

QUARTERLY REPORT

31 March 2018



**BMW
GROUP**

THE NEXT
100 YEARS 



Rolls-Royce
Motor Cars Limited

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BMW GROUP AT A GLANCE

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1

BMW GROUP IN FIGURES

Key performance indicators reported during the year

→ 01

		1st quarter 2018	1st quarter 2017	Change in %
GROUP				
Profit before tax ¹	€ million	3,165	3,180	-0.5
Workforce ² (at 31 March 2018/31 December 2017)		131,181	129,932	1.0
AUTOMOTIVE SEGMENT				
Deliveries ³	units	604,629	587,237	3.0
Revenues ¹	€ million	19,326	20,001	-3.4
EBIT margin ^{1,4}	% (change in %pts)	9.7	9.4	0.3
MOTORCYCLES SEGMENT				
Deliveries	units	35,858	35,636	0.6
EBIT margin ^{1,4}	% (change in %pts)	14.7	20.2	-5.5

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 108,274 units, 2017: 90,172 units).

⁴ Profit before financial result as percentage of segment revenues.

Further performance figures

→ 02

		1st quarter 2018	1st quarter 2017	Change in %
AUTOMOTIVE SEGMENT				
Deliveries				
BMW ¹	units	517,447	503,445	2.8
MINI	units	86,375	83,059	4.0
Rolls-Royce	units	807	733	10.1
Total¹		604,629	587,237	3.0
Production volume				
BMW ²	units	560,644	549,175	2.1
MINI	units	101,810	97,899	4.0
Rolls-Royce	units	879	855	2.8
Total²		663,333	647,929	2.4
MOTORCYCLES SEGMENT				
Production volume	units	41,284	54,466	-24.2
FINANCIAL SERVICES SEGMENT				
New contracts with retail customers		451,908	465,634	-2.9
Free cash flow Automotive segment	€ million	302	1,599	-81.1
Group revenues³	€ million	22,694	23,926	-5.1
Automotive ³	€ million	19,326	20,001	-3.4
Motorcycles ³	€ million	524	620	-15.5
Financial Services	€ million	6,674	7,046	-5.3
Other Entities	€ million	2	2	-
Eliminations ³	€ million	-3,832	-3,743	-2.4
Group profit before financial result (EBIT)³	€ million	2,733	2,821	-3.1
Automotive ³	€ million	1,881	1,877	0.2
Motorcycles	€ million	77	125	-38.4
Financial Services	€ million	569	604	-5.8
Other Entities	€ million	9	4	-
Eliminations ³	€ million	197	211	-6.6
Group profit before tax (EBT)³	€ million	3,165	3,180	-0.5
Automotive ³	€ million	2,281	2,285	-0.2
Motorcycles	€ million	78	125	-37.6
Financial Services	€ million	561	595	-5.7
Other Entities	€ million	70	-4	-
Eliminations ³	€ million	175	179	-2.2
Group income taxes³	€ million	-864	-906	4.6
Group net profit³	€ million	2,301	2,274	1.2
Earnings per share^{3,4}	€	3.47 / 3.47	3.45 / 3.45	0.6 / 0.6
Group pre-tax return on sales^{3,5}	% (change in %pts)	13.9	13.3	0.6

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 108,274 units, 2017: 90,172 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 107,271 units, 2017: 98,715 units).

³ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

⁴ Common / preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

⁵ Group profit before tax as a percentage of Group revenues.

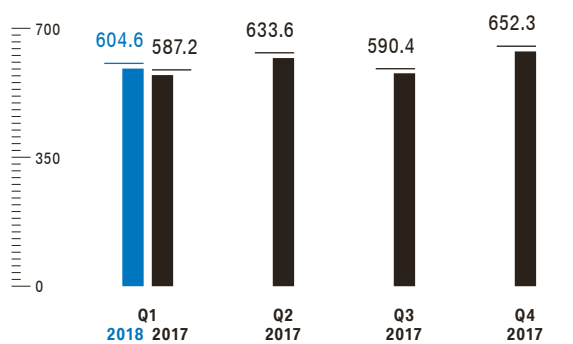
BMW Group makes successful start to 2018

The BMW Group continued to perform well at the beginning of 2018, marking the best first quarter in the Group's corporate history. In total, the BMW Group delivered 604,629¹ BMW, MINI and Rolls-Royce vehicles to customers during the first three months of the year (2017: 587,237¹ units; +3.0%).

BMW Group deliveries of automobiles¹

→ 03

in 1,000 units



¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 108,274 units, 2017: 90,172 units).

Despite the long winter in Central Europe, the Motorcycles segment was able to maintain first-quarter deliveries at the previous year's level. Worldwide motorcycles sales rose by 0.6% to 35,858 units (2017: 35,636 units).

The Financial Services segment's portfolio of contracts with retail customers increased to a new record level of 4,995,767 contracts at 31 March 2018 (31 December 2017: 4,926,228 contracts; +1.4%). New business recorded in the first quarter was slightly down on the previous year's high level. The number of new leasing and financing contracts with retail customers fell by 2.9% to 451,908 contracts (2017: 465,634 contracts).

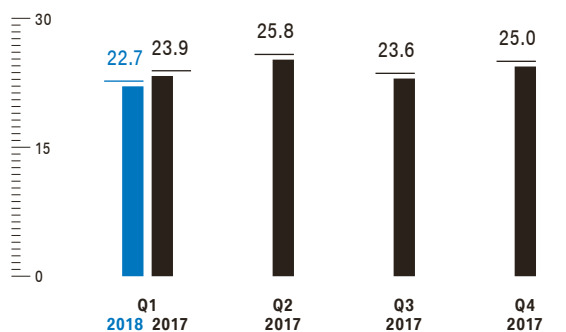
Revenues and earnings held down by currency effects

Group revenues in the first three months of 2018 fell year-on-year to €22,694 million (2017: €23,926² million; -5.1%), mainly due to foreign currency translation effects, in particular from the US dollar and Chinese renminbi. Adjusted for these effects, revenues were at a similar level to the previous year (-0.7%).

BMW Group revenues²

→ 04

in € billion

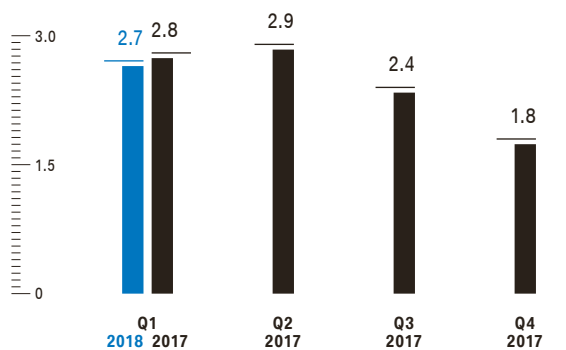


Group profit before financial result dropped slightly by 3.1% to €2,733 million (2017: €2,821² million). In addition to currency translation effects, other significant factors holding down earnings during the three-month period were the increasing expenses and upfront expenditure incurred in connection with research and development, depreciation and amortisation of property, plant and equipment and capitalised development costs.

BMW Group profit before financial result (EBIT)²

→ 05

in € billion



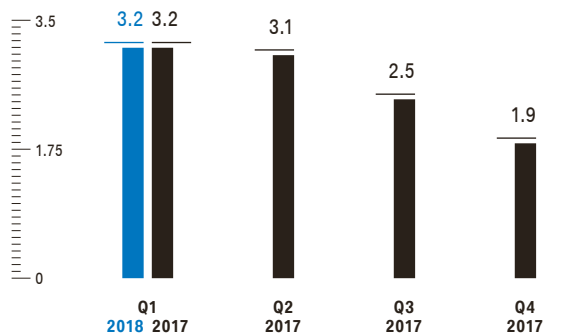
² Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Group Interim Financial Statements.

At €3,165 million, Group profit before tax for the first quarter of 2018 was roughly in line with the previous year's high level (2017: €3,180* million; -0.5%), helped by a number of factors, including an improved financial result.

BMW Group profit before tax*

→ 06

in € billion



* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Group Interim Financial Statements.

Slight increase in workforce size

The BMW Group employed a worldwide workforce of 131,181 people at 31 March 2018 (31 December 2017: 129,932 employees; +1.0%). The need for suitably qualified staff is being driven primarily by projects aimed at securing the Group's future, such as the electrification of vehicles and autonomous driving.

BMW AG STOCK AND CAPITAL MARKETS

BMW AG stock outperforms the DAX

BMW AG STOCK AND CAPITAL MARKETS IN THE FIRST QUARTER 2018

The first three months of 2018 were characterised by particularly high levels of volatility. At the beginning of the year, stock markets benefited initially from the prospect of robust global growth and an easing of political tensions on the Korean peninsula. The results of the parliamentary elections in Italy and the escalation in the trade dispute between the USA and China had a negative impact on global stock markets in March. In the meantime, hopes that the trade conflict might ease have brought some relief to the stock markets.

The German DAX index closed the first quarter at 12,097 points, down 6.4 % compared to the end of 2017 (12,918 points) and 10.8 % below its record high of 13,560 points on 23 January 2018.

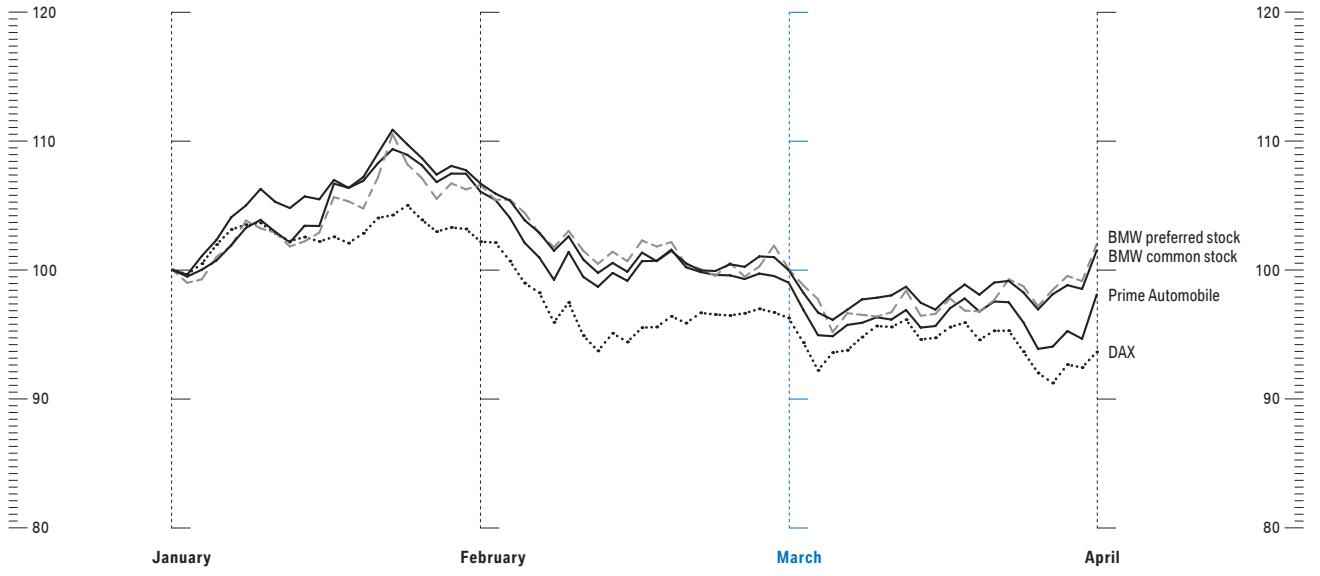
The Prime Automobile Index was also impacted by the general market trend and lost some ground at the beginning of the first quarter. Despite uncertainties caused by factors such as changes within the automotive industry, the challenge to find appropriate business models for the future and the possible negative effect of trade disputes, the sector index nevertheless outperformed the DAX, falling by only 1.9 % to 1,655 points compared the end of the previous financial year (1,687 points).

BMW stock managed to buck the downward stock market trend by recording gains during the first quarter of 2018. BMW common stock closed at €88.15 at the end of the quarter, 1.5 % higher than at the end of 2017. The price of BMW preferred stock also rose slightly over the three-month period, closing the quarter at €76.15, 2.0 % up on the end of the previous year. This better-than-market performance by BMW securities was primarily attributable to the impressive figures reported for the financial year 2017 and the solid outlook for the financial year 2018, which was viewed very positively by the capital market against the background of challenges ahead.

BMW AG development of stock

→ 07

(Index: 30. 12. 2017 = 100)



Source: Reuters.

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2

REPORT ON ECONOMIC POSITION

**Slight growth in international
automobile markets**

**New highs for deliveries of
automobiles and motorcycles**

**Automotive segment EBIT margin
within target range**

GENERAL ECONOMIC ENVIRONMENT

International automobile markets

Global automobile markets grew by 2.0% during the first three months of 2018.

The scale of growth in Europe as a whole (+0.5%) was down on the previous year. New registrations in Germany were 4.0% up on the previous year. The market in France grew by 2.9%, and therefore slightly less robust than one year earlier. By contrast, first-quarter registration figures in Italy fell by 1.5%. Market conditions in the United Kingdom (UK) proved highly challenging in the wake of Brexit discussions, with registrations significantly down by 12.4% on the previous year. Conversely, the automobile market in Spain performed extremely well, growing by 10.5% year-on-year.

In the USA, new registrations climbed by 1.9% during the three-month period under report. The slowdown year-on-year reflected the impact of higher financing costs for vehicles due to interest rate increases imposed by the US Federal Reserve.

In China, vehicle registrations for the period from January to March 2018 were only slightly up on one year earlier (+3.8%). This reflects the Chinese government's ongoing endeavours to curb credit growth and stabilise domestic financial markets which are also having an impact on the number of new registrations.

After a phase of robust growth in 2017, the Japanese automobile market slowed during the first quarter, with new registrations down by 2.2%.

Brazil and Russia both benefited from catch-up effects during the first quarter now that both countries have come out of recession. Overall, the Brazilian automobile market recorded an extremely high growth rate of 15.2%. The upward trend continued in Russia with a first-quarter increase of 15.8%.

International motorcycle markets

Most motorcycle markets in the 250 cc plus class continued to perform well at the beginning of 2018, with registrations worldwide up by 2.3 %. The European market as a whole grew solidly (+5.3 %). New registrations in Germany were slightly down on the previous year (-1.2 %). The other major European motorcycle markets reported improved figures, including good performances in France (+7.2 %), Italy (+5.9 %) and Spain (+19.6 %). Continuing the trend seen over the last two years, the US market again contracted (-6.7 %).

International interest rate environment and pre-owned vehicle prices

The European Central Bank (ECB) continued to pursue an expansive monetary policy during the first quarter. It held the key interest rate in the eurozone at a record low of zero per cent, despite generally positive business conditions driven by a growing economy, falling unemployment figures and only a slight rise in the inflation rate.

In the UK, political and economic uncertainties resulting from the Brexit vote remain the dominant topic. Weaker consumer spending by private households and falling investment rates prompted the Bank of England (BoE) to leave the reference interest rate unchanged for the time being.

In the USA, the US Federal Reserve raised its key interest rate by a further 25 basis points, influenced by continued strong job market figures, stable economic growth and an inflation rate close to the target value of 2 %.

The Chinese economy was also in good shape during the first quarter, despite the concerns about high debt ratios and a burgeoning trade dispute with the USA. The Chinese central bank undertook measures to counter capital flight and further currency devaluation by raising short-term money market rates moderately and implementing other measures to shore up the local currency.

