

QUARTERLY STATEMENT

31 March 2019



**BMW
GROUP**

THE NEXT
100 YEARS 



Rolls-Royce
Motor Cars Limited

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BMW GROUP AT A GLANCE

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BMW GROUP IN FIGURES

Key performance indicators reported during the year

→ 01

		1st quarter 2019	1st quarter 2018	Change in %
GROUP				
Profit before tax ¹	€ million	762	3,139	-75.7
AUTOMOTIVE SEGMENT				
Deliveries ²	units	605,333	604,629	0.1
EBIT margin ³	% (change in %pts)	-1.6	9.7	-11.3
MOTORCYCLES SEGMENT				
Deliveries	units	38,606	35,858	7.7
EBIT margin ³	% (change in %pts)	15.2	14.7	0.5

¹ Prior year figures adjusted due to first-time application of IFRS 16; see note 5 to the Group Financial Statements for the year ended 31 December 2018.

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 128,653 units, 2018: 108,274 units).

³ Profit before financial result as percentage of segment revenues.

Further performance figures

→ 02

		1st quarter 2019	1st quarter 2018	Change in %
AUTOMOTIVE SEGMENT				
Deliveries				
BMW ¹	units	519,307	517,447	0.4
MINI	units	84,820	86,375	-1.8
Rolls-Royce	units	1,206	807	49.4
Total¹		605,333	604,629	0.1
Production volume				
Total²		672,042	663,333	1.3
FINANCIAL SERVICES SEGMENT				
New contracts with retail customers				
		469,624	451,908	3.9
Free cash flow Automotive segment				
	€ million	-559	302	-
Group revenues³				
	€ million	22,462	22,665	-0.9
Automotive	€ million	19,213	19,326	-0.6
Motorcycles	€ million	586	524	11.8
Financial Services ³	€ million	7,146	6,561	8.9
Other Entities	€ million	1	2	-50.0
Eliminations ³	€ million	-4,484	-3,748	-19.6
Group profit / loss before financial result (EBIT)³				
	€ million	589	2,707	-78.2
Automotive	€ million	-310	1,881	-
Motorcycles	€ million	89	77	15.6
Financial Services ³	€ million	648	561	15.5
Other Entities	€ million	4	9	-55.6
Eliminations ³	€ million	158	179	-11.7
Group profit / loss before tax (EBT)³				
	€ million	762	3,139	-75.7
Automotive	€ million	-27	2,281	-
Motorcycles	€ million	87	78	11.5
Financial Services ³	€ million	627	553	13.4
Other Entities	€ million	-58	70	-
Eliminations ³	€ million	133	157	-15.3
Group income taxes³				
	€ million	-218	-857	74.6
Profit / loss from continuing operations³				
	€ million	544	2,282	-76.2
Profit / loss from discontinued operations				
	€ million	44	-	-
Group net profit³				
	€ million	588	2,282	-74.2
Earnings per share^{3,4}				
	€	0.85 / 0.85	3.44 / 3.44	-75.3 / -75.3
Group pre-tax return on sales^{3,5}				
	% (change in %pts)	3.4	13.8	-10.4

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 128,653 units, 2018: 108,274 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 138,391 units, 2018: 107,271 units).

³ Prior year figures adjusted due to first-time application of IFRS 16; see note 5 to the Group Financial Statements for the year ended 31 December 2018.

In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

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.

Automobile deliveries at new record level

Despite an increasingly challenging political and economic environment, deliveries of BMW Group automobiles to customers in the first quarter of 2019 were again up on the previous year's high level, setting a new volume record for the opening three-month period of a financial year. In total, the BMW Group delivered 605,333* BMW, MINI and Rolls-Royce brand vehicles to customers worldwide (2018: 604,629* units; +0.1%).

The volume performance in March 2019 marked the BMW Group's most successful month in its corporate history, with 263,319 units delivered. The Group was able to buck the general trend in key markets such as the USA and China compared to the same month one year earlier.

