factors, property, plant and equipment decreased by 3.6 %.

Within current assets, increases were registered in particular for inventories (25.4 %), cash and cash equivalents (17.3 %) and financial assets (7.6 %).

Inventories went up by €2,810 million to €13,881 million during the six-month period and accounted for 7.7 %

of total assets (31 December 2015: 6.4%). Most of the increase related to finished goods and was primarily attributable to stocking up in the various markets. Adjusted for exchange rate factors, inventories went up by 26.1%.

Cash and cash equivalents increased significantly compared to the end of the financial year 2015, rising by €1,058 million to €7,180 million, reflecting the higher volume invested in short-term fixed-term deposits. Adjusted for exchange rate factors, cash and cash equivalents increased by 18.0%.

Current financial assets stood at €7,140 million at the end of the reporting period (31 December 2015: €6,635 million). Adjusted for exchange rate factors, they increased by 7.7%.

On the equity and liabilities side of the balance sheet, the increase was due primarily to changes in non-current financial liabilities (9.3%), pension provisions (58.1%), Group equity (2.6%) as well as non-current (11.7%) and current (10.4%) other provisions. By contrast, current financial liabilities decreased (-5.1%).

Non-current financial liabilities on the other hand increased from €49,523 to €54,104 million during the six-month period. Adjusted for exchange rate factors, they were 9.4% higher than at the end of 2015. The increase in non-current financial liabilities was primarily attributable to the issue of bonds.

Pension provisions increased from €3,000 million to €4,743 million during the six-month period, primarily due to the lower discount factors applied in Germany, the UK and the USA.

Group equity rose by €1,123 million to €43,887 million, mainly as a result of fair value gains on derivative financial instruments recognised directly in equity (€2,057 million) and the net profit attributable to shareholders of BMW AG (€3,572 million). Furthermore, income and expenses relating to at-equity accounted investments and recognised directly in equity (before tax) increased equity by €73 million. The fair

value measurement of marketable securities benefited equity by a further €102 million, while minority interests increased by €18 million. By contrast, remeasurements of the net defined benefit liability for pension plans reduced equity by €2,088 million, mainly as a result of the lower discount rates applied in Germany, the UK and the USA. Group equity was also reduced by the payment of the dividend (€2,102 million). Currency translation differences had a negative impact of €401 million on equity. In addition, deferred taxes on items recognised directly in equity (€74 million) and sundry other changes (€34 million) reduced equity.

The equity ratio of the BMW Group – calculated by dividing equity by the balance sheet total – was 24.3% at the end of the reporting period (31 December 2015: 24.8%). The equity ratio of the Automotive segment was 38.8% (31 December 2015: 40.1%) and that of the Financial Services segment was 7.9% (31 December 2015: 8.2%).

Current and non-current provisions increased from €9,630 to €10,691 million during the six-month period. Adjusted for exchange rate factors, the increase was 12.2% and related mainly to vehicle recall actions, the cost of which is expected to exceed amounts previously recognised. A further €472 million was allocated to the warranty provision in the second quarter for various issues, including airbags supplied by the Takata group of companies and the ISOFIX attachment system used for child car seats.

Current financial liabilities decreased by €2,161 million compared to 31 December 2015 and stood at €39,999 million. Adjusted for exchange rate factors, they were 4.6% lower than at the end of 2015. The reduction in current financial liabilities arose primarily as a result of the favourable development of currency derivative fair values on the one hand, and lower commercial paper volumes on the other.

Overall, the earnings performance, financial position and net assets position of the BMW Group developed positively during the second quarter and six-month reporting periods.

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Related party relationships

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

Events after the end of the reporting period

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

INTERIM GROUP MANAGEMENT REPORT

Report on Outlook, Risks and Opportunities
Report on Outlook

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

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

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

Global economy affected by mounting uncertainty

The global economy is currently forecast to grow by around 3.1 % in 2016.

The eurozone is likely to see economic growth in the region of 1.5 %. The highly expansive monetary policies of the European Central Bank (ECB) are not likely to cause the euro to gain in value against other currencies, a development that should therefore provide tailwind for export-orientated sectors within the eurozone. Despite this positive factor, the current growth rate in the region is still not stable, given the high levels of political uncertainty on the one hand, and the unchanged need to implement structural reforms on the other. Moreover, a renewed escalation of the sovereign debt crisis in a number of European countries cannot be ruled out. The German economy is still expected to grow by 1.6 %. The favourable situation on the employment market means that public-sector and consumer spending are again likely to provide momentum for the increase in gross domestic product (GDP). The expected growth rate in France has been raised slightly to 1.5 % and is now in line with the average for the eurozone. Italy's GDP is expected to grow by 1.0 %. Despite the failure to form a government after the election, Spain is nevertheless expected to grow by a robust 2.8 % over the year.

Following the Brexit decision, the UK economy is now predicted to grow by 1.4 % in 2016, a downward adjustment of 0.8 percentage points compared to the forecast made at the beginning of the year. Investment activities during the first half of 2016 were already being

significantly affected by the impending Brexit referendum. Given the outcome of the referendum, a revival in the second half of the year seems unlikely. Consumer spending could also slow down. Further risks affecting the current year cannot be ruled out.

The US economy seems set to lose some of its momentum during the remainder of the year and slow to a growth rate of 1.9 %, mainly reflecting the impact of a strong US dollar, which is dampening export growth. Consumer spending, which has so far been one of the main cornerstones of the domestic economy, is also expected to weaken. In view of the fact that the job market in the USA is nearing full-employment (based on a forecast unemployment rate of 4.8 %), pay levels are set to rise.

The growing concerns of international investors in China at the beginning of the year have been dispelled to some extent by the introduction of state-financed economic stimulus measures, which have significantly reduced capital outflows. Economic output is now expected to grow by 6.5 % over the year as a whole and therefore at the lower end of the target range set by the government. The current high levels of debt in China nevertheless remain a cause for uncertainty.

According to the latest forecasts, GDP in Japan is only expected to grow by 0.6 %. Early macroeconomic indicators suggest that optimism is waning. Consumer spending is also suffering from a general reticence to spend, a situation that is unlikely to change significantly in the near future. As a result of the sharp appreciation of the Japanese yen, any increase in exports is almost certain to be less pronounced than in the previous year.

India is expected to generate a growth rate of 7.5 %. An improved climate for investments and infrastructure measures could pave the way for further robust growth in the future.

In stark contrast, the situation remains difficult in Russia and Brazil. Whereas conditions in Russia have improved slightly thanks to the recent rise in oil prices (reflected by the fact that GDP is now only forecast to contract by 0.9 % in 2016), Brazil finds itself in the middle of a deep recession (– 3.3 %). In addition to the murky political situation, South America's largest economy is having to cope with the consequences of lower raw material prices.

Over the course of 2016, however, oil prices are likely to rise, reflecting the net impact of full storage facilities, falling capacities and a reduction in oversupply.

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Automobile markets in 2016

Forecasts currently point to a growth rate of 2.3 % for global automobile markets in 2016, with much of the momentum coming from China and Europe. By contrast, the pace of growth in the USA is currently slowing.

Automobile markets in Europe are benefiting from favourable economic developments and positive consumer sentiment. Across Europe, new registrations are therefore forecast to increase by 5.4 % to a total of 15.0 million units in the current year.

As the largest automobile market in the EU, Germany is set to grow at a slightly below-average rate, with new registrations up by 2.9 % to 3.3 million units. The forecast for the UK is an increase of 2.6 % to 2.7 million units. However, the extent to which the consequences of the Brexit decision result in a market forecast correction still remains to be seen. France's automobile market is set to recover with a total volume of 2.0 million vehicles (+3.3 %). Strong growth is also expected in Italy, with the market expanding by 14.9 % to 1.8 million units. The Spanish market is forecast to grow at a somewhat slower pace of 11.0 % to 1.2 million units.

After a period of rapid growth in recent years, the automobile market in the USA is likely to expand at a slightly more subdued pace, with new registrations up by only a comparatively small rate of 0.2 % to 17.5 million units.

The rapid growth in the number of new registrations in China in recent years is expected drop to 6.9 % in 2016, corresponding to a total of 22.0 million units.

As in the previous year, there seems little prospect of the Japanese automobile market achieving a turnaround in 2016. The market is currently expected to contract by a further 1.3 % to approximately 4.8 million units this year.

Brazil's economic problems will result in a severe slump in new registrations in 2016, which currently are forecast to drop by 30.0 % to 1.7 million units. Despite the difficult economic situation in Russia, the latest prediction is for only a slight drop in registrations (1.3 million units; -2.0 %).

