

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 2016	3rd quarter 2015	Change in %
Key performance indicators reported on during the year				
BMW Group				
Profit before tax	€ million	2,575	2,263	13.8
Workforce at 30 September ¹		126,013	121,316	3.9
Automotive segment				
Sales volume ²	units	583,499	545,062	7.1
Revenues	€ million	21,564	20,970	2.8
EBIT margin ³	% (change in %pts)	8.5	9.1	-0.6
Motorcycles segment				
Sales volume	units	35,290	33,993	3.8
Further performance figures				
Automotive segment				
Sales volume				
BMW ²	units	493,379	463,739	6.4
MINI	units	89,179	80,488	10.8
Rolls-Royce	units	941	835	12.7
Total²		583,499	545,062	7.1
Production				
BMW ⁴	units	507,024	513,991	-1.4
MINI	units	85,784	80,002	7.2
Rolls-Royce	units	939	968	-3.0
Total⁴		593,747	594,961	-0.2
Motorcycles segment				
Production	units	31,458	32,220	-2.4
Financial Services segment				
New contracts with retail customers		467,702	420,639	11.2
Operating cash flow Automotive segment				
	€ million	2,369	2,246	5.5
Revenues				
	€ 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
Profit before financial result (EBIT)				
	€ 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
Profit before tax				
	€ 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
Income taxes				
	€ million	-754	-684	-10.2
Net profit				
	€ million	1,821	1,579	15.3
Earnings per share⁵				
	€	2.75/2.75	2.39/2.39	15.1/15.1

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

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

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

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

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

		1 January to 30 September 2016	1 January to 30 September 2015	Change in %
Key performance indicators reported on during the year				
BMW Group				
Profit before tax	€ million	7,741	7,114	8.8
Workforce at 30 September ¹		126,013	121,316	3.9
Automotive segment				
Sales volume ²	units	1,746,638	1,644,810	6.2
Revenues	€ million	63,250	61,513	2.8
EBIT margin ³	% (change in %pts)	9.1	9.0	0.1
Motorcycles segment				
Sales volume	units	116,044	112,411	3.2
Further performance figures				
Automotive segment				
Sales volume				
BMW ²	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
Total²		1,746,638	1,644,810	6.2
Production				
BMW ⁴	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
Total⁴		1,807,604	1,708,204	5.8
Motorcycles segment				
Production	units	115,843	119,432	-3.0
Financial Services segment				
New contracts with retail customers		1,341,792	1,222,165	9.8
Operating cash flow Automotive segment				
	€ million	6,493	7,084	-8.3
Revenues				
	€ 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
Profit before financial result (EBIT)				
	€ 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	-
Profit before tax				
	€ 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	-
Income taxes				
	€ million	-2,330	-2,270	-2.6
Net profit				
	€ million	5,411	4,844	11.7
Earnings per share⁵				
	€	8.19/8.20	7.35/7.36	11.4/11.4

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

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

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

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

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

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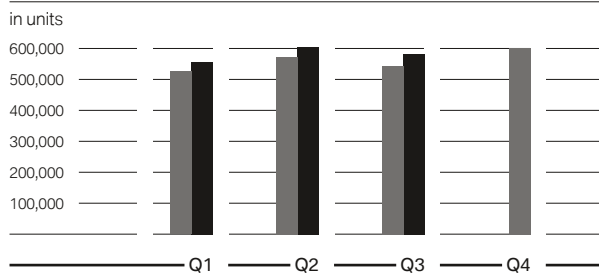
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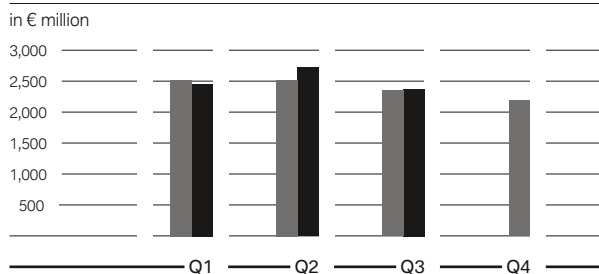
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Sales volume of automobiles*