A total of 469,624 new credit financing and leasing contracts were signed with retail customers during the first quarter of the year (2018: 451,908 contracts; +3.9%). The contract portfolio of the Financial Services segment at 31 March 2019 comprised 5,735,975 contracts, similar to the level three months earlier (31 December 2018: 5,708,032 contracts; +0.5%).

*Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 128,653 units, 2018: 108,274 units).

Earnings reduced by recognition of high provision

In an ad hoc announcement dated 5 April 2019, the BMW Group reported that the EU Commission had informed it of a "Statement of Objections" in the course of ongoing antitrust proceedings. The EU Commission is investigating whether German automobile manufacturers cooperated in technical working groups to restrict competition in the development and rollout of emission-reduction technologies. The Statement of Objections leads the BMW Group to believe that it is probable ("more likely than not") that the EU Commission will issue a significant fine. If necessary, the BMW Group will contest the EU Commission's allegations with all the legal means at its disposal.

Irrespective of this, the fact that a fine is "more likely than not" triggers a requirement to recognise a provision in accordance with International Financial Reporting Standards. Based on information currently available and in light of financial impacts that cannot yet be definitively assessed, a short term other provision was recognised in accordance with the International Financial Reporting Standards of around €1.4 billion in the first quarter. This effect had a negative impact on both the Group's and the Automotive segment's first-quarter earnings. The review of the Statement of Objections and the inspection of files will take some time. Consequently, it is not yet possible to assess the ultimate financial impact definitively.

Group revenues in the first three months of 2019 totalled €22,462 million, similar to the level recorded one year earlier (2018: €22,665¹ million; -0.9%). Group profit before financial result fell sharply to €589 million (2018: €2,707¹ million; -78.2%). The provision recognised in connection with ongoing anti-trust proceedings had a particularly negative impact on reported figures. Earnings were also adversely affected by intensified competition on the one hand and increases in production costs, depreciation and personnel expenses on the other.

↱

Regardless of these developments, the BMW Group continues to invest heavily in the mobility of the future. This fact is reflected in the rising level of expenses and upfront expenditure incurred for the product offensive and for new mobility services. Accordingly, the Group's pre-tax profit of €762 million was also significantly lower than one year earlier (2018: €3,139¹ million; -75.7%).

Research and development ratios

→ 03

in %		1st quarter 2019	1st quarter 2018	Change in %
Research and development expenses as a percentage of revenues	% (change in %pts)	6.2	5.7	0.5
Research and development expenditure ratio ²	% (change in %pts)	6.0	5.6	0.4
Capitalisation rate ³	% (change in %pts)	26.5	24.8	1.7
Research and development expenses	€ million	1,396	1,288	8.4
Research and development expenditure ⁴	€ million	1,353	1,272	6.4

¹ Prior year figures adjusted due to first-time application of IFRS 16; see note 5 to the Group Financial Statements for the year ended 31 December 2018.

In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

² Research and development expenditure as a percentage of Group revenues.

³ Capitalised development costs as a percentage of research and development expenditure.

⁴ Total research and development expenditure comprises research costs, non-capitalised development costs and capitalised development costs (excluding amortisation thereon).

The first-quarter financial result was €259 million down on the previous year. The main factors here were lower fair values of interest rate derivatives and, in the Automotive segment, a preliminary one-off positive revaluation effect of €328 million arising from the pooling of mobility services with the Daimler Group. The previous year's financial result also included a positive revaluation effect of €209 million in conjunction with the takeover of DriveNow.

Financing activities

The BMW Group issued bonds for a total amount of €5.2 billion during the reporting period, including its first so-called Panda bond on the Chinese capital market. In addition, ABS transactions were issued in the USA, as well as in the UK, China and Japan totalling €2.4 billion.

Impact of IFRS 16

The BMW Group has applied the new accounting requirements for leases in accordance with IFRS 16 (Leases) with effect from 1 January 2019. As a general rule, the new Standard requires lessees to recognise right-of-use assets and lease liabilities for all leases. Accordingly, the BMW Group recognised right-of-use assets within property, plant and equipment and lease liabilities within financial liabilities at the date

of adoption. As a result of the change in accounting policy for leases previously classified as operating leases, the balance sheet total increased by approximately €2.4 billion. In conjunction with the adoption of IFRS 16, the methods used to account for leases as a lessor have also been reviewed, resulting in a change in accounting policy for selected items with effect from the financial year 2019. The change in accounting policy for lessors was applied retrospectively, with comparative figures restated. The opening balance sheet as at 1 January 2018 and figures for the financial year 2018 were restated accordingly. Further information on the impact of IFRS 16 is provided in the Group Financial Statements for the year ended 31 December 2018.

