

# QUARTERLY REPORT

30 SEPTEMBER 2016

**BMW  
GROUP**

THE NEXT  
100 YEARS



**Rolls-Royce**  
Motor Cars Limited

## BMW GROUP IN FIGURES

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|                                                               |                    | 3rd quarter<br>2016 | 3rd quarter<br>2015 | Change<br>in % |
|---------------------------------------------------------------|--------------------|---------------------|---------------------|----------------|
| <b>Key performance indicators reported on during the year</b> |                    |                     |                     |                |
| <b>BMW Group</b>                                              |                    |                     |                     |                |
| Profit before tax                                             | € million          | 2,575               | 2,263               | 13.8           |
| Workforce at 30 September <sup>1</sup>                        |                    | 126,013             | 121,316             | 3.9            |
| <b>Automotive segment</b>                                     |                    |                     |                     |                |
| Sales volume <sup>2</sup>                                     | units              | 583,499             | 545,062             | 7.1            |
| Revenues                                                      | € million          | 21,564              | 20,970              | 2.8            |
| EBIT margin <sup>3</sup>                                      | % (change in %pts) | 8.5                 | 9.1                 | -0.6           |
| <b>Motorcycles segment</b>                                    |                    |                     |                     |                |
| Sales volume                                                  | units              | 35,290              | 33,993              | 3.8            |
| <b>Further performance figures</b>                            |                    |                     |                     |                |
| <b>Automotive segment</b>                                     |                    |                     |                     |                |
| Sales volume                                                  |                    |                     |                     |                |
| BMW <sup>2</sup>                                              | units              | 493,379             | 463,739             | 6.4            |
| MINI                                                          | units              | 89,179              | 80,488              | 10.8           |
| Rolls-Royce                                                   | units              | 941                 | 835                 | 12.7           |
| <b>Total<sup>2</sup></b>                                      |                    | <b>583,499</b>      | <b>545,062</b>      | <b>7.1</b>     |
| Production                                                    |                    |                     |                     |                |
| BMW <sup>4</sup>                                              | units              | 507,024             | 513,991             | -1.4           |
| MINI                                                          | units              | 85,784              | 80,002              | 7.2            |
| Rolls-Royce                                                   | units              | 939                 | 968                 | -3.0           |
| <b>Total<sup>4</sup></b>                                      |                    | <b>593,747</b>      | <b>594,961</b>      | <b>-0.2</b>    |
| <b>Motorcycles segment</b>                                    |                    |                     |                     |                |
| Production                                                    | units              | 31,458              | 32,220              | -2.4           |
| <b>Financial Services segment</b>                             |                    |                     |                     |                |
| New contracts with retail customers                           |                    | 467,702             | 420,639             | 11.2           |
| <b>Operating cash flow Automotive segment</b>                 |                    |                     |                     |                |
|                                                               | € million          | 2,369               | 2,246               | 5.5            |
| <b>Revenues</b>                                               |                    |                     |                     |                |
|                                                               | € million          | 23,362              | 22,345              | 4.6            |
| — Automotive                                                  | € million          | 21,564              | 20,970              | 2.8            |
| — Motorcycles                                                 | € million          | 451                 | 454                 | -0.7           |
| — Financial Services                                          | € million          | 6,403               | 5,621               | 13.9           |
| — Other Entities                                              | € million          | 1                   | 1                   | -              |
| — Eliminations                                                | € million          | -5,057              | -4,701              | -7.6           |
| <b>Profit before financial result (EBIT)</b>                  |                    |                     |                     |                |
|                                                               | € million          | 2,380               | 2,354               | 1.1            |
| — Automotive                                                  | € million          | 1,837               | 1,912               | -3.9           |
| — Motorcycles                                                 | € million          | 32                  | 46                  | -30.4          |
| — Financial Services                                          | € million          | 576                 | 465                 | 23.9           |
| — Other Entities                                              | € million          | 6                   | 5                   | 20.0           |
| — Eliminations                                                | € million          | -71                 | -74                 | 4.1            |
| <b>Profit before tax</b>                                      |                    |                     |                     |                |
|                                                               | € million          | 2,575               | 2,263               | 13.8           |
| — Automotive                                                  | € million          | 2,030               | 1,845               | 10.0           |
| — Motorcycles                                                 | € million          | 32                  | 45                  | -28.9          |
| — Financial Services                                          | € million          | 568                 | 462                 | 22.9           |
| — Other Entities                                              | € million          | 40                  | 5                   | -              |
| — Eliminations                                                | € million          | -95                 | -94                 | -1.1           |
| <b>Income taxes</b>                                           |                    |                     |                     |                |
|                                                               | € million          | -754                | -684                | -10.2          |
| <b>Net profit</b>                                             |                    |                     |                     |                |
|                                                               | € million          | 1,821               | 1,579               | 15.3           |
| <b>Earnings per share<sup>5</sup></b>                         |                    |                     |                     |                |
|                                                               | €                  | 2.75/2.75           | 2.39/2.39           | 15.1/15.1      |

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

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 68,550 units, 2016: 80,580 units).

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

<sup>4</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 68,651 units, 2016: 91,505 units).

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

|                                                               |                    | 1 January to<br>30 September 2016 | 1 January to<br>30 September 2015 | Change<br>in % |
|---------------------------------------------------------------|--------------------|-----------------------------------|-----------------------------------|----------------|
| <b>Key performance indicators reported on during the year</b> |                    |                                   |                                   |                |
| <b>BMW Group</b>                                              |                    |                                   |                                   |                |
| Profit before tax                                             | € million          | 7,741                             | 7,114                             | 8.8            |
| Workforce at 30 September <sup>1</sup>                        |                    | 126,013                           | 121,316                           | 3.9            |
| <b>Automotive segment</b>                                     |                    |                                   |                                   |                |
| Sales volume <sup>2</sup>                                     | units              | 1,746,638                         | 1,644,810                         | 6.2            |
| Revenues                                                      | € million          | 63,250                            | 61,513                            | 2.8            |
| EBIT margin <sup>3</sup>                                      | % (change in %pts) | 9.1                               | 9.0                               | 0.1            |
| <b>Motorcycles segment</b>                                    |                    |                                   |                                   |                |
| Sales volume                                                  | units              | 116,044                           | 112,411                           | 3.2            |
| <b>Further performance figures</b>                            |                    |                                   |                                   |                |
| <b>Automotive segment</b>                                     |                    |                                   |                                   |                |
| Sales volume                                                  |                    |                                   |                                   |                |
| BMW <sup>2</sup>                                              | units              | 1,479,936                         | 1,395,780                         | 6.0            |
| MINI                                                          | units              | 264,077                           | 246,426                           | 7.2            |
| Rolls-Royce                                                   | units              | 2,625                             | 2,604                             | 0.8            |
| <b>Total<sup>2</sup></b>                                      |                    | <b>1,746,638</b>                  | <b>1,644,810</b>                  | <b>6.2</b>     |
| Production                                                    |                    |                                   |                                   |                |
| BMW <sup>4</sup>                                              | units              | 1,527,373                         | 1,453,811                         | 5.1            |
| MINI                                                          | units              | 277,489                           | 251,573                           | 10.3           |
| Rolls-Royce                                                   | units              | 2,742                             | 2,820                             | -2.8           |
| <b>Total<sup>4</sup></b>                                      |                    | <b>1,807,604</b>                  | <b>1,708,204</b>                  | <b>5.8</b>     |
| <b>Motorcycles segment</b>                                    |                    |                                   |                                   |                |
| Production                                                    | units              | 115,843                           | 119,432                           | -3.0           |
| <b>Financial Services segment</b>                             |                    |                                   |                                   |                |
| New contracts with retail customers                           |                    | 1,341,792                         | 1,222,165                         | 9.8            |
| <b>Operating cash flow Automotive segment</b>                 |                    |                                   |                                   |                |
|                                                               | € million          | 6,493                             | 7,084                             | -8.3           |
| <b>Revenues</b>                                               |                    |                                   |                                   |                |
|                                                               | € million          | 69,229                            | 67,197                            | 3.0            |
| — Automotive                                                  | € million          | 63,250                            | 61,513                            | 2.8            |
| — Motorcycles                                                 | € million          | 1,650                             | 1,643                             | 0.4            |
| — Financial Services                                          | € million          | 18,940                            | 17,833                            | 6.2            |
| — Other Entities                                              | € million          | 4                                 | 4                                 | -              |
| — Eliminations                                                | € million          | -14,615                           | -13,796                           | -5.9           |
| <b>Profit before financial result (EBIT)</b>                  |                    |                                   |                                   |                |
|                                                               | € million          | 7,562                             | 7,400                             | 2.2            |
| — Automotive                                                  | € million          | 5,778                             | 5,525                             | 4.6            |
| — Motorcycles                                                 | € million          | 224                               | 273                               | -17.9          |
| — Financial Services                                          | € million          | 1,696                             | 1,523                             | 11.4           |
| — Other Entities                                              | € million          | 29                                | 139                               | -79.1          |
| — Eliminations                                                | € million          | -165                              | -60                               | -              |
| <b>Profit before tax</b>                                      |                    |                                   |                                   |                |
|                                                               | € million          | 7,741                             | 7,114                             | 8.8            |
| — Automotive                                                  | € million          | 6,041                             | 5,323                             | 13.5           |
| — Motorcycles                                                 | € million          | 223                               | 271                               | -17.7          |
| — Financial Services                                          | € million          | 1,641                             | 1,517                             | 8.2            |
| — Other Entities                                              | € million          | 84                                | 126                               | -33.3          |
| — Eliminations                                                | € million          | -248                              | -123                              | -              |
| <b>Income taxes</b>                                           |                    |                                   |                                   |                |
|                                                               | € million          | -2,330                            | -2,270                            | -2.6           |
| <b>Net profit</b>                                             |                    |                                   |                                   |                |
|                                                               | € million          | 5,411                             | 4,844                             | 11.7           |
| <b>Earnings per share<sup>5</sup></b>                         |                    |                                   |                                   |                |
|                                                               | €                  | 8.19/8.20                         | 7.35/7.36                         | 11.4/11.4      |

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

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 210,835 units, 2016: 234,281 units).

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

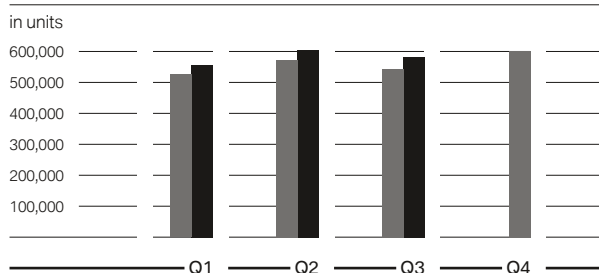
<sup>4</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 213,574 units, 2016: 223,191 units).

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

## 2 — BMW GROUP IN FIGURES

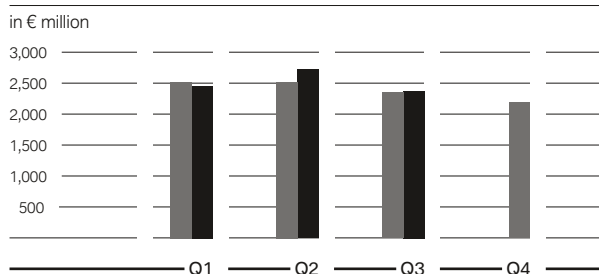
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## Sales volume of automobiles\*



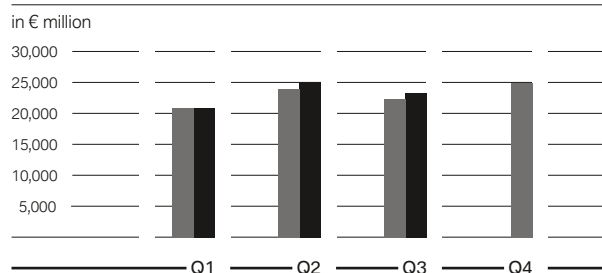
|      |         |         |         |         |
|------|---------|---------|---------|---------|
| 2015 | 526,669 | 573,079 | 545,062 | 602,675 |
| 2016 | 557,605 | 605,534 | 583,499 |         |

## Profit before financial result



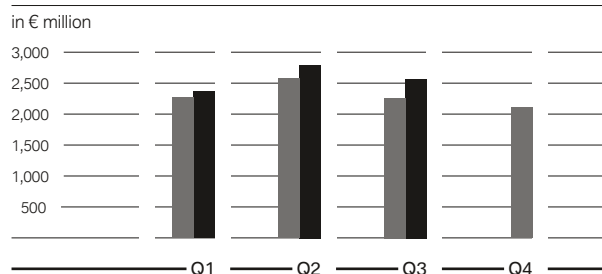
|      |       |       |       |       |
|------|-------|-------|-------|-------|
| 2015 | 2,521 | 2,525 | 2,354 | 2,193 |
| 2016 | 2,457 | 2,725 | 2,380 |       |

## Revenues



|      |        |        |        |        |
|------|--------|--------|--------|--------|
| 2015 | 20,917 | 23,935 | 22,345 | 24,978 |
| 2016 | 20,853 | 25,014 | 23,362 |        |

## Profit before tax



|      |       |       |       |       |
|------|-------|-------|-------|-------|
| 2015 | 2,269 | 2,582 | 2,263 | 2,110 |
| 2016 | 2,368 | 2,798 | 2,575 |       |

## BMW Group continues to perform well

The BMW Group's successful first half-year performance remained unbroken in the third quarter. New automobile sales volume records were set for both the three- and nine-month periods under report. In total, 583,499\* BMW, MINI and Rolls-Royce brand vehicles were sold in the third quarter 2016 (+7.1 %), contributing to the solid increase of 6.2 % (1,746,638\* units) recorded for the period from January to September.

The Motorcycles segment also reported its best-ever sales volume figures, with worldwide sales growing to 35,290 units (+3.8 %) and 116,044 units (+3.2 %) for the three- and nine-month periods respectively.

The Financial Services segment concluded 467,702 new lease and financing contracts with retail customers during the third quarter (+11.2 %), bringing the accumulated figure for the nine-month period up to 1,341,792 new contracts (+9.8 %).

## Revenues and earnings both up on previous year

Third-quarter Group revenues were higher than one year earlier (€23,362 million; +4.6 %). The less pronounced

increase in revenues compared to volumes was largely due to exchange rate factors. Group EBIT for the three-month period from July to September edged up to €2,380 million (+1.1 %), influenced by higher workforce numbers as well as changes in the model and regional sales mix. Group profit before tax increased by €312 million to €2,575 million (+13.8 %), helped by an improved financial result.

A similar set of factors also influenced Group revenues and earnings for the nine-month period. For the period from January to September 2016, Group revenues grew by 3.0 % to €69,229 million year-on-year, with EBIT increasing to €7,562 million (+2.2 %) and profit before tax to €7,741 million (+8.8 %).

## Workforce enlarged

At 30 September 2016, the BMW Group employed 126,013 people worldwide (+3.9 %). Around 1,600 apprentices, including some 1,200 in Germany, began their careers with the BMW Group at the start of the new training year.

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

## INTERIM GROUP MANAGEMENT REPORT

### Report on Economic Position

#### General Economic Environment in the first nine months of 2016

##### Automobile markets

Overall, global automobile markets continued to expand during the first nine months of 2016. The pace of growth, however, varied from region to region. The 4.1 % year-on-year increase was primarily driven by markets in China and Europe, whereas demand in the USA, Japan and some emerging economies slowed.

The upswing in Europe continued throughout the nine-month period. New registrations in the region increased by 7.7 %, with all major markets contributing to the positive trend. Markets in Germany, France and the UK, for instance, grew by 6.1 %, 5.8 % and 2.5 % respectively. The increases recorded for Italy (+17.9 %) and Spain (+11.5 %) were even more pronounced.

After six years of high growth rates in the USA, clear signs of market consolidation have set in since the beginning of the year, resulting in new registrations during the period from January to September 2016 barely equalling those reported one year earlier (+0.5 %).

The Chinese automobile market regained some of its former momentum, borne out by a 12.7 % increase in registrations for the nine-month period.

Japan's economy remains sluggish overall and failed to generate impetus for automobile market growth. Nine-month registrations dropped by 3.5 % in a continuation of the downward trend.

The market downturn in Brazil and Russia remained unchanged going into the autumn period, despite the pace of contraction dropping slightly in both markets during the latter stages of the nine-month period. Specifically, the Brazilian automobile market shrank by about one third (–33.5 %) on the previous year, while the downward trend in Russia was less pronounced (–7.8 %).

##### Motorcycle markets

The G 310 R marked BMW Motorrad's entry into a new 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 entire 250 cc plus class.

Global motorcycle markets in the 250 cc plus class were slightly down for the nine-month period, mainly reflecting weaker performance in some overseas regions. Motorcycle registrations fell by 0.8 % worldwide. The European market grew by 8.1 % overall, benefiting primarily from the sharp recovery in Southern Europe.

While France (+3.5 %) and Germany (+5.4 %) saw only relatively moderate growth, double-digit surges were recorded in Italy (+12.3 %) and Spain (+20.4 %). The US market finished 4.2 % down year-on-year.

##### Financial Services markets

The global economy grew at a slow, but generally positive pace during the third quarter 2016. While industrialised countries posted only weak growth, some of the world's emerging economies began to gather momentum.

In the face of mixed economic data, the US Federal Reserve again refrained from raising its reference interest rate during the third quarter 2016. After a weak first half-year, the growth rate picked up again and provided a further boost for the employment market.