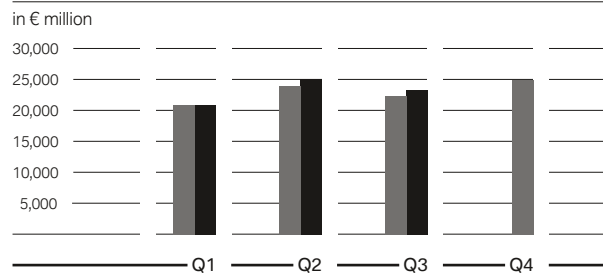
Year	Q1	Q2	Q3	Q4
2015	526,669	573,079	545,062	602,675
2016	557,605	605,534	583,499	

Profit before financial result



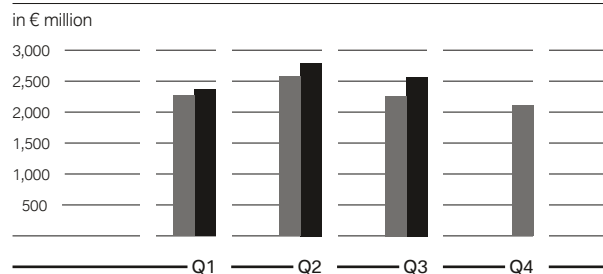
Year	Q1	Q2	Q3	Q4
2015	2,521	2,525	2,354	2,193
2016	2,457	2,725	2,380	

Revenues



Year	Q1	Q2	Q3	Q4
2015	20,917	23,935	22,345	24,978
2016	20,853	25,014	23,362	

Profit before tax



Year	Q1	Q2	Q3	Q4
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 583,499¹ BMW, MINI and Rolls-Royce brand vehicles worldwide in the period from July to September (2015: 545,062¹ 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 493,379¹ units (2015: 463,739¹ 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 1,746,638² units (2015: 1,644,810² units; +6.2%). These figures include 1,479,936² BMW (2015: 1,395,780² 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 187,418¹ units (2015: 166,053¹ units; +12.9%). During the first nine months of the year, the BMW Group

sold 548,986² BMW, MINI and Rolls-Royce brand vehicles in the region (2015: 503,160² 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 131,644¹ units (2015: 112,132¹ units). A total of 379,461² units of the Group's three brands were sold during the first nine months of the year (2015: 342,920² 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 2016	3rd quarter 2015	Change in %
Sales volume ^{1,3}	583,499	545,062	7.1
Production ⁴	593,747	594,961	-0.2
Revenues ³	21,564	20,970	2.8
Profit before financial result (EBIT)	1,837	1,912	-3.9
Profit before tax	2,030	1,845	10.0
EBIT margin ^{3,5}	8.5	9.1	-0.6

	1 January to 30 September 2016	1 January to 30 September 2015	Change in %
Sales volume ^{2,3}	1,746,638	1,644,810	6.2
Production ⁶	1,807,604	1,708,204	5.8
Revenues ³	63,250	61,513	2.8
Profit before financial result (EBIT)	5,778	5,525	4.6
Profit before tax	6,041	5,323	13.5
EBIT margin ^{3,5}	9.1	9.0	0.1
Workforce at 30 September	114,205	110,436	3.4

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

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

³ Principal performance indicators reported on during the year.

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

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

⁶ 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 30 September 2016	1 January to 30 September 2015	Change 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
BMW total	1,479,936	1,395,780	6.0

* 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 30 September 2016	1 January to 30 September 2015	Change 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
MINI total	264,077	246,426	7.2

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

Third-quarter automobile production at previous year's level

In total, 593,747¹ 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: 594,961¹ units; -0.2%), comprising 507,024¹ BMW (2015: 513,991¹ units; -1.4%), 85,784 MINI (2015: 80,002 units; +7.2%) and 939 Rolls-Royce brand vehicles (2015: 968 units; -3.0%). Overall, 1,807,604² units of the Group's three brands were produced during the first nine months of the year (2015: 1,708,204² units; +5.8%), comprising 1,527,373² BMW (2015: 1,453,811² 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.