Motorcycle markets in 2016

Markets for 250 cc plus motorcycles are likely to continue expanding slightly in 2016. Registration figures for Europe as a whole are also expected to rise slightly, including minor increases in Germany and France. Mar-

kets in Italy and Spain are set to continue their steep upward trajectory. By contrast, the negative trend most recently observed in the USA is likely to persist.

Financial services markets in 2016

The global economy is likely to lose further momentum as the second half of the year progresses. There seems little likelihood of any rapid recovery for faltering emerging economies, while at the same time a number of industrial countries are likely to see their growth forecasts downgraded as a result of uncertainties triggered by the Brexit decision. It can be assumed that most major central banks will persevere with their expansionary monetary policies.

The ECB is currently monitoring the impact of its measures and stands ready to take appropriate action if need be. The Bank of England is expected to lower interest rates to counter the negative consequences arising from the Brexit vote.

In the USA, the Federal Reserve is expected to raise reference interest rates far more slowly than had been predicted at the beginning of the year, with only one more interest rate hike now expected before the year end.

The Chinese economy is forecast to slow down moderately thanks to government and central bank intervention aimed at preventing any significant downturn in growth.

The BMW Group expects selling prices to remain predominantly stable on markets for pre-owned vehicles in continental Europe and Asia over the course of the year. Developments in the UK are currently difficult to predict in the wake of the Brexit decision. The situation on the pre-owned vehicle market is likely to depend on the performance of the British pound and therefore on the price of new vehicles. Used vehicle prices in North America could also fall.

Outlook for the BMW Group**BMW Group**

Profit before tax: slight increase expected

Competition on international automobile markets is set to remain fierce during the current year. Furthermore, developments in major emerging economies, the USA and China are likely to influence the pace of earnings growth. Political and macroeconomic uncertainties in Europe may also play a role (see the "Political and global economic risks" section in the Risk Report of the Annual Report 2015). Nevertheless, the BMW Group expects to remain firmly on course for growth in 2016. The upward trend will, however, be held down by rising personnel

costs and high levels of investment in projects that will ultimately help safeguard future competitiveness. Overall, Group profit before tax is expected to increase slightly year-on-year (2015: €9,224 million).

Workforce at year-end: slight increase expected

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

Automotive segment

Deliveries to customers: slight increase expected

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

Dynamic market conditions, particularly in Europe, should have a positive impact on automobile sales volumes. Most notably, the previous year's upward trend on southern European markets is set to continue. The situation in major emerging markets is likely to remain tense. Despite the gradual trend towards normalisation on the Chinese market, Asia as a whole is expected to provide momentum for growth. Sales volume in the Americas region is forecast to remain close to the previous year's level. However, further economic and political risks cannot be ruled out.

Fleet carbon emissions²: slight reduction expected

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

Revenues: slight increase expected

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

EBIT margin in target range of between 8 and 10 % expected
The Automotive segment continues to target an EBIT margin (profit before financial result as a percentage of Automotive segment revenues) between 8 and 10 % for 2016 (2015: 9.2 %).

Segment RoCE³ is now forecast to decrease only "slightly" during the full financial year (2015: 72.2 %), mainly reflecting the lower level of capital employed attributable to the lower investments in property, plant and equipment. However, the long-term target RoCE of "at least 26 %" for the Automotive segment will be easily surpassed. In the Annual Report 2015, the forecast had been a "moderate" decrease in RoCE.

Motorcycles segment

Deliveries to customers: solid increase expected

The BMW Group expects the upward trend most recently witnessed in the Motorcycles segment to continue, helped by good contributions from the F 700 GS and F 800 GS updated models (available since February) and the new R NineT Scrambler and G 310 R models (available as from autumn 2016). Due to better than expected sales figures in Europe and Latin America, deliveries of BMW motorcycles to customers are now expected to reflect a "solid" sales volume increase (2015: 136,963 units). In the Annual Report 2015, the forecast had been for a "slight" increase in deliveries to customers.

Return on Capital Employed (RoCE³) at previous year's level expected

Thanks to strict control of working capital, the Motorcycles segment's RoCE is now forecast to be at the previous year's level (2015: 31.6 %). In the Annual Report 2015, the forecast had been for a "slight" decrease in RoCE.

Financial Services segment

Return on equity expected at previous year's level

Based on latest forecasts, the Financial Services segment should continue to perform well during the second half of 2016. RoE⁴ is expected to come in at a similar level to the previous year (2015: 20.2 %), thus remaining above the minimum target of 18 %.

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

² EU-28.

³ 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.

⁴ 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.

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Overall assessment by Group management

Business is expected to develop well in the 2016 financial year. Despite the many challenges described above, Group profit before tax is forecast to increase slightly. Automotive segment revenues are expected to be slightly up on the back of a slight increase in deliveries to customers. Simultaneously, a slight decrease in fleet carbon emissions is predicted. The Group's targets are to be met with only a slight rise in staff numbers worldwide. The Automotive segment's EBIT margin is set to remain within the target range of between 8 and 10 %, although its RoCE is likely to decrease slightly. The Financial Services segment's RoE will be broadly in line with the previous year. Nevertheless, both performance indicators will be higher than their long-term targets of 26 % (RoCE) and 18 % (RoE) respectively. A "solid" increase is forecast for Motorcycles segment sales, with the RoCE at a similar level to the previous year. Depending on the political and economic situation and the outcomes of the risks and opportunities described in the Annual Report 2015, actual business performance could, however, differ from current expectations.

Report on risks and opportunities

As a globally operating enterprise, the BMW Group is constantly confronted with a broad range of risks, but

also with numerous opportunities. Consciously taking risks and making full use of any opportunities that present themselves are the basis for the Group's corporate success.

The BMW Group has been ordered by a number of regulatory agencies to undertake recall actions for various vehicle models, relating to airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within warranty provisions. (Further information is provided in notes 26 and 30 to the Group Financial Statements.) It cannot be ruled out, however, that further BMW vehicles will be affected by a recall. Attention was drawn in the "Report on risks and opportunities" section of the Annual Report 2015 (page 68 et seq.) to a potential requirement for higher provisions and an increased risk of recalls.

There have been no material changes to the overall risk profile compared to that described in the Group Management Report 2015. Further information on risks and opportunities, and on the methods employed to manage them, can also be found in the "Report on risks and opportunities" section of the Annual Report 2015 (page 68 et seq.).

Key performance indicators

		2015	2016 Outlook
BMW Group			
Profit before tax	€ million	9,224	slight increase
Workforce at year-end		122,244	slight increase
Automotive segment			
Sales volume ¹	units	2,247,485	slight increase
Fleet emissions ²	g CO ₂ /km	127	slight decrease
Revenues	€ million	85,536	slight increase
EBIT margin	%	9.2	between 8 and 10
Return on capital employed ³	%	72.2	slight decrease
Motorcycles segment			
Sales volume	units	136,963	solid increase
Return on capital employed ³	%	31.6	in line with last year's level
Financial Services segment			
Return on equity ⁴	%	20.2	in line with last year's level

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

² EU-28.

³ 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.

⁴ 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.

INTERIM GROUP MANAGEMENT REPORT

BMW Stock and Capital Markets

BMW stock and capital markets in second quarter 2016

Uncertainties regarding the health of the Chinese economy had been among the main factors exerting downward pressure on stock markets during the first quarter 2016. The mood in European financial centres proceeded to brighten somewhat at the beginning of the second quarter. On the one hand, the decision of the ECB to additionally purchase euro-denominated corporate bonds with good credit ratings from June onwards was well received by stock markets. At the same time, however, the ongoing debate about the possibility of the UK leaving the European Union severely dented investor confidence. Following the Brexit vote on 24 June, indices around the world had tumbled by the end of the reporting period.

The German stock index (DAX) finished the second quarter at 9,680 points, a drop of 2.9 % since the beginning of April. The three-month low of 9,269 points was recorded on 27 June 2016. The index was down 9.9 % compared to the beginning of the year. The chemical and financial services sectors were particularly hit by the unfavourable combination of economic and political uncertainties.