Japan's economy continued to grow during the first quarter of 2018. The Japanese central bank maintained its highly expansive monetary policy in view of the continuing low rate of inflation.

Selling prices in the premium segment of international markets for pre-owned vehicles developed in line with expectations during the first quarter of 2018. In Europe, price levels for pre-owned vehicles continued to decline slightly, partly reflecting the impact of the ongoing discussions around diesel-powered automobiles in some countries. A slight downward trend was also discernible in North America compared to the latter part of 2017. In Asia, however, prices of pre-owned vehicles remained stable.

Automotive Segment

Automobile sales at new high

The BMW Group sold a total of 604,629¹ BMW, MINI and Rolls-Royce brand vehicles during the first three months of the current year (2017: 587,237¹ units; +3.0%), thereby setting a new first-quarter sales volume record for the eighth year in succession. Sales of all three Group brands developed well and contributed to sales volume growth. The BMW brand achieved a worldwide sales volume figure of 517,447¹ units (2017: 503,445¹ units; +2.8%). Sales of ¹

MINI brand vehicles rose by 4.0% to 86,375 units (2017: 83,059 units). Rolls-Royce Motor Cars delivered 807 units to customers during the three-month period (2017: 733 units; +10.1%).

Continued strong performance in Asia

In Asia, first-quarter sales of BMW, MINI and Rolls-Royce brand vehicles grew by a solid 6.3% to 212,693¹ units (2017: 200,140¹ units). The Chinese market registered another good performance and sales of the Group's three brands there totalled 153,094¹ units (2017: 142,958¹ units; +7.1%).

Automotive segment deliveries of vehicles by region and market

→ 08

in units	1st quarter 2018	1st quarter 2017	Change in %
Europe	270,725	267,996	1.0
thereof Germany	68,294	67,432	1.3
thereof UK	61,281	63,004	-2.7
Americas	106,348	102,238	4.0
thereof USA	84,630	82,169	3.0
Asia ¹	212,693	200,140	6.3
thereof China ¹	153,094	142,958	7.1
Other markets	14,863	16,863	-11.9
Total¹	604,629	587,237	3.0

Sales figures for Europe edged up by 1.0% to 270,725 units (2017: 267,996 units). At 68,294 units, deliveries in Germany were also slightly up year-on-year (2017: 67,432 units; +1.3%). Against the background of continuing uncertainty regarding the progress of Brexit negotiations, the first-quarter sales volume figure of 61,281 units in the UK was down on the previous year (2017: 63,004 units; -2.7%). ¹

In the Americas region, first-quarter sales of BMW, MINI and Rolls-Royce brand vehicles went up by 4.0% to 106,348 units (2017: 102,238 units). The figure includes 84,630 units sold in the USA, an increase of 3.0% compared to the previous year (2017: 82,169 units).

Automotive segment at a glance

→ 09

		1st quarter 2018	1st quarter 2017	Change in %
Deliveries ^{1,2}	units	604,629	587,237	3.0
Production ³	units	663,333	647,929	2.4
Revenues ^{2,4}	€ million	19,326	20,001	-3.4
Profit before financial result (EBIT) ⁴	€ million	1,881	1,877	0.2
Profit before tax ⁴	€ million	2,281	2,285	-0.2
EBIT margin ^{2,4}	% (change in %pts)	9.7	9.4	0.3
Workforce (at 31 March 2018/31 December 2017)		118,746	117,664	0.9

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 108,274 units, 2017: 90,172 units).

² Key performance indicators reported on during the year.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 107,271 units, 2017: 98,715 units).

⁴ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

BMW sets new record for a first quarter*

First-quarter sales of the BMW brand grew by 2.8 % to 517,447 units (2017: 503,445 units), driven by significant contributions from the BMW 1, 5 and 6 Series as well as the BMW X1.

BMW 1 Series deliveries during the three-month period were up by more than a quarter to 53,727 units (2017: 42,036 units; +27.8 %). Sales of the BMW 3 Series at 93,819 units fell short of the previous year's figure at the end of its product life cycle (2017: 100,265 units; -6.4 %). The new BMW 5 Series performed extremely well during the first quarter, with sales significantly higher (+13.5 %) at 94,733 units (2017: 83,459 units). The 6 Series benefited from the addition of the new Gran Turismo, which helped sales to more than double during the period under report. Worldwide deliveries of the BMW 6 Series totalled 5,960 units (2017: 2,522 units). ↱

The BMW X family of vehicles recorded total sales volume of 178,313 units between January and March, surpassing the previous year's high figure (2017: 176,836 units; +0.8 %). The performance was driven primarily by the BMW X1, which recorded a 17.0 % increase to 77,296 units (2017: 66,063 units). Sales figures for the BMW X3 (33,769 units; 2017: 41,742 units; -19.1 %) and X5 (41,178 units; 2017: 45,892 units; -10.3 %) were below the high levels reported one year earlier. The decrease in BMW X3 deliveries was partly attributable to the model change and partly to the start of production in China and South Africa which will begin in the second quarter of 2018. The X5 is nearing the end of its life cycle. The new BMW X2 went on sale in March 2018 and recorded 4,591 deliveries to customers before the end of the reporting period.

Automotive segment deliveries of BMW vehicles by model series*

→ 10

in units	1st quarter 2018	1st quarter 2017	Change in %
BMW 1 Series	53,727	42,036	27.8
BMW 2 Series	41,691	42,817	-2.6
BMW 3 Series	93,819	100,265	-6.4
BMW 4 Series	27,636	31,514	-12.3
BMW 5 Series	94,733	83,459	13.5
BMW 6 Series	5,960	2,522	-
BMW 7 Series	13,163	15,898	-17.2
BMW X1	77,296	66,063	17.0
BMW X2	4,591	-	-
BMW X3	33,769	41,742	-19.1
BMW X4	11,331	12,960	-12.6
BMW X5	41,178	45,892	-10.3
BMW X6	10,148	10,179	-0.3
BMW i	8,405	8,098	3.8
BMW total	517,447	503,445	2.8

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 108,274 units, 2017: 90,172 units).

Best first quarter for MINI

The MINI brand also set a new record in the first quarter of 2018, with 86,375 units delivered to customers (2017: 83,059 units; +4.0%). At 44,069 units, sales of MINI 3- and 5-door models were moderately down ↱

on the previous year (2017: 47,530 units; –7.3%). The MINI Countryman, however, recorded a sharp increase of 83.8%, with 23,880 units sold in the period from January and March 2018 (2017: 12,994 units).

Automotive segment deliveries of MINI vehicles by model variant

→ 11

in units	1st quarter 2018	1st quarter 2017	Change in %
MINI Hatch (3- and 5-door)	44,069	47,530	–7.3
MINI Convertible	7,183	7,705	–6.8
MINI Clubman	11,243	14,830	–24.2
MINI Countryman	23,880	12,994	83.8
MINI total	86,375	83,059	4.0

Good start to the year for Rolls-Royce

Rolls-Royce Motor Cars also experienced a positive start to the year, delivering 807 vehicles to customers during the three-month period (2017: 733 units; +10.1%). The launch of the new Rolls-Royce Phantom models ↱

resulted in worldwide sales of this model series more than doubling to 125 units (2017: 56 units). Sales of the Rolls-Royce Wraith and Dawn models were also up, increasing in total to 449 units (2017: 434 units; +3.5%).

Automotive segment deliveries of Rolls-Royce vehicles by model variant

→ 12

in units	1st quarter 2018	1st quarter 2017	Change in %
Phantom	125	56	–
Ghost	233	243	–4.1
Wraith/Dawn	449	434	3.5
Rolls-Royce total	807	733	10.1

Significant growth in electrified vehicle sales

The percentage of total deliveries accounted for by electrified vehicles is growing steadily and contributes to the BMW Group's success. In terms of electrification, the Group occupies a leading position within the premium segment. Overall, first-quarter sales of electrified vehicles were up by well over one third to 26,858 units (2017: 19,400 units; +38.4%). The BMW i3 recorded a 6.8% increase to 7,940 units (2017: 7,431 units). BMW plug-in hybrids sold under the iPerformance ↱

brand name were up significantly year-on-year, with 15,954 units delivered to customers during the first quarter (2017: 11,302 units; +41.2%). Launched in June 2017, the MINI Cooper SE Countryman ALL4 recorded sales of 2,499 units during the period from January to March 2018 (fuel consumption in l/100 km (combined) 2.3–2.1//CO₂ emissions in g/km (combined) 52–49//Electric power consumption in kWh/100 km (combined) 14.0–13.2).

Automotive segment deliveries of electrified models

→ 13

in units	1st quarter 2018	1st quarter 2017	Change in %
BMW i	8,405	8,098	3.8
BMW iPerformance	15,954	11,302	41.2
MINI Electric	2,499	–	–
Total	26,858	19,400	38.4

Automobile production slightly up on previous year

In the first quarter, the BMW Group produced a total of 663,333¹ BMW, MINI and Rolls–Royce brand vehicles (2017: 647,929¹ units; + 2.4 %), comprising 560,644¹ BMW (2017: 549,175¹ units; + 2.1 %), 101,810 MINI (2017: 97,899 units; + 4.0 %) and 879 Rolls–Royce brand vehicles (2017: 855 units; + 2.8 %).

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 107,271 units, 2017: 98,715 units).

Automotive segment workforce increased

The BMW Group employed a workforce of 118,746 in the Automotive segment at the end of the reporting period (31 December 2017: 117,664 employees), an increase of 0.9 %.

Profitability at upper end of target range

Due to currency effects Automotive segment revenues fell slightly by 3.4 % in the first quarter to €19,326 million (2017: €20,001² million). Adjusted for currency effects, segment revenues increased slightly by 1.5 %.

² Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

The first-quarter segment EBIT finished at a record level of €1,881 million (2017: €1,877² million; + 0.2 %) despite increasing costs and upfront research and development expenses, depreciation of property, plant and equipment and amortisation of capitalised development costs. The EBIT margin came in at 9.7 % and was thus at the upper end of the target range of between 8 and 10 % (2017: 9.4 %; + 0.3 percentage points).

At €2,281 million, first-quarter segment profit before tax was also at a similar level to the previous year (2017: €2,285² million; – 0.2 %). The financial result for the three-month period includes the valuation effect arising in connection with the acquisition of the 50 % stake in the DriveNow joint venture from Sixt SE. Further disclosures are provided in → note 2 to the Interim Group Financial Statements. In the previous year, the financial result included a positive valuation effect arising in conjunction with the participation of new investors in the HERE mapping service.

→ see
note 2

Motorcycles Segment

Motorcycle sales volume at previous year's level

Despite the long winter in Central Europe, first-quarter sales reported by BMW Motorrad were at a similar high level to the previous year. Worldwide deliveries to customers during the three-month period totalled 35,858 units (2017: 35,636 units; +0.6%), creating a new first-quarter sales volume record for the seventh year in succession. Deliveries in Europe fell moderately to 21,477 units (2017: 22,991 units; -6.6%), mainly due to weather conditions. Germany was particularly hard hit with deliveries falling to 4,887 units (2017: 5,824 motorcycles; -16.1%). In Italy, the segment recorded first-quarter sales of 3,258 units (2017: 3,463 units; -5.9%). At 3,697 units, the number of motorcycles sold in France was almost identical to one year earlier (2017: 3,696 units). By contrast, motorcycles sales in Spain edged up slightly by 1.4% to 2,247 units (2017: 2,215 units). Motorcycles business in the USA also improved slightly, with deliveries to customers up by 1.8% to 2,919 units (2017: 2,866 units).

Motorcycles production reduced

A total of 41,284 motorcycles were manufactured between January and March 2018 (2017: 54,466 units; -24.2%). The decrease in production volume was mainly attributable to the high number of model start-ups during the first quarter of 2017. A further contributing factor was the model change in the mid-class Adventure segment.

Revenues and earnings down on previous year

The model change in the mid-class segment, combined with sales mix factors, held down Motorcycles segment revenues during the first quarter of 2018. Supplies to the Group's dealer organisation were also impacted by lower production volumes. Overall, first-quarter segment revenues fell by 15.5% to €524 million (2017: €620¹ million). This combination of factors also had a negative impact on segment EBIT and pre-tax profit, which finished at €77 million (2017: €125 million; -38.4%) and €78 million (2017: €125 million; -37.6%) respectively for the three-month period. The EBIT margin for the Motorcycles segment came in at 14.7% (2017: 20.2¹%; -5.5 percentage points).

Segment workforce up slightly on previous year

The BMW Group employed a workforce of 3,568 in the Motorcycles segment at the end of the reporting period (31 December 2017: 3,506 employees; +1.8%).

Motorcycles segment at a glance

→ 14

		1st quarter 2018	1st quarter 2017	Change in %
Deliveries ²	units	35,858	35,636	0.6
Production	units	41,284	54,466	-24.2
Revenues ¹	€ million	524	620	-15.5
Profit before financial result (EBIT)	€ million	77	125	-38.4
Profit before tax	€ million	78	125	-37.6
EBIT margin ^{1, 2}	% (change in %pts)	14.7	20.2	-5.5
Workforce (at 31 March 2018/31 December 2017)		3,568	3,506	1.8

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Key performance indicators reported on during the year.

Financial Services Segment

Financial services business remains on course

The segment's contract portfolio under management grew by 1.0% during the three-month period and stood at 5,434,664 contracts at 31 March 2018 (31 December 2017: 5,380,785 contracts). In balance sheet terms, business volume amounted to €123,829 million, similar to the level seen at the beginning of the period (31 December 2017: €124,719 million; -0.7%).

New business with retail customers slightly below previous year

In total, 451,908 new credit financing and leasing contracts were signed with retail customers during the first quarter of the year (2017: 465,634 contracts). Compared to the previous year, this represents a slight decrease of 2.9%.

Leasing business grew slightly by 3.5%, whereas credit financing business contracted by 5.8%. Overall, leasing accounted for 32.9% (2017: 30.8%) and credit financing for 67.1% (2017: 69.2%) of new business in the period under report.

In pre-owned vehicle financing and leasing lines of business relating to the BMW and MINI brands, 98,268 new contracts were signed during the first quarter of 2018 (2017: 102,151 contracts; -3.8%).

The total volume of all new credit financing and leasing contracts concluded with retail customers during the three-month period amounted to €13,145 million (2017: €14,521 million; -9.5%). Adjusted for currency effects, the volume of new contracts signed fell by 2.9%.

↱

In total, 4,995,767 contracts were in place with retail customers at the end of the reporting period (31 December 2017: 4,926,228), up slightly by 1.4% for the three-month period. The contract portfolio for the China region grew by 3.4% compared to 31 December 2017. The Europe/Middle East/Africa region (+1.8%) and the EU Bank¹ region (+1.2%) also recorded growth. The number of contracts in place with retail customers in the Americas and Asia/Pacific regions remained similar to the end of the previous financial year (+0.9% and +0.3% respectively).

The proportion of new BMW Group vehicles² either leased or financed by the Financial Services segment during the first quarter was 47.3% (2017: 49.2%; -1.9 percentage points).

Financial Services segment at a glance

→ 15

		1st quarter 2018	1st quarter 2017	Change in %
New contracts with retail customers		451,908	465,634	-2.9
Revenues	€ million	6,674	7,046	-5.3
Profit before financial result (EBIT)	€ million	569	604	-5.8
Profit before tax	€ million	561	595	-5.7
Workforce (at 31 March 2018/31 December 2017)		8,750	8,645	1.2
		31. 3. 2018	31. 12. 2017	Change in %
Business volume in balance sheet terms ³	€ million	123,829	124,719	-0.7

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

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

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.