INTERIM GROUP MANAGEMENT REPORT

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2

REPORT ON ECONOMIC POSITION

Automobile markets down worldwide

BMW Group automobile deliveries at new record level

GENERAL ECONOMIC ENVIRONMENT

International automobile markets

International automobile markets performed weakly at the start of the year, with new registrations down year-on-year for the period from January to March (20.6 million units; -5.2%). Key automobile markets developed as follows:

International automobile markets

→ 04

in units	Change in %
Europe	-3.1
thereof Germany	0.2
thereof France	-0.7
thereof Italy	-6.9
thereof Spain	-6.9
thereof United Kingdom (UK)	-2.4
USA	-2.5
China	-10.1
Japan	-0.9
Russia	-0.8
Brazil	13.7
Total	-5.2

Automotive Segment

Vehicle deliveries at new high level

During the period from January to March 2019, the BMW Group delivered 605,333¹ BMW, MINI and Rolls-Royce brand vehicles to customers (2018: 604,629¹ units; +0.1%), thereby achieving a new first-quarter high for the ninth year in succession. BMW delivered 519,307¹ units worldwide, surpassing the previous year's record figure (2018: 517,447¹ units; +0.4%). Rolls-Royce Motor Cars also achieved the best first-quarter volume performance in its history with 1,206 units delivered to customers [↯]

(2018: 807 units; +49.4%). At 84,820 units, MINI deliveries remained slightly below the previous year's record level (2018: 86,375 units; -1.8%).

Dynamic sales growth in China

In Asia, deliveries of the Group's three brands rose slightly by 2.1% to 217,200¹ units in the first three months of 2019 (2018: 212,693¹ units). This performance was mainly achieved on the back of continued dynamic growth in China, where the BMW Group delivered 168,663¹ BMW, MINI and Rolls-Royce brand vehicles to customers, outperforming the market as a whole with a significant increase of 10.2% (2018: 153,094¹ units).

Automotive segment deliveries of vehicles by region and market

→ 05

in units	1st quarter 2019	1st quarter 2018	Change in %
Europe	270,950	270,725	0.1
thereof Germany	72,592	68,294	6.3
thereof UK	62,368	61,281	1.8
Americas	104,215	106,348	-2.0
thereof USA	83,158	84,630	-1.7
Asia ¹	217,200	212,693	2.1
thereof China ¹	168,663	153,094	10.2
Other markets	12,968	14,863	-12.7
Total¹	605,333	604,629	0.1

In Europe, the BMW Group delivered 270,950 vehicles to customers in the first quarter of 2019, similar to the previous year's level (2018: 270,725 units; +0.1%) despite a slight drop in market momentum overall. In Germany, the BMW Group recorded solid growth of 6.3% in the three-month period under report, with deliveries up to 72,592 units (2018: 68,294 units). Despite continuing uncertainty about Brexit, deliveries in the UK rose slightly by 1.8% to 62,368 units (2018: 61,281 units). [↯]

First-quarter deliveries in the Americas region were down on the previous year, mainly due to the contracting US market. Throughout the region, the BMW Group delivered 104,215 BMW, MINI and Rolls-Royce brand vehicles during the first three months of the year (2018: 106,348 units; -2.0%). The number delivered in the USA fell slightly to 83,158 units (2018: 84,630 units; -1.7%).

Automotive segment at a glance

→ 06

		1st quarter 2019	1st quarter 2018	Change in %
Deliveries ^{1,2}	units	605,333	604,629	0.1
Production ³	units	672,042	663,333	1.3
Revenues	€ million	19,213	19,326	-0.6
Profit/loss before financial result (EBIT)	€ million	-310	1,881	-
Profit/loss before tax	€ million	-27	2,281	-
EBIT margin ²	% (change in %pts)	-1.6	9.7	-11.3

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 128,653 units, 2018: 108,274 units).