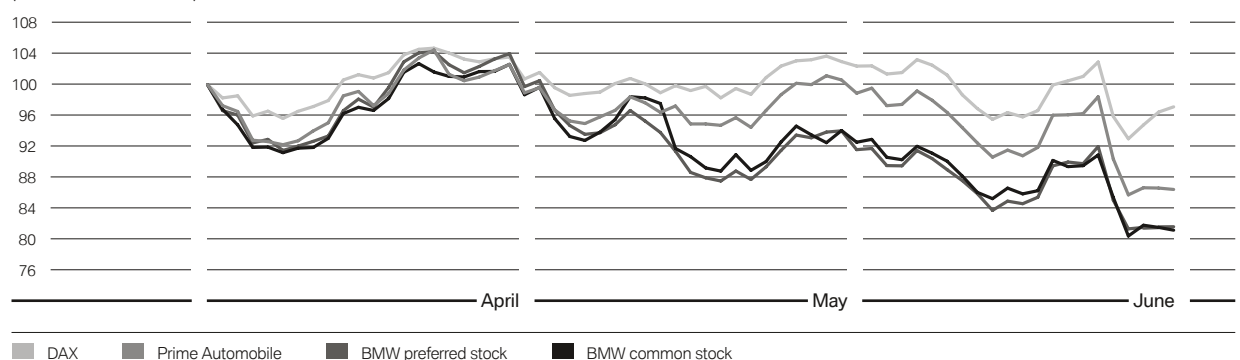
The Prime Automobile Performance Index also fell sharply in response to capital market uncertainties, finishing the reporting period at 1,191 points. In the period since the beginning of the second quarter, the sector index therefore lost 13.5 % of its value. Compared to its closing value on 30 December 2015, it was down by over one quarter (– 25.4 %).

In line with the entire automobile sector, the two categories of BMW stocks were also drawn in by the general downward trend on stock markets. BMW common stock closed at €65.79 on 30 June 2016, 18.5 % lower than at the beginning of the quarter and 32.6 % down on its closing price on 30 December 2015. BMW preferred stock was also unable to escape the general trend and

finished the second quarter at €57.08 (– 18.8 % compared to the closing price on 31 March 2016). Compared to its price at the end of the final day of trading in 2015, BMW preferred stock fell by 26.3 %.

Development of BMW stock compared to stock exchange indices

(Index: 31.3.2016 = 100)



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Income Statements for Group and Segments for the second quarter

in € million

	Note	Group		Automotive*	
		2016	2015	2016	2015
Revenues	5	25,014	23,935	22,872	21,650
Cost of sales	6	-19,957	-19,332	-18,757	-17,996
Gross profit		5,057	4,603	4,115	3,654
Selling and administrative expenses	7	-2,287	-2,167	-1,914	-1,822
Other operating income	8	149	293	131	198
Other operating expenses	8	-194	-204	-154	-211
Profit before financial result		2,725	2,525	2,178	1,819
Result from equity accounted investments	9	127	155	127	155
Interest and similar income	10	38	59	55	82
Interest and similar expenses	10	-141	-131	-172	-175
Other financial result	11	49	-26	89	-37
Financial result		73	57	99	25
Profit before tax		2,798	2,582	2,277	1,844
Income taxes	12	-849	-833	-696	-596
Net profit/loss		1,949	1,749	1,581	1,248
Attributable to minority interest		8	6	4	1
Attributable to shareholders of BMW AG		1,941	1,743	1,577	1,247
Basic earnings per share of common stock in €	13	2.95	2.66		
Basic earnings per share of preferred stock in €	13	2.96	2.67		
Dilutive effects	13	-	-		
Diluted earnings per share of common stock in €	13	2.95	2.66		
Diluted earnings per share of preferred stock in €	13	2.96	2.67		

* Supplementary information (not subject of the review).

Statement of Comprehensive Income for Group for the second quarter

in € million

	Note	2016	2015
Net profit		1,949	1,749
Remeasurement of the net liability for defined benefit pension plans		-1,035	2,599
Deferred taxes		336	-819
Items not expected to be reclassified to the income statement in the future		-699	1,780
Available-for-sale securities		54	-170
Financial instruments used for hedging purposes		-108	-1,681
Other comprehensive income from equity accounted investments		19	-112
Deferred taxes		12	-562
Currency translation foreign operations		44	-241
Items expected to be reclassified to the income statement in the future		21	820
Other comprehensive income for the period after tax	14	-678	2,600
Total comprehensive income		1,271	4,349
Total comprehensive income attributable to minority interests		8	6
Total comprehensive income attributable to shareholders of BMW AG		1,263	4,343

Motorcycles*		Financial Services*		Other Entities*		Eliminations*		
2016	2015	2016	2015	2016	2015	2016	2015	
617	622	6,505	6,154	2	1	4,982	4,492	Revenues
462	452	5,619	5,370	-	-	4,881	4,486	Cost of sales
155	170	886	784	2	1	101	6	Gross profit
65	58	308	284	7	6	7	3	Selling and administrative expenses
4	-	5	9	25	102	16	16	Other operating income
4	-	54	6	8	3	18	16	Other operating expenses
98	112	529	503	12	94	92	3	Profit before financial result
-	-	-	-	-	-	-	-	Result from equity accounted investments
-	-	1	1	320	318	338	342	Interest and similar income
1	-	19	1	254	286	305	331	Interest and similar expenses
-	-	8	7	32	18	-	-	Other financial result
1	-	26	7	34	50	33	11	Financial result
97	112	503	496	46	144	125	14	Profit before tax
28	37	126	147	15	50	16	3	Income taxes
69	75	377	349	31	94	109	17	Net profit/loss
-	-	4	5	-	-	-	-	Attributable to minority interest
69	75	373	344	31	94	109	17	Attributable to shareholders of BMW AG
								Basic earnings per share of common stock in €
								Basic earnings per share of preferred stock in €
								Dilutive effects
								Diluted earnings per share of common stock in €
								Diluted earnings per share of preferred stock in €

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Income Statements for Group and Segments for the period from 1 January to 30 June 2016
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Income Statements for Group and Segments for the period from 1 January to 30 June

in € million

	Note	Group		Automotive*	
		2016	2015	2016	2015
Revenues	5	45,867	44,852	41,686	40,543
Cost of sales	6	-36,330	-35,893	-34,109	-33,504
Gross profit		9,537	8,959	7,577	7,039
Selling and administrative expenses	7	-4,275	-4,051	-3,565	-3,412
Other operating income	8	362	588	312	436
Other operating expenses	8	-442	-450	-383	-450
Profit before financial result		5,182	5,046	3,941	3,613
Result from equity accounted investments	9	198	283	198	283
Interest and similar income	10	73	101	147	173
Interest and similar expenses	10	-259	-253	-349	-315
Other financial result	11	-28	-326	74	-276
Financial result		-16	-195	70	-135
Profit before tax		5,166	4,851	4,011	3,478
Income taxes	12	-1,576	-1,586	-1,250	-1,147
Net profit/loss		3,590	3,265	2,761	2,331
Attributable to minority interest		18	10	3	-
Attributable to shareholders of BMW AG		3,572	3,255	2,758	2,331
Basic earnings per share of common stock in €	13	5.44	4.96		
Basic earnings per share of preferred stock in €	13	5.45	4.97		
Dilutive effects	13	-	-		
Diluted earnings per share of common stock in €	13	5.44	4.96		
Diluted earnings per share of preferred stock in €	13	5.45	4.97		

* Supplementary information (not subject of the review).

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

in € million

	Note	2016	2015
Net profit		3,590	3,265
Remeasurement of the net liability for defined benefit pension plans		-2,088	995
Deferred taxes		667	-234
Items not expected to be reclassified to the income statement in the future		-1,421	761
Available-for-sale securities		102	-143
Financial instruments used for hedging purposes		2,057	-2,956
Other comprehensive income from equity accounted investments		73	-18
Deferred taxes		-741	999
Currency translation foreign operations		-401	1,106
Items expected to be reclassified to the income statement in the future		1,090	-1,012
Other comprehensive income for the period after tax	14	-331	-251
Total comprehensive income		3,259	3,014
Total comprehensive income attributable to minority interests		18	10
Total comprehensive income attributable to shareholders of BMW AG		3,241	3,004