Fleet business at previous year's level

In the fleet management business, the BMW Group – with its Alphabet brand – is one of Europe's foremost leasing and full-service providers. Alphabet offers leasing and financing arrangements as well as other specific services to commercial customers. A portfolio of 682,886 contracts was in place at the end of the reporting period (31 December 2017: 679,895 contracts; +0.4%).

Decrease in multi-brand financing

In line with the sharper focus now applied within the multi-brand financing line of business, the Financial Services segment recorded a significant drop in new business (-17.7%), with 34,669 new contracts signed worldwide during the first quarter (2017: 42,143 contracts). The total portfolio comprised 405,687 contracts at 31 March 2018, similar to the level recorded at the beginning of the period (31 December 2017: 406,813 contracts; -0.3%).

Dealership financing slightly down on previous year

In the first quarter, the total volume of dealership financing decreased slightly by 2.8% year-on-year to €18,634 million (31 December 2017: €19,161 million).

Deposit business volume at previous year's level

Deposit-taking provides an important source of refinancing for the Financial Services segment. Banking deposits amounted to €13,537 million at 31 March 2018, in line with the level reported at the end of the previous financial year (31 December 2017: €13,572 million; -0.3%).

Insurance business slightly up on previous year

A total of 319,923 new insurance contracts were brokered during the first quarter of 2018 (2017: 318,318 contracts; +0.5%). At 31 March 2018, a total of 3,695,114 brokered insurance contracts was in place (31 December 2017: 3,649,362 contracts; +1.3%).

Revenues and earnings impacted by currency effects

Financial Services segment revenues and profit before tax were also negatively impacted by exchange rate factors. Segment revenues for the period from January to March 2018 fell moderately to €6,674 million (2017: €7,046 million; -5.3%). Adjusted for currency effects, Financial Services segment revenues grew slightly by 1.3%. Profit before tax for the three-month period amounted to €561 million (2017: €595 million; -5.7%). The BMW Group continues to maintain sufficient provisions in regard to the development of residual values and credit risks in the leasing and credit financing business.

Workforce size increased

The Financial Services segment workforce comprised 8,750 employees worldwide at 31 March 2018 (31 December 2017: 8,645 employees), a 1.2% increase over the three-month period.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of operations

The number of BMW, MINI and Rolls-Royce brand vehicles delivered to customers during the first three months of the financial year 2018 increased slightly by 3.0 % to 604,629 units compared to one year earlier. The figure includes 108,274 units (2017: 90,172 units) from the joint venture BMW Brilliance Automotive Ltd., Shenyang.

↱

The BMW Group had a worldwide workforce of 131,181 employees at the end of the reporting period (31 December 2017: 129,932 employees).

Gross profit for the three-month period was slightly down on the previous year. Unfavourable currency factors, in particular the development of the average exchange rate of the US dollar and Chinese renminbi against the euro, more than offset the positive impact of automobile sales volume growth. Due to the improvement in the net amount of other operating income and expenses and the financial result, the pre-tax profit for the first quarter came in at a similar level to the previous year.

BMW Group condensed Income Statement for the period from 1 January to 31 March

→ 16

in € million	2018	2017 ¹	Change in %
Revenues	22,694	23,926	-5.1
Cost of sales	-17,830	-18,940	-5.9
Gross profit	4,864	4,986	-2.4
Selling and administrative expenses	-2,175	-2,178	-0.1
Other operating income and expenses	44	13	-
Profit before financial result	2,733	2,821	-3.1
Financial result	432	359	20.3
Profit before tax	3,165	3,180	-0.5
Income taxes	-864	-906	-4.6
Net profit	2,301	2,274	1.2
Earnings per share of common stock in €	3.47	3.45	0.6
Earnings per share of preferred stock in €	3.47	3.45	0.6
in %	2018	2017 ¹	Change in %pts
Pre-tax return on sales ²	13.9	13.3	0.6
Post-tax return on sales ³	10.1	9.5	0.6
Gross margin ⁴	21.4	20.8	0.6
Effective tax rate ⁵	27.3	28.5	-1.2

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Group profit before tax as a percentage of Group revenues.

³ Group net profit as a percentage of Group revenues.

⁴ Gross profit as a percentage of Group revenues.

⁵ Income tax expenses as a percentage of Group profit before tax.

First-quarter revenues of the BMW Group fell moderately by €1,232 million to €22,694 million due to currency effects and the continued intense competitive environment. Adjusted for currency effects, revenues were at a similar level to the previous year.

Group cost of sales decreased moderately compared to the same period one year earlier, also mainly due to currency effects.

↔

Research and development expenses totalled €1,288 million (2017: €1,185 million), moderately up on the previous year due to the ongoing model offensive, vehicle electrification and development work on autonomous driving. Total research and development expenditure – comprising research costs, non-capitalised development costs, capitalised development costs (excluding amortisation thereon) and advance payments – amounted to €1,272 million (2017: €1,317 million) in the first three months of the year.

BMW Group research and development ratios for the period from 1 January to 31 March

→ 17

in %	2018	2017 ³	Change in %pts
Research and development expenses as a percentage of revenues	5.7	5.0	0.7
Research and development expenditure ratio ¹	5.6	5.5	0.1
Capitalisation rate ²	24.8	33.1	-8.3

¹ Research and development expenditure as a percentage of Group revenues.

² Capitalised development costs as a percentage of research and development expenditure.

³ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

At €2,175 million, selling and administrative expenses were at a similar level to one year earlier.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in sales and administrative expenses in the first three months of 2018 totalled €1,233 million (2017: €1,190 million).

The net positive amount of other operating income and expenses showed a significant improvement with an increase from €13 million to €44 million, partly due to gains arising on the deconsolidation of the SGL companies, which had still been proportionately consolidated in the previous year.

Profit before financial result (EBIT) for the three-month period fell slightly to €2,733 million (2017: €2,821 million).

At €432 million, the financial result was significantly up on the same period one year earlier, mainly due to the result from investments, which includes a gain of €209 million arising in conjunction with the revaluation of the DriveNow companies. This positive development was partially offset by a €128 million deterioration in the result from equity accounted investments to €223 million. In the previous financial year, the sale of shares in HERE International B.V., Amsterdam, resulted in a positive earnings impact of €183 million. In the first quarter of 2018, the sales-volume-driven increase in the earnings contribution from BMW Brilliance Automotive Ltd, Shenyang, had

a positive effect on the result from equity accounted investments. At the same time, the net interest result deteriorated by €28 million to a net expense of €65 million, mainly due to lower interest income. At €46 million, the other financial result was at the same level to the previous year (2017: €45 million), whereby interest rate and currency derivatives developments had a positive effect. The amount reported for the first quarter of 2017 was positively impacted by the fair value measurement of commodity derivatives. As a result of the first-time application of IFRS 9, most of these effects are now recognised directly in equity.

Profit before tax amounted to €3,165 million and was therefore at a similar level to one year earlier (2017: €3,180 million).

The income tax expense for the three-month period amounted to €864 million (2017: €906 million).

Earnings performance by segment

BMW Group revenues by segment for the period from 1 January to 31 March

→ 18

in € million	2018	2017 ¹	Change in %	Currency adjusted change ² in %
Automotive	19,326	20,001	-3.4	1.5
Motorcycles	524	620	-15.5	-12.1
Financial Services	6,674	7,046	-5.3	1.3
Other Entities	2	2	-	-
Eliminations	-3,832	-3,743	-2.4	-
Group	22,694	23,926	-5.1	-0.7

BMW Group profit/loss before tax by segment for the period from 1 January to 31 March

→ 19

in € million	2018	2017 ¹	Change in %
Automotive	2,281	2,285	-0.2
Motorcycles	78	125	-37.6
Financial Services	561	595	-5.7
Other Entities	70	-4	-
Eliminations	175	179	-2.2
Group	3,165	3,180	-0.5

BMW Group margins by segment for the period from 1 January to 31 March

→ 20

in %	2018	2017 ¹	Change in %pts
Automotive			
Gross margin	19.0	18.6	0.4
EBIT margin ³	9.7	9.4	0.3
Motorcycles			
Gross margin	25.2	28.9	-3.7
EBIT margin ³	14.7	20.2	-5.5

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

³ Segment profit before financial result as a percentage of segment revenues.

Automotive segment

First-quarter Automotive segment revenues and cost of sales were both slightly down on the previous year, mainly due to currency factors. The gross profit margin, however, improved slightly compared to the previous year.

The net amount of other operating income and expenses improved from a net negative amount of €18 million to a net positive amount of €24 million, partly due to gains arising on the deconsolidation of the SGL companies, which had still been proportionately consolidated in the previous year.

The result before financial result amounted to €1,881 million and was therefore in line with the previous year (2017: €1,877 million).

The Automotive segment's financial result for the first quarter was slightly down on the previous year, mainly as a result of the various effects described earlier relating to the result for equity accounted investments, income from investments and the changed accounting treatment applied to commodity derivatives. For further information on the changed accounting treatment of commodity derivatives, see → note 6 to the Interim Group Financial Statements. → see note 6

Overall, first-quarter profit before tax also finished at the previous year's level.

Motorcycles segment

Motorcycles segment revenues fell significantly compared to the first three months of 2017. This development mainly reflects the impact of model changes as well as sales mix and currency factors.

First-quarter profit before tax was therefore significantly lower than one year earlier.

Financial Services segment

Financial Services segment revenues fell moderately in the reporting period, mainly due to negative currency effects.

The risk profile remained stable during the three-month period from January to March 2018. As expected, residual values fell slightly in some markets, including Germany and France.

The lower net amount of other operating income and expenses was attributable mainly to lower income from the reversal of provisions.

Profit before tax in the Financial Services segment decreased moderately, mainly as a result of currency effects.

Other Entities segment

The result before tax in the Other Entities segment improved significantly year-on-year, helped, among other things, by positive valuation effects arising on interest rate derivatives.

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 three months of 2018 and 2017, 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.

BMW Group cash flows for the period from 1 January to 31 March

→ 21

in € million	2018	2017	Change
Cash inflow (+)/outflow (-) from operating activities	489	328	161
Cash inflow (+)/outflow (-) from investing activities	-669	-1,111	442
Cash inflow (+)/outflow (-) from financing activities	-270	-42	-228
Effect of exchange rate and changes in composition of Group	-37	88	-125
Change in cash and cash equivalents	-487	-737	250

Cash flows from operating activities were influenced in the first quarter of 2018 particularly by the change in receivables from sales financing, the impact of which was partly offset by an increase in working capital.

The lower cash outflow for investing activities at Group level was mainly attributable to reduced levels of investment in marketable securities and investment funds. This line item was also impacted by the

acquisition of the remaining shares in the DriveNow companies.

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

Free cash flow for the Automotive segment in the first quarter was as follows:

Free cash flow Automotive segment for the period from 1 January to 31 March

→ 22

in € million	2018	2017	Change
Cash inflow (+)/outflow (-) from operating activities	1,354	2,626	-1,272
Cash inflow (+)/outflow (-) from investing activities	-710	-1,069	359
Net investment in marketable securities and investment funds	-342	42	-384
Free cash flow Automotive segment	302	1,599	-1,297

The lower cash inflow from operating activities was mainly due to the increase in working capital.

The decrease in the cash outflow used for investing activities at the level of the Automotive segment mainly reflected reduced levels of investment in marketable securities and investment funds.

Net financial assets of the Automotive segment comprise the following:

Net financial assets Automotive segment

→ 23

in € million	31.3.2018	31.12.2017	Change
Cash and cash equivalents	6,640	7,157	-517
Marketable securities and investment funds	3,976	4,336	-360
Intragroup net financial assets	10,873	9,774	1,099
Financial assets	21,489	21,267	222
Less: external financial liabilities*	-1,404	-1,480	76
Net financial assets Automotive segment	20,085	19,787	298

* Excluding derivative financial instruments.

Cash flows in the Financial Services segment developed as follows in the first quarter:

Net cash flows for the Financial Service segment for the period from 1 January to 31 March

→ 24

in € million	2018	2017	Change
Cash inflow (+)/outflow (-) from operating activities	43	-1,181	1,224
Cash inflow (+)/outflow (-) from investing activities	15	-43	58
Cash inflow (+)/outflow (-) from financing activities	-119	700	-819
Net	-61	-524	463

Cash outflows from operating activities in the Financial Services segment were driven primarily by the change in receivables from sales financing.

Refinancing

The BMW Group uses a broadly diversified 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 BMW Group Financial Statements for the year ended 31 December 2017.

During the period from January to March 2018, BMW Group entities issued euro benchmark bonds with a total volume of €2.0 billion and other EMTN private placements in various currencies with a total volume of €1.8 billion. Foreign currency bonds were issued in Canadian dollars, with an equivalent volume of over €300 million.

In addition, three ABS transactions with a total volume of €1.7 billion were issued in Japan, France and the USA. The regular issue of commercial paper and deposit-taking by the Group's banking subsidiaries are also used to refinance the BMW Group.

Net assets

BMW Group condensed balance sheet

→ 25

in € million	Group			Currency adjusted change ² in %	Proportion of balance sheet total in %
	31.3.2018	31.12.2017 ¹	Change in %		
ASSETS					
Intangible assets	9,781	9,464	3.3	3.4	5.0
Property, plant and equipment	18,013	18,471	-2.5	-2.2	9.2
Leased products	35,868	36,257	-1.1	0.2	18.3
Investments accounted for using the equity method	2,686	2,769	-3.0	-3.0	1.4
Other investments	753	690	9.1	9.8	0.4
Receivables from sales financing	80,443	80,434	0.0	0.5	41.0
Financial assets	9,683	10,334	-6.3	-6.0	4.9
Deferred and current tax	3,472	3,559	-2.4	-0.6	1.7
Inventories	15,018	12,707	18.2	18.6	7.7
Trade receivables	2,931	2,667	9.9	10.6	1.5
Other assets	9,018	9,115	-1.1	-0.9	4.6
Cash and cash equivalents	8,552	9,039	-5.4	-5.3	4.3
Total assets	196,218	195,506	0.4	1.0	100.0
EQUITY AND LIABILITIES					
Equity	56,494	54,107	4.4	4.5	28.8
Pension provisions	2,849	3,252	-12.4	-12.4	1.5
Other provisions	12,028	11,999	0.2	1.0	6.1
Deferred and current tax	3,272	3,281	-0.3	3.1	1.7
Financial liabilities	93,835	94,648	-0.9	-0.1	47.8
Trade payables	9,304	9,731	-4.4	-4.1	4.7
Other liabilities	18,436	18,488	-0.3	0.3	9.4
Total equity and liabilities	196,218	195,506	0.4	1.0	100.0

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.² The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

The Group balance sheet total remained at a similar level to the end of the financial year 2017. Adjusted for currency factors, it increased slightly. The currency effects were mainly due to the change in the closing rate of the US dollar against the euro.

Intangible assets increased slightly, mainly as a result of the recognition of goodwill arising on the purchase of the remaining shares in the DriveNow companies. Further information is provided in → note 2 to the Interim Group Financial Statements.

→ see
note 2

The slight decline in property, plant and equipment was primarily due to the depreciation and amortisation of high levels of additions in previous years.