Macroeconomic developments in China in the third quarter reflected a further move towards more normal growth rates. At the same time, the Chinese economy benefited from high government spending and investments in the property sector. The extent of the negative impact of rising debt ratios – mostly at a corporate level – and the sluggish pace of reforms aimed at achieving sustainable growth remains to be seen. The Chinese central bank left its reference interest rate at an historically low level and bolstered the economy by expanding liquidity.

The eurozone economy remained stable during the third quarter, largely unaffected for the time being by the UK's decision to leave the EU. The European Central Bank (ECB) therefore initially chose not to expand the scope of its quantitative easing measures, although it did signal its readiness to do so if inflation rates remain low.

In the UK, the Brexit vote triggered a sharp depreciation in the value of the British pound and a stock market slump during the summer months. In order to defuse concerns of a forthcoming economic downturn, the Bank of England decided to reduce interest rates with effect from August and embrace further expansive monetary policies, including increasing the scale of its securities purchases. The UK economy and employment market remained more or less stable throughout the period under report.

The Japanese central bank maintained its expansive monetary policies during the third quarter, with the stated aim of combating the stubbornly low level of inflation and stimulating domestic economic growth.

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Selling prices on markets for pre-owned vehicles in continental Europe and Asia remained largely stable during the third quarter, with values slightly up in Germany and slightly down in Spain compared to the previous year. Prices in the UK were also somewhat lower than one year earlier. Prices on North America's pre-owned vehicle markets remained stable due to strong summer months.

## INTERIM GROUP MANAGEMENT REPORT

### Report on Economic Position Automotive Segment

#### New sales volume records for the BMW Group

In total, the BMW Group sold 583,499<sup>1</sup> BMW, MINI and Rolls-Royce brand vehicles worldwide in the period from July to September (2015: 545,062<sup>1</sup> units; + 7.1 %), thereby setting new third-quarter records both for the Group as a whole and for each of its three automobile brands. BMW made a solid contribution to this performance, posting a 6.4 % sales volume increase to reach 493,379<sup>1</sup> units (2015: 463,739<sup>1</sup> units). MINI sold 89,179 units during the three-month period, significantly more than one year earlier (2015: 80,488 units; + 10.8 %). Rolls-Royce Motor Cars also recorded a sharp rise (+ 12.7 %) to 941 units (2015: 835 units).

The BMW Group's nine-month sales volume worldwide grew to 1,746,638<sup>2</sup> units (2015: 1,644,810<sup>2</sup> units; + 6.2 %). These figures include 1,479,936<sup>2</sup> BMW (2015: 1,395,780<sup>2</sup> units; + 6.0 %) and 264,077 MINI brand vehicles (2015: 246,426 units; + 7.2 %). Nine-month sales volume figures for the Group as a whole as well as for the BMW and MINI brands therefore all reached new record levels. Moreover, Rolls-Royce Motor Cars sold 2,625 units (2015: 2,604 units; + 0.8 %).

#### Double-digit growth in China

Third-quarter sales in Asia rose significantly to 187,418<sup>1</sup> units (2015: 166,053<sup>1</sup> units; + 12.9 %). During the first nine months of the year, the BMW Group

sold 548,986<sup>2</sup> BMW, MINI and Rolls-Royce brand vehicles in the region (2015: 503,160<sup>2</sup> units; + 9.1 %). China accounted for a significant portion of this excellent performance, with strong sales volume growth recorded for both the three-month and the nine-month accounting periods. Sales on the Chinese mainland between July and September climbed by 17.4 % to 131,644<sup>1</sup> units (2015: 112,132<sup>1</sup> units). A total of 379,461<sup>2</sup> units of the Group's three brands were sold during the first nine months of the year (2015: 342,920<sup>2</sup> units; + 10.7 %).

Developments in Europe were also positive. The number of vehicles sold increased by 8.7 % to 264,327 units (2015: 243,147 units) in the third quarter and by 10.4 % to 807,597 units (2015: 731,637 units) over the nine-month period. At 72,431 units (2015: 70,784 units), sales of the three brands on the German market between July and September were up by 2.3 %, bringing sales volume for the nine-month period to 220,488 units (2015: 208,614 units; + 5.7 %). The upward trend in the UK also showed no sign of abating, with the BMW Group reporting three- and nine-month sales figures of 66,992 units (2015: 60,650 units; + 10.5 %) and 189,712 units (2015: 171,472 units; + 10.6 %) respectively.

The Americas region continued to experience volatile business conditions throughout the third quarter 2016. A total of 114,907 BMW, MINI and Rolls-Royce brand vehicles were delivered to customers during this period

#### Automotive

|                                       |                    | 3rd quarter<br>2016 | 3rd quarter<br>2015 | Change<br>in % |
|---------------------------------------|--------------------|---------------------|---------------------|----------------|
| Sales volume <sup>1,3</sup>           | units              | 583,499             | 545,062             | 7.1            |
| Production <sup>4</sup>               | units              | 593,747             | 594,961             | -0.2           |
| Revenues <sup>3</sup>                 | € million          | 21,564              | 20,970              | 2.8            |
| Profit before financial result (EBIT) | € million          | 1,837               | 1,912               | -3.9           |
| Profit before tax                     | € million          | 2,030               | 1,845               | 10.0           |
| EBIT margin <sup>3,5</sup>            | % (change in %pts) | 8.5                 | 9.1                 | -0.6           |

|                                       |                    | 1 January to<br>30 September 2016 | 1 January to<br>30 September 2015 | Change<br>in % |
|---------------------------------------|--------------------|-----------------------------------|-----------------------------------|----------------|
| Sales volume <sup>2,3</sup>           | units              | 1,746,638                         | 1,644,810                         | 6.2            |
| Production <sup>6</sup>               | units              | 1,807,604                         | 1,708,204                         | 5.8            |
| Revenues <sup>3</sup>                 | € million          | 63,250                            | 61,513                            | 2.8            |
| Profit before financial result (EBIT) | € million          | 5,778                             | 5,525                             | 4.6            |
| Profit before tax                     | € million          | 6,041                             | 5,323                             | 13.5           |
| EBIT margin <sup>3,5</sup>            | % (change in %pts) | 9.1                               | 9.0                               | 0.1            |
| Workforce at 30 September             |                    | 114,205                           | 110,436                           | 3.4            |

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 68,550 units; 2016: 80,580 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 210,835 units; 2016: 234,281 units).

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

<sup>4</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 68,651 units; 2016: 91,505 units).

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

<sup>6</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 213,574 units; 2016: 223,191 units).

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(2015: 119,183 units; –3.6%), bringing nine-month sales in the region to 338,005 units (2015: 361,562 units; –6.5%). Sales in the USA fell short of prior year figures both for the quarter (90,782 units; –5.7%; 2015: 96,310 units) and for the nine-month period (269,884 units; –8.7%; 2015: 295,728 units).

### BMW brand sets new records\*

The BMW brand set a new sales volume record for both the quarter and the nine-month period under report. Not only the BMW X5 and X6, but also the BMW 5 Series made significant contributions to this performance. These three highly successful models each achieved pole position in their relevant segments.

With 129,081 units sold between January and September 2016, the BMW 1 Series finished the nine-month period with a slightly lower sales volume than one year earlier (2015: 131,955 units; –2.2%). However, sales of the 2 Series in the same period rose by around one third to 146,690 units (2015: 110,066 units; +33.3%). Similarly, sales of the BMW 3 Series (311,915 units; –6.0%; 2015: 331,656 units) and the BMW 4 Series (100,369 units;

–12.1%; 2015: 114,151 units) were down on the previous year. Despite nearing the end of its life cycle, at 251,351 units, nine-month sales of the BMW 5 Series were only slightly lower than one year earlier (2015: 258,842 units; –2.9%). The new BMW 7 Series continued to perform well and enjoyed strong demand throughout the first nine months of the year. The sales volume figure of 41,752 units was practically two thirds up year-on-year (2015: 25,187 units; +65.8%).

The various models of the BMW X family remained highly popular throughout the period under report. Between January and September, the BMW Group delivered a total of 464,203 units of its X models to customers (2015: 381,911 units; +21.5%). The most striking improvement was achieved by the BMW X1, which recorded an 82.0% surge in sales to 149,670 units (2015: 82,258 units). The X3 surpassed its previous year's performance by 16.5%, with 116,702 units sold during the nine-month period (2015: 100,137 units). At 121,608 units, sales figures for the BMW X5 were slightly lower than one year earlier (2015: 125,739 units; –3.3%).

### Sales volume of BMW vehicles by model series\*

in units

|                  | 1 January to<br>30 September 2016 | 1 January to<br>30 September 2015 | Change<br>in % |
|------------------|-----------------------------------|-----------------------------------|----------------|
| BMW 1 Series     | 129,081                           | 131,955                           | –2.2           |
| BMW 2 Series     | 146,690                           | 110,066                           | +33.3          |
| BMW 3 Series     | 311,915                           | 331,656                           | –6.0           |
| BMW 4 Series     | 100,369                           | 114,151                           | –12.1          |
| BMW 5 Series     | 251,351                           | 258,842                           | –2.9           |
| BMW 6 Series     | 10,178                            | 15,201                            | –33.0          |
| BMW 7 Series     | 41,752                            | 25,187                            | +65.8          |
| BMW X1           | 149,670                           | 82,258                            | +82.0          |
| BMW X3           | 116,702                           | 100,137                           | +16.5          |
| BMW X4           | 44,316                            | 40,920                            | +8.3           |
| BMW X5           | 121,608                           | 125,739                           | –3.3           |
| BMW X6           | 31,907                            | 32,857                            | –2.9           |
| BMW Z4           | 4,335                             | 6,235                             | –30.5          |
| BMW i            | 20,062                            | 20,576                            | –2.5           |
| <b>BMW total</b> | <b>1,479,936</b>                  | <b>1,395,780</b>                  | <b>6.0</b>     |

\* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 210,835 units, 2016: 234,281 units).

### New sales volume highs for MINI

The MINI brand also broke previous records for both third-quarter (89,179 units; +10.8%; 2015: 80,488 units) and nine-month sales (264,077 units; +7.2%; 2015: 246,426 units). Alongside other positive factors, these figures benefited from the contribution made by the new MINI Convertible and by the new MINI Clubman – launched in autumn 2015 – 43,807 units of which were

delivered to customers during the period from January to September (2015: 641 units). With 145,562 units sold, MINI 3- and 5-door models were unable to match the previous year's high figure (2015: 162,791 units; –10.6%). Now nearing the end of their life cycles, the MINI Countryman and Paceman models recorded sales of 51,491 units, 21.3% down on one year earlier (2015: 65,460 units).

### Sales volume of MINI vehicles by model variant

in units

|                                 | 1 January to<br>30 September 2016 | 1 January to<br>30 September 2015 | Change<br>in % |
|---------------------------------|-----------------------------------|-----------------------------------|----------------|
| MINI 3- and 5-door              | 145,562                           | 162,791                           | -10.6          |
| MINI Convertible/Coupé/Roadster | 23,217                            | 17,534                            | 32.4           |
| MINI Clubman                    | 43,807                            | 641                               | -              |
| MINI Countryman/Paceman         | 51,491                            | 65,460                            | -21.3          |
| <b>MINI total</b>               | <b>264,077</b>                    | <b>246,426</b>                    | <b>7.2</b>     |

### Rolls-Royce posts significant increase for quarter

With 941 units delivered to customers during the three-month period from July to September, Rolls-Royce Motor Cars recorded the best third quarter in its history (2015: 835 units; +12.7%). The excellent performance was helped

by a strong contribution from the new Rolls-Royce Dawn, of which 860 units had been sold since its market launch in March. Worldwide, Rolls-Royce sales totaled 2,625 units (2015: 2,604 units; +0.8%) during the nine-month period.

### Sales volume of Rolls-Royce vehicles by model variant

in units

|                          | 1 January to<br>30 September 2016 | 1 January to<br>30 September 2015 | Change<br>in % |
|--------------------------|-----------------------------------|-----------------------------------|----------------|
| Phantom                  | 284                               | 326                               | -12.9          |
| Ghost                    | 765                               | 1,125                             | -32.0          |
| Wraith/Dawn              | 1,576                             | 1,153                             | 36.7           |
| <b>Rolls-Royce total</b> | <b>2,625</b>                      | <b>2,604</b>                      | <b>0.8</b>     |

### Third-quarter automobile production at previous year's level

In total, 593,747<sup>1</sup> BMW, MINI and Rolls-Royce brand vehicles were manufactured at the various locations of the BMW Group's global production network during the third quarter (2015: 594,961<sup>1</sup> units; -0.2%), comprising 507,024<sup>1</sup> BMW (2015: 513,991<sup>1</sup> units; -1.4%), 85,784 MINI (2015: 80,002 units; +7.2%) and 939 Rolls-Royce brand vehicles (2015: 968 units; -3.0%). Overall, 1,807,604<sup>2</sup> units of the Group's three brands were produced during the first nine months of the year (2015: 1,708,204<sup>2</sup> units; +5.8%), comprising 1,527,373<sup>2</sup> BMW (2015: 1,453,811<sup>2</sup> units; +5.1%), 277,489 MINI (2015: 251,573 units; +10.3%) and 2,742 Rolls-Royce brand vehicles (2015: 2,820 units; -2.8%).

### Currency factors hold down segment revenue growth

Changes in foreign currency parities held down revenue growth posted by the Automotive segment for the three- and nine-month periods under report. Segment revenues generated in the period from July to September (€21,564 million; 2015: €20,970 million) as well as in the first nine months of the year (€63,250 million; 2015:

€61,513 million) grew slightly in both cases by 2.8%. By contrast, third-quarter EBIT fell slightly to €1,837 million (2015: €1,912 million; -3.9%), influenced by a number of factors, most notably were higher personnel expenses and changes in the model and regional sales mix. The EBIT margin for the third quarter came in at 8.5% (2015: 9.1%). Pre-tax profit rose significantly by 10.0% to €2,030 million (2015: €1,845 million), primarily due to net fair value gains recognised on commodity derivatives reported as part of the financial result. Nine-month EBIT came in at €5,778 million (2015: €5,525 million; +4.6%), resulting in an EBIT margin of 9.1% (2015: 9.0%). At €6,041 million, profit before tax was 13.5% up on the previous year (2015: €5,323 million).

### Automotive segment workforce strengthened

The Automotive segment employed a workforce of 114,205 people at the end of the reporting period (2015: 110,436 employees), 3.4% more than one year earlier.

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 68,651 units, 2016: 91,505 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 213,574 units, 2016: 223,191 units).

## INTERIM GROUP MANAGEMENT REPORT

### Report on Economic Position Motorcycles Segment

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#### Slight rise in motorcycle sales volume

Against a background of challenging market conditions, particularly in overseas markets, Motorcycles segment sales developed positively in both periods under report. Worldwide, BMW Motorrad sold 35,290 units between July and September (2015: 33,993 units; +3.8 %) and 116,044 units (2015: 112,411 units; +3.2 %) between January and September. The figures for both periods therefore marked new segment records.

In Europe, motorcycle sales figures rose by 4.5 % to reach 72,205 units (2015: 69,081 units) for the first nine months of the year. During this period, BMW Motorrad sold 19,136 units (2015: 18,825 units; +1.7 %) on the German market. With 11,139 units sold, sales figures for France were also up on the previous year's corresponding period (2015: 10,447 units; +6.6 %). Italy finished the nine-month reporting period with sales of 10,569 units (2015: 9,935 units; +6.4 %). On the highly competitive, but contracting US market, sales fell short of their previous year's level and totalled 10,948 units (2015: 13,362 units; –18.1 %).

#### Motorcycle production volumes reduced

31,458 motorcycles were manufactured during the period from July to September (2015: 32,220 units; –2.4 %), bringing production volume to 115,843 units (2015: 119,432 units; –3.0 %) for the nine-month period. These figures include 1,852 machines produced during the

third quarter (January to September 2016: 1,886 units) at the premises of the Group's cooperation partner TVS Motor Company in Bangalore, India.

#### Earnings negatively impacted by upfront expenditure

Due to currency factors, Motorcycles segment revenues remained similar to the previous year, for both the third quarter (€451 million; –0.7 %; 2015: €454 million) and the nine-month period (€1,650 million; +0.4 %; 2015: €1,643 million). EBIT and pre-tax earnings for both periods fell short of the previous year, reflecting upfront expenditure incurred to expand the segment's model range and the related significant increase in the size of the workforce. Third-quarter EBIT amounted to €32 million (2015: €46 million; –30.4 %), while profit before tax also came in at €32 million (2015: €45 million; –28.9 %). EBIT and profit before tax for the period from January to September amounted to €224 million (2015: €273 million; –17.9 %) and €223 million (2015: €271 million; –17.7 %) respectively.

#### Increase in workforce size

The BMW Group employed 3,399 people in the Motorcycles segment at 30 September 2016 (2015: 3,079 employees; +10.4 %).

#### Motorcycles

|                                       |           | 3rd quarter<br>2016 | 3rd quarter<br>2015 | Change<br>in % |
|---------------------------------------|-----------|---------------------|---------------------|----------------|
| Sales volume*                         | units     | 35,290              | 33,993              | 3.8            |
| Production                            | units     | 31,458              | 32,220              | –2.4           |
| Revenues                              | € million | 451                 | 454                 | –0.7           |
| Profit before financial result (EBIT) | € million | 32                  | 46                  | –30.4          |
| Profit before tax                     | € million | 32                  | 45                  | –28.9          |

|                                       |           | 1 January to<br>30 September 2016 | 1 January to<br>30 September 2015 | Change<br>in % |
|---------------------------------------|-----------|-----------------------------------|-----------------------------------|----------------|
| Sales volume*                         | units     | 116,044                           | 112,411                           | 3.2            |
| Production                            | units     | 115,843                           | 119,432                           | –3.0           |
| Revenues                              | € million | 1,650                             | 1,643                             | 0.4            |
| Profit before financial result (EBIT) | € million | 224                               | 273                               | –17.9          |
| Profit before tax                     | € million | 223                               | 271                               | –17.7          |
| Workforce at 30 September             |           | 3,399                             | 3,079                             | 10.4           |

\* Key performance indicator reported on during the year.