Motorcycles*		Financial Services*		Other Entities*		Eliminations*		
2016	2015	2016	2015	2016	2015	2016	2015	
1,199	1,189	12,537	12,212	3	3	9,558	9,095	Revenues
889	855	10,777	10,621	-	-	9,445	9,087	Cost of sales
310	334	1,760	1,591	3	3	113	8	Gross profit
120	107	591	531	12	10	13	9	Selling and administrative expenses
4	-	10	12	68	159	32	19	Other operating income
2	-	59	14	36	18	38	32	Other operating expenses
192	227	1,120	1,058	23	134	94	14	Profit before financial result
-	-	-	-	-	-	-	-	Result from equity accounted investments
-	-	2	3	621	607	697	682	Interest and similar income
1	1	20	2	527	574	638	639	Interest and similar expenses
-	-	29	4	73	46	-	-	Other financial result
1	1	47	3	21	13	59	43	Financial result
191	226	1,073	1,055	44	121	153	29	Profit before tax
58	74	280	322	14	44	26	1	Income taxes
133	152	793	733	30	77	127	28	Net profit/loss
-	-	15	10	-	-	-	-	Attributable to minority interest
133	152	778	723	30	77	127	28	Attributable to shareholders of BMW AG
								Basic earnings per share of common stock in €
								Basic earnings per share of preferred stock in €
								Dilutive effects
								Diluted earnings per share of common stock in €
								Diluted earnings per share of preferred stock in €

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Assets

	Note	Group	Automotive*		
in € million		30.6.2016	31.12.2015	30.6.2016	31.12.2015
Intangible assets	15	7,376	7,372	6,915	6,899
Property, plant and equipment	16	16,991	17,759	16,662	17,416
Leased products	17	35,544	34,965	-	-
Investments accounted for using the equity method	18	2,348	2,233	2,348	2,233
Other investments	18	626	428	5,123	5,147
Receivables from sales financing	19	44,170	41,865	-	-
Financial assets	20	3,300	2,208	1,234	586
Deferred tax	21	2,116	1,945	4,001	4,114
Other assets	22	1,456	1,568	3,674	3,935
Non-current assets		113,927	110,343	39,957	40,330
Inventories	23	13,881	11,071	13,432	10,611
Trade receivables		2,848	2,751	2,531	2,453
Receivables from sales financing	19	28,023	28,178	-	-
Financial assets	20	7,140	6,635	4,881	4,859
Current tax	21	2,742	2,381	1,507	1,240
Other assets	22	4,861	4,693	19,110	19,907
Cash and cash equivalents		7,180	6,122	5,536	3,952
Current assets		66,675	61,831	46,997	43,022
Total assets		180,602	172,174	86,954	83,352

Equity and liabilities

	Note	Group	Automotive*		
in € million		30.6.2016	31.12.2015	30.6.2016	31.12.2015
Subscribed capital	24	657	657		
Capital reserves	24	2,027	2,027		
Revenue reserves	24	41,066	41,027		
Accumulated other equity	24	-91	-1,181		
Equity attributable to shareholders of BMW AG	24	43,659	42,530		
Minority interest	24	228	234		
Equity		43,887	42,764	33,725	33,460
Pension provisions	25	4,743	3,000	3,432	1,770
Other provisions	26	5,163	4,621	4,699	4,141
Deferred tax	27	3,082	2,116	1,218	429
Financial liabilities	28	54,104	49,523	1,935	2,621
Other liabilities	29	4,682	4,559	5,844	5,545
Non-current provisions and liabilities		71,774	63,819	17,128	14,506
Other provisions	26	5,528	5,009	4,866	4,398
Current tax	27	1,198	1,441	461	810
Financial liabilities	28	39,999	42,160	2,517	3,211
Trade payables		8,455	7,773	7,455	6,856
Other liabilities	29	9,761	9,208	20,802	20,111
Current provisions and liabilities		64,941	65,591	36,101	35,386
Total equity and liabilities		180,602	172,174	86,954	83,352

* Supplementary information (not subject of the review).

								Assets
Motorcycles*		Financial Services*		Other Entities*		Eliminations*		
30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	
46	48	414	424	1	1	-	-	Intangible assets
303	313	26	30	-	-	-	-	Property, plant and equipment
-	-	41,938	41,148	-	-	-6,394	-6,183	Leased products
-	-	-	-	-	-	-	-	Investments accounted for using the equity method
-	-	3	2	6,471	5,966	-10,971	-10,687	Other investments
-	-	44,170	41,865	-	-	-	-	Receivables from sales financing
-	-	237	236	2,265	1,985	-436	-599	Financial assets
-	-	308	222	221	205	-2,414	-2,596	Deferred tax
25	25	2,580	2,469	24,714	22,268	-29,537	-27,129	Other assets
374	386	89,676	86,396	33,672	30,425	-49,752	-47,194	Non-current assets
437	453	12	7	-	-	-	-	Inventories
167	139	147	158	3	1	-	-	Trade receivables
-	-	28,023	28,178	-	-	-	-	Receivables from sales financing
-	-	1,530	1,354	1,266	1,121	-537	-699	Financial assets
-	-	120	37	1,115	1,104	-	-	Current tax
-	-	4,294	4,540	44,471	45,379	-63,014	-65,133	Other assets
-	-	1,387	1,359	257	811	-	-	Cash and cash equivalents
604	592	35,513	35,633	47,112	48,416	-63,551	-65,832	Current assets
978	978	125,189	122,029	80,784	78,841	-113,303	-113,026	Total assets

								Equity and liabilities
Motorcycles*		Financial Services*		Other Entities*		Eliminations*		
30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	
-	-	9,885	9,948	16,501	15,225	-16,224	-15,869	Subscribed capital
-	-	-	-	-	-	-	-	Capital reserves
-	-	-	-	-	-	-	-	Revenue reserves
-	-	-	-	-	-	-	-	Accumulated other equity
-	-	-	-	-	-	-	-	Equity attributable to shareholders of BMW AG
-	-	-	-	-	-	-	-	Minority interest
45	45	72	55	1,194	1,130	-	-	Equity
134	136	300	313	30	31	-	-	Pension provisions
-	-	6,187	6,158	20	28	-4,343	-4,499	Other provisions
-	-	16,660	16,030	35,945	31,471	-436	-599	Deferred tax
401	401	26,164	23,613	550	835	-28,277	-25,835	Financial liabilities
580	582	49,383	46,169	37,739	33,495	-33,056	-30,933	Other liabilities
71	85	588	518	3	8	-	-	Non-current provisions and liabilities
-	-	274	223	463	408	-	-	Other provisions
-	-	23,633	23,038	14,386	16,610	-537	-699	Current tax
275	263	690	630	35	24	-	-	Financial liabilities
52	48	40,736	41,503	11,657	13,071	-63,486	-65,525	Trade payables
398	396	65,921	65,912	26,544	30,121	-64,023	-66,224	Other liabilities
978	978	125,189	122,029	80,784	78,841	-113,303	-113,026	Current provisions and liabilities
								Total equity and liabilities

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Condensed Cash Flow Statements for Group and Segments for the period from 1 January to 30 June 2016

		Group	
	in € million	2016	2015
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6 INTERIM GROUP MANAGEMENT REPORT			
6 Report on Economic Position	Net profit	3,590	3,265
20 Events after the End of the Reporting Period	Depreciation and amortisation of tangible, intangible and investment assets	2,441	2,234
21 Report on Outlook, Risks and Opportunities	Change in provisions	595	-146
25 BMW Stock and Capital Markets	Change in leased products and receivables from sales financing	-4,220	-3,381
	Change in deferred taxes	871	-17
	Changes in working capital	-2,239	-541
	Other	174	-629
26 INTERIM GROUP FINANCIAL STATEMENTS	Cash inflow/outflow from operating activities	1,212	785
26 Income Statements for Group and Segments	Investment in intangible assets and property, plant and equipment	-1,730	-2,208
26 Statement of Comprehensive Income for Group	Net investment in marketable securities and term deposits	-71	-351
30 Balance Sheets for Group and Segments	Other	-168	59
32 Cash Flow Statements for Group and Segments	Cash inflow/outflow from investing activities	-1,969	-2,500
34 Group Statement of Changes in Equity	Cash inflow/outflow from financing activities	1,821	824
36 Notes to the Group Financial Statements	Effect of exchange rate on cash and cash equivalents	-48	142
	Effect of changes in composition of Group on cash and cash equivalents	42	-
54 RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES	Change in cash and cash equivalents	1,058	-749
55 REVIEW REPORT	Cash and cash equivalents as at 1 January	6,122	7,688
56 OTHER INFORMATION	Cash and cash equivalents as at 30 June	7,180	6,939
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* Supplementary information (not subject of the review).