Leased products decreased slightly compared to the end of the previous year. Adjusted for currency factors, they were at a similar level to the previous year.

Inventories were significantly higher than at 31 December 2017, whereby most of the increase related to finished goods and stocking-up effects.

Cash and cash equivalents decreased moderately compared to 31 December 2017. Group liquidity nevertheless remained at a solid level.

Group equity rose by €2,387 million to €56,494 million. Equity increased as a result of the net profit attributable to shareholders of BMW AG amounting to €2,281 million and the positive impact of remeasurements of the net defined benefit liability for pension plans amounting to €360 million, mainly due to the ↱

higher discount rate in the UK. Other accumulated equity decreased by €382 million to a negative amount of €268 million. Equity was reduced in particular by costs of hedging in conjunction with the first-time application of IFRS 9.

BMW Group equity ratio¹

→ 26

in %	31.3.2018	31.12.2017 ²	Change in %pts
Group	28.8	27.7	1.1
Automotive segment	42.2	42.0	0.2
Financial Services segment	11.0	10.7	0.3

¹ Equity as a percentage of relevant total assets.

² Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Financial liabilities remained at a similar level to 31 December 2017, whereby the repayment of commercial paper was more or less offset by the increase in bonds.

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

Related party relationships

Further information on transactions with related parties can be found in → note 34 to the Interim Group Financial Statements. → see note 34

REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

**Global economy likely
to remain stable**

**New records targeted for automobile
and motorcycle deliveries**

**Group profit forecast
at previous year's level**

OUTLOOK

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including material risks and opportunities, from a Group management perspective. It contains forward-looking statements and is based on expectations and assessments which are subject to uncertainty. As a result, actual outcomes, including those attributable to political and economic developments, could differ – either positively or negatively – from those described below. Further information on this topic is provided in the Annual Report 2017 (Outlook, pp. 90, Risks and Opportunities, pp. 96).

Global economy expected to remain robust, despite trade conflict fears

Based on International Monetary Fund forecasts, the global economy is expected to grow by around 3.9% in 2018.

So far, Europe's economies have been largely unaffected by the prospect of a trade conflict between the USA and China. Market expectations for gross domestic product (GDP) in the eurozone are currently in the region of 2.4% and therefore similar to the previous year. Stable demand for investments, the accelerating pace of industrial production and strong exports are all contributing to the eurozone's continued recovery. The labour market is also shaping up well, with unemployment expected to fall to around 8.4%. In combination with rising pay levels, the trend should also help boost consumer spending.

Europe's economic recovery is providing an encouraging backdrop for the ECB to change the strategic direction of its monetary policies. Capital markets expect the ECB's asset purchase programmes to expire at the end of the year. The resulting forecast rise in yields across the eurozone is likely to have a positive impact on the value of the euro against the US dollar.

Despite the protracted process of forming a government in Germany, which was finalised in March 2018, economic conditions remain favourable. A new record number of people in employment, export growth and a favourable consumer climate are set to generate a growth rate of around 2.4% in 2018.

Businesses and consumers in France are also more optimistic about the future. Rising investment volumes and strong domestic demand should provide a solid basis for GDP growth of around 2.1%.

So far, the still unclear political situation in Italy in the wake of general elections does not seem to be having a negative impact on the economy. With consumer spending picking up due to the falling unemployment rate and businesses expected to invest more than in the recent past, Italy's GDP could see a rise of 1.5% in 2018.

Spain's economy is expected grow by around 2.7% in 2018, falling below 3% for the first time in three years. The slowdown also reflects the Spanish government's more restrictive policy on public spending. For the first time since 2007, it is possible for Spain to meet the maximum permitted budget deficit of 3% set by the EU.

Uncertainty regarding the outcome of Brexit negotiations is having a negative impact on the economy in the UK. Many businesses have either postponed investments or made them in other parts of Europe, in order to counter potential trade restrictions with the EU. Numerous economic indicators point to an underlying downward trend in the UK economy, the impact of which is still being offset by the current strength of global economic growth. Against this backdrop, GDP in the UK is only expected to increase by around 1.5%.

The first quarter of 2018 was characterised by a war of words in an escalating trade conflict between the USA and China, the world's two largest economies. Both countries have either already imposed, or are threatening to impose, duties on various products exported by the other country. More stringent protectionist measures would almost certainly increase prices for domestic consumers, in some cases perceptibly. Supply bottlenecks for specific products could also arise in countries involved in any trade conflict.

These developments could potentially jeopardise the otherwise favourable economic situation currently prevailing in the USA. Based on the latest forecasts, however, which point to expected GDP growth of 2.7%, the US Federal Reserve continues to assess the situation as positive. Further interest rate increases are therefore likely to take place over the course of the year and a move away from expansive monetary policies will continue. Tax reform legislation passed at the end of 2017 is likely to provide momentum for US domestic consumption, which should therefore be higher than one year earlier. Additional support should also come from the employment market. Moreover, demand for investment is likely to be stimulated and the manufacturing sector is set to grow as a result.

The current trade disputes come at a highly inconvenient time for the Chinese government, given that other problems to which the country is exposed could be exacerbated. The growth in debt levels in recent years in various sectors, including the export sector, could destabilise the financial market. For this reason, reducing credit growth is currently seen as the top priority for China's economic policies. Even without having to grapple with additional negative factors, China's economic output is likely to be weaker than in 2017 and grow at a rate of 6.5% in 2018, mainly reflecting a less buoyant expansion of industrial production.

According to the latest forecasts, the Japanese economy should grow by around 1.3% in 2018, with strong exports and rising investments serving as the main pillars for the slight upswing. Consumer spending is also likely to play its part in helping the economy gain momentum.

In India, the combined negative consequences of the changeover to new banknotes and the sales tax reform system on the economy should finally be overcome in 2018. GDP is therefore forecast to grow by 7.3%, whereby the economy is also expected to benefit from strong demand coming from private households. Based on the assumption that the economic upswing could drive up the rate of inflation to around 4.8%, the Indian central bank is unlikely to announce any further interest rate reductions.

The Russian economy could well see a continuation of the previous year's positive trend by growing at around 1.8% in 2018. At the same time, proceeds from exports – in particular oil – should have a stabilising effect on the rouble. The revival of Brazil's economy is also expected to continue in 2018, based on a forecast GDP growth rate of 2.5% and underpinned by investments as well as increased consumer confidence. The outcome of the parliamentary and presidential elections in October could have a major impact on the pace of economic growth.

OPEC members and other oil producing countries have agreed to maintain the cuts in production quotas until the end of 2018. The price of Brent crude oil is expected to range between 60 and 70 US dollars per barrel during the current year.

International automobile markets

Based on the most recent forecasts, the world's automobile markets are set to grow by 1.3% in 2018. Momentum is expected to come from the BRIC countries of Brazil, Russia and China as well as individual markets in Europe and Mexico. By contrast, markets in the USA, Japan, UK and Germany are forecast to contract.

Despite the generally positive economic situation, registration figures in Europe are expected to decline slightly overall in 2018 (15.6 million units; -0.5%), mainly reflecting the significant drop in registrations predicted for the UK.

New registrations in Germany are forecast to decrease by 1.2% to 3.4 million units. France's domestic automobile market is expected to contract by 1.5% to around 2.1 million units. Italy (2.0 million units; +1.2%) and Spain (1.3 million units; +5.3%) on the other hand should both see an increase in vehicle registrations. The UK automobile market is likely to face another difficult year. After the drop recorded in the previous year, the latest estimate for 2018 is that new registrations will fall by a further 5.6% to 2.4 million units.

Registrations in the USA are also forecast to drop by 1.3% to 17.0 million units in 2018.

The slowdown in China's economic growth rate is also being reflected in a normalisation of volumes sold on the Chinese automobile market. New registrations are forecast to increase by 3.3% to 25.5 million units in 2018.

Japan's automobile market remains volatile despite stable economic conditions, with registrations predicted to drop by 2.7% to 4.9 million units in 2018.

The automobile markets in Russia and Brazil are likely to benefit from the strong economic growth predicted for those countries. An estimated 1.6 million new registrations (+10.3%) are forecast for Russia in 2018, while the Brazilian market could grow somewhat faster than in 2017 to 2.1 million units (+11.2%).

International motorcycle markets

The world's motorcycle markets in the 250 cc plus class are expected to remain stable overall in 2018, with individual markets continuing to develop divergently. The BMW Group expects a continuation of the positive trend on the major European markets of France, Italy and Spain and a largely stable development in Germany and the UK. The motorcycle market in the USA is forecast to see a further slight contraction.

International interest rate environment and pre-owned vehicle prices

In March 2018, the ECB halved its bond purchase programme in the eurozone to a volume of €30 billion per month. The programme will continue at this level until the end of September 2018.

In the UK, the Bank of England indicated that it might start tightening its monetary policy during the first half of the year, with a view to bringing down inflation to the target rate of 2.0%.

In the USA, the US Federal Reserve is likely to raise the key interest rate further in the course of the year as the economy continues to perform well.

In China, the main priority will be to counter high debt levels and fight the battle against increasing financial risks. The government and the central bank are expected to support this process with a combination of economic and monetary measures.

With prices remaining stubbornly flat, the Japanese central bank is likely to maintain its expansive monetary policy.

The BMW Group expects a continuation of the slightly downward trend in premium segment selling prices for pre-owned vehicles in Europe over the course of the year, mainly as a result of uncertainty caused by potential driving bans for diesel-powered vehicles. The market for pre-owned vehicles is also likely to remain under pressure in North America. Selling prices in Asia are expected to remain stable.

Outlook for the BMW Group

Application of International Financial Reporting Standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) is mandatory for the BMW Group with effect from 1 January 2018. While application of IFRS 15 requires adjusted comparative figures for the financial year 2017, no adjustment of comparative figures is required in the case of IFRS 9. In order to ensure a transparent presentation of changes in key financial performance indicators, the outlook shows values adjusted in accordance with IFRS 15 as well as those actually reported for 2017. With regard to key financial performance indicators for 2018, the outlook is based on values for 2017 adjusted in accordance with IFRS 15. Further information on IFRS 15 and IFRS 9 is provided in → notes 5 and 6 to the Interim Group Financial Statements.

Group

Profit before tax expected at previous year's level

Even though competition on international automobile markets is set to remain intense, the BMW Group intends to continue its strong business performance in 2018. Notable contributions are likely to come from various new vehicles as well as successful established models. At the same time, investments in future-oriented projects remain high, including the continued electrification of vehicles, digitalisation and autonomous driving. The BMW Group's production network will also be further expanded during the outlook period. Due to these challenges, Group profit before tax is expected to be in line with the previous year's level (2017 adjusted: €10,675¹ million).

BMW Group and Daimler Group plan to merge their mobility services business units in a joint venture and strategically expand the combined business going forward. The two companies signed an agreement to this effect in March 2018. Each company will hold a 50% stake in the joint venture.

Subject to approval by antitrust authorities during the current year, the foundation of the joint venture will give rise to a one-off valuation and earnings impact on the Group Financial Statements of BMW AG, which will result in an adjustment to the outlook, namely that profit before tax at Group level for 2018 will be expected to increase slightly year-on-year. The effect described above has no impact on the EBIT margin of the Automotive segment.

Workforce size at year-end: slight increase expected

Based on current forecasts, the size of the BMW Group's workforce is expected to increase slightly (2017: 129,932 employees). Above all, projects relating to vehicle electrification and autonomous driving, growth in the automobile and motorcycle business and the expansion of financial and mobility services mean that the need for suitably qualified staff across the BMW Group will remain high in 2018.

Automotive segment

Deliveries to customers: slight increase expected

The BMW Group expects a further year-on-year increase in sales of BMW, MINI and Rolls-Royce brand vehicles and again aims to occupy a leading position in the global premium segment in 2018. Balanced growth in major sales regions will help to even out volatilities in individual markets. Assuming economic conditions do not deteriorate, deliveries to customers are forecast to rise slightly to a new high (2017: 2,463,526² units).

Important contributions to sustained growth can be expected, amongst others, from the BMW 6 Series Gran Turismo and the new BMW X3 (both launched in November 2017) as well as the BMW X2 (available since March 2018). The extended-wheelbase version of the BMW 5 Series in China will also provide additional impetus. Later in the year, the new BMW X4, the new BMW i8 Roadster (BMW i8 Roadster: fuel consumption in l/100 km (combined) 2.0//CO₂ emissions in g/km (combined) 46//Electric power consumption in kWh/100 km (combined) 14.5) as well as the model revisions of the BMW 2 Series Active Tourer and Gran Tourer and the BMW i8 Coupé (BMW i8 Coupé: fuel consumption in l/100 km (combined) 1.8//CO₂ emissions in g/km (combined) 42//Electric power consumption in kWh/100 km (combined) 14.0) will go on sale. The new BMW 8 Series Coupé, whose concept study was very well received, will also be launched. Model revisions of the MINI Hatch (3- and 5-door) and MINI Convertible should also boost demand. The new Rolls-Royce Phantom models were launched in January 2018.

→ see
notes 5
and 6

² Including the joint venture BMW Brilliance Automotive, Ltd., Shenyang (2017: 384,124 units).

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

**Fleet carbon dioxide emissions¹:
slight decrease expected**

The BMW Group is continuing in its efforts to reduce both fuel consumption and CO₂ emissions. In addition, the percentage of electrified vehicles in total deliveries is expected to increase. Accordingly, CO₂ emissions across the vehicle fleet as a whole are expected to decrease slightly during the outlook period, and continue the trend seen in previous years (2017: 122 grams CO₂/km).

Revenues: slight increase expected

Sales volume growth in the Automotive segment will have a corresponding impact on revenues. Accordingly, a slight increase in segment revenues is forecast for 2018 (2017 adjusted: €85,742² million).

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

An EBIT margin is again expected within a range of 8 to 10% for the Automotive segment (2017 adjusted: 9.2²%).

**Return on capital employed:
significant decrease expected**

Segment RoCE is forecast to come in significantly below the previous year's level (2017 adjusted: 77.7²%). The decrease is partially attributable to increasing investments in the electrification of the vehicle fleet, digitalisation and the expansion and renewal of the model portfolio. However, the long-term target RoCE of at least 26% for the Automotive segment will be significantly exceeded.

In view of the introduction of IFRS 16 (Leases) as of 1 January 2019, the future significance of RoCE as a performance indicator, as opposed to an operational management tool, is under review.

¹ EU-28.² Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.**Motorcycles segment****Deliveries to customers: slight increase expected**

The BMW Group expects the positive trend in the Motorcycles segment to continue. The renewal of the product range in the previous year, together with a variety of new models, including some specifically aimed at the urban environment, should all have a positive impact.

Due to the ramp-up situation in connection with various model changes in the Motorcycles segment, production was down in the first quarter of 2018. Lower production output during this phase will also impact the supply of products to the dealer organisation during the current year.

The Motorcycles segment is now forecasted to achieve a slight increase in deliveries in 2018 (2017: 164,153 units). In the Annual Report 2017 a solid increase was expected.

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

The segment EBIT margin in 2018 is expected to lie within the target range between 8 and 10% (2017: 9.1%).

**Return on capital employed:
in line with last year's level expected**

The Motorcycles segment RoCE in 2018 is expected to come in at a similar level to the previous year (2017: 34.0%). In the Annual Report 2017, it had been predicted that RoCE would increase slightly. The outlook for segment RoCE has been revised due to the ramp-up situation described above. There has been no change in the prediction that the long-term target RoCE of 26% for the Motorcycles segment will be surpassed.