## INTERIM GROUP MANAGEMENT REPORT

### Report on Economic Position Financial Services Segment

#### Further growth in business volumes for Financial Services segment

The Financial Services segment continued to perform well during the third quarter 2016. The contract portfolio under management grew by a solid 8.9 % to stand at 4,988,655 contracts at the end of the reporting period (2015: 4,580,290 contracts). In balance sheet terms, business volume increased slightly during the nine-month period under report to stand at €116,189 million (31 December 2015: €111,191 million; +4.5 %).

#### New business continues to grow

Credit financing and leasing business both continued to grow during the third quarter. In total, 467,702 new contracts were signed during the period from July to September, resulting in a significant year-on-year increase of 11.2 % (2015: 420,639 contracts).

Credit financing grew by 14.8 % and leasing business by 4.5 % in the third quarter. For the period from January to September 2016, leasing accounted for 33.9 % of new business, compared to the 66.1 % attributable to credit financing.

The proportion of new BMW Group cars either leased or financed by the Financial Services segment was 49.0 %, up 2.9 percentage points compared to the corresponding nine-month period one year earlier (2015: 46.1 %).<sup>1</sup>

In the pre-owned vehicle financing line of business, the number of new contracts entered into for BMW and MINI brand vehicles during the period from January to September 2016 rose by a solid 9.2 % to total 271,076 contracts (2015: 248,262 contracts).

The volume of all new credit and lease business signed with retail customers in the first nine months of the year totalled €40,627 million, 9.0 % higher than the previous year's equivalent figure (2015: €37,275 million).

The dynamic growth in new business is reflected in the overall portfolio of contracts with retail customers. Worldwide, 4,599,674 contracts were in place with retail customers at the end of the reporting period (2015: 4,227,586; +8.8 %). The Asia/Pacific region again posted double-digit growth (18.7 %), continuing its rapid ex-

#### Financial Services

|                                                       | 3rd quarter<br>2016 | 3rd quarter<br>2015 | Change<br>in % |
|-------------------------------------------------------|---------------------|---------------------|----------------|
| New contracts with retail customers                   | 467,702             | 420,639             | 11.2           |
| Revenues ————— € million                              | 6,403               | 5,621               | 13.9           |
| Profit before financial result (EBIT) ————— € million | 576                 | 465                 | 23.9           |
| Profit before tax ————— € million                     | 568                 | 462                 | 22.9           |

|                                                       | 1 January to<br>30 September 2016 | 1 January to<br>30 September 2015 | Change<br>in % |
|-------------------------------------------------------|-----------------------------------|-----------------------------------|----------------|
| New contracts with retail customers                   | 1,341,792                         | 1,222,165                         | 9.8            |
| Revenues ————— € million                              | 18,940                            | 17,833                            | 6.2            |
| Profit before financial result (EBIT) ————— € million | 1,696                             | 1,523                             | 11.4           |
| Profit before tax ————— € million                     | 1,641                             | 1,517                             | 8.2            |
| Workforce at 30 September                             | 8,297                             | 7,686                             | 7.9            |

|                                                                     | 30.9.2016 | 31.12.2015 | Change<br>in % |
|---------------------------------------------------------------------|-----------|------------|----------------|
| Business volume in balance sheet terms <sup>3</sup> ————— € million | 116,189   | 111,191    | 4.5            |

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

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

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

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pansion. The contract portfolio for the Europe/Middle East/Africa region grew by a solid 8.5 %. The Americas region (+7.3 %) and the EU Bank<sup>2</sup> region (+5.3 %) also contributed to the growth of the portfolio of contracts with retail customers.

#### Further growth for 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. With its broad range of products, the BMW Group is one of Europe's leading leasing and full-service providers. Year-on-year, the fleet business contract portfolio grew by 9.0 % to stand at 633,328 contracts at the end of the reporting period (2015: 580,801 contracts).

#### Moderate decrease in multi-brand financing

Multi-brand financing volumes decreased during the period from January to September 2016, with 117,217 new contracts signed during the nine-month period (2015: 123,747 contracts; – 5.3 %). 468,344 contracts were in place at the end of the reporting period, similar to the level reported one year earlier (2015: 467,580 contracts; +0.2 %).

#### Sharp increase in dealership financing

The Financial Services segment managed dealership financing contracts with a business volume of €16,956 million at the end of the reporting period, 10.0 % up on the previous year (2015: €15,413 million).

#### Deposit business slightly down

Deposit-taking is an important component of the BMW Group's range of funding tools. The volume of bank deposits fell slightly to €13,189 million during the first nine months of 2016 (31 December 2015: €13,509 million; – 2.4 %).

#### Insurance business slightly up

Insurance brokerage business, covering all aspects of individual mobility, performed well during the nine-month period under report. New business grew slightly by 4.8 % to 932,795 insurance contracts (2015: 890,413 contracts). The insurance contract portfolio comprised 3,362,399 contracts at the end of the reporting period (2015: 3,126,502 contracts; +7.5 %).

#### Earnings again higher in third quarter

The strong operating performance, combined with a favourable risk profile across all lines of Financial Services business, contributed to the significant increase in third-quarter earnings. Profit before tax generated by the Financial Services segment improved by 22.9 % to €568 million for the three-month period (2015: €462 million) and by 8.2 % to €1,641 million for the nine-month period (2015: €1,517 million).

Segment revenues totalled €6,403 million in the third quarter (2015: €5,621 million; +13.9 %) and grew by 6.2 % to €18,940 million (2015: €17,833 million) over the nine-month period as a whole.

#### Increase in workforce size

The Financial Services segment employed a workforce of 8,297 people worldwide at the end of the reporting period (2015: 7,686 employees), 7.9 % more than one year earlier. The increase reflects the dynamic growth in business recorded by the segment.

## INTERIM GROUP MANAGEMENT REPORT

### Report on Economic Position

### Results of Operations, Financial Position and Net Assets

#### Results of operations

Sales of BMW, MINI and Rolls-Royce brand cars in the first nine months of 2016 increased by a solid 6.2 % to 1,746,638 units compared to the previous year. This figure includes 234,281 units (2015: 210,835 units) manufactured by the joint venture BMW Brilliance Automotive Ltd., Shenyang.

At the end of the reporting period, the BMW Group's worldwide workforce comprised 126,013 employees (2015: 121,316 employees).

Net profit for the nine-month period rose significantly by €567 million to €5,411 million. The post-tax return on sales – calculated as Group net profit divided by Group revenues – was 7.8 % (2015: 7.2 %). Earnings per share of common and preferred stock amounted to €8.19 (2015: €7.35) and €8.20 (2015: €7.36) respectively.

#### Earnings performance in the third quarter 2016

Third-quarter Group revenues grew by 4.6 % to €23,362 million. Adjusted for exchange rate factors\*, the increase was 6.6 %, 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 up on the previous year (+1.3 %) due to higher volumes sold. Adjusted for exchange rate factors, the increase was 3.4 %. The negative currency impact on revenues was mainly attributable to the change in the average exchange rates of the British pound, the Chinese renminbi and the

South African rand against the euro. Motorcycles segment external revenues in the third quarter were at a similar level to the previous year (–0.7 %). External revenues from Financial Services business grew by 15.5 % on the back of increased business volumes. Adjusted for exchange rate factors, Motorcycles segment revenues were at the previous year's level, whereas Financial Services revenues increased by 17.2 %.

Third-quarter Group cost of sales went up by €875 million to €18,774 million. This line item comprises mainly manufacturing costs, which increased by €404 million due to higher production volumes. In addition, costs attributable directly to financial services business increased by €525 million due to portfolio developments. Research and development expenses were €176 million lower than one year earlier (–14.7 %), mainly reflecting the earlier timing of new model launches in the previous year. As a percentage of revenues, the research and development ratio fell by 1.0 percentage point to 4.4 %. Research and development expenses include amortisation of capitalised development costs amounting to €305 million (2015: €335 million). Total research and development expenditure – comprising research costs, non-capitalised development costs and capitalised development costs (excluding systematic amortisation thereon) – amounted to €1,230 million in the third quarter (2015: €1,588 million). The year-on-year decrease was also due to the higher level of development costs capitalised in the previous year in conjunction with new model launches. The research and development ratio –

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

#### Revenues by segment in the third quarter

in € million

|                    | External revenues |               | Inter-segment revenues |          | Total revenues |               |
|--------------------|-------------------|---------------|------------------------|----------|----------------|---------------|
|                    | 2016              | 2015          | 2016                   | 2015     | 2016           | 2015          |
| Automotive         | 16,887            | 16,675        | 4,677                  | 4,295    | 21,564         | 20,970        |
| Motorcycles        | 449               | 452           | 2                      | 2        | 451            | 454           |
| Financial Services | 6,026             | 5,217         | 377                    | 404      | 6,403          | 5,621         |
| Other Entities     | -                 | 1             | 1                      | -        | 1              | 1             |
| Eliminations       | -                 | -             | -5,057                 | -4,701   | -5,057         | -4,701        |
| <b>Group</b>       | <b>23,362</b>     | <b>22,345</b> | <b>-</b>               | <b>-</b> | <b>23,362</b>  | <b>22,345</b> |

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calculated as research and non-capitalised development costs divided by Group revenues – amounted to 5.3 % (2015: 7.1 %). The capitalisation rate for this period – calculated as capitalised development costs divided by total research and development expenditure – was 41.6 % (2015: 45.6 %).

Gross profit improved slightly by 3.2 % to €4,588 million, reflecting sales volume growth in the Automotive segment and the increased volumes of business in the Financial Services segment. The gross profit margin – calculated as gross profit divided by Group revenues – came in at 19.6 % (2015: 19.9 %).

Compared to the previous year, selling and administrative expenses increased by €77 million to €2,161 million, resulting in an expense ratio of 9.3 %. Administrative expenses went up slightly, mostly reflecting 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 €1,214 million (2015: €1,241 million). The lower amount of capitalised development costs for new models resulted in a slight drop in the third-quarter expense for amortisation on intangible assets.

Other operating income and expenses deteriorated by €39 million to give a net negative amount of €47 million for the quarter, mainly due to the measurement of currency accounts.

Third-quarter profit before financial result (EBIT) edged up to €2,380 million (2015: €2,354 million), reflecting the generally positive trend in business.

The financial result finished at a net positive amount of €195 million, an improvement of €286 million compared to the previous year. Other financial result in the third quarter 2016 was a net positive amount of €95 million (2015: net negative amount of €97 million), whereby the improvement was due to net gains on commodity derivatives on the one hand and lower losses on currency derivatives on the other. Third-quarter refinancing costs fell by €75 million, as a result of which the expense for interest and similar items improved to €100 million. At the same time, the result from equity-accounted investments improved by €24 million to €162 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 associated company THERE Holding B.V., Amsterdam. The increase was mainly attributable to a higher contribution from BMW Brilliance Automotive Ltd., Shenyang, (increased by €39 million to €178 million) reflecting the positive impact of the higher number of vehicles sold. By contrast, the inclusion of THERE Holding B.V., Amsterdam, had a negative impact of €13 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.

Third-quarter profit before tax rose significantly by €312 million to €2,575 million, helped by a number of factors, including higher volumes and the improved financial result. The pre-tax return on sales – calculated by dividing Group profit before tax by Group revenues – improved to 11.0 % (2015: 10.1 %).

Income tax expense amounted to €754 million (2015: €684 million).

Net profit for the third quarter finished at €1,821 million and was therefore €242 million ahead of the previous year. Third-quarter earnings per share amounted to €2.75 (2015: €2.39) for common stock and €2.75 (2015: €2.39) for preferred stock.

Earnings performance in the first nine months of 2016  
Nine-month Group revenues grew by 3.0 % to €69,229 million. Adjusted for exchange rate factors, the increase was 5.3 %, 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 (1.9 %). Adjusted for exchange rate factors, the increase was 4.4 %. The negative currency impact on revenues was mainly attributable to the change in the average exchange rates of the British pound, the Chinese renminbi and the South African rand against the euro. Motorcycles segment external revenues were at a similar level to the previous year (0.4 %). External revenues from Financial Services business grew by a solid 6.7 % on the back of increased business volumes. Adjusted for exchange rate factors, revenues of the Motorcycles and Financial Services segments rose by 2.5 % and 8.4 % respectively.

**Revenues by segment in the period from 1 January to 30 September**

in € million

|                    | External<br>revenues |                      | Inter-segment<br>revenues |                 | Total<br>revenues    |                      |
|--------------------|----------------------|----------------------|---------------------------|-----------------|----------------------|----------------------|
|                    | 2016                 | 2015                 | 2016                      | 2015            | 2016                 | 2015                 |
| Automotive         | <b>49,784</b>        | 48,874               | <b>13,466</b>             | 12,639          | <b>63,250</b>        | 61,513               |
| Motorcycles        | <b>1,644</b>         | 1,637                | <b>6</b>                  | 6               | <b>1,650</b>         | 1,643                |
| Financial Services | <b>17,800</b>        | 16,684               | <b>1,140</b>              | 1,149           | <b>18,940</b>        | 17,833               |
| Other Entities     | <b>1</b>             | 2                    | <b>3</b>                  | 2               | <b>4</b>             | 4                    |
| Eliminations       | -                    | -                    | <b>-14,615</b>            | -13,796         | <b>-14,615</b>       | -13,796              |
| <b>Group</b>       | <b><u>69,229</u></b> | <b><u>67,197</u></b> | <b><u>-</u></b>           | <b><u>-</u></b> | <b><u>69,229</u></b> | <b><u>67,197</u></b> |

Nine-month Group cost of sales went up by 2.4 % to €55,104 million, mostly due to the expansion of production volumes and the higher level of warranty provisions for vehicle recall actions, the cost of which is expected to exceed amounts previously recognised. Accordingly, an additional amount of €500 million was allocated to the warranty provision during the nine-month period (mostly in the first half of 2016) to cover various issues, including airbags supplied by the Takata group of companies and the ISOFIX attachment system used for child car seats. Cost of sales directly attributable to financial services was slightly higher than one year earlier at €15,216 million (2015: €14,633 million). Research and development expenses were 5.3 % lower at €3,049 million, mainly reflecting the impact of launching several new models during the first three quarters of the previous year. As a percentage of revenues, the research and development ratio fell by 0.4 percentage points to 4.4 %. Research and development expenses include amortisation of capitalised development costs amounting to €917 million (2015: €851 million). Total expenditure on research and development activities during the nine-month period amounted to €3,332 million (2015: €3,686 million). The decrease compared to the previous year was due to the lower level of development costs capitalised for model series expansion and renewal. The research and development expenditure ratio and capitalisation ratio were 4.8 % (2015: 5.5 %) and 36.0 % (2015: 35.7 %) respectively.

Gross profit for the nine-month period came in 5.4 % higher at €14,125 million, reflecting sales volume growth in the Automotive segment and increased business volumes in the Financial Services segment. The gross profit margin amounted to 20.4 % (2015: 19.9 %).

Compared to the previous year, selling and administrative expenses increased by €301 million to €6,436 million and were equivalent, overall, to 9.3 % (2015: 9.1 %) of revenues. Administrative expenses went up slightly, mostly reflecting 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 €3,595 million (2015: €3,475 million). The slight increase compared to the first nine months of 2015 was mainly attributable to investments and capitalised development costs recorded in previous accounting periods.

Other operating income and expenses deteriorated by €257 million to a net negative amount of €127 million for the nine-month period, mainly reflecting the impact of lower income from the reversal of provisions and lower gains on the disposal of assets. Higher allocations to provisions and the expense recognised for donations to a BMW foundation also contributed to the deterioration.

At €7,562 million, the Group's nine-month profit before financial result (EBIT) was slightly up on the previous year (2015: €7,400 million), whereby the positive effect of higher volumes was more or less offset by higher selling and administrative expenses and lower other operating income.

The financial result was a net positive amount of €179 million, an improvement of €465 million compared to the first three quarters of the previous year. Other financial result improved year-on-year by €490 million to a net

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## Profit by segment

in € million

|                          | 3rd quarter<br>2016 | 3rd quarter<br>2015 | 1 January to<br>30 September 2016 | 1 January to<br>30 September 2015 |
|--------------------------|---------------------|---------------------|-----------------------------------|-----------------------------------|
| Automotive               | 2,030               | 1,845               | 6,041                             | 5,323                             |
| Motorcycles              | 32                  | 45                  | 223                               | 271                               |
| Financial Services       | 568                 | 462                 | 1,641                             | 1,517                             |
| Other Entities           | 40                  | 5                   | 84                                | 126                               |
| Eliminations             | -95                 | -94                 | -248                              | -123                              |
| <b>Profit before tax</b> | <b>2,575</b>        | <b>2,263</b>        | <b>7,741</b>                      | <b>7,114</b>                      |
| Income taxes             | -754                | -684                | -2,330                            | -2,270                            |
| <b>Net profit</b>        | <b>1,821</b>        | <b>1,579</b>        | <b>5,411</b>                      | <b>4,844</b>                      |

positive amount of €67 million, mainly thanks to net gains on commodity derivatives on the one hand and lower losses on currency derivatives on the other. Nine-month refinancing costs fell by €69 million, as a result of which the expense for interest and similar items improved to a net negative amount of €359 million. The result from equity accounted investments includes the Group's share of the results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, and the two DriveNow companies. The figure for the first nine months of 2016 also includes the Group's share of the result of the associated company, THERE Holding B.V., Amsterdam. The result from equity accounted investments for this period deteriorated by €61 million to €360 million, mainly in connection with THERE Holding B.V., Amsterdam. The inclusion of this entity had a negative impact of €53 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. The contribution from BMW Brilliance Automotive Ltd., Shenyang, was at the previous year's level (€419 million; 2015: €423 million).