Automotive*		Financial Services*		
2016	2015	2016	2015	
2,761	2,331	793	733	Net profit
2,398	2,186	14	14	Depreciation and amortisation of tangible, intangible and investment assets
590	76	147	171	Change in provisions
-	3	-4,426	-3,438	Change in leased products and receivables from sales financing
706	109	85	125	Change in deferred taxes
-2,312	-560	62	23	Changes in working capital
-19	693	-849	-784	Other
4,124	4,838	-4,174	-3,406	Cash inflow/outflow from operating activities
-1,705	-2,183	-1	-1	Investment in intangible assets and property, plant and equipment
141	-278	21	-74	Net investment in marketable securities and term deposits
103	-98	-	-	Other
-1,461	-2,559	20	-75	Cash inflow/outflow from investing activities
-1,093	-2,828	4,183	3,270	Cash inflow/outflow from financing activities
-16	64	-13	-11	Effect of exchange rate on cash and cash equivalents
30	-	12	-	Effect of changes in composition of Group on cash and cash equivalents
1,584	-485	28	-222	Change in cash and cash equivalents
3,952	5,752	1,359	1,783	Cash and cash equivalents as at 1 January
5,536	5,267	1,387	1,561	Cash and cash equivalents as at 30 June

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in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2015	24 —	656	2,005	35,621
Dividends paid		-	-	-1,904
Net profit		-	-	3,255
Other comprehensive income for the period after tax		-	-	-761
Comprehensive income 30 June 2015		-	-	4,016
Other changes		-	-	-
30 June 2015	24 —	656	2,005	37,733
in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2016	24 —	657	2,027	41,027
Dividends paid		-	-	-2,102
Net profit		-	-	3,572
Other comprehensive income for the period after tax		-	-	-1,421
Comprehensive income 30 June 2016		-	-	2,151
Other changes		-	-	-10
30 June 2016	24 —	657	2,027	41,066

Accumulated other equity			Equity attributable to shareholders of BMW AG	Minority interest	Total	
Translation differences	Securities	Derivative financial instruments				
<u>-723</u>	<u>141</u>	<u>-480</u>	<u>37,220</u>	<u>217</u>	<u>37,437</u>	1 January 2015
-	-	-	-1,904	-	-1,904	Dividends paid
-	-	-	-3,255	-10	-3,265	Net profit
-1,230	-95	-2,147	-251	-	-251	Other comprehensive income for the period after tax
<u>1,230</u>	<u>-95</u>	<u>-2,147</u>	<u>3,004</u>	<u>10</u>	<u>3,014</u>	Comprehensive income 30 June 2015
-	-	-	-	1	1	Other changes
<u>507</u>	<u>46</u>	<u>-2,627</u>	<u>38,320</u>	<u>228</u>	<u>38,548</u>	30 June 2015

Accumulated other equity			Equity attributable to shareholders of BMW AG	Minority interest	Total	
Translation differences	Securities	Derivative financial instruments				
<u>132</u>	<u>24</u>	<u>-1,337</u>	<u>42,530</u>	<u>234</u>	<u>42,764</u>	1 January 2016
-	-	-	-2,102	-	-2,102	Dividends paid
-	-	-	-3,572	-18	-3,590	Net profit
-485	-76	-1,499	-331	-	-331	Other comprehensive income for the period after tax
<u>-485</u>	<u>76</u>	<u>1,499</u>	<u>3,241</u>	<u>18</u>	<u>3,259</u>	Comprehensive income 30 June 2016
-	-	-	-10	-24	-34	Other changes
<u>-353</u>	<u>100</u>	<u>162</u>	<u>43,659</u>	<u>228</u>	<u>43,887</u>	30 June 2016

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Condensed Notes to the Group Financial Statement to 30 June 2016
Accounting Principles and Policies

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1 – Basis of preparation

The Group Financial Statements of BMW AG at 31 December 2015 were drawn up in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) at that date. The Interim Group Financial Statements (Interim Report) at 30 June 2016, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as those utilised in the 2015 Group Financial Statements. The BMW Group applies the option of publishing condensed group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which were mandatory at 30 June 2016 have been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the German Accounting Standards Committee e.V. (GASC).

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

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

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

In order to provide a better insight into the earnings performance, financial position and net assets of the BMW Group and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include balance sheets and income statements for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by statements of cash flows for the Automotive and Financial Services segments, whereby the supplementary information was not part of the external auditor's review.

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

Inter-segment transactions – relating primarily to internal sales of products, the provision of funds and the

related interest – are eliminated in the "Eliminations" column. More detailed information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in the explanatory notes to segment information in the Group Financial Statements of BMW AG for the year ended 31 December 2015.

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

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

The Interim Group Financial Statements at 30 June 2016 have been reviewed by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

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

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

2 – Group reporting entity

The BMW Group Financial Statements for the first half of 2016 include, besides BMW AG, 21 German and 159 foreign subsidiaries. This includes one special purpose securities fund and 30 special purpose trusts, almost all of which are used for asset backed financing. In addition, three joint operations are consolidated proportionately.

No entities were consolidated for the first time during the second quarter 2016. BMW SLP S.A. de C.V., San Luis Potosí, and BMW Financial Services Polska Sp. z o.o., Warsaw, were consolidated for the first time during the first half of 2016.

Compared to 30 June of the previous year, two subsidiaries and 16 special purpose trusts have been consolidated for the first time.

Also compared to 30 June of the previous year, one subsidiary and 16 special purpose trusts have ceased to be consolidated companies. These changes to the composition of the Group do not have a material impact on the results of operations, financial position or net assets of the Group.

Moreover, there were no acquisitions during the first half of 2016 which were material for the BMW Group as a whole.

3 – Foreign currency translation

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

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

	Closing rate		Average rate	
	30.6.2016	31.12.2015	1 January to 30 June 2016	1 January to 30 June 2015
US Dollar	1.11	1.09	1.12	1.12
British Pound	0.83	0.74	0.78	0.73
Chinese Renminbi	7.38	7.07	7.30	6.94
Japanese Yen	114.15	130.74	124.43	134.17
South African Rand	16.28	16.86	17.20	13.30

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

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

4 – New financial reporting rules

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

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

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

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

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

During the first half of the year 2016, there have been no significant changes in the assessments of the impact of financial reporting rules that have not yet been applied. For further details, please see the comments in the Group Financial Statements of BMW AG for the year ended 31 December 2015. The Amendment "Classification and Measurement of Share-based Remuneration" published in June 2016 (Amendment to IFRS 2) does not have a significant impact on the BMW Group Financial Statements.

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5 – Revenues

Revenues by activity comprise the following:

in € million	2nd quarter 2016	2nd quarter 2015	1 January to 30 June 2016	1 January to 30 June 2015
Sales of products and related goods	18,586	17,792	33,457	32,772
Income from lease instalments	2,355	2,235	4,690	4,416
Sales of products previously leased to customers	2,440	2,293	4,481	4,569
Interest income on loan financing	844	813	1,679	1,604
Other income	789	802	1,560	1,491
Revenues	25,014	23,935	45,867	44,852

An analysis of revenues by segment is shown in the segment information in note 33.

6 – Cost of sales

Cost of sales include €11,361 million (2015: €11,690 million) in the second quarter and €20,139 million (2015: €20,957 million) in the six-month period relating to manufacturing costs.

Group cost of sales directly attributable to financial service business amounted to €5,238 million (2015: €5,128) in the second quarter and €10,150 million (2015: €10,092 million) for the period from 1 January to 30 June 2016.

Second-quarter Group cost of sales include research and development expenses of €1,041 million (2015: €1,085 million), comprising all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to €308 million (2015: €259 million). For the first half of the year, research and development expenses amounted to €2,026 million (2015: €2,022 million), including amortisation of capitalised development costs of €612 million (2015: €516 million).

7 – Selling and administrative expenses

Selling expenses, comprising mainly marketing, advertising and sales personnel costs, amounted to €1,500 million (2015: €1,416 million) in the second quarter and €2,827 million (2015: €2,670 million) for the six-month period.

Administrative expenses, comprising expenses for administration not attributable to development, production or sales functions, amounted to €787 million (2015: €751 million) in the second quarter and €1,448 million (2015: €1,381 million) for the six-month period.

8 – Other operating income and expenses

Other operating income in the second quarter totalled €149 million (2015: €293 million). The six-month figure amounted to €362 million (2015: €588 million). Second-quarter and six-month other operating expenses totalled €194 million (2015: €204 million) and €442 million (2015: €450 million) respectively. These items

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

9 – Result from equity accounted investments

The result from equity accounted investments in the second quarter was a positive amount of €127 million (2015: €155 million). The equivalent figure for the first half of the year was €198 million (2015: €283 million).