Financial Services segment**Return on equity: slight decrease expected**

The BMW Group expects the Financial Services segment to continue its successful performance in 2018. In view of increasing regulatory requirements worldwide, more equity capital will be required in the segment going forward. Accordingly, segment RoE is expected to decrease slightly (2017: 18.1%). In this context, with effect from the 2018 financial year, the sustainable target return will be changed from its current level of at least 18% to a new level of at least 14%.

Overall assessment by Group management

Business is expected to show a stable development in the financial year 2018, with significant contributions from new automobile and motorcycle models as well as the expansion of individual mobility-related services. Group profit before tax is expected to be in line with last year's level, due to the challenges described above. Automotive segment revenues are set to grow slightly based on the forecast of a slight increase in deliveries to customers. At the same time, fleet carbon dioxide emissions are forecast to decrease slightly. The Group's targets are to be met with a slight increase in the size of the workforce. The Automotive segment's EBIT margin in 2018 is set to remain within the target range ↱

of between 8 and 10 %, while its RoCE is forecast to drop significantly. A slight decrease is also forecast for the RoE in the Financial Services segment. However, both performance indicators will be above their long-term targets of 26 % (RoCE) and 14 % (RoE) respectively. Deliveries to customers by the Motorcycles segment are forecast to show a slight increase, with an EBIT margin within the target range of between 8 and 10 % and RoCE in line with last year's level.

Depending on the political and economic situation and the outcomes of the risks and opportunities described below, actual business performance could differ from current expectations.

BMW Group key performance indicators

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		2017 reported	2017 adjusted ¹	2018 Outlook ²
GROUP				
Profit before tax	€ million	10,655	10,675	in line with last year's level
Workforce at year-end		129,932	129,932	slight increase
AUTOMOTIVE SEGMENT				
Deliveries to customers ³	units	2,463,526	2,463,526	slight increase
Fleet emissions ⁴	g CO ₂ /km	122	122	slight decrease
Revenues	€ million	88,581	85,742	slight increase
EBIT margin	%	8.9	9.2	between 8 and 10
Return on capital employed	%	78.6	77.7	significant decrease
MOTORCYCLES SEGMENT				
Deliveries to customers	units	164,153	164,153	slight increase
EBIT margin	%	9.1	9.1	between 8 and 10
Return on capital employed	%	34.0	34.0	in line with last year's level
FINANCIAL SERVICES SEGMENT				
Return on equity	%	18.1	18.1	slight decrease

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Based on adjusted figures.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 384,124 units).

⁴ EU-28.

RISKS AND OPPORTUNITIES

As a globally operating enterprise, the BMW Group is exposed to a wide range of risks and opportunities. Making full use of the opportunities that present themselves is the basis for the Group's success. In order to achieve growth, profitability, efficiency and continued sustainable activities going forward, the BMW Group must consciously assume a certain amount of risk. There have been no material changes to the overall risk profile compared to that described in the Group Management Report 2017. Further information on risks and opportunities, as well as on the methods employed to manage them can also be found in the "Report on Risks and Opportunities" section of the Annual Report 2017 (pp.96).

INTERIM GROUP FINANCIAL STATEMENTS

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BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

→ BMW Group
Income Statement
→ Statement of
Comprehensive
Income

Income Statements for Group and Segments for the period from 1 January to 31 March

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in € million	Note	Group		Automotive		Motorcycles	
		2018	2017*	2018	2017*	2018	2017*
Revenues	7	22,694	23,926	19,326	20,001	524	620
Cost of sales	8	-17,830	-18,940	-15,659	-16,286	-392	-441
Gross profit		4,864	4,986	3,667	3,715	132	179
Selling and administrative expenses	9	-2,175	-2,178	-1,810	-1,820	-56	-53
Other operating income	10	197	173	200	140	1	-
Other operating expenses	10	-153	-160	-176	-158	-	-1
Profit/loss before financial result		2,733	2,821	1,881	1,877	77	125
Result from equity accounted investments	11	223	351	223	351	-	-
Interest and similar income	12	38	61	81	94	-	-
Interest and similar expenses	12	-103	-98	-133	-122	-	-
Other financial result	13	274	45	229	85	1	-
Financial result		432	359	400	408	1	-
Profit/loss before tax		3,165	3,180	2,281	2,285	78	125
Income taxes	14	-864	-906	-645	-666	-23	-37
Net profit/loss		2,301	2,274	1,636	1,619	55	88
Attributable to minority interest		20	10	6	-	-	-
Attributable to shareholders of BMW AG		2,281	2,264	1,630	1,619	55	88
Basic earnings per share of common stock in €	15	3.47	3.45				
Basic earnings per share of preferred stock in €	15	3.47	3.45				
Dilutive effects	15	-	-				
Diluted earnings per share of common stock in €	15	3.47	3.45				
Diluted earnings per share of preferred stock in €	15	3.47	3.45				

Statement of Comprehensive Income for Group for the period from 1 January to 31 March

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in € million	Note	2018	2017*
Net profit		2,301	2,274
Remeasurement of the net liability for defined benefit pension plans		360	459
Deferred taxes		-101	-123
Items not expected to be reclassified to the income statement in the future		259	336
Marketable securities (at fair value through other comprehensive income)		17	2
Financial instruments used for hedging purposes		-14	-527
Costs of hedging		-246	-
Other comprehensive income from equity accounted investments		-42	2
Deferred taxes		102	150
Currency translation foreign operations		-107	51
Items that can be reclassified to the income statement in the future		-290	-322
Other comprehensive income for the period after tax	16	-31	14
Total comprehensive income		2,270	2,288
Total comprehensive income attributable to minority interest		20	10
Total comprehensive income attributable to shareholders of BMW AG		2,250	2,278

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Financial Services		Other Entities		Eliminations		
2018	2017	2018	2017	2018	2017*	
6,674	7,046	2	2	-3,832	-3,743	Revenues
-5,793	-6,154	-	-	4,014	3,941	Cost of sales
881	892	2	2	182	198	Gross profit
-304	-300	-7	-12	2	7	Selling and administrative expenses
3	31	33	45	-40	-43	Other operating income
-11	-19	-19	-31	53	49	Other operating expenses
569	604	9	4	197	211	Profit / loss before financial result
-	-	-	-	-	-	Result from equity accounted investments
1	1	249	275	-293	-309	Interest and similar income
-2	-2	-239	-251	271	277	Interest and similar expenses
-7	-8	51	-32	-	-	Other financial result
-8	-9	61	-8	-22	-32	Financial result
561	595	70	-4	175	179	Profit / loss before tax
-158	-153	-22	2	-16	-52	Income taxes
403	442	48	-2	159	127	Net profit / loss
14	10	-	-	-	-	Attributable to minority interest
389	432	48	-2	159	127	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 €

BMW GROUP BALANCE SHEET

in € million	Note	Group			Automotive		Motorcycles	
		31.3.2018	1.1.2018 ¹	31.12.2017 ²	31.3.2018	31.12.2017 ²	31.3.2018	31.12.2017
ASSETS								
Intangible assets	17	9,781	9,464	9,464	9,301	8,981	60	57
Property, plant and equipment	18	18,013	18,471	18,471	17,609	18,050	375	388
Leased products	19	35,868	36,257	36,257	–	–	–	–
Investments accounted for using the equity method	20	2,686	2,769	2,769	2,686	2,769	–	–
Other investments	20	753	690	690	5,047	4,985	–	–
Receivables from sales financing	21	48,704	48,475	48,321	–	–	–	–
Financial assets	22	1,982	2,369	2,369	1,043	1,302	–	–
Deferred tax		1,896	1,965	1,993	3,348	2,857	–	–
Other assets	24	1,614	1,630	1,630	3,899	3,671	31	32
Non-current assets		121,297	122,090	121,964	42,933	42,615	466	477
Inventories	25	15,018	12,707	12,707	14,355	12,103	640	580
Trade receivables		2,931	2,663	2,667	2,541	2,354	165	160
Receivables from sales financing	21	31,739	32,087	32,113	–	–	–	–
Financial assets	22	7,701	7,949	7,965	5,241	5,578	–	–
Current tax	23	1,576	1,566	1,566	688	714	–	–
Other assets	24	7,404	7,485	7,485	22,850	23,124	5	5
Cash and cash equivalents		8,552	9,039	9,039	6,640	7,157	5	8
Current assets		74,921	73,496	73,542	52,315	51,030	815	753
Total assets		196,218	195,586	195,506	95,248	93,645	1,281	1,230
EQUITY AND LIABILITIES								
Subscribed capital	26	658	658	658	–	–	–	–
Capital reserves	26	2,084	2,084	2,084	–	–	–	–
Revenue reserves	26	53,534	50,993	50,815	–	–	–	–
Accumulated other equity	26	–268	37	114	–	–	–	–
Equity attributable to shareholders of BMWAG	26	56,008	53,772	53,671	–	–	–	–
Minority interest	26	486	436	436	–	–	–	–
Equity		56,494	54,208	54,107	40,193	39,361	–	–
Pension provisions	27	2,849	3,252	3,252	2,261	2,405	64	69
Other provisions	28	5,463	5,632	5,632	4,998	5,175	100	101
Deferred tax		2,257	2,166	2,157	1,649	1,456	–	–
Financial liabilities	30	51,951	53,521	53,548	846	832	–	–
Other liabilities	31	4,667	5,045	5,045	6,643	6,506	509	487
Non-current provisions and liabilities		67,187	69,616	69,634	16,397	16,374	673	657
Other provisions	28	6,565	6,367	6,367	5,882	5,710	107	99
Current tax	29	1,015	1,124	1,124	797	874	–	–
Financial liabilities	30	41,884	41,097	41,100	958	947	–	–
Trade payables		9,304	9,731	9,731	7,924	8,516	396	355
Other liabilities	31	13,769	13,443	13,443	23,097	21,863	105	119
Current provisions and liabilities		72,537	71,762	71,765	38,658	37,910	608	573
Total equity and liabilities		196,218	195,586	195,506	95,248	93,645	1,281	1,230

¹ The figures to 1 January 2018 have been adjusted, based on the first-time application of IFRS 15 and IFRS 9, see notes 5 and 6.

² Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Financial Services		Other Entities		Eliminations		
31.3.2018	31.12.2017	31.3.2018	31.12.2017	31.3.2018	31.12.2017 ²	
						ASSETS
419	425	1	1	–	–	Intangible assets
29	33	–	–	–	–	Property, plant and equipment
43,386	44,285	–	–	–7,518	–8,028	Leased products
–	–	–	–	–	–	Investments accounted for using the equity method
1	2	7,150	7,160	–11,445	–11,457	Other investments
48,704	48,321	–	–	–	–	Receivables from sales financing
168	176	977	1,089	–206	–198	Financial assets
441	442	76	130	–1,969	–1,436	Deferred tax
3,283	3,082	27,771	26,628	–33,370	–31,783	Other assets
96,431	96,766	35,975	35,008	–54,508	–52,902	Non-current assets
23	24	–	–	–	–	Inventories
224	152	1	1	–	–	Trade receivables
31,739	32,113	–	–	–	–	Receivables from sales financing
1,597	1,531	1,226	1,163	–363	–307	Financial assets
122	55	766	797	–	–	Current tax
5,605	5,331	45,792	45,963	–66,848	–66,938	Other assets
1,785	1,856	122	18	–	–	Cash and cash equivalents
41,095	41,062	47,907	47,942	–67,211	–67,245	Current assets
137,526	137,828	83,882	82,950	–121,719	–120,147	Total assets
						EQUITY AND LIABILITIES
						Subscribed capital
						Capital reserves
						Revenue reserves
						Accumulated other equity
						Equity attributable to shareholders of BMW AG
						Minority interest
15,060	14,740	19,497	18,102	–18,256	–18,096	Equity
70	72	454	706	–	–	Pension provisions
365	356	–	–	–	–	Other provisions
4,303	4,302	35	38	–3,730	–3,639	Deferred tax
15,336	17,819	35,975	35,095	–206	–198	Financial liabilities
29,735	28,835	417	198	–32,637	–30,981	Other liabilities
49,809	51,384	36,881	36,037	–36,573	–34,818	Non-current provisions and liabilities
568	549	8	9	–	–	Other provisions
205	233	13	17	–	–	Current tax
26,648	24,853	14,641	15,607	–363	–307	Financial liabilities
975	849	9	11	–	–	Trade payables
44,261	45,220	12,833	13,167	–66,527	–66,926	Other liabilities
72,657	71,704	27,504	28,811	–66,890	–67,233	Current provisions and liabilities
137,526	137,828	83,882	82,950	–121,719	–120,147	Total equity and liabilities

BMW GROUP

CASH FLOW STATEMENT

→ BMW Group
Cash Flow Statement

Condensed Cash Flow Statement for the period from 1 January to 31 March

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in € million	Group	
	2018	2017*
Net profit	2,301	2,274
Depreciation and amortisation of tangible, intangible and investment assets	1,233	1,190
Change in provisions	140	-109
Change in leased products and receivables from sales financing	-395	-1,882
Change in deferred taxes	284	463
Changes in working capital	-2,852	-1,366
Other	-222	-242
Cash inflow/outflow from operating activities	489	328
Total investment in intangible assets and property, plant and equipment	-1,128	-1,041
Net investment in marketable securities and investment funds	383	-72
Other	76	2
Cash inflow/outflow from investing activities	-669	-1,111
Cash inflow/outflow from financing activities	-270	-42
Effect of exchange rate on cash and cash equivalents	-18	22
Effect of changes in composition of Group on cash and cash equivalents	-19	66
Change in cash and cash equivalents	-487	-737
Cash and cash equivalents as at 1 January	9,039	7,880
Cash and cash equivalents as at 31 March	8,552	7,143

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Automotive		Financial Services		
2018	2017*	2018	2017	
1,636	1,619	403	442	Net profit
1,200	1,161	9	9	Depreciation and amortisation of tangible, intangible and investment assets
114	12	50	37	Change in provisions
-	-	-2	-1,912	Change in leased products and receivables from sales financing
-38	342	99	54	Change in deferred taxes
-2,853	-1,540	55	78	Changes in working capital
1,295	1,032	-571	111	Other
1,354	2,626	43	-1,181	Cash inflow/outflow from operating activities
-1,112	-1,030	-2	-2	Total investment in intangible assets and property, plant and equipment
342	-42	13	-41	Net investment in marketable securities and investment funds
60	3	4	-	Other
-710	-1,069	15	-43	Cash inflow/outflow from investing activities
-1,138	-1,884	-119	700	Cash inflow/outflow from financing activities
-4	1	-10	6	Effect of exchange rate on cash and cash equivalents
-19	-	-	66	Effect of changes in composition of Group on cash and cash equivalents
-517	-326	-71	-452	Change in cash and cash equivalents
7,157	4,794	1,856	3,046	Cash and cash equivalents as at 1 January
6,640	4,468	1,785	2,594	Cash and cash equivalents as at 31 March

BMW GROUP

STATEMENT OF CHANGES IN EQUITY

→ BMW Group
Statement of
Changes in Equity

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
31 December 2017 (as originally reported)	24	658	2,084	51,256
Effect from the first-time application of IFRS 15		–	–	–441
31 December 2017 (adjusted according to IFRS 15)		658	2,084	50,815
Effects from the first-time application of IFRS 9		–	–	178
1 January 2018 (adjusted according to IFRS 9)		658	2,084	50,993
Net profit		–	–	2,281
Other comprehensive income for the period after tax		–	–	259
Comprehensive income at 31 March 2018		–	–	2,540
Dividend payments		–	–	–
Other changes		–	–	1
31 March 2018	24	658	2,084	53,534