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

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

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

	1 January to 30 September 2016	1 January to 30 September 2015	Change in %
Sales volume*	116,044	112,411	3.2
Production	115,843	119,432	-3.0
Revenues	1,650	1,643	0.4
Profit before financial result (EBIT)	224	273	-17.9
Profit before tax	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%).¹

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 2016	3rd quarter 2015	Change 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 30 September 2016	1 January to 30 September 2015	Change 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 in %
Business volume in balance sheet terms ³ ————— € million	116,189	111,191	4.5

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

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

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

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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 Bank² 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
Group	23,362	22,345	-	-	23,362	22,345

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

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 2016	3rd quarter 2015	1 January to 30 September 2016	1 January to 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
Profit before tax	2,575	2,263	7,741	7,114
Income taxes	-754	-684	-2,330	-2,270
Net profit	1,821	1,579	5,411	4,844

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
Free cash flow Automotive segment	3,415	3,376

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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
Financial assets	18,645	19,556
Less: external financial liabilities*	-1,930	-2,645
Net financial assets Automotive segment	16,715	16,911

* 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: 2,247,485¹ 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 emissions²: slight decrease expected

Regulations governing vehicle carbon emissions are becoming stricter all around the world. Developing highly efficient combustion engines and increasing the scope of electrification in its fleet of vehicles are key aspects in the BMW Group's 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 CO₂/km).

Revenues: slight increase expected

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

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

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

Segment RoCE³ is now forecast to decrease only slightly during the full financial year (2015: 72.2%), 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 (RoCE³) 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. RoE⁴ 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

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

² EU-28.

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

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

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

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

² EU-28.

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

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

INTERIM GROUP MANAGEMENT REPORT

BMW Stock and Capital Markets

BMW stock and capital markets in 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.

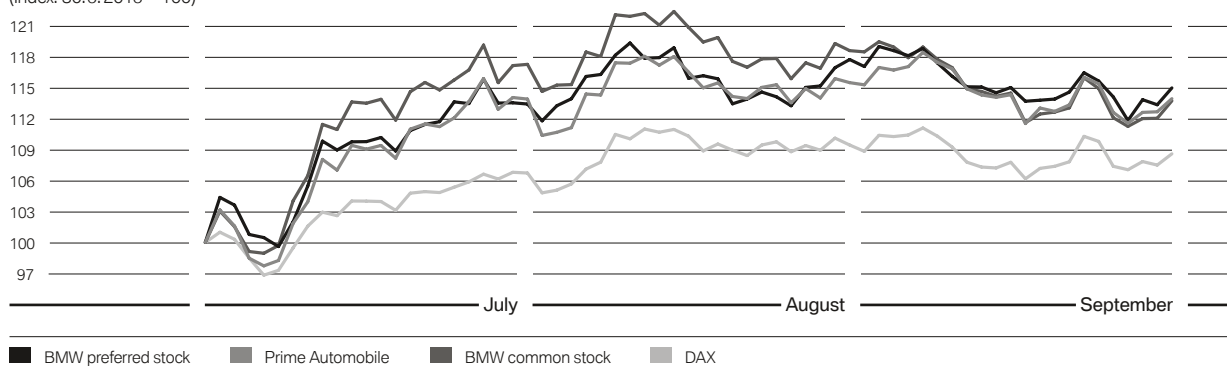
BMW stock easily outperformed the market as a whole in the third quarter, regaining ground lost during the second quarter. BMW common stock closed at €74.81 on 30 September 2016, 13.7% up on its value at the beginning of the third quarter. Compared to 30 December 2015, the price of BMW common stock fell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



INTERIM GROUP FINANCIAL STATEMENT

Income Statements for Group and Segments for the period from 1 July to 30 September 2016
Statement of Comprehensive Income for Group for the period from 1 July to 30 September 2016