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

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in € million	2nd quarter 2016	2nd quarter 2015	1 January to 30 June 2016	1 January to 30 June 2015
Interest and similar income	38	59	73	101
Interest and similar expenses	-141	-131	-259	-253
Net interest result	-103	-72	-186	-152

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11 — **Other financial result**

in € million	2nd quarter 2016	2nd quarter 2015	1 January to 30 June 2016	1 January to 30 June 2015
Result on investments	14	1	-52	1
Sundry other financial result	35	-27	24	-327
Other financial result	49	-26	-28	-326

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12 — **Income taxes**

Taxes on income comprise the following:

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in € million	2nd quarter 2016	2nd quarter 2015	1 January to 30 June 2016	1 January to 30 June 2015
Current tax expense	335	1,036	704	1,603
Deferred tax income/expense	514	-203	872	-17
Income taxes	849	833	1,576	1,586

The effective tax rate for the six-month period to 30 June 2016 was 30.5 % (2015: 32.7 %) and corresponds to the best estimate of the weighted average annual in-

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

13 – Earnings per share

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

		2nd quarter 2016	2nd quarter 2015	1 January to 30 June 2016	1 January to 30 June 2015
Profit attributable to shareholders of BMWAG	€ million	1,941.0	1,743.2	3,572.3	3,254.9
Profit attributable to common stock	€ million	1,778.5	1,598.0	3,273.7	2,984.2
Profit attributable to preferred stock	€ million	162.5	145.2	298.6	270.7
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	54,809,404	54,499,544	54,809,404	54,499,544
Basic earnings per share of common stock	€	2.95	2.66	5.44	4.96
Basic earnings per share of preferred stock	€	2.96	2.67	5.45	4.97

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

In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per

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

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14 Disclosures relating to the statement of total comprehensive income

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

in € million	2nd quarter 2016	2nd quarter 2015	1 January to 30 June 2016	1 January to 30 June 2015
Remeasurement of net liability for defined benefit pension plans	-1,035	2,599	-2,088	995
Deferred taxes	336	-819	667	-234
Other comprehensive income from equity accounted investments	-	-	-	-
Items not expected to be reclassified to the income statement in the future	-699	1,780	-1,421	761
Available-for-sale securities	54	-170	102	-143
— thereof gains/losses arising in the period under report	65	-120	120	-30
— thereof reclassifications to the income statement	-11	-50	-18	-113
Financial instruments used for hedging purposes	-108	1,681	2,057	-2,956
— thereof gains/losses arising in the period under report	-289	1,275	1,670	-3,603
— thereof reclassifications to the income statement	181	406	387	647
Other comprehensive income from equity accounted investments	19	-112	73	-18
Deferred taxes	12	-562	-741	999
Currency translation foreign operations	44	-241	-401	1,106
Items expected to be reclassified to the income statement in the future	21	820	1,090	-1,012
Other comprehensive income for the period after tax	-678	2,600	-331	-251

Deferred taxes on components of other comprehensive income in the second quarter are as follows:

in € million	2nd quarter 2016			2nd quarter 2015		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of net liability for defined benefit pension plans	-1,035	336	-699	2,599	-819	1,780
Available-for-sale securities	54	-12	42	-170	49	-121
Financial instruments used for hedging purposes	-108	31	-77	1,681	-564	1,117
Other comprehensive income from equity accounted investments	19	-7	12	112	-47	65
Currency translation foreign operations	44	-	44	-241	-	-241
Other comprehensive income	-1,026	348	-678	3,981	-1,381	2,600

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

in € million	1 January to 30 June 2016			1 January to 30 June 2015		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of net liability for defined benefit pension plans	-2,088	667	-1,421	995	-234	761
Available-for-sale securities	102	-26	76	-143	48	-95
Financial instruments used for hedging purposes	2,057	-676	1,381	-2,956	916	-2,040
Other comprehensive income from equity accounted investments	73	-39	34	-18	35	17
Currency translation foreign operations	-401	-	-401	1,106	-	1,106
Other comprehensive income	-257	-74	-331	-1,016	765	-251

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15 – Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects, software and acquired customer lists. Capitalised development costs amounted to €6,427 million at the end of the reporting period (31 December 2015: €6,351 million). Additions to development costs in the first half of the year totalled €688 million (2015: €592 million). The amortisation expense for the period was €612 million (2015: €516 million).

At 30 June 2016, other intangible assets amounted to €585 million (31 December 2015: €657 million), including a brand-name right with a carrying amount of €43 million (31 December 2015: €48 million), which is allocated to the Automotive segment and is not subject

to scheduled depreciation since its useful life is deemed to be indefinite. The change compared to 31 December 2015 is due entirely to currency factors. During the first six months of 2016, €25 million (2015: €18 million) was invested in other intangible assets. Amortisation on other intangible assets in the same period totalled €88 million (2015: €86 million).

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

Intangible assets amounting to €43 million (31 December 2015: €48 million) are subject to restrictions on title.

16 – Property, plant and equipment

Capital expenditure for property, plant and equipment in the first six months of 2016 totalled €1,017 million (2015: €1,598 million). The depreciation expense for the period amounted to €1,681 million (2015: €1,632 million), while disposals amounted to €8 million (2015: €16 million).

Purchase commitments for property, plant and equipment totalled €3,359 million at the end of the reporting period (31 December 2015: €2,217 million).

17 – Leased products

Additions to leased products and depreciation thereon amounted to €11,467 million (2015: €8,435 million) and

€2,050 million (2015: €1,765 million) respectively, while disposals totalled €8,408 million (2015: €5,477 million).

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

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

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

19 – Receivables from sales financing

Receivables from sales financing totalling €72,193 million (31 December 2015: €70,043 million) relate to credit financing for retail customers and dealerships and to finance leases.

Receivables from sales financing include €44,170 million (31 December 2015: €41,865 million) with a remaining term of more than one year.

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20 – Financial assets

Financial assets comprise:

in € million	30.6.2016	31.12.2015
Derivative instruments	4,408	3,030
Marketable securities and investment funds	5,449	5,261
Loans to third parties	136	133
Credit card receivables	263	272
Other	184	147
Financial assets	10,440	8,843
thereof non-current	3,300	2,208
thereof current	7,140	6,635

A description of the measurement of derivatives is provided in note 31.

21 – Income tax assets

Income tax assets totalling €2,742 million (31 December 2015: €2,381 million) include claims amounting to €484 million (31 December 2015: €519 million) which

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

22 – Other assets

Other assets comprise the following items:

in € million	30.6.2016	31.12.2015
Prepayments	1,731	1,527
Receivables from subsidiaries	350	716
Receivables from other companies in which an investment is held	1,010	893
Other taxes	978	1,036
Collateral receivables	297	412
Expected reimbursement claims	792	711
Sundry other assets	1,159	966
Other assets	6,317	6,261
thereof non-current	1,456	1,568
thereof current	4,861	4,693

23 – Inventories

Inventories comprise the following:

in € million	30.6.2016	31.12.2015
Raw materials and supplies	1,177	1,004
Work in progress, unbilled contracts	1,228	1,098
Finished goods and goods for resale	11,476	8,969
Inventories	13,881	11,071

24 – Equity

The Group Statement of Changes in Equity is shown on pages 34 and 35.

Number of shares issued

At 30 June 2016 common stock issued by BMW AG was divided, as at the end of the previous year, into

601,995,196 shares with a par value of €1. The number of shares of preferred stock at that date – also unchanged from 31 December 2015 – was 54,809,404 shares, each with a par value of €1. Unlike the common stock, no voting rights are attached to the preferred stock. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

The shareholders passed a resolution at the 2014 Annual General Meeting authorising the Board of Management, with the approval of the Supervisory Board, to increase the Company's share capital by up to €5 million prior to 14 May 2019 by the issuance of new shares of non-voting preferred stock, carrying the same rights as existing non-voting preferred stock, in return for cash contributions. So far, 549,617 shares of preferred stock have been issued on the basis of this authorisation. Authorised Capital therefore stands at €4.5 million at the end of the reporting period. The BMW Group did not hold any treasury shares at 30 June 2016.

Capital reserves

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

Revenue reserves

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

Revenue reserves increased during the six-month period to stand at €41,066 million at 30 June 2016 (31 December 2015: €41,027 million). They were increased in the first half of 2016 by the net profit for the period attributable to shareholders of BMW AG amounting to €3,572 million (2015: €3,255 million) and reduced by BMW AG's payment of dividends on common stock (€1,926 million) and preferred stock (€176 million) for the financial year 2015. Revenue reserves also decreased by €1,421 million (2015: increased by €761 million) as a result of remeasurements of the net defined benefit liability for pension plans (net of deferred tax recognised directly in equity). Other changes decreased revenue reserves by a further €10 million (2015: €– million).