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2017 (as originally reported)	24	657	2,047	44,445
Effects from the first-time application of IFRS 15		–	–	–409
1 January 2017 (adjusted according to IFRS 15)		657	2,047	44,036
Net profit*		–	–	2,264
Other comprehensive income for the period after tax		–	–	336
Comprehensive income at 31 March 2017 (adjusted according to IFRS 15)		–	–	2,600
Dividend payments		–	–	–
Other changes		–	–	55
31 March 2017	24	657	2,047	46,691

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Accumulated other equity							
Translation differences	Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total	
-1,494	93	1,515	-	54,112	436	54,548	31 December 2017 (as originally reported)
-	-	-	-	-441	-	-441	Effect from the first-time application of IFRS 15
-1,494	93	1,515	-	53,671	436	54,107	31 December 2017 (adjusted according to IFRS 15)
-	-82	-	5	101	-	101	Effects from the first-time application of IFRS 9
-1,494	11	1,515	5	53,772	436	54,208	1 January 2018 (adjusted according to IFRS 9)
-	-	-	-	2,281	20	2,301	Net profit
-81	21	35	-265	-31	-	-31	Other comprehensive income for the period after tax
-81	21	35	-265	2,250	20	2,270	Comprehensive income at 31 March 2018
-	-	-	-	-	-	-	Dividend payments
-	-	-15	-	-14	30	16	Other changes
-1,575	32	1,535	-260	56,008	486	56,494	31 March 2018
Accumulated other equity							
Translation differences	Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total	
-171	52	78	-	47,108	255	47,363	1 January 2017 (as originally reported)
-	-	-	-	-409	-	-409	Effects from the first-time application of IFRS 15
-171	52	78	-	46,699	255	46,954	1 January 2017 (adjusted according to IFRS 15)
-	-	-	-	2,264	10	2,274	Net profit*
46	-	-368	-	14	-	14	Other comprehensive income for the period after tax
46	-	-368	-	2,278	10	2,288	Comprehensive income at 31 March 2017 (adjusted according to IFRS 15)
-	-	-	-	-	-	-	Dividend payments
-	-	-	-	55	-	55	Other changes
-125	52	-290	-	49,032	265	49,297	31 March 2017

NOTES TO THE GROUP FINANCIAL STATEMENT

ACCOUNTING PRINCIPLES AND POLICIES

01

Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW Group Financial Statements or Group Financial Statements) at 31 December 2017 were drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 a (1) of the German Commercial Code (HGB). The Interim Group Financial Statements (Interim Report) at 31 March 2018, 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 2017 Group Financial Statements. Changes resulting from the first-time application of IFRS 15 and IFRS 9 are presented in → notes 5 and 6. The BMW Group applies the option of publishing condensed group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which were mandatory at 31 March 2018 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).

→ see
notes 5
and 6

Further information regarding the Group's accounting principles and policies is contained in the BMW Group Financial Statements at 31 December 2017.

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

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

In order to provide a better insight into the results of operations, 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 the statements of cash flows for the Automotive and Financial Services segments. Inter-segment transactions relate primarily to internal sales of products, the provision of funds for Group companies and the related interest.

These items are eliminated in the relevant “Eliminations” columns. More detailed information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in the explanatory notes to segment information in the BMW Group Financial Statements at 31 December 2017.

The Interim Group Financial Statements at 31 March 2018 have neither been audited nor subject to a limited review.

02

Group reporting entity

The BMW Group Financial Statements for the first quarter of 2018 include BMW AG and all material subsidiaries over which BMW AG – either directly or indirectly – exercises control. This also includes 56 structured entities used exclusively in conjunction with the BMW Group’s asset-backed financing arrangements or as special purpose funds.

The following changes took place in the Group reporting entity during the first three months of 2018:

	Germany	Foreign	Total
Included at 31 December 2017	21	187	208
Included for the first time in 2018	2	8	10
No longer included in 2018	–	4	4
Included at 31 March 2018	23	191	214

The BMW Group previously maintained the joint ventures DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungen GmbH, Munich, together with Sixt SE, Pullach. DriveNow offers car sharing services in major German cities and abroad. In January 2018, the BMW Group signed an agreement with Sixt SE for the complete acquisition of the shares in DriveNow.

Following approval by the antitrust authorities and with effect from 9 March 2018, the BMW Group acquired the remaining 50 % of the shares in the DriveNow companies together with their subsidiaries for a purchase price of €209 million. The purchase was financed by the transfer of cash funds. The acquisition expands the BMW Group’s strategic options for the further development of mobility services.

DriveNow GmbH & Co. KG and DriveNow Verwaltungen GmbH and their foreign subsidiaries DriveNow Austria GmbH, Vienna, DriveNow UK Limited, London, DriveNow Sverige AB, Stockholm, DriveNow Belgium S.p.r.l., Brussels, and DriveNow Italy S.r.l., Milan, were fully consolidated for the first time in the first quarter of 2018.

DriveNow’s equity prior to the acquisition stood at a negative amount of €2 million. As a result of the step acquisition, the shares already held by BMW were remeasured to their fair value, giving rise to a gain of €209 million, which was reported as part of the result on investments, based on a total fair value of €209 million.

The following table shows the provisional purchase price allocation:

in € million	Fair values at acquisition date
IDENTIFIED ASSETS	
Intangible assets	111
Trademark rights	22
Deferred tax assets	23
Trade receivables	9
Other receivables	7
Inventories	1
Cash and cash equivalents	5
IDENTIFIED LIABILITIES	
Provisions	16
Trade payables	5
Other liabilities	3
Total identified net assets	154
GOODWILL CALCULATION	
Consideration transferred (purchase price)	418
Total identified net assets	154
Goodwill	264

On 28 March 2018, the BMW Group signed an agreement with the Daimler Group regarding the merger of certain business units that provide mobility services. It is planned to combine and strategically expand the existing on-demand mobility offering in the areas of car sharing, ride-hailing, parking, charging and multi-modality, with the customer able to access an holistic ecosystem of intelligent, seamlessly connected mobility services. The aim is to become a leading provider of innovative mobility services.

In future, the BMW Group and the Daimler Group will each hold a 50 % stake in the newly founded joint venture, comprising both companies' mobility services. The contract has been signed subject to examination and approval by the relevant antitrust agencies. If approved by the antitrust agencies during the current year, the foundation of the joint venture will have a one-off valuation and earnings effect on the BMW Group Financial Statements, which will be recorded primarily by the Automotive segment. At 31 March 2018, the disposal group included in the BMW Group Balance Sheet included provisional assets amounting to €202 million and provisional liabilities amounting to €23 million.

In December 2017, BMW AG, Audi AG, Ingolstadt, and Daimler AG, Stuttgart, signed agreements to sell shares in THERE Holding B.V., Amsterdam, (THERE) to Robert Bosch Investment Nederland B.V., Boxtel, and to Continental Automotive Holding Netherlands B.V., Maastricht. Each of the parties acquired 5.9 % of the shares, which were sold in equal

parts by BMW AG, Audi AG and Daimler AG. The transactions were completed during the first quarter of 2018. The sale will not have a significant impact in the results of operations, financial position and net assets of the BMW Group.

Together with SGL Carbon SE, Wiesbaden, companies of the BMW Group were previously party to joint operations that manufactured carbon fibres and carbon fibre fabrics used in vehicle production. In November 2017, an agreement was signed with SGL Carbon SE concerning that entity's step-by-step acquisition of the BMW Group's 49 % shareholding. Accordingly, between the beginning of 2018 and the end 2020 at the latest, SGL Carbon SE will become the sole owner of the current joint operations. As a consequence of the transaction, the joint operations are no longer consolidated in the BMW Group Financial Statements on a proportionate basis with effect from the beginning of the financial year 2018.

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

03

Foreign currency translation

The exchange rates applied for currency translation purposes in accordance with the modified closing rate method, and which have a material impact on the Group Financial Statements, were as follows:

1 Euro =	Closing rate		Average rate	
	31.3.2018	31.12.2017	1st quarter 2018	1st quarter 2017
US-Dollar	1.23	1.20	1.23	1.07
British Pound	0.88	0.89	0.88	0.86
Chinese Renminbi	7.75	7.80	7.82	7.34
Japanese Yen	131.02	134.93	133.13	121.03
Korean Won	1,313.32	1,281.41	1,318.01	1,227.53

Further information regarding foreign currency translation is provided in note 3 to the Group Financial Statements at 31 December 2017.

04

Financial reporting rules**(a) Standards and Revised Standards significant for the BMW Group and applied for the first time in the first quarter:**

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU
IFRS 15	Revenue from Contracts with Customers	28. 5. 2014 11. 9. 2015 12. 4. 2016	1. 1. 2018	1. 1. 2018
IFRS 9	Financial Instruments	24. 7. 2014	1. 1. 2018	1. 1. 2018

Changes due to the new accounting standards IFRS 15 and IFRS 9 are described in → notes 5 and 6.

→ see
notes 5
and 6

(b) Financial reporting pronouncements issued by the IASB that are significant for the BMW Group, but have not yet been applied:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU
IFRS 16	Leases	13. 1. 2016	1. 1. 2019	1. 1. 2019

During the first quarter of 2018, there have been no significant changes in the assessment of the impact of IFRS 16 (which has not yet been applied).

For details, please see the comments in the BMW Group Financial Statements at 31 December 2017.

05

First-time application of IFRS 15

The new Standard **IFRS 15 (Revenue from Contracts with Customers)** assimilates all the various existing requirements and Interpretations relating to revenue recognition into a single Standard. It also stipulates uniform revenue recognition principles for all sectors and all categories.

In accordance with the transitional provisions contained in IFRS 15, the BMW Group is applying the new requirements for revenue from contracts with customers in the 2018 financial year using the full retrospective option. For this reason, the opening balance sheet at 1 January 2017, the figures reported for the previous year and the balance sheet at 31 December 2017 have been adjusted and made comparable. The exemption provision, allowing contracts fulfilled prior to 1 January 2017 not to be newly assessed in accordance with IFRS 15, was applied.

Revenue recognition from contracts with customers is based on a five-stage model. Revenues are required to be recognised either over time or at a specific point in time. A major difference to the previous Standard is the increased scope of discretion for estimates and the introduction of thresholds, thus influencing the amount and timing of revenue recognition.

Accounting for buyback arrangements and rights of return for vehicles sold, but which the Financial Services segment will subsequently lease to customers, results in the earlier recognition of intragroup eliminations. The adoption of IFRS 15 results in a retrospective decrease in Group revenue reserves at 1 January 2017 amounting to €498 million, net of deferred tax amounting to €239 million (31 December 2017: reduction of revenue reserves by €553 million, net of deferred tax amounting to €192 million). The lower amount of deferred tax at 31 December 2017 results from the reduction of the US federal corporate tax rate. The earlier date for consolidating intragroup transactions also results in the recognition of assets and liabilities relating to rights of return, causing other current assets and other current liabilities to increase. The changes did not have a significant impact on earnings in the first quarter of 2018.

In accordance with IFRS 15, costs incurred for sales promotion measures in the Automotive segment, such as sales support or residual value subsidies, are required to be treated as variable components of consideration and therefore have the effect of reducing revenue. Variable consideration is measured on the basis of the amount of consideration to which the BMW Group expects to be entitled. Some of these costs were previously reported as cost of sales. The change in classification in the income statement results in a decrease in both revenues and cost of

sales. For the financial year 2017, the retrospective reclassification recorded by the Automotive segment amounted to €2.9 billion, which did not, however, have a significant impact at Group level.

If the sale of products includes a determinable amount for services ("multiple-component contracts"), the related revenues are deferred and recognised as income over time. Variable consideration to be received for multi-component contracts is allocated across all service obligations unless it is directly attributable to the sale of the vehicle. As a result of the change in accounting policy for multi-component contracts with variable consideration components, changes in the allocation of transaction prices result for the Automotive segment in higher amounts being recognised for vehicle sales and a lower level of amounts deferred for service contracts. The shift in the timing of revenue recognition resulted in a retrospective increase in Group revenue reserves at 1 January 2017 of €89 million, net of deferred taxes of €38 million (31 December 2017: increase in Group revenue reserves of €112 million, net of deferred taxes of €42 million). The changes did not have a significant impact on earnings in the first quarter of 2018.

As a result of the retrospective adjustments described above, the Automotive segment EBIT margin increased by 0.4 percentage points to 9.4 % for the first quarter of 2017 and by 0.3 percentage points to 9.2 % for the full year 2017.

A different accounting treatment may be required if buyback arrangements are in place with customers, resulting in a shift in the timing of revenue recognition. The resulting impact was not significant.

Buyback arrangements between the Automotive and Financial Services segments are not reflected in the internal management system or reporting and therefore, in accordance with IFRS 8, do not result in any changes in the presentation of segment information.

The following tables show the impact on the balance sheets at 1 January 2017 and 31 December 2017, as well as on the income statement, the statement of comprehensive income and the cashflow statement for the financial year 2017:

BMW Group change in presentation of balance sheet at 1 January 2017

→ 31

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
ASSETS			
Total non-current assets	121,671	222	121,893
thereof investments accounted for using the equity method	2,546	2	2,548
thereof deferred tax	2,327	226	2,553
thereof other non-current assets	1,595	-6	1,589
Total current assets	66,864	1,509	68,373
thereof other current assets	5,087	1,509	6,596
Total assets	188,535	1,731	190,266
EQUITY AND LIABILITIES			
Total equity	47,363	-409	46,954
thereof equity attributable to shareholders of BMW AG	47,108	-409	46,699
thereof revenue reserves	44,445	-409	44,036
Total non-current provisions and liabilities	73,183	-100	73,083
thereof other non-current provisions	5,039	155	5,194
thereof deferred tax	2,795	26	2,821
thereof other liabilities	5,357	-281	5,076
Total current provisions and liabilities	67,989	2,240	70,229
thereof other non-current provisions	5,879	37	5,916
thereof other liabilities	10,198	2,203	12,401
Total equity and liabilities	188,535	1,731	190,266

BMW Group change in presentation of balance sheet at 31 December 2017

→ 32

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
ASSETS			
Total non-current assets	121,901	63	121,964
thereof investments accounted for using the equity method	2,767	2	2,769
thereof deferred tax	1,927	66	1,993
thereof other non-current assets	1,635	-5	1,630
Total current assets	71,582	1,960	73,542
thereof other current assets	5,525	1,960	7,485
Total assets	193,483	2,023	195,506
EQUITY AND LIABILITIES			
Total equity	54,548	-441	54,107
thereof equity attributable to shareholders of BMW AG	54,112	-441	53,671
thereof revenue reserves	51,256	-441	50,815
Total non-current provisions and liabilities	69,888	-254	69,634
thereof other non-current provisions	5,437	195	5,632
thereof deferred tax	2,241	-84	2,157
thereof other liabilities	5,410	-365	5,045
Total current provisions and liabilities	69,047	2,718	71,765
thereof other non-current provisions	6,313	54	6,367
thereof other liabilities	10,779	2,664	13,443
Total equity and liabilities	193,483	2,023	195,506

**BMW Group change in presentation of income statement
for the period from 1 January to 31 March 2017**

→ 33

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
Revenues	23,448	478	23,926
Cost of sales	-18,637	-303	-18,940
Gross profit	4,811	175	4,986
Profit / loss before financial result	2,646	175	2,821
Profit / loss before tax	3,005	175	3,180
Income taxes	-856	-50	-906
Net profit / loss	2,149	125	2,274
Attributable to shareholders of BMW AG	2,139	125	2,264
Basic earnings per share of common stock in €	3.26	0.19	3.45
Basic earnings per share of preferred stock in €	3.26	0.19	3.45
Diluted earnings per share of common stock in €	3.26	0.19	3.45
Diluted earnings per share of preferred stock in €	3.26	0.19	3.45

**BMW Group change in presentation of statement of comprehensive income
for the period from 1 January to 31 March 2017**

→ 34

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
Net profit	2,149	125	2,274
Total comprehensive income	2,163	125	2,288
Total comprehensive income attributable to shareholders of BMW AG	2,153	125	2,278

**BMW Group change in presentation of cash flow statement
for the period from 1 January to 31 March 2017**

→ 35

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
Net profit	2,149	125	2,274
Change in provisions	-127	18	-109
Change in deferred taxes	413	50	463
Other	-49	-193	-242
Cash inflow/outflow from operating activities	328	-	328

The effects of the first-time application of IFRS 15 on equity are shown in the Statement of Changes in Equity.