Profit before tax increased to €7,741 million (2015: €7,114 million), helped by a number of factors, including higher volumes and the improved financial result. The pre-tax return on sales was 11.2% (2015: 10.6%).

Income tax expense amounted to €2,330 million (2015: €2,270 million), resulting in an effective tax rate – calcu-

lated by dividing income tax expense by Group profit before tax – of 30.1% (2015: 31.9%).

## Earnings performance by segment

Revenues of the Automotive segment increased both in the third quarter (2.8%) and over the nine-month period (2.8%). The gross profit margin for the nine-month period came in at 17.8% (2015: 17.3%), while profit before tax finished significantly higher at €6,041 million. Third-quarter profit before tax improved by €185 million (2015: €1,845 million). The upward sales volume trend influenced revenues and earnings positively in both the three- and nine-month reporting periods. Profit before tax increased for both reporting periods due to a number of factors, including sales volume growth and improved financial results. The improvement in the financial result was influenced by net gains on commodity derivatives and lower losses on currency derivatives.

Motorcycles segment revenues were at the previous year's levels both for the third quarter (-0.7%) and nine-month period (0.4%). Third-quarter segment profit before tax was significantly lower at €32 million (2015: €45 million), while the corresponding nine-month figure decreased by €48 million to €223 million. The nine-month segment gross profit margin slipped to 23.5% (2015: 27.3%), mainly as a consequence of higher expenses for further projects in connection with the implementation of the new strategy.

Third-quarter revenues of the Financial Services segment grew by 13.9% to €6,403 million on the back of increased business volumes. The gross profit margin improved by 0.1 percentage points to 13.9%. The segment reported a significant increase in third-quarter profit before tax to €568 million (2015: €462 million). Revenues for the nine-month period grew by 6.2% to €18,940 million, with pre-tax profit improving by €124 million to €1,641 million.

Profit before tax generated by the Other Entities segment in the third quarter went up by €35 million to €40 million, mostly due to net gains on currency derivatives reported as part of the financial result. By contrast, profit before tax for the nine-month period fell by €42 million to €84 million, mainly due to lower income from the reversal of provisions.

Inter-segment eliminations during the nine-month period up to the level of profit before tax gave rise to a net expense of €248 million (2015: net expense of €123 million), partly reflecting higher eliminations triggered by volume changes within the leased products portfolio.

#### 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 nine-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.

Cash inflows from operating activities in the first three quarters 2016 were €483 million higher than in the previous year at €1,804 million, benefiting above all from the €567 million increase in net profit.

Cash outflows from investing activities totalled €4,048 million (2015: €4,751 million), whereby the year-on-year decrease of €703 million mainly reflected lower investments in intangible assets and property, plant and equipment (+€489 million).

Cash inflows from financing activities totalled €2,117 million (2015: €1,458 million). Proceeds from the issue of bonds brought in €12,840 million (2015: €9,714 million), compared with an outflow of €7,676 million (2015: €7,027 million) for the repayment of bonds. The payment of dividends resulted in a cash outflow of €2,121 million (2015: €1,917 million).

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group for a negative amount of €8 million (2015: positive amount of €67 million), the various cash flows resulted in a decrease in cash and cash equivalents of €135 million (2015: decrease of €1,905 million).

The cash inflow from operating activities of the Automotive segment exceeded the cash outflow for investing activities by €3,005 million (2015: €2,457 million). Adjusted for net investments in marketable securities and term deposits with a negative amount of €410 million (2015: negative amount of €919 million), the surplus amounted to €3,415 million (2015: €3,376 million).

Free cash flow for the Automotive segment was as follows:

| in € million                                              | 2016         | 2015         |
|-----------------------------------------------------------|--------------|--------------|
| Cash inflow from operating activities                     | 6,493        | 7,084        |
| Cash outflow from investing activities                    | -3,488       | -4,627       |
| Net investment in marketable securities and term deposits | 410          | 919          |
| <b>Free cash flow Automotive segment</b>                  | <b>3,415</b> | <b>3,376</b> |

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Net financial assets of the Automotive segment comprise the following:

| in € million                                   | 30.9.2016     | 31.12.2015    |
|------------------------------------------------|---------------|---------------|
| Cash and cash equivalents                      | 4,530         | 3,952         |
| Marketable securities and investment funds     | 4,253         | 4,326         |
| Intragroup net financial assets                | 9,862         | 11,278        |
| <b>Financial assets</b>                        | <b>18,645</b> | <b>19,556</b> |
| Less: external financial liabilities*          | -1,930        | -2,645        |
| <b>Net financial assets Automotive segment</b> | <b>16,715</b> | <b>16,911</b> |

\* Excluding derivative financial instruments.

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 €7,181 million (2015: €4,873 million). Cash inflows from investing activities amounted to €15 million (2015: cash outflows of €237 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 of BMW AG at 31 December 2015.

During the period from January to September 2016, BMW Group entities issued euro-benchmark bonds with a volume of €2.75 billion and US dollar-denominated bonds with a total equivalent value of €5.5 billion. They also issued bonds in other foreign currencies (Canadian and Australian dollar, British pound and Chinese renminbi) with a total volume of €1.6 billion and private placements in a range of currencies totalling €3.2 billion. Promissory notes amounting to €650 million were issued during the nine-month period. In addition, six ABS transactions with a total volume of €3.5 billion were executed in the USA, Germany, Japan, South Africa and South Korea. 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 6.1 % to stand at €182,642 mil-

lion at 30 September 2016. Adjusted for exchange rate factors, the increase was 8.0 %. 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 (+€3,632 million), financial assets (+€1,124 million) and leased products (+€938 million) and contrasted with the decrease in property, plant and equipment (–€799 million).

Non-current receivables from sales financing rose during the nine-month period by 8.7 % to €45,497 million and accounted for 24.9 % (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 11.4 %.

Non-current financial assets accounted for 1.8 % (31 December 2015: 1.3 %) of total assets. Non-current financial assets rose significantly during the nine-month period by 50.9 % to stand at €3,332 million, mainly reflecting the favourable development of derivative fair values. Adjusted for exchange rate factors, the increase was 49.8 %.

Leased products edged up from €34,965 million to €35,903 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 4.9 %.

Property, plant and equipment accounted for 9.3 % of total assets at the end of the reporting period (31 December 2015: 10.3 %). Over the nine-month period, they decreased by 4.5 % to €16,960 million. Investments in property, plant and equipment totalled €1,935 million and were therefore lower than one year earlier (2015: €2,315 million), mainly reflecting lower investments in conjunction with new model launches. At the same time, depreciation on property, plant and equipment increased from €2,492 million to €2,544 million. Adjusted for exchange rate factors, property, plant and equipment decreased by 3.4 %.

Within current assets, increases were registered in particular for inventories (+€2,993 million) and financial assets (+€1,369 million).

Inventories grew by 27.0 % to €14,064 million during the nine-month period and accounted for 7.7 % (2015: 6.4 %) of total assets. Most of the increase related to finished goods and was primarily attributable to stocking up in the various markets. Adjusted for exchange rate factors, they were 28.1 % higher.

Current financial assets increased by 20.6 % compared to 31 December 2015 and accounted for 4.4 % of total assets (2015: 3.9 %). Adjusted for exchange rate factors, they grew by 20.9 %, mainly as a result of the purchase of fixed-income securities and fair value gains on derivatives.

On the equity and liabilities side of the balance sheet, the increase was due primarily to changes in non-current financial liabilities (+€6,169 million), Group equity (+€2,664 million), pension provisions (+€2,590 million) and current and non-current other provisions (+€524 million). By contrast, current financial liabilities decreased by €4,354 million.

Non-current financial liabilities increased from €49,523 to €55,692 million during the nine-month period. Adjusted for exchange rate factors, they were 13.0 % higher than at the end of 2015. The increase in non-current financial liabilities was primarily attributable to the issue of bonds. A positive effect was due to the market valuation of derivatives.

Group equity rose by 6.2 % to €45,428 million, mainly as a result of the net profit attributable to shareholders of BMW AG (€5,378 million) and fair value gains on derivative financial instruments recognised directly in equity

(€2,838 million). The fair value measurement of marketable securities benefited equity by a further €126 million. Furthermore, income and expenses relating to at-equity accounted investments and recognised directly in equity (before tax) increased equity by €74 million. Minority interests increased equity by €33 million. By contrast, remeasurements of the net defined benefit liability for pension plans reduced equity by €2,968 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 €568 million on equity. In addition, deferred taxes on items recognised directly in equity (€108 million) and other changes (€39 million) reduced equity.

The equity ratio of the BMW Group – calculated by dividing equity by the balance sheet total – was 24.9 % at the end of the reporting period (31 December 2015: 24.8 %). The equity ratio of the Automotive segment was 40.4 % (31 December 2015: 40.1 %) and that of the Financial Services segment was 8.0 % (31 December 2015: 8.2 %).

Pension provisions increased from €3,000 million to €5,590 million during the nine-month period, mainly as a result of the lower discount factors used in Germany, the UK and the USA.

Current and non-current other provisions increased from €9,630 to €10,154 million during the nine-month period. Adjusted for exchange rate factors, the increase was 7.2 %, mostly due to the higher level of warranty provisions for vehicle recall actions, the cost of which is expected to exceed amounts previously recognised. Accordingly, an additional amount of €500 million was allocated to the warranty provision during the nine-month period (mostly in the first half of 2016) to cover 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 €4,354 million compared to 31 December 2015 and stood at €37,806 million. Adjusted for exchange rate factors, they were 9.4 % lower than at the end of 2015. The reduction in current financial liabilities arose primarily as a result of the favourable development of derivative fair values on the one hand and lower commercial paper volumes on the other.

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Overall, the results of operations, financial position and net assets of the BMW Group developed positively during the third quarter and nine-month periods under report.

### 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 exposed to various risks, particularly political risks**

In 2016, the world economy is likely to grow by around 3.1 %.

The eurozone is likely to continue its moderate upswing and grow at an overall rate of 1.5 %. Inflation rates are predicted to remain low through to the year-end. It is therefore fair to assume that the ECB will continue its expansionary monetary policies, which means that the value of the euro is more likely to remain on the low side. At present, risks in Europe are predominantly of a political and macroeconomic nature. In this context, uncertainty regarding the future trading relationship between the EU and the UK is playing an increasing role. German and Italian banks also continue to give cause for concern.

Despite these factors, the German economy is again set to grow by 1.7 % in 2016, helped by a number of factors, including the recent spate of increased government spending, strong consumer spending and a substantial export surplus. Following the recent enactment of labour market reforms in France, there is considerable hope that the economy will now begin to pick up momentum. In 2016, however, growth in the French economy is unlikely to surpass the previous year's moderate rate of 1.3 %. Based on the latest forecasts and an expected growth rate of 0.8 %, the Italian economy is again expected to bring up the rear among Europe's major countries. The referendum on constitutional reform to be held at the beginning of December represents a further potential source of tension. Although uncertainty remains in Spain due to the country's inability to form a government after two elections, it is unlikely to hold the Spanish economy back from again growing at an annual rate of 3.0 %.

After the initial Brexit shock, the UK's prospects seem to be stabilising at currently 1.6 %, based on the assumption that the short-term impact of the decision is manageable. Nonetheless, the latest prediction is 0.7 percentage points lower than at the beginning of the year.

US economic growth has slowed in the course of 2016 and now only seems likely to finish at a rate of 1.6 %. Low investments and weaker exports, the latter due to the strong US dollar, are combining to curb economic momentum. Consumer spending continues to be the mainstay of the US economy, reflecting a robust job market and substantial rises in incomes.

Concerns about the Chinese economy at the beginning of the year have largely subsided. A number of factors have contributed to the improved situation, including economic stimulus measures undertaken by the government. The pace of economic growth for the year is now only expected to drop slightly to 6.6 % – in line with the government's target. However, steep and continuing rises in debt levels mean that the risk of a potential financial crisis in China remains high.

Japan's expected growth rate of 0.6 % for 2016 points to the economy continuing to perform without any clear trend. Adding to the problems of a weak domestic economy, the strong yen is now also making Japanese exports significantly more expensive. Although the government recently initiated another massive programme to stimulate the economy, the prospects of success seem limited unless accompanied by genuine structural reforms.

India's economy is again performing strongly, with a growth rate of 7.6 % predicted for 2016. The government's decision to substantially increase public sector pensions and pay levels should boost consumer spending.

Although the situation in Russia and Brazil remains fraught with difficulty, it appears to be gradually stabilising on a low level. Higher oil prices should provide impetus for the Russian economy, which is now only expected to contract by 0.5 % in 2016. In Brazil, there are some indications that the downturn has now bottomed out. Nevertheless, the economy is set to contract again in 2016 and is currently predicted to finish the year at a negative growth rate of 3.2 %.

After dipping at the beginning of the year, oil prices settled within a range of between 45 and 50 US dollars per barrel. Following OPEC's decision to limit production volumes, prices could rise slightly before the year end. However, the increase is likely to be relatively small in the foreseeable future, given that oil inventories are currently quite high.

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**Automobile markets in 2016**

Global automobile markets are currently predicted to grow by 1.9 % over the full year 2016. As in the first nine months of the year, China and Europe will continue to be the main sources of momentum, whereas the pace of growth on the US market is slowing.

The economic upturn in Europe continues to exert a positive impact on automobile markets throughout the region. Currently, a total of 15.1 million new vehicle registrations (+ 6.0 %) is predicted for the full year.

Within this figure, Germany's automobile market is set to expand by 5.1 % to 3.4 million units and therefore at a less pronounced rate than the European market as a whole. New registrations in France during the twelve-month period are forecast to increase by 3.2 % to 1.9 million units. Despite sluggish growth in the rest of the economy, Italy's passenger vehicle market is expected to grow sharply (1.8 million units; + 15.5 %). The Spanish automobile market should also finish well above the previous year, with new registrations predicted to rise by 11.7 % to 1.2 million units.

The UK market seems to be flattening out after several years of strong growth and, despite the Brexit decision, still seems likely to finish at a similarly high level to the previous year, with a gain of 0.3 % to 2.6 million units.

In the USA, registrations are expected to fall slightly in 2016 after several years of strong growth. Currently, a minor decrease (– 0.7 %) to 17.4 million units is predicted.

The rapid pace of growth witnessed in China in recent years is now slowing, but should still result in a 6.9 % rise in new registrations to 22.0 million units.

The Japanese automobile market will continue to contract in 2016, this time by 3.2 % to 4.7 million units, and therefore less severely than one year earlier.

The recession in Brazil will result in a further slump in new registrations (1.7 million units; – 31.2 %). The contraction of the Russian market will be less severe than in recent years, with new registrations now only expected to drop by 7.0 % to 1.2 million units.

**Motorcycle markets in 2016**

The world's markets for 250 cc plus motorcycles are expected to finish 2016 at a similar level to the previous year. Registration figures for Europe as a whole are expected to rise moderately, including minor increases in Germany and France. Markets in Italy and Spain are set to continue their positive trend. The market in the USA is likely to finish down on its 2015 level.

**Financial services markets in 2016**

The world's major central banks are expected to continue their expansive monetary policies throughout the remainder of the year.

The most recent forecasts for the US economy envisage only a relatively small increase in economic output for the full year. Hence, only one additional interest rate increase is now expected in 2016. The outcome and consequences of the US presidential elections in November 2016 are viewed as a significant source of uncertainty.

With a combination of economic and fiscal measures, the government and the central bank in China will ensure that the economy develops robustly.

Within the eurozone, the ECB is likely to continue its expansive monetary policies for the foreseeable future, until the 2 % target for inflation is reached. By contrast, the Bank of England may well reduce interest rates again before the end of the year.

The BMW Group expects premium segment selling prices for pre-owned vehicles in continental Europe and Asia to remain stable at the previous year's levels for the remainder of the year, with prices marginally lower in Germany. Developments in the UK remain 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 prices of new vehicles. For North America, the BMW Group predicts slightly lower selling prices for pre-owned vehicles, particularly due to the fact that seasonal factors usually cause prices to fall in the final quarter of the year.

**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 the major emerging economies as well as in 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 curbed by rising personnel expenses and high levels of upfront expenditure connected with future projects. 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 and new technologies in the automotive and motorcycle lines of business on the one hand and the expansion of its financial and mobility services on the other. We therefore expect a slight increase in the size of the workforce (2015: 122,244 employees) over 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: 2,247,485<sup>1</sup> units).

Dynamic market conditions, particularly in Europe, should have a positive impact on automobile sales volumes. 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 tendency towards normalisation on the Chinese market, Asia is still expected to generate a positive contribution. Conversely, the BMW Group does not expect any significant growth impetus in the Americas region, where market conditions are likely to remain arduous. However, further economic and political risks cannot be ruled out.