Accumulated other equity

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

Minority interests

Equity attributable to minority interests amounted to €228 million (31 December 2015: €234 million). This includes a minority interest of €18 million in the results for the period (31 December 2015: €27 million).

25 – Pension provision

Pension provisions stood at €4,743 million (31 December 2015: €3,000 million). Remeasurements of the net defined benefit liability for pension plans increased the provisions by €2,088 million in the first half of the year,

mainly as a result of the lower discount rates applied in Germany, the UK and the USA.

A plan change recorded in the second quarter was not material for the BMW Group.

26 – Other provisions

Other provisions, at €10,691 million (31 December 2015: €9,630 million) include employee and social-related obligations as well as obligations for ongoing operational expenses.

Provisions for obligations for on-going operational expenses totalling €6,478 million (31 December 2015: €5,811 million) relate primarily to warranty obligations. The increase was attributable primarily to vehicle recall

actions, the cost of which is expected to exceed amounts previously recognised. A further €472 million was allocated to the warranty provision in the second quarter for various issues, including airbags supplied by the Takata group of companies and the ISOFIX attachment system used for child car seats.

Current other provisions amounted to €5,528 million at the end of the reporting period (31 December 2015: €5,009 million).

27 – Income tax liabilities

Income tax liabilities totalling €1,198 million (31 December 2015: €1,441 million) include obligations amounting to €382 million (31 December 2015: €485 million) which are expected to be settled after more than twelve months.

Some of the liabilities may be settled earlier than this depending on the timing of proceedings. Current tax liabilities comprise €246 million (31 December 2015: €288 million) for taxes payable and €952 million (31 December 2015: €1,153 million) for tax provisions.

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28 Financial liabilities

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

in € million	30.6.2016	31.12.2015
Bonds	45,629	40,319
Liabilities to banks	13,000	12,720
Liabilities from customer deposits (banking)	13,272	13,509
Commercial paper	3,533	5,415
Asset backed financing transactions	14,226	13,631
Derivative instruments	2,915	4,550
Other	1,528	1,539
Financial liabilities	94,103	91,683
thereof non-current	54,104	49,523
thereof current	39,999	42,160

During the first half of 2016, a number of bonds was issued in various currencies with a total volume of €9,927 million (2015: €7,101 million). Repayments during the six-month period amounted to €4,762 million (2015: €4,932 million). Currency translation differences accounted for most of the remainder of the change in bonds.

Further information relating to the change in other items within financial liabilities is provided in the Interim Group Management Report. A description of the measurement of derivatives is provided in note 31.

29 Other liabilities

Other liabilities comprise the following items:

in € million	30.6.2016	31.12.2015
Other taxes	1,136	1,080
Social security	93	89
Advance payments from customers	920	802
Deposits received	842	871
Payables to subsidiaries	69	86
Payables to other companies in which an investment is held	163	107
Deferred income	6,605	6,254
Other	4,615	4,478
Other liabilities	14,443	13,767
thereof non-current	4,682	4,559
thereof current	9,761	9,208

30 Contingent liabilities

The BMW Group has been ordered by a number of regulatory agencies to undertake recall actions for various vehicle models, relating to airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within warranty provisions. It cannot be ruled out, however, that further BMW vehicles will be affected by a recall. Further disclosures pursuant to

IAS 37.86 cannot be provided at present, in view of the fact that technical tests have not yet been completed.

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

31 – Financial instruments

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

appropriate measurement methods e.g. discounted cash flow models. In the latter case, amounts were discounted at 30 June 2016 on the basis of the following interest rates:

ISO Code in %	EUR	USD	GBP	JPY	CNY
Interest rate for six months	-0.23	-0.69	0.77	-0.29	2.98
Interest rate for one year	-0.20	-0.68	0.61	-0.08	2.99
Interest rate for five years	-0.10	-0.99	0.67	-0.15	3.25
Interest rate for ten years	-0.37	-1.37	-1.05	-0.03	3.69

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

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

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

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

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

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

30 June 2016 in € million	Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Marketable securities, investment fund shares and collateral assets – available-for-sale	5,449	-	-
Other investments – available-for-sale/fair value option	189	-	-
Derivative instruments (assets)			
— Interest rate risks	-	2,618	-
— Currency risks	-	1,739	-
— Raw materials price risks	-	51	-
Derivative instruments (liabilities)			
— Interest rate risks	-	1,092	-
— Currency risks	-	1,129	-
— Raw materials price risks	-	694	-

31 December 2015 in € million	Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Marketable securities, investment fund shares and collateral assets – available-for-sale	5,259	-	-
Other investments – available-for-sale/fair value option	244	-	-
Derivative instruments (assets)			
— Interest rate risks	-	1,939	-
— Currency risks	-	1,086	-
— Raw materials price risks	-	5	-
Derivative instruments (liabilities)			
— Interest rate risks	-	1,352	-
— Currency risks	-	2,136	-
— Raw materials price risks	-	1,062	-

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As in the previous year, there were no reclassifications within the level hierarchy during the first half of 2016.

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

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

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

in € million	30.6.2016		31.12.2015	
	Fair value	Carrying amount	Fair value	Carrying amount
Loans and receivables – Receivables from sales financing	75,280	72,193	72,309	70,043
Other liabilities – Bonds	46,369	45,629	40,701	40,319

32 – Related party relationships

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

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

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

The BMW Group maintains normal business relationships with **non-consolidated subsidiaries**. Transactions

with these companies are small in scale, arise in the normal course of business and are conducted on the basis of arm's length principles.

Transactions of BMW Group companies with the **joint venture** BMW Brilliance Automotive Ltd., Shenyang, arise without exception in the normal course of business and are conducted on the basis of arm's length principles. Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during the first half of 2016 for an amount of €2,414 million (2015: €2,352 million), of which €1,327 million was recorded in the second quarter (2015: €1,203 million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, during the first six months of 2016 for an amount of €22 million (2015: €24 million), of which €14 million was recorded in the second quarter (2015: €20 million). At 30 June 2016, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, totalled €1,008 million (31 December 2015: €892 million). Trade and financial payables of Group companies to BMW Brilliance Automotive Ltd., Shenyang, amounted to €163 million (31 December 2015: €107 million).

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

THERE Holding B.V., Amsterdam, was consolidated in the Group Financial Statements of BMW AG for the year ended 31 December 2015 for the first time as an **associated company** using the equity method. Transactions

of BMW Group companies with THERE Holding B.V., Amsterdam, and that entity's subsidiaries (HERE Group), arise without exception in the normal course of business and are conducted on the basis of arm's length principles. The BMW Group did not sell any goods or services to the HERE Group during the first half of 2016. Group companies received goods and services from the HERE Group during the first six months of 2016 in the form of licenses amounting to €14 million, of which €2 million was recorded in the second quarter. At 30 June 2016, payables of Group companies to the HERE Group totalled €7 million (31 December 2015: €3 million). Group companies had no receivables from the HERE Group at the end of the reporting period (31 December 2015: €– million).

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

Stefan Quandt is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v. d. H., which, via its subsidiaries, performed logistic-related services for the BMW Group during the first half of 2016 amounting to €12 million (2015: €11 million), of which €6 million (2015: €6 million) was recorded in the second quarter. In addition, companies of the DELTON Group acquired vehicles from the BMW Group by way of leasing. The related service and lease contracts arise in the normal course of business and are conducted on the basis of arm's length principles. Income recognised by the BMW Group on these transactions during the first half of 2016 amounted to €2 million (2015: €2 million), of which €1 million (2015: €1 million) was recorded in the second quarter. Payables to DELTON Group entities at the end of the reporting period totalled €2 million (31 December 2015: €3 million). Receivables from DELTON Group entities at the end of the reporting period totalled €43 thousand (31 December 2015: €7 thousand).

Stefan Quandt is also the indirect majority shareholder of Solarwatt GmbH, Dresden. Cooperation arrangements are in place between BMW AG and Solarwatt GmbH, Dresden, within the field of electric mobility. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. The BMW Group did not purchase any goods or services from Solarwatt GmbH, Dresden, during the first half of 2016 (2015: €6 thou-

sand). Solarwatt GmbH, Dresden, acquired vehicles from the BMW Group during the first six months of 2016 by way of leasing, generating lease revenue of €140 thousand (2015: €138 thousand) for the BMW Group, of which €65 thousand related to the second quarter (2015: €70 thousand). All of the above-mentioned services, cooperation and lease contracts arise in the normal course of business and are conducted on the basis of arm's length principles. Receivables of BMW Group entities from Solarwatt GmbH, Dresden, at the end of the reporting period amounted to €8 thousand (31 December 2015: €7 thousand). There were no payables from Group entities to Solarwatt GmbH, Dresden at that date (31 December 2015: €– thousand).