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Income Statements for Group and Segments for the third quarter

in € million

	Note	Group	Automotive
		2016	2015
Revenues	5	23,362	20,970
Cost of sales	6	-18,774	-17,340
Gross profit		4,588	3,630
Selling and administrative expenses	7	-2,161	-1,725
Other operating income	8	112	159
Other operating expenses	8	-159	-152
Profit before financial result		2,380	1,912
Result from equity accounted investments	9	162	138
Interest and similar income	10	38	76
Interest and similar expenses	10	-100	-218
Other financial result	11	95	-63
Financial result		195	-67
Profit before tax		2,575	1,845
Income taxes	12	-754	-607
Net profit/loss		1,821	1,238
Attributable to minority interest		15	-1
Attributable to shareholders of BMW AG		1,806	1,239
Basic earnings per share of common stock in €	13	2.75	2.39
Basic earnings per share of preferred stock in €	13	2.75	2.39
Dilutive effects	13	-	-
Diluted earnings per share of common stock in €	13	2.75	2.39
Diluted earnings per share of preferred stock in €	13	2.75	2.39

Statement of Comprehensive Income for Group for the third quarter

in € million

	Note	2016	2015
Net profit		1,821	1,579
Remeasurement of the net liability for defined benefit pension plans		-880	241
Deferred taxes		231	-127
Items not expected to be reclassified to the income statement in the future		-649	114
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
Items expected to be reclassified to the income statement in the future		374	858
Other comprehensive income for the period after tax	14	-275	972
Total comprehensive income		1,546	2,551
Total comprehensive income attributable to minority interests		15	7
Total comprehensive income attributable to shareholders of BMW AG		1,531	2,544

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
<u>78</u>	<u>115</u>	<u>893</u>	<u>775</u>	<u>1</u>	<u>1</u>	<u>-72</u>	<u>-75</u>	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
<u>32</u>	<u>46</u>	<u>576</u>	<u>465</u>	<u>6</u>	<u>5</u>	<u>-71</u>	<u>-74</u>	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
<u>-</u>	<u>-1</u>	<u>-8</u>	<u>-3</u>	<u>34</u>	<u>-</u>	<u>-24</u>	<u>-20</u>	Financial result
<u>32</u>	<u>45</u>	<u>568</u>	<u>462</u>	<u>40</u>	<u>5</u>	<u>-95</u>	<u>-94</u>	Profit before tax
-10	-15	-146	-138	-21	-62	40	138	Income taxes
<u>22</u>	<u>30</u>	<u>422</u>	<u>324</u>	<u>19</u>	<u>-57</u>	<u>-55</u>	<u>44</u>	Net profit/loss
-	-	11	8	-	-	-	-	Attributable to minority interest
<u>22</u>	<u>30</u>	<u>411</u>	<u>316</u>	<u>19</u>	<u>-57</u>	<u>-55</u>	<u>44</u>	Attributable to shareholders of BMW AG
								Basic earnings per share of common stock in €
								Basic earnings per share of preferred stock in €
								Dilutive effects
								Diluted earnings per share of common stock in €
								Diluted earnings per share of preferred stock in €

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Income Statements for Group and Segments for the period from 1 January to 30 September 2016
Statement of Comprehensive Income for Group for the period from 1 January to 30 September 2016

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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
Gross profit		14,125	13,405	11,265	10,669
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
Profit before financial result		7,562	7,400	5,778	5,525
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
Profit before tax		7,741	7,114	6,041	5,323
Income taxes	12	-2,330	-2,270	-1,867	-1,754
Net profit/loss		5,411	4,844	4,174	3,569
Attributable to minority interest		33	17	7	-1
Attributable to shareholders of BMW AG		5,378	4,827	4,167	3,570
Basic earnings per share of common stock in €	13	8.19	7.35		
Basic earnings per share of preferred stock in €	13	8.20	7.36		
Dilutive effects	13	-	-		
Diluted earnings per share of common stock in €	13	8.19	7.35		
Diluted earnings per share of preferred stock in €	13	8.20	7.36		