**Carbon fleet emissions<sup>2</sup>: slight decrease expected**

Regulations governing vehicle carbon emissions are becoming stricter all around the world. Developing highly efficient combustion engines and increasing the scope of electrification in its fleet of vehicles are key aspects in the BMW Group's unbroken 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 CO<sub>2</sub>/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 RoCE<sup>3</sup> is now forecast to decrease only slightly during the full financial year (2015: 72.2 %), reflecting a lower level of capital employed (partly due to 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 for 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 above-budget 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 (RoCE<sup>3</sup>) at previous year's level expected**

Thanks to strict control of working capital, the Motorcycles segment's RoCE in 2016 is now forecast 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 remainder of 2016. RoE<sup>4</sup> is expected to come in at the previous year's level (2015: 20.2 %), thus remaining above the minimum target of 18 %.

**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 increase slightly on the back of a slight increase in deliveries

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

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

<sup>3</sup> RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that do not incur interest.

<sup>4</sup> RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital attributable to the Financial Services segment balance sheet.

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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 in 2016 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.

#### Risks and opportunity report

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 the opportunities that pre-

sent themselves are the basis for the Group's corporate success.

Regulatory agencies have ordered the BMW Group to recall various vehicle models that are fitted with airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within warranty provisions (see notes 26 and 30 to the Group Financial Statements for details). 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.

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

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

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

<sup>3</sup> RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that do not incur interest.

<sup>4</sup> RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital attributable to the Financial Services segment balance sheet.

## INTERIM GROUP MANAGEMENT REPORT

### BMW Stock and Capital Markets

#### BMW stock and capital markets in third quarter 2016

Although capital markets worldwide recovered somewhat in the third quarter after a weak first half-year, it was not sufficient to make up all ground lost since the beginning of the year. The Bank of England's reduction of its reference interest rate to a record low of 0.25 % at the beginning of August was seen as a welcome move. The bank's decision to purchase UK bonds with a volume of 60 billion British pounds over the coming six months also helped raise investor sentiment. Encouraging job market figures from the USA and the UK during the summer months helped dispel concerns of an imminent economic downturn in the wake of the Brexit decision. Speculation about a further interest rate hike in the USA and the uncertain future of a major international bank held down stock markets in September.

The German stock index (DAX) finished the third quarter at 10,511 points, up 8.6 % since the beginning of July. The three-month high of 10,753 points was recorded on 7 September 2016. The index was down 2.2 % compared to the beginning of the year.

The Prime Automobile Performance Index gained 13.9 % in value during the three-month period under report, finishing the third quarter at 1,357 points. At that stage, the sector index was 15.0 % below its closing level on 30 December 2015.

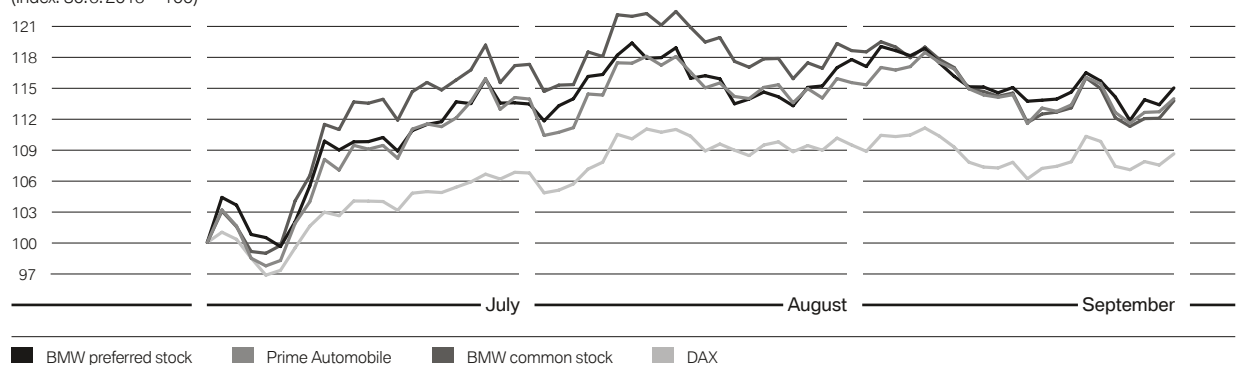
BMW stock easily outperformed the market as a whole in the third quarter, regaining ground lost during the second quarter. BMW common stock closed at €74.81 on 30 September 2016, 13.7 % up on its value at the beginning of the third quarter. Compared to 30 December 2015, the price of BMW common stock fell by 23.4 %. BMW preferred stock gained 15.0 % during the quarter under

report, finishing on 30 September 2016 at €65.62. Over the nine-month period, the price of BMW preferred stock fell by 15.2 %.

The euro gained in value against the US dollar during the third quarter. It closed at an exchange rate of 1.12 US dollars to the euro at 30 September 2016, 1.2 % stronger than at the end of the previous quarter. Compared to the closing exchange rate at the end of 2015 (1.09 US dollars to the euro), the euro gained 3.5 % in value.

#### Development of BMW stock compared to stock exchange indices

(Index: 30.6.2016 = 100)



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### Income Statements for Group and Segments for the third quarter

in € million

|                                                           | Note | Group        |              | Automotive   |              |
|-----------------------------------------------------------|------|--------------|--------------|--------------|--------------|
|                                                           |      | 2016         | 2015         | 2016         | 2015         |
| Revenues                                                  | 5    | 23,362       | 22,345       | 21,564       | 20,970       |
| Cost of sales                                             | 6    | -18,774      | -17,899      | -17,876      | -17,340      |
| <b>Gross profit</b>                                       |      | <b>4,588</b> | <b>4,446</b> | <b>3,688</b> | <b>3,630</b> |
| Selling and administrative expenses                       | 7    | -2,161       | -2,084       | -1,782       | -1,725       |
| Other operating income                                    | 8    | 112          | 157          | 87           | 159          |
| Other operating expenses                                  | 8    | -159         | -165         | -156         | -152         |
| <b>Profit before financial result</b>                     |      | <b>2,380</b> | <b>2,354</b> | <b>1,837</b> | <b>1,912</b> |
| Result from equity accounted investments                  | 9    | 162          | 138          | 162          | 138          |
| Interest and similar income                               | 10   | 38           | 43           | 74           | 76           |
| Interest and similar expenses                             | 10   | -100         | -175         | -148         | -218         |
| Other financial result                                    | 11   | 95           | -97          | 105          | -63          |
| Financial result                                          |      | 195          | -91          | 193          | -67          |
| <b>Profit before tax</b>                                  |      | <b>2,575</b> | <b>2,263</b> | <b>2,030</b> | <b>1,845</b> |
| Income taxes                                              | 12   | -754         | -684         | -617         | -607         |
| <b>Net profit/loss</b>                                    |      | <b>1,821</b> | <b>1,579</b> | <b>1,413</b> | <b>1,238</b> |
| Attributable to minority interest                         |      | 15           | 7            | 4            | -1           |
| <b>Attributable to shareholders of BMW AG</b>             |      | <b>1,806</b> | <b>1,572</b> | <b>1,409</b> | <b>1,239</b> |
| <b>Basic earnings per share of common stock in €</b>      | 13   | <b>2.75</b>  | 2.39         |              |              |
| <b>Basic earnings per share of preferred stock in €</b>   | 13   | <b>2.75</b>  | 2.39         |              |              |
| Dilutive effects                                          | 13   | -            | -            |              |              |
| <b>Diluted earnings per share of common stock in €</b>    | 13   | <b>2.75</b>  | 2.39         |              |              |
| <b>Diluted earnings per share of preferred stock in €</b> | 13   | <b>2.75</b>  | 2.39         |              |              |

### Statement of Comprehensive Income for Group for the third quarter

in € million

|                                                                                    | Note | 2016         | 2015         |
|------------------------------------------------------------------------------------|------|--------------|--------------|
| <b>Net profit</b>                                                                  |      | <b>1,821</b> | <b>1,579</b> |
| Remeasurement of the net liability for defined benefit pension plans               |      | -880         | 241          |
| Deferred taxes                                                                     |      | 231          | -127         |
| <b>Items not expected to be reclassified to the income statement in the future</b> |      | <b>-649</b>  | <b>114</b>   |
| Available-for-sale securities                                                      |      | 24           | -19          |
| Financial instruments used for hedging purposes                                    |      | 781          | 1,856        |
| Other comprehensive income from equity accounted investments                       |      | 1            | 49           |
| Deferred taxes                                                                     |      | -265         | -544         |
| Currency translation foreign operations                                            |      | -167         | -484         |
| <b>Items expected to be reclassified to the income statement in the future</b>     |      | <b>374</b>   | <b>858</b>   |
| <b>Other comprehensive income for the period after tax</b>                         | 14   | <b>-275</b>  | <b>972</b>   |
| <b>Total comprehensive income</b>                                                  |      | <b>1,546</b> | <b>2,551</b> |
| Total comprehensive income attributable to minority interests                      |      | 15           | 7            |
| <b>Total comprehensive income attributable to shareholders of BMW AG</b>           |      | <b>1,531</b> | <b>2,544</b> |

| Motorcycles |      | Financial Services |       | Other Entities |      | Eliminations |       |                                                    |
|-------------|------|--------------------|-------|----------------|------|--------------|-------|----------------------------------------------------|
| 2016        | 2015 | 2016               | 2015  | 2016           | 2015 | 2016         | 2015  |                                                    |
| 451         | 454  | 6,403              | 5,621 | 1              | 1    | 5,057        | 4,701 | Revenues                                           |
| 373         | 339  | 5,510              | 4,846 | -              | -    | 4,985        | 4,626 | Cost of sales                                      |
| 78          | 115  | 893                | 775   | 1              | 1    | 72           | 75    | Gross profit                                       |
| 63          | 55   | 313                | 307   | 7              | 6    | 4            | 9     | Selling and administrative expenses                |
| 23          | -    | 3                  | 4     | 17             | 24   | 18           | 30    | Other operating income                             |
| 6           | 14   | 7                  | 7     | 5              | 14   | 15           | 22    | Other operating expenses                           |
| 32          | 46   | 576                | 465   | 6              | 5    | 71           | 74    | Profit before financial result                     |
| -           | -    | -                  | -     | -              | -    | -            | -     | Result from equity accounted investments           |
| -           | -    | 4                  | 1     | 301            | 280  | 341          | 314   | Interest and similar income                        |
| -           | 1    | 4                  | 3     | 265            | 247  | 317          | 294   | Interest and similar expenses                      |
| -           | -    | 8                  | 1     | 2              | 33   | -            | -     | Other financial result                             |
| -           | 1    | 8                  | 3     | 34             | -    | 24           | 20    | Financial result                                   |
| 32          | 45   | 568                | 462   | 40             | 5    | 95           | 94    | Profit before tax                                  |
| 10          | 15   | 146                | 138   | 21             | 62   | 40           | 138   | Income taxes                                       |
| 22          | 30   | 422                | 324   | 19             | 57   | 55           | 44    | Net profit/loss                                    |
| -           | -    | 11                 | 8     | -              | -    | -            | -     | Attributable to minority interest                  |
| 22          | 30   | 411                | 316   | 19             | 57   | 55           | 44    | 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 September

in € million

|                                                           | Note | Group         |               | Automotive    |               |
|-----------------------------------------------------------|------|---------------|---------------|---------------|---------------|
|                                                           |      | 2016          | 2015          | 2016          | 2015          |
| Revenues                                                  | 5    | 69,229        | 67,197        | 63,250        | 61,513        |
| Cost of sales                                             | 6    | -55,104       | -53,792       | -51,985       | -50,844       |
| <b>Gross profit</b>                                       |      | <b>14,125</b> | <b>13,405</b> | <b>11,265</b> | <b>10,669</b> |
| Selling and administrative expenses                       | 7    | -6,436        | -6,135        | -5,347        | -5,137        |
| Other operating income                                    | 8    | 474           | 745           | 399           | 595           |
| Other operating expenses                                  | 8    | -601          | -615          | -539          | -602          |
| <b>Profit before financial result</b>                     |      | <b>7,562</b>  | <b>7,400</b>  | <b>5,778</b>  | <b>5,525</b>  |
| Result from equity accounted investments                  | 9    | 360           | 421           | 360           | 421           |
| Interest and similar income                               | 10   | 111           | 144           | 221           | 249           |
| Interest and similar expenses                             | 10   | -359          | -428          | -497          | -533          |
| Other financial result                                    | 11   | 67            | -423          | 179           | -339          |
| Financial result                                          |      | 179           | -286          | 263           | -202          |
| <b>Profit before tax</b>                                  |      | <b>7,741</b>  | <b>7,114</b>  | <b>6,041</b>  | <b>5,323</b>  |
| Income taxes                                              | 12   | -2,330        | -2,270        | -1,867        | -1,754        |
| <b>Net profit/loss</b>                                    |      | <b>5,411</b>  | <b>4,844</b>  | <b>4,174</b>  | <b>3,569</b>  |
| Attributable to minority interest                         |      | 33            | 17            | 7             | -1            |
| <b>Attributable to shareholders of BMW AG</b>             |      | <b>5,378</b>  | <b>4,827</b>  | <b>4,167</b>  | <b>3,570</b>  |
| <b>Basic earnings per share of common stock in €</b>      | 13   | <b>8.19</b>   | 7.35          |               |               |
| <b>Basic earnings per share of preferred stock in €</b>   | 13   | <b>8.20</b>   | 7.36          |               |               |
| Dilutive effects                                          | 13   | -             | -             |               |               |
| <b>Diluted earnings per share of common stock in €</b>    | 13   | <b>8.19</b>   | 7.35          |               |               |
| <b>Diluted earnings per share of preferred stock in €</b> | 13   | <b>8.20</b>   | 7.36          |               |               |

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

in € million

|                                                                                    | Note | 2016          | 2015         |
|------------------------------------------------------------------------------------|------|---------------|--------------|
| <b>Net profit</b>                                                                  |      | <b>5,411</b>  | <b>4,844</b> |
| Remeasurement of the net liability for defined benefit pension plans               |      | -2,968        | 1,236        |
| Deferred taxes                                                                     |      | 898           | -361         |
| <b>Items not expected to be reclassified to the income statement in the future</b> |      | <b>-2,070</b> | <b>875</b>   |
| Available-for-sale securities                                                      |      | 126           | -162         |
| Financial instruments used for hedging purposes                                    |      | 2,838         | -1,100       |
| Other comprehensive income from equity accounted investments                       |      | 74            | 31           |
| Deferred taxes                                                                     |      | -1,006        | 455          |
| Currency translation foreign operations                                            |      | -568          | 622          |
| <b>Items expected to be reclassified to the income statement in the future</b>     |      | <b>1,464</b>  | <b>-154</b>  |
| <b>Other comprehensive income for the period after tax</b>                         | 14   | <b>-606</b>   | <b>721</b>   |
| <b>Total comprehensive income</b>                                                  |      | <b>4,805</b>  | <b>5,565</b> |
| Total comprehensive income attributable to minority interests                      |      | 33            | 17           |
| <b>Total comprehensive income attributable to shareholders of BMW AG</b>           |      | <b>4,772</b>  | <b>5,548</b> |

| Motorcycles   |            | Financial Services |              | Other Entities |            | Eliminations   |             |                                                           |
|---------------|------------|--------------------|--------------|----------------|------------|----------------|-------------|-----------------------------------------------------------|
| 2016          | 2015       | 2016               | 2015         | 2016           | 2015       | 2016           | 2015        |                                                           |
| <b>1,650</b>  | 1,643      | <b>18,940</b>      | 17,833       | <b>4</b>       | 4          | <b>-14,615</b> | -13,796     | Revenues                                                  |
| <b>-1,262</b> | -1,194     | <b>-16,287</b>     | -15,467      | <b>-</b>       | -          | <b>14,430</b>  | 13,713      | Cost of sales                                             |
| <b>388</b>    | <b>449</b> | <b>2,653</b>       | <b>2,366</b> | <b>4</b>       | <b>4</b>   | <b>-185</b>    | <b>-83</b>  | <b>Gross profit</b>                                       |
| <b>-183</b>   | -162       | <b>-904</b>        | -838         | <b>-19</b>     | -16        | <b>17</b>      | 18          | Selling and administrative expenses                       |
| <b>27</b>     | -          | <b>13</b>          | 16           | <b>85</b>      | 183        | <b>-50</b>     | -49         | Other operating income                                    |
| <b>-8</b>     | -14        | <b>-66</b>         | -21          | <b>-41</b>     | -32        | <b>53</b>      | 54          | Other operating expenses                                  |
| <b>224</b>    | <b>273</b> | <b>1,696</b>       | <b>1,523</b> | <b>29</b>      | <b>139</b> | <b>-165</b>    | <b>-60</b>  | <b>Profit before financial result</b>                     |
| <b>-</b>      | -          | <b>-</b>           | -            | <b>-</b>       | -          | <b>-</b>       | -           | Result from equity accounted investments                  |
| <b>-</b>      | -          | <b>6</b>           | 4            | <b>-922</b>    | 887        | <b>-1,038</b>  | -996        | Interest and similar income                               |
| <b>-1</b>     | -2         | <b>-24</b>         | -5           | <b>-792</b>    | -821       | <b>955</b>     | 933         | Interest and similar expenses                             |
| <b>-</b>      | -          | <b>-37</b>         | -5           | <b>-75</b>     | -79        | <b>-</b>       | -           | Other financial result                                    |
| <b>-1</b>     | <b>-2</b>  | <b>-55</b>         | <b>-6</b>    | <b>55</b>      | <b>-13</b> | <b>-83</b>     | <b>-63</b>  | Financial result                                          |
| <b>223</b>    | <b>271</b> | <b>1,641</b>       | <b>1,517</b> | <b>84</b>      | <b>126</b> | <b>-248</b>    | <b>-123</b> | <b>Profit before tax</b>                                  |
| <b>-68</b>    | -89        | <b>-426</b>        | -460         | <b>-35</b>     | -106       | <b>66</b>      | 139         | Income taxes                                              |
| <b>155</b>    | <b>182</b> | <b>1,215</b>       | <b>1,057</b> | <b>49</b>      | <b>20</b>  | <b>-182</b>    | <b>16</b>   | <b>Net profit/loss</b>                                    |
| <b>-</b>      | -          | <b>26</b>          | 18           | <b>-</b>       | -          | <b>-</b>       | -           | Attributable to minority interest                         |
| <b>155</b>    | <b>182</b> | <b>1,189</b>       | <b>1,039</b> | <b>49</b>      | <b>20</b>  | <b>-182</b>    | <b>16</b>   | <b>Attributable to shareholders of BMW AG</b>             |
|               |            |                    |              |                |            |                |             | <b>Basic earnings per share of common stock in €</b>      |
|               |            |                    |              |                |            |                |             | <b>Basic earnings per share of preferred stock in €</b>   |
|               |            |                    |              |                |            |                |             | Dilutive effects                                          |
|               |            |                    |              |                |            |                |             | <b>Diluted earnings per share of common stock in €</b>    |
|               |            |                    |              |                |            |                |             | <b>Diluted earnings per share of preferred stock in €</b> |