06

First-time application of IFRS 9

The new requirements contained in **IFRS 9 (Financial Instruments)** relating to the classification and measurement of financial instruments are being applied retrospectively by the BMW Group in the financial year 2018. The available exemption not to adjust comparative information for previous periods has been applied. Accordingly, only the opening balance sheet at 1 January 2018 has been adjusted. Apart from a small number of exceptions, the requirements for hedge accounting are being applied prospectively in the financial year 2018. The one exception to this is hedge accounting for the fair value of a portfolio against interest rate risk, for which the requirements of IAS 39 will continue to be applied.

In accordance with the new requirements of IFRS 9, the BMW Group classifies financial instruments into the following categories: “at amortised cost”, “at fair value through other comprehensive income” and “at fair value through profit or loss”. All equity instruments held at the date of the adoption of the Standard were classified at fair value through profit or loss.

IFRS 9 introduces a new model for determining impairment based on expected credit losses. In accordance with this model, valuation allowances for expected credit losses on financial assets classified at amortised cost or at fair value through profit or loss are recognised. Expected credit losses are updated at each balance sheet date on the basis of available information.

Valuation allowances on receivables from sales financing are determined primarily on the basis of past experience with credit losses, current data on overdue receivables, rating classes and scoring information. Forward-looking information (e.g. forecasts of economic performance indicators) is also taken into account if, based on past experience, such indicators show a substantive correlation with actual credit losses.

The BMW Group applies the general approach described in IFRS 9 to receivables from sales financing that do not result from operating leases. Impairment allowances on these receivables are measured on initial recognition on the basis of the expected 12-month credit loss. If, at subsequent balance sheet dates, the credit loss risk has increased significantly since the date of initial recognition, the impairment allowance is measured on the basis of lifetime expected credit losses. In line with the general approach, an impairment allowance is also recognised for receivables with impaired creditworthiness, measured on the basis of lifetime expected credit losses. The BMW Group generally assumes creditworthiness is impaired if a receivable is more than 90 days overdue.

The BMW Group applies the simplified approach described in IFRS 9 to operating lease receivables and trade receivables, whereby the amount of the impairment allowance of a receivable is measured subsequent to initial recognition on the basis of lifetime expected credit losses.

Cross currency basis spreads are not designated as part of the hedging relationship in the case of interest rate hedges accounted for as fair value hedges. Accordingly, changes in the market value of such instruments are recorded as costs of hedging within accumulated other equity. Amounts recorded in equity are reclassified to the income statement over the term of the hedging relationship.

The fair values of option transactions and the interest component of the forward currency contracts are not designated as part of the hedging relationship in the case of currency and commodity hedges accounted for as cash flow hedges. Changes in the market value of such components are recorded as costs of hedging within accumulated other equity. As a result of the application of IFRS 9, most commodity hedging contracts are recognised directly in equity in accordance with hedge accounting rules. Amounts recorded in accumulated other equity are included on initial recognition in the carrying amounts of inventories of raw materials, supplies and goods for resale. In the case of currency hedges, amounts recorded in accumulated other equity are reclassified within profit/loss before financial result at the same time that the hedged item has an earnings impact.

The following table shows the reconciliation of the categories and carrying amounts of financial instruments as well as the impact on Group equity of the first-time application of IFRS 9.

BMW Group reclassification of financial instruments at 1 January 2018

→ 36

in € million	Category		Carrying amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
FINANCIAL ASSETS				
Other investments	Available-for-sale	Fair value through profit or loss	366	
	Fair value option		29	395
Receivables from sales financing	Loans and receivables	At amortised cost	80,434	80,562
Financial assets				
Derivative instruments				
Cash flow hedges	Hedge accounting	Hedge accounting	2,187	2,187
Fair value hedges	Hedge accounting	Hedge accounting	814	814
Other derivative instruments	Held for trading	Fair value through profit or loss	1,340	1,340
Marketable securities and investment funds	Available-for-sale	Fair value through profit or loss		790
		Fair value directly through equity	5,447	3,919
		At amortised cost		730
Loans to third parties	Loans and receivables	At amortised cost	112	112
	Fair value option	Fair value through profit or loss	2	2
Credit card receivables	Loans and receivables	At amortised cost	248	240
Other	Loans and receivables	At amortised cost	184	184
Cash and cash equivalents	Cash	At amortised cost		8,407
		Fair value through profit or loss	9,039	632
Trade receivables	Loans and receivables	At amortised cost	2,667	2,663
Other assets				
Receivables from subsidiaries	Loans and receivables	At amortised cost	276	276
Receivables from companies in which an investment is held	Loans and receivables	At amortised cost	1,334	1,334
Collateral assets	Cash	At amortised cost	219	219
	Available-for-sale	Fair value directly through equity	97	97
Other assets	Loans and receivables	At amortised cost	1,108	1,108
Total			105,903	106,011
FINANCIAL LIABILITIES				
Financial liabilities	Other liabilities	At amortised cost	94,648	94,618
Trade payables	Other liabilities	At amortised cost	9,731	9,731
Other liabilities	Other liabilities	At amortised cost	6,822	6,822
Total			111,201	111,171
Total impact on equity				

	Differences through		Equity effects				Note	
	new measurement category	change of evaluation measurement	Deferred taxes	Accumulated other equity	Revenue reserves			
								FINANCIAL ASSETS
	-	-	-	-76	76	a)		Other investments
	-	-	-	-	-	b)		
	-	128	-35	-	93	c)		Receivables from sales financing
								Financial assets
								Derivative instruments
	-	-	-	-	-			Cash flow hedges
	-	-	-	5	-5	d)		Fair value hedges
	-	-	-	-	-			Other derivative instruments
	-	-	-	-2	2	e)		Marketable securities and investment funds
	-	-	-	2	-2	f)		
	-8	-	2	-6	-	g)		
	-	-	-	-	-			Loans to third parties
	-	-	-	-	-	b)		
	-	-8	2	-	-6	c)		Credit card receivables
	-	-	-	-	-			Other
	-	-	-	-	-			Cash and cash equivalents
	-	-	-	-	-	h)		
	-	-4	1	-	-3	c)		Trade receivables
								Other assets
	-	-	-	-	-			Receivables from subsidiaries
	-	-	-	-	-			Receivables from companies in which an investment is held
	-	-	-	-	-			Collateral assets
	-	-	-	-	-			Other assets
	-8	116	-30	-77	155			Total
								FINANCIAL LIABILITIES
	-	-30	7	-	23	d)		Financial liabilities
	-	-	-	-	-			Trade payables
	-	-	-	-	-			Other liabilities
	-	-30	7	-	23			Total
				-77	178			Total impact on equity

The impact of the various changes arising in conjunction with the first-time application of IFRS 9 is explained below:

- (a) Financial investments in equity instruments were reclassified to the category at fair value through profit or loss. There is no difference between their carrying amount based on IAS 39 and their fair value at 1 January 2018.
- (b) Selected non-current marketable securities and non-current loans to third parties, for which the fair value option available under IAS 39 was previously used, were reclassified to the category at fair value through profit or loss because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.
- (c) Adjustment of impairment allowances in accordance with the new requirements of IFRS 9.
- (d) The new accounting requirements for interest rate hedges reduce the carrying amount of financial liabilities designated as hedged items within a hedge relationship by €30 million and increase accumulated other equity by €5 million. At the date of adoption of the new requirements, revenue reserves increased by €18 million, net of deferred taxes.
- (e) Specific investments in debt instruments were reclassified to the category at fair value through profit or loss because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. ↱

- (f) Adjustment of the amount and presentation of impairment allowances in accordance with the new requirements of IFRS 9.
- (g) Specific listed bonds were reclassified to the category "at amortised cost". At the date of first-time application of IFRS 9, the BMW Group uses a business model for these bonds, the objective of which is to collect contractual cash flows that solely represent payments of principal and interest on the principal amount outstanding. The market value of these instruments at 31 March 2018 amounted to €735 million (31 December 2017: €738 million).
- (h) Some of the money market funds with a fixed net asset value were reclassified from cash to the category measured at fair value through profit or loss. They do not meet the criteria for measurement at amortised cost in accordance with IFRS 9 because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.

The following table shows the adjustments made to impairment allowances in the Group Balance Sheet as a result of the first-time application of IFRS 9.

BMW Group reconciliation of impairment allowances

→ 37

in € million	Impairment allowance 31.12.2017 IAS 39	Adjustment to impairment allowance due to IFRS 9	Impairment allowances 1.1.2018 IFRS 9
Receivables from sales financing	-1,147	128	-1,019
Credit card receivables	-10	-8	-18
Trade receivables	-56	-4	-60
Marketable securities and investment funds	-	-2	-2
Total	-1,213	114	-1,099

NOTES TO THE INCOME STATEMENT

07

Revenues

Revenues by activity comprise the following:

in € million	1st quarter 2018	1st quarter 2017*
Sales of products and related goods	16,122	16,959
Income from lease instalments	2,381	2,492
Sales of products previously leased to customers	2,380	2,713
Interest income on loan financing	905	937
Other income	906	825
Revenues	22,694	23,926

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

An analysis of revenues by segment is shown in the segment information in → note 36. Revenues from the sale of products and related goods are generated primarily in the Automotive segment and, to a lesser extent, in the Motorcycles segment. Revenue from

→ see
note 36

↯

sales of products previously leased to customers, income from lease instalments and interest income on loan financing are allocated to the Financial Services segment. Other income relates mainly to the Automotive segment and the Financial Services segment.

08

Cost of sales

Cost of sales relate to the following items:

in € million	1st quarter 2018	1st quarter 2017*
Manufacturing costs	9,346	10,240
Cost of sales relating to financial services business	5,493	5,911
Research and development expenses	1,288	1,185
thereof amortisation of capitalised development costs	332	304
Other cost of sales	1,703	1,604
Cost of sales	17,830	18,940

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

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

09 Selling and administrative expenses

in € million	1st quarter 2018	1st quarter 2017
Selling expenses	1,367	1,404
Administrative expenses	808	774
Selling and administrative expenses	2,175	2,178

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

10 Other operating income and expenses

These items principally include exchange gains and losses, gains and losses on the disposal of assets, impairment losses, as well as income/expense from the reversal of and allocation to provisions, including provisions for legal risks and other litigation. ↗

11 Result from equity accounted investments

Result from equity accounted investments includes results of the joint ventures BMW Brilliance Automotive Ltd., DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, (up to and including 9 March 2018), the joint venture IONITY Holding GmbH & Co. KG, Munich, and the associated company THERE Holding B.V., Amsterdam.

12 Net interest result

in € million	1st quarter 2018	1st quarter 2017
Interest and similar income	38	61
Interest and similar expenses	-103	-98
Net interest result	-65	-37

13 Other financial result

in € million	1st quarter 2018	1st quarter 2017
Result on investments	228	-
Sundry other financial result	46	45
Other financial result	274	45

The first-quarter result on investments comprises mainly fair value measurement gains arising on the acquisition of DriveNow shares. Further information is provided in → note 2.

→ see
note 2

14**Income taxes**

Taxes on income comprise the following:

in € million	1st quarter 2018	1st quarter 2017*
Current tax expense	637	444
Deferred tax expense	227	462
Income taxes	864	906

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

The effective tax rate for the three-month period to 31 March 2018 was 27.3 % (2017: 28.5 %) 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 period under report.

15**Earnings per share**

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

		1st quarter 2018	1st quarter 2017*
Profit attributable to shareholders of BMW AG	€ million	2,281.4	2,264.0
Profit attributable to common stock	€ million	2,088.5	2,074.1
Profit attributable to preferred stock	€ million	192.9	189.9
Average number of common stock shares in circulation	number	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	55,605,404	55,114,404
Basic earnings per share of common stock	€	3.47	3.45
Basic earnings per share of preferred stock	€	3.47	3.45

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

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.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

16

Disclosures relating to the statement of total comprehensive income

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

in € million	1st quarter 2018	1st quarter 2017
Remeasurement of the net defined benefit liability for pension plans	360	459
Deferred taxes	-101	-123
Items not expected to be reclassified to the income statement in the future	259	336
Marketable securities (at fair value through other comprehensive income)	17	2
thereof gains / losses arising in the period under report	28	6
thereof reclassifications to the income statement	-11	-4
Financial instruments used for hedging purposes	-14	-527
thereof gains / losses arising in the period under report	134	-683
thereof reclassifications to the income statement	-148	156
Costs of hedging	-246	-
thereof gains / losses arising in the period under report	-277	-
thereof reclassifications to the income statement	31	-
Other comprehensive income from equity accounted investments	-42	2
Deferred taxes	102	150
Currency translation foreign operations	-107	51
Items that can be reclassified to the income statement in the future	-290	-322
Other comprehensive income for the period after tax	-31	14

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

in € million	1st quarter 2018			1st quarter 2017		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	360	-101	259	459	-123	336
Available-for-sale securities	17	4	21	2	-2	-
Financial instruments used for hedging purposes	-14	13	-1	-527	149	-378
Costs of hedging	-246	68	-178	-	-	-
Other comprehensive income from equity accounted investments	-42	17	-25	2	3	5
Currency translation foreign operations	-107	-	-107	51	-	51
Other comprehensive income	-32	1	-31	-13	27	14

Other comprehensive income relating to equity accounted investments is reported in the Group Statement of Changes in Equity in the columns "Currency translation differences" with a positive amount of €26 million (2017: negative amount of €5 million),

"Financial instruments used for hedging purposes" with a positive amount of €48 million (2017: positive amount of €10 million) and "Costs of hedging" with a negative amount of €116 million (2017: € - million).

NOTES TO THE BALANCE SHEET

17

Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle, module and architecture projects as well as subsidies for tool costs, licences, purchased development projects, software and purchased customer lists.

in € million	31.3.2018	31.12.2017
Capitalised development costs	8,393	8,409
Goodwill	644	380
thereof allocated to the Automotive cash-generating unit	297	33
thereof allocated to the Financial Services cash-generating unit	347	347
Other intangible assets	744	675
Intangible assets	9,781	9,464

Goodwill arising on the acquisition of the shares in DriveNow has provisionally been allocated to the Automotive cash-generating unit. Further information is provided in → note 2.