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

in € million

	Note	2016	2015
Net profit		5,411	4,844
Remeasurement of the net liability for defined benefit pension plans		-2,968	1,236
Deferred taxes		898	-361
Items not expected to be reclassified to the income statement in the future		-2,070	875
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
Items expected to be reclassified to the income statement in the future		1,464	-154
Other comprehensive income for the period after tax	14	-606	721
Total comprehensive income		4,805	5,565
Total comprehensive income attributable to minority interests		33	17
Total comprehensive income attributable to shareholders of BMW AG		4,772	5,548

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

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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
Non-current assets		116,146	110,343	40,739	40,330
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
Current assets		66,496	61,831	47,161	43,022
Total assets		182,642	172,174	87,900	83,352

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	-	-
Equity attributable to shareholders of BMW AG	24	45,189	42,530	-	-
Minority interest	24	239	234	-	-
Equity		45,428	42,764	35,471	33,460
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
Non-current provisions and liabilities		74,583	63,819	17,296	14,506
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
Current provisions and liabilities		62,631	65,591	35,133	35,386
Total equity and liabilities		182,642	172,174	87,900	83,352

								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	Non-current assets	
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	Current assets	
960	978	128,241	122,029	79,089	78,841	-113,548	-113,026	Total assets	

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

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

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

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

INTERIM GROUP FINANCIAL STATEMENT

Group Statement of Changes in Equity to 30 September 2016

2 BMW GROUP IN FIGURES	in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
5 INTERIM GROUP MANAGEMENT REPORT					
5 Report on Economic Position					
20 Events after the End of the Reporting Period					
21 Report on Outlook, Risks and Opportunities					
25 BMW Stock and Capital Markets					
	1 January 2015	24 –	<u>656</u>	<u>2,005</u>	<u>35,621</u>
26 – INTERIM GROUP FINANCIAL STATEMENTS	Dividends paid		–	–	–1,904
26 Income Statements for Group and Segments	Net profit		–	–	4,827
26 Statement of Comprehensive Income for Group	Other comprehensive income for the period after tax		–	–	–875
30 Balance Sheets for Group and Segments	Comprehensive income 30 September 2015		<u>–</u>	<u>–</u>	<u>5,702</u>
32 Cash Flow Statements for Group and Segments	Other changes		–	–	–71
34 – Group Statement of Changes in Equity	30 September 2015	24 –	<u>656</u>	<u>2,005</u>	<u>39,348</u>
36 Notes to the Group Financial Statements					
54 OTHER INFORMATION					
54 Financial Calendar					
55 Contacts					
	in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
	1 January 2016	24 –	<u>657</u>	<u>2,027</u>	<u>41,027</u>
	Dividends paid		–	–	–2,102
	Net profit		–	–	5,378
	Other comprehensive income for the period after tax		–	–	–2,070
	Comprehensive income 30 September 2016		<u>–</u>	<u>–</u>	<u>3,308</u>
	Other changes		–	–	–11
	30 September 2016	24 –	<u>657</u>	<u>2,027</u>	<u>42,222</u>

	Accumulated other equity		Equity attributable to shareholders of BMW AG	Minority interest	Total	
	Translation differences	Securities	Derivative financial instruments			
	<u>-723</u>	<u>141</u>	<u>-480</u>	<u>37,220</u>	<u>217</u>	<u>37,437</u> 1 January 2015
	-	-	-	-1,904	-	-1,904 Dividends paid
	-	-	-	4,827	17	4,844 Net profit
	-705	-109	-750	721	-	-721 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> Comprehensive income 30 September 2015
	-	-	-	-71	-10	-81 Other changes
	<u>-18</u>	<u>32</u>	<u>-1,230</u>	<u>40,793</u>	<u>224</u>	<u>41,017</u> 30 September 2015

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

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

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1 – Basis of preparation

The Group Financial Statements of BMW AG at 31 December 2015 were drawn up in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) at that date. The Interim Group Financial Statements (Interim Report) at 30 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	Closing rate	Average 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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Notes to the Income Statement

5 – Revenues

Revenues by activity comprise the following:

in € million	3rd quarter 2016	3rd quarter 2015	1 January to 30 September 2016	1 January to 30 September 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
Revenues	23,362	22,345	69,229	67,197

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.