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Balance Sheets for Group and Segments to 30 September 2016

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| Assets                                            |    | Note           | Group          | Automotive    |               |
|---------------------------------------------------|----|----------------|----------------|---------------|---------------|
| in € million                                      |    | 30.9.2016      | 31.12.2015     | 30.9.2016     | 31.12.2015    |
| Intangible assets                                 | 15 | 7,545          | 7,372          | 7,090         | 6,899         |
| Property, plant and equipment                     | 16 | 16,960         | 17,759         | 16,620        | 17,416        |
| Leased products                                   | 17 | 35,903         | 34,965         | -             | -             |
| Investments accounted for using the equity method | 18 | 2,496          | 2,233          | 2,496         | 2,233         |
| Other investments                                 | 18 | 663            | 428            | 5,199         | 5,147         |
| Receivables from sales financing                  | 19 | 45,497         | 41,865         | -             | -             |
| Financial assets                                  | 20 | 3,332          | 2,208          | 1,362         | 586           |
| Deferred tax                                      | 21 | 2,255          | 1,945          | 4,134         | 4,114         |
| Other assets                                      | 22 | 1,495          | 1,568          | 3,838         | 3,935         |
| <b>Non-current assets</b>                         |    | <b>116,146</b> | <b>110,343</b> | <b>40,739</b> | <b>40,330</b> |
| Inventories                                       | 23 | 14,064         | 11,071         | 13,575        | 10,611        |
| Trade receivables                                 |    | 2,861          | 2,751          | 2,609         | 2,453         |
| Receivables from sales financing                  | 19 | 28,252         | 28,178         | -             | -             |
| Financial assets                                  | 20 | 8,004          | 6,635          | 5,553         | 4,859         |
| Current tax                                       | 21 | 2,579          | 2,381          | 1,154         | 1,240         |
| Other assets                                      | 22 | 4,749          | 4,693          | 19,740        | 19,907        |
| Cash and cash equivalents                         |    | 5,987          | 6,122          | 4,530         | 3,952         |
| <b>Current assets</b>                             |    | <b>66,496</b>  | <b>61,831</b>  | <b>47,161</b> | <b>43,022</b> |
| <b>Total assets</b>                               |    | <b>182,642</b> | <b>172,174</b> | <b>87,900</b> | <b>83,352</b> |

### Equity and liabilities

|                                                      | Note | Group          |                | Automotive    |               |
|------------------------------------------------------|------|----------------|----------------|---------------|---------------|
| in € million                                         |      | 30.9.2016      | 31.12.2015     | 30.9.2016     | 31.12.2015    |
| Subscribed capital                                   | 24   | 657            | 657            |               |               |
| Capital reserves                                     | 24   | 2,027          | 2,027          |               |               |
| Revenue reserves                                     | 24   | 42,222         | 41,027         |               |               |
| Accumulated other equity                             | 24   | 283            | -1,181         |               |               |
| <b>Equity attributable to shareholders of BMW AG</b> | 24   | <b>45,189</b>  | 42,530         |               |               |
| Minority interest                                    | 24   | 239            | 234            |               |               |
| <b>Equity</b>                                        |      | <b>45,428</b>  | <b>42,764</b>  | <b>35,471</b> | <b>33,460</b> |
| Pension provisions                                   | 25   | 5,590          | 3,000          | 3,749         | 1,770         |
| Other provisions                                     | 26   | 4,665          | 4,621          | 4,192         | 4,141         |
| Deferred tax                                         | 27   | 3,365          | 2,116          | 1,340         | 429           |
| Financial liabilities                                | 28   | 55,692         | 49,523         | 1,649         | 2,621         |
| Other liabilities                                    | 29   | 5,271          | 4,559          | 6,366         | 5,545         |
| <b>Non-current provisions and liabilities</b>        |      | <b>74,583</b>  | <b>63,819</b>  | <b>17,296</b> | <b>14,506</b> |
| Other provisions                                     | 26   | 5,489          | 5,009          | 4,811         | 4,398         |
| Current tax                                          | 27   | 1,147          | 1,441          | 721           | 810           |
| Financial liabilities                                | 28   | 37,806         | 42,160         | 1,563         | 3,211         |
| Trade payables                                       |      | 8,466          | 7,773          | 7,504         | 6,856         |
| Other liabilities                                    | 29   | 9,723          | 9,208          | 20,534        | 20,111        |
| <b>Current provisions and liabilities</b>            |      | <b>62,631</b>  | <b>65,591</b>  | <b>35,133</b> | <b>35,386</b> |
| <b>Total equity and liabilities</b>                  |      | <b>182,642</b> | <b>172,174</b> | <b>87,900</b> | <b>83,352</b> |

|             |            |                    |            |                |            |              |            | Assets                                            |
|-------------|------------|--------------------|------------|----------------|------------|--------------|------------|---------------------------------------------------|
| Motorcycles |            | Financial Services |            | Other Entities |            | Eliminations |            |                                                   |
| 30.9.2016   | 31.12.2015 | 30.9.2016          | 31.12.2015 | 30.9.2016      | 31.12.2015 | 30.9.2016    | 31.12.2015 |                                                   |
| 45          | 48         | 409                | 424        | 1              | 1          | -            | -          | Intangible assets                                 |
| 314         | 313        | 26                 | 30         | -              | -          | -            | -          | Property, plant and equipment                     |
| -           | -          | 42,440             | 41,148     | -              | -          | -6,537       | -6,183     | Leased products                                   |
| -           | -          | -                  | -          | -              | -          | -            | -          | Investments accounted for using the equity method |
| -           | -          | 3                  | 2          | 6,535          | 5,966      | -11,074      | -10,687    | Other investments                                 |
| -           | -          | 45,497             | 41,865     | -              | -          | -            | -          | Receivables from sales financing                  |
| -           | -          | 200                | 236        | 2,122          | 1,985      | -352         | -599       | Financial assets                                  |
| -           | -          | 369                | 222        | 300            | 205        | -2,548       | -2,596     | Deferred tax                                      |
| 26          | 25         | 2,825              | 2,469      | 25,974         | 22,268     | -31,168      | -27,129    | Other assets                                      |
| 385         | 386        | 91,769             | 86,396     | 34,932         | 30,425     | -51,679      | -47,194    | <b>Non-current assets</b>                         |
| 473         | 453        | 16                 | 7          | -              | -          | -            | -          | Inventories                                       |
| 102         | 139        | 148                | 158        | 2              | 1          | -            | -          | Trade receivables                                 |
| -           | -          | 28,252             | 28,178     | -              | -          | -            | -          | Receivables from sales financing                  |
| -           | -          | 1,615              | 1,354      | 1,174          | 1,121      | -338         | -699       | Financial assets                                  |
| -           | -          | 564                | 37         | 861            | 1,104      | -            | -          | Current tax                                       |
| -           | -          | 4,439              | 4,540      | 42,101         | 45,379     | -61,531      | -65,133    | Other assets                                      |
| -           | -          | 1,438              | 1,359      | 19             | 811        | -            | -          | Cash and cash equivalents                         |
| 575         | 592        | 36,472             | 35,633     | 44,157         | 48,416     | -61,869      | -65,832    | <b>Current assets</b>                             |
| 960         | 978        | 128,241            | 122,029    | 79,089         | 78,841     | -113,548     | -113,026   | <b>Total assets</b>                               |

|             |            |                    |            |                |            |              |            | Equity and liabilities                               |
|-------------|------------|--------------------|------------|----------------|------------|--------------|------------|------------------------------------------------------|
| Motorcycles |            | Financial Services |            | Other Entities |            | Eliminations |            |                                                      |
| 30.9.2016   | 31.12.2015 | 30.9.2016          | 31.12.2015 | 30.9.2016      | 31.12.2015 | 30.9.2016    | 31.12.2015 |                                                      |
| -           | -          | 10,219             | 9,948      | 16,093         | 15,225     | -16,355      | -15,869    | Subscribed capital                                   |
| -           | -          | -                  | -          | -              | -          | -            | -          | Capital reserves                                     |
| -           | -          | -                  | -          | -              | -          | -            | -          | Revenue reserves                                     |
| -           | -          | -                  | -          | -              | -          | -            | -          | Accumulated other equity                             |
| -           | -          | -                  | -          | -              | -          | -            | -          | <b>Equity attributable to shareholders of BMW AG</b> |
| -           | -          | -                  | -          | -              | -          | -            | -          | Minority interest                                    |
| 45          | 45         | 70                 | 55         | 1,726          | 1,130      | -            | -          | <b>Equity</b>                                        |
| 129         | 136        | 315                | 313        | 29             | 31         | -            | -          | Pension provisions                                   |
| -           | -          | 6,512              | 6,158      | 30             | 28         | -4,517       | -4,499     | Other provisions                                     |
| -           | -          | 17,731             | 16,030     | 36,664         | 31,471     | -352         | -599       | Deferred tax                                         |
| 393         | 401        | 28,118             | 23,613     | 545            | 835        | -30,151      | -25,835    | Financial liabilities                                |
| 567         | 582        | 52,746             | 46,169     | 38,994         | 33,495     | -35,020      | -30,933    | Other liabilities                                    |
| 70          | 85         | 605                | 518        | 3              | 8          | -            | -          | <b>Non-current provisions and liabilities</b>        |
| -           | -          | 338                | 223        | 88             | 408        | -            | -          | Other provisions                                     |
| -           | -          | 23,840             | 23,038     | 12,741         | 16,610     | -338         | -699       | Current tax                                          |
| 279         | 263        | 646                | 630        | 37             | 24         | -            | -          | Financial liabilities                                |
| 44          | 48         | 39,847             | 41,503     | 11,133         | 13,071     | -61,835      | -65,525    | Trade payables                                       |
| 393         | 396        | 65,276             | 65,912     | 24,002         | 30,121     | -62,173      | -66,224    | Other liabilities                                    |
| 960         | 978        | 128,241            | 122,029    | 79,089         | 78,841     | -113,548     | -113,026   | <b>Current provisions and liabilities</b>            |
|             |            |                    |            |                |            |              |            | <b>Total equity and liabilities</b>                  |

## INTERIM GROUP FINANCIAL STATEMENT

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

|                                                 |                                                                               | Group         |               |
|-------------------------------------------------|-------------------------------------------------------------------------------|---------------|---------------|
|                                                 | in € million                                                                  | 2016          | 2015          |
| <b>2 BMW GROUP IN FIGURES</b>                   |                                                                               |               |               |
| <b>5 INTERIM GROUP MANAGEMENT REPORT</b>        |                                                                               |               |               |
| 5 Report on Economic Position                   | Net profit                                                                    | <b>5,411</b>  | 4,844         |
| 20 Events after the End of the Reporting Period | Depreciation and amortisation of tangible, intangible and investment assets   | <b>3,662</b>  | 3,475         |
| 21 Report on Outlook, Risks and Opportunities   | Change in provisions                                                          | <b>108</b>    | -170          |
| 25 BMW Stock and Capital Markets                | Change in leased products and receivables from sales financing                | <b>-7,007</b> | -5,576        |
|                                                 | Change in deferred taxes                                                      | <b>1,030</b>  | -165          |
|                                                 | Changes in working capital                                                    | <b>-2,475</b> | -996          |
| <b>26 INTERIM GROUP FINANCIAL STATEMENTS</b>    | Other                                                                         | <b>1,075</b>  | -91           |
| 26 Income Statements for Group and Segments     | <b>Cash inflow/outflow from operating activities</b>                          | <b>1,804</b>  | <b>1,321</b>  |
| 26 Statement of Comprehensive Income for Group  | Investment in intangible assets and property, plant and equipment             | <b>-3,170</b> | -3,659        |
| 30 Balance Sheets for Group and Segments        | Net investment in marketable securities and term deposits                     | <b>-676</b>   | -1,153        |
| 32 Cash Flow Statements for Group and Segments  | Other                                                                         | <b>-202</b>   | 61            |
| 34 Group Statement of Changes in Equity         | <b>Cash inflow/outflow from investing activities</b>                          | <b>-4,048</b> | <b>-4,751</b> |
| 36 Notes to the Group Financial Statements      | <b>Cash inflow/outflow from financing activities</b>                          | <b>2,117</b>  | <b>1,458</b>  |
|                                                 | <b>Effect of exchange rate on cash and cash equivalents</b>                   | <b>-50</b>    | <b>67</b>     |
| <b>54 OTHER INFORMATION</b>                     | <b>Effect of changes in composition of Group on cash and cash equivalents</b> | <b>42</b>     | <b>-</b>      |
| 54 Financial Calendar                           | <b>Change in cash and cash equivalents</b>                                    | <b>-135</b>   | <b>-1,905</b> |
| 55 Contacts                                     | Cash and cash equivalents as at 1 January                                     | <b>6,122</b>  | 7,688         |
|                                                 | <b>Cash and cash equivalents as at 30 September</b>                           | <b>5,987</b>  | <b>5,783</b>  |

| Automotive    |               | Financial Services |               |                                                                               |
|---------------|---------------|--------------------|---------------|-------------------------------------------------------------------------------|
| 2016          | 2015          | 2016               | 2015          |                                                                               |
| <b>4,174</b>  | 3,569         | <b>1,215</b>       | 1,057         | Net profit                                                                    |
| <b>3,587</b>  | 3,402         | <b>21</b>          | 22            | Depreciation and amortisation of tangible, intangible and investment assets   |
| <b>243</b>    | -164          | <b>258</b>         | 284           | Change in provisions                                                          |
| -             | 3             | <b>-7,392</b>      | -5,762        | Change in leased products and receivables from sales financing                |
| <b>571</b>    | -118          | <b>409</b>         | -146          | Change in deferred taxes                                                      |
| <b>-2,534</b> | -1,091        | <b>13</b>          | 96            | Changes in working capital                                                    |
| <b>452</b>    | 1,247         | <b>-1,705</b>      | -424          | Other                                                                         |
| <b>6,493</b>  | <b>7,084</b>  | <b>-7,181</b>      | <b>-4,873</b> | <b>Cash inflow/outflow from operating activities</b>                          |
| <b>-3,114</b> | -3,612        | <b>-4</b>          | -2            | Investment in intangible assets and property, plant and equipment             |
| <b>-410</b>   | -919          | <b>19</b>          | -235          | Net investment in marketable securities and term deposits                     |
| <b>36</b>     | -96           | -                  | -             | Other                                                                         |
| <b>-3,488</b> | <b>-4,627</b> | <b>15</b>          | <b>-237</b>   | <b>Cash inflow/outflow from investing activities</b>                          |
| <b>-2,440</b> | <b>-4,373</b> | <b>7,247</b>       | <b>4,724</b>  | <b>Cash inflow/outflow from financing activities</b>                          |
| <b>-17</b>    | <b>42</b>     | <b>-14</b>         | <b>-11</b>    | <b>Effect of exchange rate on cash and cash equivalents</b>                   |
| <b>30</b>     | -             | <b>12</b>          | -             | <b>Effect of changes in composition of Group on cash and cash equivalents</b> |
| <b>578</b>    | <b>-1,874</b> | <b>79</b>          | <b>-397</b>   | <b>Change in cash and cash equivalents</b>                                    |
| <b>3,952</b>  | 5,752         | <b>1,359</b>       | 1,783         | Cash and cash equivalents as at 1 January                                     |
| <b>4,530</b>  | <b>3,878</b>  | <b>1,438</b>       | <b>1,386</b>  | <b>Cash and cash equivalents as at 30 September</b>                           |

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## Group Statement of Changes in Equity to 30 September 2016

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| in € million                                        | Note | Subscribed<br>capital | Capital<br>reserves | Revenue reserves |
|-----------------------------------------------------|------|-----------------------|---------------------|------------------|
| <b>1 January 2015</b>                               | 24 — | <b>656</b>            | <b>2,005</b>        | <b>35,621</b>    |
| Dividends paid                                      |      | —                     | —                   | –1,904           |
| Net profit                                          |      | —                     | —                   | 4,827            |
| Other comprehensive income for the period after tax |      | —                     | —                   | –875             |
| <b>Comprehensive income 30 September 2015</b>       |      | <b>—</b>              | <b>—</b>            | <b>5,702</b>     |
| Other changes                                       |      | —                     | —                   | –71              |
| <b>30 September 2015</b>                            | 24 — | <b>656</b>            | <b>2,005</b>        | <b>39,348</b>    |

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

| 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> | <b>1 January 2015</b>                               |
| -                        | -           | -                                | -1,904                                        | -                 | <b>-1,904</b> | Dividends paid                                      |
| -                        | -           | -                                | -4,827                                        | -17               | <b>-4,844</b> | Net profit                                          |
| -705                     | -109        | -750                             | -721                                          | -                 | <b>-721</b>   | Other comprehensive income for the period after tax |
| <u>705</u>               | <u>-109</u> | <u>-750</u>                      | <u>5,548</u>                                  | <u>17</u>         | <u>5,565</u>  | <b>Comprehensive income 30 September 2015</b>       |
| -                        | -           | -                                | -71                                           | -10               | <b>-81</b>    | Other changes                                       |
| <u>-18</u>               | <u>32</u>   | <u>-1,230</u>                    | <u>40,793</u>                                 | <u>224</u>        | <u>41,017</u> | <b>30 September 2015</b>                            |

| 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> | <b>1 January 2016</b>                               |
| -                        | -          | -                                | -2,102                                        | -                 | <b>-2,102</b> | Dividends paid                                      |
| -                        | -          | -                                | -5,378                                        | -33               | <b>-5,411</b> | Net profit                                          |
| -683                     | -96        | -2,051                           | -606                                          | -                 | <b>-606</b>   | Other comprehensive income for the period after tax |
| <u>-683</u>              | <u>96</u>  | <u>2,051</u>                     | <u>4,772</u>                                  | <u>33</u>         | <u>4,805</u>  | <b>Comprehensive income 30 September 2016</b>       |
| -                        | -          | -                                | -11                                           | -28               | <b>-39</b>    | Other changes                                       |
| <u>-551</u>              | <u>120</u> | <u>714</u>                       | <u>45,189</u>                                 | <u>239</u>        | <u>45,428</u> | <b>30 September 2016</b>                            |

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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 September 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 September 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.