Susanne Klatten is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairman of the Supervisory Board of Altana AG, Wesel. Altana AG, Wesel, acquired vehicles from the BMW Group during the first six months of 2016, mostly in the form of lease contracts, generating lease revenue of €1,048 thousand (2015: €1,004 thousand) for the BMW Group, of which €520 thousand (2015: €494 thousand) related to the second quarter. The lease contracts all arise in the normal course of business and are conducted on the basis of arm's length principles. The BMW Group did not acquire any goods or services from Altana AG, Wesel, during the first half of 2016. BMW Group companies had no payables to Altana AG, Wesel at the end of the reporting period (31 December 2015: €– thousand), while receivables amounted to €205 thousand (31 December 2015: €312 thousand).

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

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

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31 – Explanatory notes to segment information

For information on the basis used for identifying and managing reportable segments, please see the Group Financial Statements of BMW AG for the year ended 31 December 2015.

Due to the various methodologies applied, the reported segment result and asset figures are based on different measures of segment performance and asset valuation. Details can be found in note 49 of the Group Financial

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

No changes have been made either in the accounting policies applied or in the basis used for identifying reportable segments as compared to 31 December 2015.

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

Segment information by operating segment		Automotive		Motorcycles	
in € million		2016	2015	2016	2015
External revenues		18,290	17,544	615	620
Inter-segment revenues		4,582	4,106	2	2
Total revenues		22,872	21,650	617	622
Segment result		2,178	1,819	98	112
Result from equity accounted investments		127	155	-	-
Capital expenditure on non-current assets		1,013	1,398	19	16
Depreciation and amortisation on non-current assets		1,170	1,103	17	17

Segment information by operating segment for the six-month period is as follows:

Segment information by operating segment		Automotive		Motorcycles	
in € million		2016	2015	2016	2015
External revenues		32,897	32,199	1,195	1,185
Inter-segment revenues		8,789	8,344	4	4
Total revenues		41,686	40,543	1,199	1,189
Segment result		3,941	3,613	192	227
Result from equity accounted investments		198	283	-	-
Capital expenditure on non-current assets		1,705	2,183	24	24
Depreciation and amortisation on non-current assets		2,332	2,186	35	33

		Automotive		Motorcycles	
in € million		30.6.2016	31.12.2015	30.6.2016	31.12.2015
Investments accounted for using the equity method		2,348	2,233	-	-
Segment assets		10,620	10,024	555	557

Financial Services		Other Entities		Reconciliation to Group figures		Group		
2016	2015	2016	2015	2016	2015	2016	2015	
6,108	5,771	1	-	-	-	25,014	23,935	External revenues
397	383	1	1	-4,982	-4,492	-	-	Inter-segment revenues
6,505	6,154	2	1	-4,982	-4,492	25,014	23,935	Total revenues
503	496	46	144	-27	11	2,798	2,582	Segment result
-	-	-	-	-	-	127	155	Result from equity accounted investments
9,448	5,810	-	-	-1,521	-1,311	8,959	5,913	Capital expenditure on non-current assets
2,355	2,166	-	-	-1,373	-1,292	2,169	1,994	Depreciation and amortisation on non-current assets

Financial Services		Other Entities		Reconciliation to Group figures		Group		
2016	2015	2016	2015	2016	2015	2016	2015	
11,774	11,467	1	1	-	-	45,867	44,852	External revenues
763	745	2	2	-9,558	-9,095	-	-	Inter-segment revenues
12,537	12,212	3	3	-9,558	-9,095	45,867	44,852	Total revenues
1,073	1,055	44	121	-84	-165	5,166	4,851	Segment result
-	-	-	-	-	-	198	283	Result from equity accounted investments
14,207	10,926	-	-	-2,739	-2,490	13,197	10,643	Capital expenditure on non-current assets
4,704	4,274	-	-	-2,640	-2,494	4,431	3,999	Depreciation and amortisation on non-current assets

Financial Services		Other Entities		Reconciliation to Group figures		Group		
30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	
-	-	-	-	-	-	2,348	2,233	Investments accounted for using the equity method
9,885	9,948	73,377	71,709	86,165	79,936	180,602	172,174	Segment assets

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

in € million	2nd quarter 2016	2nd quarter 2015
Reconciliation of segment result		
— Total for reportable segments	2,825	2,571
— Financial result of Automotive segment and Motorcycles segment	98	25
— Elimination of inter-segment items	-125	-14
Group profit before tax	2,798	2,582
Reconciliation of capital expenditure on non-current assets		
— Total for reportable segments	10,480	7,224
— Elimination of inter-segment items	-1,521	-1,311
Total Group capital expenditure on non-current assets	8,959	5,913
Reconciliation of depreciation and amortisation on non-current assets		
— Total for reportable segments	3,542	3,286
— Elimination of inter-segment items	-1,373	-1,292
Total Group depreciation and amortisation on non-current assets	2,169	1,994

Segment figures for the six-month period can be reconciled to the corresponding Group figures as follows:

in € million	1 January to 30 June 2016	1 January to 30 June 2015
Reconciliation of segment result		
— Total for reportable segments	5,250	5,016
— Financial result of Automotive segment and Motorcycles segment	69	-136
— Elimination of inter-segment items	-153	-29
Group profit before tax	5,166	4,851
Reconciliation of capital expenditure on non-current assets		
— Total for reportable segments	15,936	13,133
— Elimination of inter-segment items	-2,739	-2,490
Total Group capital expenditure on non-current assets	13,197	10,643
Reconciliation of depreciation and amortisation on non-current assets		
— Total for reportable segments	7,071	6,493
— Elimination of inter-segment items	-2,640	-2,494
Total Group depreciation and amortisation on non-current assets	4,431	3,999

in € million	30.6.2016	31.12.2015
Reconciliation of segment assets		
— Total for reportable segments	94,437	92,238
— Non-operating assets – Other Entities segment	7,407	7,132
— Total liabilities – Financial Services segment	115,304	112,081
— Non-operating assets – Automotive and Motorcycles segments	43,774	41,932
— Liabilities of Automotive and Motorcycles segments not subject to interest	32,983	31,817
— Elimination of inter-segment items	-113,303	-113,026
Total Group assets	<u>180,602</u>	<u>172,174</u>

Munich, 26 July 2016

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree

Dr.-Ing. Klaus Draeger

Dr. Friedrich Eichiner

Klaus Fröhlich

Dr. Ian Robertson (HonDSc)

Peter Schwarzenbauer

Oliver Zipse

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Responsibility Statement pursuant to § 37y of the German Securities Trading Act (WpHG) in conjunction with § 37 w (2) No. 3 WpHG

“To the best of our knowledge, and in accordance with the applicable principles for interim financial reporting, the Interim Group Financial Statements give a true and fair view of the net assets, financial position and results of operation of the Group in accordance with German principles of proper accounting, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.”

Munich, 26 July 2016

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

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REVIEW REPORT

To Bayerische Motoren Werke Aktiengesellschaft, Munich
We have reviewed the condensed interim consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft, Munich – comprising the income statement for group and the statement of comprehensive income for group, the balance sheet for group, the condensed cash flow statement for group, the group statement of changes in equity and selected explanatory notes, together with the interim group management report of Bayerische Motoren Werke Aktiengesellschaft, Munich, for the period from 1 January to 30 June 2016, that are part of the semi-annual financial report according to §37 w WpHG (“Wertpapierhandelsgesetz”: “German Securities Trading Act”). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through

critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 1 August 2016

KPMG AG

Wirtschaftsprüfungsgesellschaft

Sailer
Wirtschaftsprüfer

Feege
Wirtschaftsprüfer

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6	INTERIM GROUP MANAGEMENT REPORT	Annual Report 2016	21 March 2017
6	Report on Economic Position	Annual Accounts Press Conference	21 March 2017
20	Events after the End of the Reporting Period	Analyst and Investor Conference	22 March 2017
21	Report on Outlook, Risks and Opportunities	Quarterly Report to 31 March 2017	4 May 2017
25	BMW Stock and Capital Markets	Annual General Meeting	11 May 2017
26	INTERIM GROUP FINANCIAL STATEMENTS	Quarterly Report to 30 June 2017	3 August 2017
26	Income Statements for Group and Segments	Quarterly Report to 30 September 2017	7 November 2017
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The BMW Group on the Internet

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

This version of the Quarterly Report to 30 June 2016 is a translation from the German version.
Only the original German version is binding.

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