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

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11 – **Other financial result**

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

12 – **Income taxes**

Taxes on income comprise the following:

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

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 2016	3rd quarter 2015	1 January to 30 September 2016	1 January to 30 September 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 common stock shares in circulation — number	601,995,196	601,995,196	601,995,196	601,995,196
Average number of preferred stock shares in circulation — number	54,809,404	54,499,544	54,809,404	54,499,544
Basic earnings per share of common stock — €	2.75	2.39	8.19	7.35
Basic earnings per share of preferred stock — €	2.75	2.39	8.20	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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14 – Disclosures relating to the statement of total comprehensive income

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

in € million	3rd quarter 2016	3rd quarter 2015	1 January to 30 September 2016	1 January to 30 September 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	-	-	-	-
Items not expected to be reclassified to the income statement in the future	-649	114	-2,070	875
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
Items expected to be reclassified to the income statement in the future	374	858	1,464	-154
Other comprehensive income for the period after tax	-275	972	-606	721

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

in € million	3rd quarter 2016			3rd quarter 2015		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After 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
Other comprehensive income	-241	-34	-275	1,643	-671	972

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 tax	Deferred taxes	After tax	Before tax	Deferred taxes	After 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
Other comprehensive income	-498	-108	-606	627	94	721

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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
Financial assets	11,336	8,843
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
Other assets	6,244	6,261
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
Inventories	14,064	11,071

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.

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

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

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

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).

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.

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).

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
Financial liabilities	93,498	91,683
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
Other liabilities	14,994	13,767
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 airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within

warranty provisions. It cannot be ruled out, however, that further BMW vehicles will be affected by a recall. Further disclosures pursuant to IAS 37.86 cannot be provided at present, in view of the fact that technical tests have not yet been completed.

For further disclosures relating to contingent liabilities, please see note 41 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 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 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	-

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2 BMW GROUP IN FIGURES	31 December 2015	Level hierarchy in accordance with IFRS 13		
5 INTERIM GROUP MANAGEMENT REPORT	in € million	Level 1	Level 2	Level 3
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 INTERIM GROUP FINANCIAL STATEMENTS	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				
34 Group Statement of Changes in Equity				
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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
Total revenues	21,564	20,970	451	454
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
Total revenues	63,250	61,513	1,650	1,643
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
6,403	5,621	1	1	-5,057	-4,701	23,362	22,345	Total revenues
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
18,940	17,833	4	4	-14,615	-13,796	69,229	67,197	Total revenues
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 2016	3rd quarter 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
Group profit before tax	2,575	2,263
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
Total Group capital expenditure on non-current assets	5,760	5,946
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
Total Group depreciation and amortisation on non-current assets	2,434	2,549

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 30 September 2016	1 January to 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
Group profit before tax	7,741	7,114
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
Total Group capital expenditure on non-current assets	18,957	16,589
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
Total Group depreciation and amortisation on non-current assets	6,862	6,548

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

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

Business and Finance Press

Telephone	+49 89 382-2 45 44
	+49 89 382-2 41 18
Fax	+49 89 382-2 44 18
E-mail	presse@bmwgroup.com

Investor Relations

Telephone	+49 89 382-2 42 72
	+49 89 382-2 53 87
Fax	+49 89 382-1 46 61
E-mail	ir@bmwgroup.com

The BMW Group on the Internet

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

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

PUBLISHED BY

Bayerische Motoren Werke
Aktiengesellschaft
80788 Munich
Germany
Tel. +49 89 382-0