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 September 2016 have neither been audited nor reviewed by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

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

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

## 2 – Group reporting entity

The BMW Group Financial Statements for the nine months of 2016 include, besides BMW AG, 20 German and 138 foreign subsidiaries. This includes one special purpose securities fund and 39 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 third 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 in the first quarter 2016.

Compared to 30 September of the previous year, two subsidiaries and 30 special purpose trusts have been consolidated for the first time. Also compared to 30 September of the previous year, one subsidiary and 21 special purpose trusts have ceased to be consolidated companies. The changes to the composition of the Group do not have a material impact on the results of operations, financial position or net assets of the BMW Group.

Moreover, there were no acquisitions during the first nine months 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                   |                                |
|--------------------|--------------|------------|--------------------------------|--------------------------------|
|                    | 30.9.2016    | 31.12.2015 | 1 January to 30 September 2016 | 1 January to 30 September 2015 |
| US Dollar          | 1.12         | 1.09       | 1.12                           | 1.11                           |
| British Pound      | 0.86         | 0.74       | 0.80                           | 0.73                           |
| Chinese Renminbi   | 7.48         | 7.07       | 7.35                           | 6.96                           |
| Japanese Yen       | 113.60       | 130.74     | 120.99                         | 134.74                         |
| South African Rand | 15.45        | 16.86      | 16.69                          | 13.69                          |

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 three quarters of the financial year 2016

The following Standards, Revised Standards, Amendments and Interpretations were applied for the first time in the first three quarters 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 nine months of the year, 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) and the Amendment "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", published in September 2016, will 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                                     | 3rd quarter<br>2016 | 3rd quarter<br>2015 | 1 January to<br>30 September<br>2016 | 1 January to<br>30 September<br>2015 |
|--------------------------------------------------|---------------------|---------------------|--------------------------------------|--------------------------------------|
| Sales of products and related goods              | 17,017              | 16,832              | 50,474                               | 49,604                               |
| Income from lease instalments                    | 2,386               | 2,228               | 7,076                                | 6,644                                |
| Sales of products previously leased to customers | 2,305               | 1,767               | 6,786                                | 6,336                                |
| Interest income on loan financing                | 868                 | 808                 | 2,547                                | 2,412                                |
| Other income                                     | 786                 | 710                 | 2,346                                | 2,201                                |
| <b>Revenues</b>                                  | <b>23,362</b>       | <b>22,345</b>       | <b>69,229</b>                        | <b>67,197</b>                        |

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

### 6 – Cost of sales

Cost of sales include €10,731 million (2015: €10,327 million) in the third quarter and €30,870 million for the nine-month period (2015: €31,284 million) relating to manufacturing costs.

Group cost of sales directly attributable to financial service business amounted to €5,066 million (2015: €4,541 million) for the third quarter and €15,216 million (2015: €14,633 million) for the period from 1 January to 30 September 2016.

Third-quarter Group cost of sales include research and development expenses of €1,023 million (2015: €1,199 million), comprising all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to €305 million (2015: €335 million). Research and development expenses in the first nine months of 2016 totalled €3,049 million (2015: €3,221 million), including amortisation of capitalised development costs of €917 million (2015: €851 million).

### 7 – Selling and administrative expenses

Selling expenses, comprising mainly marketing, advertising and sales personnel costs, amounted to €1,422 million in the third quarter (2015: €1,407 million) and €4,249 million (2015: €4,077 million) for the nine-month period.

Administrative expenses amounted to €739 million (2015: €677 million) in the third quarter and €2,187 million (2015: €2,058 million) for the nine-month period. Administrative expenses comprise expenses for administration not attributable to development, production or sales functions.

### 8 – Other operating income and expenses

Other operating income totalled €112 million in the third quarter (2015: €157 million) and €474 million for the nine-month period (2015: €745 million). Third-quarter and nine-month other operating expenses totalled €159 million (2015: €165 million) and €601 million (2015:

€615 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 third quarter was a positive amount of €162 million (2015: €138 million). For the nine-month period, the equivalent figure was €360 million (2015: €421 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.

## 2 BMW GROUP IN FIGURES 10 – Net interest result

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| in € million                  | 3rd quarter<br>2016 | 3rd quarter<br>2015 | 1 January to<br>30 September<br>2016 | 1 January to<br>30 September<br>2015 |
|-------------------------------|---------------------|---------------------|--------------------------------------|--------------------------------------|
| Interest and similar income   | 38                  | 43                  | 111                                  | 144                                  |
| Interest and similar expenses | -100                | -175                | -359                                 | -428                                 |
| <b>Net interest result</b>    | <b>-62</b>          | <b>-132</b>         | <b>-248</b>                          | <b>-284</b>                          |

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## 11 – Other financial result

| in € million                  | 3rd quarter<br>2016 | 3rd quarter<br>2015 | 1 January to<br>30 September<br>2016 | 1 January to<br>30 September<br>2015 |
|-------------------------------|---------------------|---------------------|--------------------------------------|--------------------------------------|
| Result on investments         | -5                  | -                   | -57                                  | 1                                    |
| Sundry other financial result | -100                | -97                 | 124                                  | -424                                 |
| <b>Other financial result</b> | <b>95</b>           | <b>-97</b>          | <b>67</b>                            | <b>-423</b>                          |

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## 12 – Income taxes

Taxes on income comprise the following:

| in € million                | 3rd quarter<br>2016 | 3rd quarter<br>2015 | 1 January to<br>30 September<br>2016 | 1 January to<br>30 September<br>2015 |
|-----------------------------|---------------------|---------------------|--------------------------------------|--------------------------------------|
| Current tax expense         | 596                 | 831                 | 1,300                                | 2,434                                |
| Deferred tax income/expense | 158                 | -147                | 1,030                                | -164                                 |
| <b>Income taxes</b>         | <b>754</b>          | <b>684</b>          | <b>2,330</b>                         | <b>2,270</b>                         |

The effective tax rate for the nine-month period to 30 September 2016 was 30.1 % (2015: 31.9 %) and corresponds to the best estimate of the weighted average

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

### 13 – Earnings per share

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

|                                                            |           | 3rd quarter<br>2016 | 3rd quarter<br>2015 | 1 January to<br>30 September<br>2016 | 1 January to<br>30 September<br>2015 |
|------------------------------------------------------------|-----------|---------------------|---------------------|--------------------------------------|--------------------------------------|
| Profit attributable to shareholders of BMWAG               | € million | 1,805.5             | 1,571.9             | 5,377.8                              | 4,826.8                              |
| Profit attributable to common stock                        | € million | 1,654.8             | 1,441.4             | 4,928.5                              | 4,425.6                              |
| Profit attributable to preferred stock                     | € million | 150.7               | 130.5               | 449.3                                | 401.2                                |
| Average number of<br>common stock shares in circulation    | number    | 601,995,196         | 601,995,196         | 601,995,196                          | 601,995,196                          |
| Average number of<br>preferred stock shares in circulation | number    | 54,809,404          | 54,499,544          | 54,809,404                           | 54,499,544                           |
| <b>Basic earnings per share of common stock</b>            | €         | <b>2.75</b>         | 2.39                | <b>8.19</b>                          | 7.35                                 |
| <b>Basic earnings per share of preferred stock</b>         | €         | <b>2.75</b>         | 2.39                | <b>8.20</b>                          | 7.36                                 |

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

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

| in € million                                                                       | 3rd quarter<br>2016 | 3rd quarter<br>2015 | 1 January to<br>30 September<br>2016 | 1 January to<br>30 September<br>2015 |
|------------------------------------------------------------------------------------|---------------------|---------------------|--------------------------------------|--------------------------------------|
| Remeasurement of net liability for defined benefit pension plans                   | -880                | 241                 | -2,968                               | 1,236                                |
| Deferred taxes                                                                     | 231                 | -127                | 898                                  | -361                                 |
| Other comprehensive income from equity accounted investments                       | -                   | -                   | -                                    | -                                    |
| <b>Items not expected to be reclassified to the income statement in the future</b> | <b>-649</b>         | <b>114</b>          | <b>-2,070</b>                        | <b>875</b>                           |
| Available-for-sale securities                                                      | 24                  | -19                 | 126                                  | -162                                 |
| — thereof gains/losses arising in the period under report                          | 36                  | 5                   | 156                                  | -25                                  |
| — thereof reclassifications to the income statement                                | -12                 | -24                 | -30                                  | -137                                 |
| Financial instruments used for hedging purposes                                    | 781                 | 1,856               | 2,838                                | -1,100                               |
| — thereof gains/losses arising in the period under report                          | 673                 | 1,579               | 2,343                                | -2,024                               |
| — thereof reclassifications to the income statement                                | 108                 | 277                 | 495                                  | 924                                  |
| Other comprehensive income from equity accounted investments                       | 1                   | 49                  | 74                                   | 31                                   |
| Deferred taxes                                                                     | -265                | -544                | -1,006                               | 455                                  |
| Currency translation foreign operations                                            | -167                | -484                | -568                                 | 622                                  |
| <b>Items expected to be reclassified to the income statement in the future</b>     | <b>374</b>          | <b>858</b>          | <b>1,464</b>                         | <b>-154</b>                          |
| <b>Other comprehensive income for the period after tax</b>                         | <b>-275</b>         | <b>972</b>          | <b>-606</b>                          | <b>721</b>                           |

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

| in € million                                                     | 3rd quarter 2016 |                   |              | 3rd quarter 2015 |                   |              |
|------------------------------------------------------------------|------------------|-------------------|--------------|------------------|-------------------|--------------|
|                                                                  | Before<br>tax    | Deferred<br>taxes | After<br>tax | Before<br>tax    | Deferred<br>taxes | After<br>tax |
| Remeasurement of net liability for defined benefit pension plans | -880             | 231               | -649         | 241              | -127              | 114          |
| Available-for-sale securities                                    | 24               | -4                | 20           | -19              | 5                 | -14          |
| Financial instruments used for hedging purposes                  | 781              | -253              | 528          | 1,856            | -527              | 1,329        |
| Other comprehensive income from equity accounted investments     | -1               | -8                | -7           | 49               | -22               | 27           |
| Currency translation foreign operations                          | -167             | -                 | -167         | -484             | -                 | -484         |
| <b>Other comprehensive income</b>                                | <b>-241</b>      | <b>-34</b>        | <b>-275</b>  | <b>1,643</b>     | <b>-671</b>       | <b>972</b>   |

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

| in € million                                                     | 1 January to 30 September 2016 |                   |              | 1 January to 30 September 2015 |                   |              |
|------------------------------------------------------------------|--------------------------------|-------------------|--------------|--------------------------------|-------------------|--------------|
|                                                                  | Before<br>tax                  | Deferred<br>taxes | After<br>tax | Before<br>tax                  | Deferred<br>taxes | After<br>tax |
| Remeasurement of net liability for defined benefit pension plans | -2,968                         | 898               | -2,070       | 1,236                          | -361              | 875          |
| Available-for-sale securities                                    | 126                            | -30               | 96           | -162                           | 53                | -109         |
| Financial instruments used for hedging purposes                  | 2,838                          | -929              | 1,909        | -1,100                         | 389               | -711         |
| Other comprehensive income from equity accounted investments     | 74                             | -47               | 27           | 31                             | -13               | 44           |
| Currency translation foreign operations                          | -568                           | -                 | -568         | 622                            | -                 | 622          |
| <b>Other comprehensive income</b>                                | <b>-498</b>                    | <b>-108</b>       | <b>-606</b>  | <b>627</b>                     | <b>94</b>         | <b>721</b>   |

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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 €6,634 million at the end of the reporting period (31 December 2015: €6,351 million). Additions to development costs in the first nine months of 2016 totalled €1,200 million (2015: €1,316 million). The amortisation expense for the period was €917 million (2015: €851 million).

At 30 September 2016, other intangible assets amounted to €547 million (31 December 2015: €657 million), including a brand-name right with a carrying amount of €42 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. Investments in other intangible assets during the nine-month period totalled €35 million (2015: €28 million). Amortisation on other intangible assets in the same period totalled €134 million (2015: €132 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 €42 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 nine months of 2016 totalled €1,935 million (2015: €2,315 million). The depreciation expense for the period amounted to €2,544 million (2015: €2,492 million), while disposals amounted to €12 million (2015: €23 million).

Purchase commitments for property, plant and equipment totalled €3,685 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 €15,787 million (2015: €12,930 million)

and €2,391 million (2015: €3,073 million) respectively, while disposals totalled €11,762 million (2015: €7,832 million).

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

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

Other investments relate to investments in non-consolidated subsidiaries, joint ventures, joint operations and associated companies, participations and non-current marketable securities. An impairment loss of €66 million (2015: €13 million) was recognised with income statement effect on the investment in SGL Carbon SE, Wiesbaden, during the nine-month period.

### 19 – Receivables from sales financing

Receivables from sales financing totalling €73,749 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 €45,497 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                               | 30.9.2016     | 31.12.2015   |
|--------------------------------------------|---------------|--------------|
| Derivative instruments                     | 4,671         | 3,030        |
| Marketable securities and investment funds | 5,472         | 5,261        |
| Loans to third parties                     | 129           | 133          |
| Credit card receivables                    | 262           | 272          |
| Other                                      | 802           | 147          |
| <b>Financial assets</b>                    | <b>11,336</b> | <b>8,843</b> |
| thereof non-current                        | 3,332         | 2,208        |
| thereof current                            | 8,004         | 6,635        |

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

## 21 – Income tax assets

Income tax assets totalling €2,579 million (31 December 2015: €2,381 million) include claims amounting to €435 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                                                    | 30.9.2016    | 31.12.2015   |
|-----------------------------------------------------------------|--------------|--------------|
| Prepayments                                                     | 1,690        | 1,527        |
| Receivables from subsidiaries                                   | 381          | 716          |
| Receivables from other companies in which an investment is held | 1,094        | 893          |
| Other taxes                                                     | 1,072        | 1,036        |
| Collateral receivables                                          | 289          | 412          |
| Expected reimbursement claims                                   | 792          | 711          |
| Sundry other assets                                             | 926          | 966          |
| <b>Other assets</b>                                             | <b>6,244</b> | <b>6,261</b> |
| thereof non-current                                             | 1,495        | 1,568        |
| thereof current                                                 | 4,749        | 4,693        |

## 23 – Inventories

Inventories comprise the following:

| in € million                         | 30.9.2016     | 31.12.2015    |
|--------------------------------------|---------------|---------------|
| Raw materials and supplies           | 1,194         | 1,004         |
| Work in progress, unbilled contracts | 1,180         | 1,098         |
| Finished goods and goods for resale  | 11,690        | 8,969         |
| <b>Inventories</b>                   | <b>14,064</b> | <b>11,071</b> |

## 24 – Shareholders' equity

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

Number of shares issued

At 30 September 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 September 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 nine-month period to stand at €42,222 million at 30 September 2016 (31 December 2015: €41,027 million). They were increased in the first nine months of 2016 by the net profit for the period attributable to shareholders of BMW AG amounting to €5,378 million (2015: €4,827 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 €2,070 million (2015: increased by €875 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 €11 million (2015: €71 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 €239 million (31 December 2015: €234 million). This includes a minority interest of €33 million in the results for the period (31 December 2015: €27 million).