→ see
note 2

Other intangible assets include a brand-name right amounting to €41 million (31 December 2017: €41 million), which is allocated to the Automotive segment and is not subject to scheduled amortisation since its useful life is deemed to be indefinite.

Intangible assets amounting to €41 million (31 December 2017: €41 million) are subject to restrictions on title.

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

in € million	1st quarter 2018	1st quarter 2017
Capitalised development costs		
Additions	316	436
Amortisation	332	304
Other intangible assets		
Additions	146	10
Amortisation	50	49

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

18

Property, plant and equipment

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

in € million	1st quarter 2018	1st quarter 2017
Additions	588	595
Depreciation	851	837
Disposals	5	3

No impairment losses were recognised during the first three months of 2018.

Purchase commitments for property, plant and equipment totalled €4,550 million (31 December 2017: €4,137 million).

19**Leased products**

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

in € million	1st quarter 2018	1st quarter 2017
Additions	3,990	4,524
Depreciation	891	774
Disposals	2,993	3,944

20**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, and IONITY Holding GmbH & Co. KG, Munich, as well as the BMW Group's interests in the associated company THERE Holding B.V., Amsterdam.

Other investments relate to investments in non-consolidated subsidiaries, joints ventures, joint operations and associated companies, participations and non-current marketable securities.

21**Receivables from sales financing**

Receivables from sales financing totalling €80,443 million (31 December 2017: €80,434 million) include credit financing for retail customers and dealerships as well as finance leases.

22**Financial assets**

Financial assets comprise:

in € million	31.3.2018	31.12.2017
Marketable securities and investment funds	5,063	5,447
Derivative instruments	3,998	4,341
Credit card receivables	220	248
Loans to third parties	35	114
Other	367	184
Financial assets	9,683	10,334

23**Income tax assets**

Income tax assets totalling €1,576 million (31 December 2017: €1,566 million) include €352 million (31 December 2017: €364 million), which is expected to be settled after more than twelve months. Depending on the timing of proceedings, such claims may also be settled at an earlier date.

24**Other assets**

Other assets comprise:

in € million	31.3.2018	31.12.2017*
Prepayments	2,095	2,018
Receivables from companies in which an investment is held	1,380	1,334
Other taxes	1,322	1,537
Expected reimbursement claims	886	847
Collateral assets	319	316
Receivables from subsidiaries	265	276
Sundry other assets	2,751	2,787
Other assets	9,018	9,115

*Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

25**Inventories**

Inventories comprise the following:

in € million	31.3.2018	31.12.2017
Finished goods and goods for resale	12,577	10,436
Work in progress, unbilled contracts	1,189	1,125
Raw materials and supplies	1,252	1,146
Inventories	15,018	12,707

26**Equity**

The Group Statement of Changes in Equity is shown on → pages 42 and 43.

→ see
pages 42
and 43

Subscribed capital

The number of shares of common stock issued by BMW AG at 31 March 2018 was 601,995,196 shares, each with a par value of €1, unchanged from 31 December 2017. The number of shares of preferred stock at that date was 55,605,404 shares, each with a par value of €1, unchanged from 31 December 2017. Unlike the common stock, no voting rights are attached to the preferred stock. Subscribed capital therefore stood at €658 million, unchanged from 31 December 2017. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

To date, 1,345,617 shares of preferred stock have been issued to employees. BMW AG is authorised to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million prior to 14 May 2019. As a result, 3.7 million authorised shares and Authorised Capital amounting to €3.7 million remained available for issue at the end of the reporting period. No treasury shares were held at 31 March 2018.

Capital reserves

Capital reserves include premiums arising from the issue of shares and were unchanged from 31 December 2017 at €2,084 million.

Revenue reserves

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

Accumulated other equity

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

Further information regarding the transition effects recognised in equity on the first-time application of IFRS 15 and IFRS 9 is provided in → notes 5 and 6.

→ see
notes 5
and 6

27**Pension provisions**

Pension provisions stood at €2,849 million (31 December 2017: €3,252 million). Remeasurements of the net defined benefit obligation for pension plans decreased provisions by €360 million in the first three months of 2018, mainly due to the increased discount rate in the UK.

28**Other provisions**

Other provisions consist of the following:

in € million	31.3.2018	31.12.2017*
Statutory and non-statutory warranty obligations, product guarantees	4,784	5,074
Obligations for personnel and social expenses	3,123	2,782
Other obligations for ongoing operational expenses	1,605	1,620
Other obligations	2,516	2,523
Other provisions	12,028	11,999

*Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

Provisions for other obligations for ongoing operations included provisions for expected payment for bonuses and other price deductions.

29**Income tax liabilities**

Income tax liabilities totalling €1,015 million (31 December 2017: €1,124 million) include €55 million (31 December 2017: €68 million), which is expected to be settled after more than twelve months. Depending on the timing of proceedings, some liabilities may be settled earlier than this.

Current income tax liabilities comprise €150 million (31 December 2017: €332 million) for taxes payable and €865 million (31 December 2017: €792 million) for tax provisions.

30**Financial liabilities**

Financial liabilities of the BMW Group comprise the following:

in € million	31. 3. 2018	31.12.2017
Bonds	45,688	44,880
Asset backed financing transactions	16,558	16,855
Liabilities from customer deposits (banking)	13,537	13,572
Liabilities to banks	12,421	12,658
Commercial paper	3,266	4,461
Derivative instruments	1,307	1,090
Other	1,058	1,132
Financial liabilities	93,835	94,648

31**Other liabilities**

Other liabilities comprise the following items:

in € million	31. 3. 2018	31.12.2017*
Deferred income	6,746	6,665
Other taxes	974	935
Advance payments from customers	928	1,056
Payables to other companies in which an investment is held	844	744
Deposits received	837	856
Social security	87	98
Payables to subsidiaries	75	129
Sundry	7,945	8,005
Other liabilities	18,436	18,488

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

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

OTHER DISCLOSURES

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Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	31.3.2018	31.12.2017
Investment subsidies	421	399
Litigation	180	204
Performance guarantees	12	10
Other	289	203
Contingent liabilities	902	816

Other contingent liabilities comprise mainly risks relating to taxes and customs duties.

The BMW Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of the Group Financial Statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. Some of the risks are insured.

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

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Financial instruments

A description of the accounting treatment and measurement of derivative financial instruments and the allocation of recognised financial instruments to different measurement levels is provided in → note 6 of the Interim Group Financial Statements at 31 March 2018 and in notes 4 and 37 of the Group Financial Statements at 31 December 2017. ↱

→ see
note 6

including BMW AG, as part of an investigation into the purchase of steel. The investigations have not yet been completed. More extensive disclosures pursuant to IAS 37.86 cannot be provided at present.

In July 2017, cartel allegations against five German car manufacturers appeared in the press. Internal investigations were initiated by the BMW Group and have not yet been completed. In October 2017, the European Commission began an inspection at BMW Group. A number of class action lawsuits were brought in the USA and Canada. Possible risks for the BMW Group cannot be quantified at present; further disclosures pursuant to IAS 37.86 cannot be provided at present.

Regulatory authorities 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. In addition to the risks already covered by warranty provisions, it cannot be ruled out that further BMW Group vehicles will be affected by future recall actions. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

Amounts are discounted at 31 March 2018 on the basis of the following interest rates:

in %	ISO Code				
	EUR	USD	GBP	JPY	CNY
Interest rate for six months	-0.33	2.54	0.95	-0.08	5.04
Interest rate for one year	-0.26	2.40	0.95	0.03	4.40
Interest rate for five years	0.37	2.70	1.36	0.12	4.43
Interest rate for ten years	0.99	2.78	1.51	0.30	4.57

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

Where the fair value was required for a financial instrument for disclosure purposes, the discounted cash flow method was used, taking account of the BMW Group's own default risk; for this reason, the fair values calculated can be allocated to Level 2. ↱

Financial instruments recognised at fair value for which no market price is available are allocated to Level 3. Fair values are determined in accordance with the following table:

in € million	Fair value 31.3.2018	Valuation method	Input Parameter
Unquoted equity instruments	171	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
			Contractual rights by share class
Convertible bonds	1	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
			Contractual rights by share class
Options on unquoted equity instruments	4	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
		Consideration of exercise price	Contractual rights by share class
			Exercise price

Level 3 financial assets relate mainly to investments in a private equity fund. The private equity companies are valued on the basis of their net asset value which is determined using relevant information that is not available in the public domain. The fund manager assesses the underlying individual companies in accordance with the guidelines for international private equity and venture capital valuations (IPEV). A detailed listing and quantification of potential sensitivities of the input parameters is not considered meaningful in view of the valuation methodology applied. An increase in input parameters would normally also lead to a similar increase in valuation.

The balance sheet carrying amount of Level 3 financial instruments developed as follows:

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Financial Instru- ments Level 3
1. January 2018	111*	2	2	115
Additions	59	–	–	59
Disposals	–2	–	–	–2
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	–
Gains (+)/losses (–) recognised in the income statement	6	–1	2	7
Currency translation differences	–3	–	–	–3
31. March 2018	171	1	4	176

* Opening balance adjusted due to first-time application of IFRS 9.

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Financial Instru- ments Level 3
1. January 2017	–	–	–	–
Additions	103	2	–	105
Disposals	–	–	–	–
Gains (+)/losses (–) recognised in accumulated other equity	8	–	–	8
Gains (+)/losses (–) recognised in the income statement	–	–	3	3
Currency translation differences	–6	–	–1	–7
31. December 2017	105	2	2	109

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 ¹

as a general rule to fair values. The following items are the main exceptions to this general rule:

in € million	31.3.2018		31.12.2017	
	Fair value	Carrying amount	Fair value	Carrying amount
Receivables from sales financing	83,970	80,443	83,853	80,434
Bonds	46,281	45,688	45,566	44,880

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Related party relationships

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

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

in € million	Supplies and services performed		Supplies and services received		Receivables		Payables	
	1st quarter 2018	1st quarter 2017	1st quarter 2018	1st quarter 2017	31.3.2018	31.12.2017	31.3.2018	31.12.2017
BMW Brilliance Automotive Ltd.	1,579	1,315	19	14	1,209	1,333	841	739

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

Stefan Quandt, Germany, is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v.d.H., which, via its subsidiaries, performed logistics-related services for the BMW Group during the first quarter of 2018. In addition, companies of the DELTON Group acquired vehicles from the BMW Group by way of leasing.

Stefan Quandt, Germany, is also the indirect majority shareholder of SOLARWATT GmbH, Dresden. Cooperation arrangements are in place between BMW AG and SOLARWATT GmbH, Dresden, within the field of electric mobility. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. SOLARWATT GmbH, Dresden, leased vehicles from the BMW Group during the first three months of 2018.

Susanne Klatten, Germany, is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairwoman of the Supervisory Board of ALTANA AG, Wesel. ALTANA AG, Wesel, acquired vehicles from the BMW Group during the first three months of 2018 by way of leasing.

Susanne Klatten, Germany, is also the sole shareholder and Chairwoman of the Supervisory Board of UnternehmerTUM GmbH, Garching. During the first three months of 2018, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, primarily in the form of consultancy and workshop services.

In addition, Susanne Klatten, Germany, and Stefan Quandt, Germany, are indirectly sole shareholders of Entrust Datacard Corp., Shakopee, Minnesota. Stefan Quandt is also a member of the supervisory

board of this entity. Entrust Datacard Corp., Shakopee, Minnesota, leased vehicles from the BMW Group during the first quarter of 2018.

Apart from vehicle leasing and credit financing contracts concluded at normal market conditions, companies of the BMW Group have not entered into any contracts with members of the Board of Management or Supervisory Board of BMW AG. The same applies to close members of the families of those persons.

BMW Trust e.V., Munich, manages fund assets relating to pension obligations on a trustee basis and manages the accrued entitlements relating to pre-retirement part-time working arrangements in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity has no assets of its own. It had no income or expenses during the period under report. BMW AG bears expenses on an immaterial scale and performs services for BMW Trust e.V., Munich.

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Events after the end of the reporting period

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

SEGMENT INFORMATION

36

Explanatory notes to segment information

For information on the basis used for identifying and managing reportable segments, please refer to the Group Financial Statements at 31 December 2017.

Due to the management system, reported segment results and asset values are based on different performance measures. Details are provided in note 43 of the Group Financial Statements of BMW AG at 31 December 2017.

Segment information is prepared in conformity with the accounting policies used to prepare and present the Interim Group Financial Statements. Exceptions to this general principle include the treatment of inter-segment warranties, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business. In addition, intragroup repurchase agreements between the Automotive and Financial Services segments pursuant to IFRS 15, impairment allowances on intragroup receivables and changes in the value of consolidated other investments pursuant to IFRS 9 are also excluded.

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

in € million	Automotive		Motorcycles		Financial Services	
	2018	2017*	2018	2017*	2018	2017
SEGMENT INFORMATION BY OPERATING SEGMENT						
External revenues	15,913	16,658	524	620	6,256	6,648
Inter-segment revenues	3,413	3,343	–	–	418	398
Total revenues	19,326	20,001	524	620	6,674	7,046
Segment result	1,881	1,877	77	125	561	595
Result from equity accounted investments	223	351	–	–	–	–
Capital expenditure on non-current assets	1,298	1,030	14	9	5,465	6,034
Depreciation and amortisation on non-current assets	1,200	1,161	24	20	2,442	2,322

in € million	Automotive		Motorcycles		Financial Services	
	31.3.2018	31.12.2017*	31.3.2018	31.12.2017	31.3.2018	31.12.2017
Segment assets	12,507	11,223	647	618	15,060	14,740
Investments accounted for using the equity method	2,686	2,769	–	–	–	–

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

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

in € million	2018	2017*
Reconciliation of segment result		
Total for reportable segments	2,589	2,593
Financial result of Automotive segment and Motorcycles segment	401	408
Elimination of inter-segment items	175	179
Group profit before tax	3,165	3,180
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	6,777	7,073
Elimination of inter-segment items	-1,473	-1,508
Total Group capital expenditure on non-current assets	5,304	5,565
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	3,666	3,503
Elimination of inter-segment items	-1,542	-1,539
Total Group depreciation and amortisation on non-current assets	2,124	1,964

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

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

in € million	31.3.2018	31.12.2017*
Reconciliation of segment assets		
Total for reportable segments	104,364	101,702
Non-operating assets – Other Entities segment	7,732	7,829
Total liabilities – Financial Services segment	122,466	123,088
Non-operating assets – Automotive and Motorcycles segments	47,314	47,973
Liabilities of Automotive and Motorcycles segments not subject to interest	36,061	35,061
Elimination of inter-segment items	-121,719	-120,147
Total Group assets	196,218	195,506

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

OTHER INFORMATION

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FINANCIAL CALENDAR

2018

17 May 2018

Annual General Meeting

2 August 2018

Quarterly Report to 30 June 2018

7 November 2018

Quarterly Report to 30 September 2018

2019

20 March 2019

Annual Report 2018

20 March 2019

Annual Accounts Press Conference

21 March 2019

Analyst and Investor Conference

7 May 2019

Quarterly Report to 31 March 2019

16 May 2019

Annual General Meeting

1 August 2019

Quarterly Report to 30 June 2019

6 November 2019

Quarterly Report to 30 September 2019

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