### 25 – Pension provisions

Pension provisions stood at €5,590 million (31 December 2015: €3,000 million). Remeasurements of the net defined benefit liability for pension plans increased

provisions by €2,968 million in the nine-month period under report, mainly as a result of the lower discount rates applied in Germany, the UK and the USA.

### 26 – Other provisions

Other provisions, at €10,154 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 €6,471 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. Accordingly, an additional amount of €500 million was allocated during the nine-month period (mostly in the first half of 2016) to cover 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 €5,489 million at the end of the reporting period (31 December 2015: €5,009 million).

### 27 – Income tax liabilities

Income tax liabilities totalling €1,147 million (31 December 2015: €1,441 million) include obligations amounting to €266 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.

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Current tax liabilities comprise €225 million (31 December 2015: €288 million) for taxes payable and €922 mil-

lion (31 December 2015: €1,153 million) for tax provisions.

## 28 – Financial liabilities

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

| in € million                                 | 30.9.2016     | 31.12.2015    |
|----------------------------------------------|---------------|---------------|
| Bonds                                        | 45,649        | 40,319        |
| Liabilities to banks                         | 13,421        | 12,720        |
| Liabilities from customer deposits (banking) | 13,189        | 13,509        |
| Commercial paper                             | 2,715         | 5,415         |
| Asset backed financing transactions          | 14,958        | 13,631        |
| Derivative instruments                       | 2,318         | 4,550         |
| Other                                        | 1,248         | 1,539         |
| <b>Financial liabilities</b>                 | <b>93,498</b> | <b>91,683</b> |
| thereof non-current                          | 55,692        | 49,523        |
| thereof current                              | 37,806        | 42,160        |

During the first nine months of 2016, a number of bonds were issued in various currencies with a total volume of €12,994 million (2015: €9,739 million). Repayments during the nine-month period amounted to €7,527 million (2015: €6,910 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                                               | 30.9.2016     | 31.12.2015    |
|------------------------------------------------------------|---------------|---------------|
| Other taxes                                                | 1,279         | 1,080         |
| Social security                                            | 85            | 89            |
| Advance payments from customers                            | 914           | 802           |
| Deposits received                                          | 872           | 871           |
| Payables to subsidiaries                                   | 72            | 86            |
| Payables to other companies in which an investment is held | 302           | 107           |
| Deferred income                                            | 6,801         | 6,254         |
| Other                                                      | 4,669         | 4,478         |
| <b>Other liabilities</b>                                   | <b>14,994</b> | <b>13,767</b> |
| thereof non-current                                        | 5,271         | 4,559         |
| thereof current                                            | 9,723         | 9,208         |

## 30 – Contingent liabilities

Regulatory agencies have ordered the BMW Group to recall various vehicle models that are fitted with air-bags 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 of 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 nine months 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 September 2016 on the basis of the following interest rates:

| ISO Code<br>in %             | EUR   | USD  | GBP  | JPY   | CNY  |
|------------------------------|-------|------|------|-------|------|
| Interest rate for six months | -0.23 | 0.87 | 0.79 | -0.29 | 2.84 |
| Interest rate for one year   | -0.21 | 0.93 | 0.48 | -0.04 | 2.90 |
| Interest rate for five years | -0.15 | 1.15 | 0.48 | -0.10 | 3.17 |
| Interest rate for ten years  | 0.27  | 1.42 | 0.74 | -0.05 | 3.66 |

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.

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

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

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 September 2016<br>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 | 5,472                                      | -       | -       |
| Other investments – available-for-sale/fair value option                                 | 200                                        | -       | -       |
| Derivative instruments (assets)                                                          |                                            |         |         |
| — Interest rate risks                                                                    | -                                          | 2,670   | -       |
| — Currency risks                                                                         | -                                          | 1,872   | -       |
| — Raw materials price risks                                                              | -                                          | 129     | -       |
| Derivative instruments (liabilities)                                                     |                                            |         |         |
| — Interest rate risks                                                                    | -                                          | 1,010   | -       |
| — Currency risks                                                                         | -                                          | 819     | -       |
| — Raw materials price risks                                                              | -                                          | 489     | -       |

## INTERIM GROUP FINANCIAL STATEMENT

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|    |                                              |                                                                                          |                                            |         |         |   |
|----|----------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------------|---------|---------|---|
| 2  | <b>BMW GROUP IN FIGURES</b>                  | 31 December 2015                                                                         | Level hierarchy in accordance with IFRS 13 |         |         |   |
|    |                                              | in € million                                                                             | Level 1                                    | Level 2 | Level 3 |   |
| 5  | <b>INTERIM GROUP MANAGEMENT REPORT</b>       |                                                                                          |                                            |         |         |   |
| 5  | Report on Economic Position                  | Marketable securities, investment fund shares and collateral assets – available-for-sale | 5,259                                      | –       | –       | – |
| 20 | Events after the End of the Reporting Period | Other investments – available-for-sale/fair value option                                 | 244                                        | –       | –       | – |
| 21 | Report on Outlook, Risks and Opportunities   | Derivative instruments (assets)                                                          |                                            |         |         |   |
| 25 | BMW Stock and Capital Markets                | — Interest rate risks                                                                    | –                                          | 1,939   | –       | – |
|    |                                              | — Currency risks                                                                         | –                                          | 1,086   | –       | – |
|    |                                              | — Raw materials price risks                                                              | –                                          | 5       | –       | – |
| 26 | <b>INTERIM GROUP FINANCIAL STATEMENTS</b>    | Derivative instruments (liabilities)                                                     |                                            |         |         |   |
| 26 | Income Statements for Group and Segments     | — Interest rate risks                                                                    | –                                          | 1,352   | –       | – |
| 26 | Statement of Comprehensive Income for Group  | — Currency risks                                                                         | –                                          | 2,136   | –       | – |
| 30 | Balance Sheets for Group and Segments        | — Raw materials price risks                                                              | –                                          | 1,062   | –       | – |
| 32 | Cash Flow Statements for Group and Segments  |                                                                                          |                                            |         |         |   |
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As in the previous year, there were no reclassifications within the level hierarchy during the first nine months 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                                             | 30.9.2016  |                 | 31.12.2015 |                 |
|----------------------------------------------------------|------------|-----------------|------------|-----------------|
|                                                          | Fair value | Carrying amount | Fair value | Carrying amount |
| Loans and receivables – Receivables from sales financing | 77,559     | 73,749          | 72,309     | 70,043          |
| Other liabilities – Bonds                                | 46,458     | 45,649          | 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 nine 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 nine months of 2016 for an amount of €3,828 million (2015: €3,516 million), of which €1,414 million was recorded in the third quarter (2015: €1,164 million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, during the first nine months of 2016 for an amount of €35 million (2015: €37 million), of which €13 million was recorded in the third quarter (2015: €13 million). At 30 September 2016, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, totalled €1,092 million (31 December 2015: €892 million). Trade and financial payables of Group companies to BMW Brilliance Automotive Ltd., Shenyang, amounted to €302 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 nine months of 2016. Group companies received goods and services from the HERE Group during this period in the form of licenses amounting to €27 million, of which €13 million was recorded in the third quarter. At 30 September 2016, payables of Group companies to the HERE Group totalled €6 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 nine months of 2016. In addition, companies of the DELTON Group used vehicles provided by the BMW Group, mostly in the form of lease contracts. Stefan Quandt is also the indirect majority shareholder of Solarwatt GmbH, Dresden. Cooperation arrangements are in place between BMW AG and Solarwatt GmbH, Dresden, within the field of electric mobility. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. During the first nine months of 2016 Solarwatt GmbH, Dresden, leased vehicles from the BMW Group. The service, cooperation and lease contracts referred to above are not material for the BMW Group. They all arise in the normal course of business and are conducted without exception on the basis of arm's length principles.

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

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

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

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### 33 – 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 third quarter is as follows:

|                                                     | Automotive    |               | Motorcycles |            |
|-----------------------------------------------------|---------------|---------------|-------------|------------|
| in € million                                        | 2016          | 2015          | 2016        | 2015       |
| External revenues                                   | 16,887        | 16,675        | 449         | 452        |
| Inter-segment revenues                              | 4,677         | 4,295         | 2           | 2          |
| <b>Total revenues</b>                               | <b>21,564</b> | <b>20,970</b> | <b>451</b>  | <b>454</b> |
| Segment result                                      | 1,837         | 1,912         | 32          | 46         |
| Result from equity accounted investments            | 162           | 138           | -           | -          |
| Capital expenditure on non-current assets           | 1,409         | 1,429         | 27          | 21         |
| Depreciation and amortisation on non-current assets | 1,188         | 1,216         | 19          | 17         |

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

|                                                     | Automotive    |               | Motorcycles  |              |
|-----------------------------------------------------|---------------|---------------|--------------|--------------|
| in € million                                        | 2016          | 2015          | 2016         | 2015         |
| External revenues                                   | 49,784        | 48,874        | 1,644        | 1,637        |
| Inter-segment revenues                              | 13,466        | 12,639        | 6            | 6            |
| <b>Total revenues</b>                               | <b>63,250</b> | <b>61,513</b> | <b>1,650</b> | <b>1,643</b> |
| Segment result                                      | 5,778         | 5,525         | 224          | 273          |
| Result from equity accounted investments            | 360           | 421           | -            | -            |
| Capital expenditure on non-current assets           | 3,114         | 3,612         | 51           | 45           |
| Depreciation and amortisation on non-current assets | 3,520         | 3,402         | 54           | 50           |

|                                                   | Automotive |            | Motorcycles |            |
|---------------------------------------------------|------------|------------|-------------|------------|
| in € million                                      | 30.9.2016  | 31.12.2015 | 30.9.2016   | 31.12.2015 |
| Investments accounted for using the equity method | 2,496      | 2,233      | -           | -          |
| Segment assets                                    | 11,374     | 10,024     | 541         | 557        |

| Financial Services |              | Other Entities |          | Reconciliation to Group figures |               | Group         |               |                                                     |
|--------------------|--------------|----------------|----------|---------------------------------|---------------|---------------|---------------|-----------------------------------------------------|
| 2016               | 2015         | 2016           | 2015     | 2016                            | 2015          | 2016          | 2015          |                                                     |
| 6,026              | 5,217        | -              | 1        | -                               | -             | 23,362        | 22,345        | External revenues                                   |
| 377                | 404          | 1              | -        | -5,057                          | -4,701        | -             | -             | Inter-segment revenues                              |
| <b>6,403</b>       | <b>5,621</b> | <b>1</b>       | <b>1</b> | <b>-5,057</b>                   | <b>-4,701</b> | <b>23,362</b> | <b>22,345</b> | <b>Total revenues</b>                               |
| 568                | 462          | 40             | 5        | 98                              | -162          | 2,575         | 2,263         | Segment result                                      |
| -                  | -            | -              | -        | -                               | -             | 162           | 138           | Result from equity accounted investments            |
| 6,484              | 5,889        | -              | -        | -2,160                          | -1,393        | 5,760         | 5,946         | Capital expenditure on non-current assets           |
| 2,734              | 2,622        | -              | -        | -1,507                          | -1,306        | 2,434         | 2,549         | Depreciation and amortisation on non-current assets |

| Financial Services |               | Other Entities |          | Reconciliation to Group figures |                | Group         |               |                                                     |
|--------------------|---------------|----------------|----------|---------------------------------|----------------|---------------|---------------|-----------------------------------------------------|
| 2016               | 2015          | 2016           | 2015     | 2016                            | 2015           | 2016          | 2015          |                                                     |
| 17,800             | 16,684        | 1              | 2        | -                               | -              | 69,229        | 67,197        | External revenues                                   |
| 1,140              | 1,149         | 3              | 2        | -14,615                         | -13,796        | -             | -             | Inter-segment revenues                              |
| <b>18,940</b>      | <b>17,833</b> | <b>4</b>       | <b>4</b> | <b>-14,615</b>                  | <b>-13,796</b> | <b>69,229</b> | <b>67,197</b> | <b>Total revenues</b>                               |
| 1,641              | 1,517         | 84             | 126      | 14                              | -327           | 7,741         | 7,114         | Segment result                                      |
| -                  | -             | -              | -        | -                               | -              | 360           | 421           | Result from equity accounted investments            |
| 20,691             | 16,815        | -              | -        | -4,899                          | -3,883         | 18,957        | 16,589        | Capital expenditure on non-current assets           |
| 7,438              | 6,896         | -              | -        | -4,150                          | -3,800         | 6,862         | 6,548         | Depreciation and amortisation on non-current assets |

| Financial Services |            | Other Entities |            | Reconciliation to Group figures |            | Group     |            |                                                   |
|--------------------|------------|----------------|------------|---------------------------------|------------|-----------|------------|---------------------------------------------------|
| 30.9.2016          | 31.12.2015 | 30.9.2016      | 31.12.2015 | 30.9.2016                       | 31.12.2015 | 30.9.2016 | 31.12.2015 |                                                   |
| -                  | -          | -              | -          | -                               | -          | 2,496     | 2,233      | Investments accounted for using the equity method |
| 10,219             | 9,948      | 71,806         | 71,709     | 88,702                          | 79,936     | 182,642   | 172,174    | Segment assets                                    |

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

| in € million                                                           | 3rd quarter<br>2016 | 3rd quarter<br>2015 |
|------------------------------------------------------------------------|---------------------|---------------------|
| Reconciliation of segment result                                       |                     |                     |
| — Total for reportable segments                                        | 2,477               | 2,425               |
| — Financial result of Automotive segment and Motorcycles segment       | 193                 | -68                 |
| — Elimination of inter-segment items                                   | -95                 | -94                 |
| <b>Group profit before tax</b>                                         | <b>2,575</b>        | <b>2,263</b>        |
| Reconciliation of capital expenditure on non-current assets            |                     |                     |
| — Total for reportable segments                                        | 7,920               | 7,339               |
| — Elimination of inter-segment items                                   | -2,160              | -1,393              |
| <b>Total Group capital expenditure on non-current assets</b>           | <b>5,760</b>        | <b>5,946</b>        |
| Reconciliation of depreciation and amortisation on non-current assets  |                     |                     |
| — Total for reportable segments                                        | 3,941               | 3,855               |
| — Elimination of inter-segment items                                   | -1,507              | -1,306              |
| <b>Total Group depreciation and amortisation on non-current assets</b> | <b>2,434</b>        | <b>2,549</b>        |

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

| in € million                                                           | 1 January to<br>30 September 2016 | 1 January to<br>30 September 2015 |
|------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Reconciliation of segment result                                       |                                   |                                   |
| — Total for reportable segments                                        | 7,727                             | 7,441                             |
| — Financial result of Automotive segment and Motorcycles segment       | 262                               | -204                              |
| — Elimination of inter-segment items                                   | -248                              | -123                              |
| <b>Group profit before tax</b>                                         | <b>7,741</b>                      | <b>7,114</b>                      |
| Reconciliation of capital expenditure on non-current assets            |                                   |                                   |
| — Total for reportable segments                                        | 23,856                            | 20,472                            |
| — Elimination of inter-segment items                                   | -4,899                            | -3,883                            |
| <b>Total Group capital expenditure on non-current assets</b>           | <b>18,957</b>                     | <b>16,589</b>                     |
| Reconciliation of depreciation and amortisation on non-current assets  |                                   |                                   |
| — Total for reportable segments                                        | 11,012                            | 10,348                            |
| — Elimination of inter-segment items                                   | -4,150                            | -3,800                            |
| <b>Total Group depreciation and amortisation on non-current assets</b> | <b>6,862</b>                      | <b>6,548</b>                      |

| in € million                                                                 | 30.9.2016             | 31.12.2015            |
|------------------------------------------------------------------------------|-----------------------|-----------------------|
| Reconciliation of segment assets                                             |                       |                       |
| — Total for reportable segments                                              | <b>93,940</b>         | 92,238                |
| — Non-operating assets – Other Entities segment                              | <b>7,283</b>          | 7,132                 |
| — Total liabilities – Financial Services segment                             | <b>118,022</b>        | 112,081               |
| — Non-operating assets – Automotive and Motorcycles segments                 | <b>44,344</b>         | 41,932                |
| — Liabilities of Automotive and Motorcycles segments not subject to interest | <b>32,601</b>         | 31,817                |
| — Elimination of inter-segment items                                         | <b>-113,548</b>       | -113,026              |
| <b>Total Group assets</b>                                                    | <b><u>182,642</u></b> | <b><u>172,174</u></b> |

## OTHER INFORMATION

### Financial Calendar

|    |                                                   |                                       |                 |
|----|---------------------------------------------------|---------------------------------------|-----------------|
| 2  | <b>BMW GROUP IN FIGURES</b>                       | Annual Report 2016                    | 21 March 2017   |
| 5  | <b>INTERIM GROUP<br/>MANAGEMENT REPORT</b>        | Annual Accounts Press Conference      | 21 March 2017   |
| 5  | Report on Economic<br>Position                    | Analyst and Investor Conference       | 22 March 2017   |
| 20 | Events after the End of<br>the Reporting Period   | Quarterly Report to 31 March 2017     | 4 May 2017      |
| 21 | Report on Outlook, Risks<br>and Opportunities     | Annual General Meeting                | 11 May 2017     |
| 25 | BMW Stock and Capital<br>Markets                  | Quarterly Report to 30 June 2017      | 3 August 2017   |
|    |                                                   | Quarterly Report to 30 September 2017 | 7 November 2017 |
| 26 | <b>INTERIM GROUP<br/>FINANCIAL STATEMENTS</b>     |                                       |                 |
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**OTHER INFORMATION**

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**The BMW Group on the Internet** 

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

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