² Key performance indicators reported on during the year.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 138,391 units, 2018: 107,271 units).

BMW surpasses previous year's record figure*

At 519,307 units, deliveries of BMW brand vehicles in the first quarter surpassed the previous year's record level (2018: 517,447 units; +0.4%), assisted by strong contributions from the BMW X family of models and the brand's electrified vehicles. The BMW X1 and X5, for instance, were the best-selling models in their respective segments. Deliveries of the X3 doubled after the latest model launch. The new BMW X7 and Z4 as well as the new 8 Series are also expected to generate additional volume growth over the remainder of the year.

With the current BMW 3 Series at the end of its product life cycle, first-quarter deliveries of 90,007 units were slightly down on the previous year (2018: 93,819 units; -4.1%). The seventh generation of the highly successful BMW 3 Series has been available since March 2019 and is likely to drive increased demand over the remainder of the year. At 78,401 units, deliveries of the BMW 5 Series fell short of the previous year's

very high level (2018: 94,733 units; -17.2%). The new BMW Z4 and BMW 8 Series models both got off to an excellent start, recording deliveries of 1,550 units and 2,194 units respectively during the period under report.

The BMW X family remained extremely popular, with first-quarter deliveries up by almost a quarter to 221,132 units (2018: 178,313 units; +24.0%). The new BMW X3 made the greatest contribution, with deliveries more than doubling to 71,427 units (2018: 33,769 units). First-quarter deliveries of the X5 fell to 36,871 units (2018: 41,178 units; -10.5%), mainly because not all of the model's engine variants are available in China as yet. However, as the year progresses, deliveries of the X5 are set to benefit increasingly from full availability of the engine variants. The next generation of the successful X5 model has been in the showrooms since the end of 2018. The new BMW X7 went on sale for the first time in March 2019. The top model got off to a very promising start.

Automotive segment deliveries of BMW vehicles by model series*

→ 07

in units	1st quarter 2019	1st quarter 2018	Change in %
BMW 1 Series	45,575	53,727	-15.2
BMW 2 Series	29,331	41,691	-29.6
BMW 3 Series	90,007	93,819	-4.1
BMW 4 Series	23,180	27,636	-16.1
BMW 5 Series	78,401	94,733	-17.2
BMW 6 Series	6,113	5,960	2.6
BMW 7 Series	11,956	13,163	-9.2
BMW 8 Series	2,194	-	-
BMW Z4	1,550	-	-
BMW X1	65,360	77,296	-15.4
BMW X2	23,250	4,591	-
BMW X3	71,427	33,769	-
BMW X4	13,632	11,331	20.3
BMW X5	36,871	41,178	-10.5
BMW X6	8,156	10,148	-19.6
BMW X7	2,436	-	-
BMW i	9,868	8,405	17.4
BMW total	519,307	517,447	0.4

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 128,653 units, 2018: 108,274 units).

MINI achieves second-best first quarter

MINI achieved its second-best first-quarter volume performance to date with 84,820 units delivered during the three-month period (2018: 86,375 units; -1.8%). At 43,880 units, deliveries of the MINI 3- and 5-door [†]

models were at a similar level to the previous year (2018: 44,069 units; -0.4%). Deliveries of the MINI Countryman dropped moderately during the first quarter to 22,694 units (2018: 23,880 units; -5.0%).

Automotive segment deliveries of MINI vehicles by model variant

→ 08

in units	1st quarter 2019	1st quarter 2018	Change in %
MINI Hatch (3- and 5-door)	43,880	44,069	-0.4
MINI Convertible	7,822	7,183	8.9
MINI Clubman	10,424	11,243	-7.3
MINI Countryman	22,694	23,880	-5.0
MINI total	84,820	86,375	-1.8

Rolls-Royce posts new first-quarter volume record

Rolls-Royce Motor Cars recorded an excellent start to the year with its best first-quarter performance to date. Worldwide, 1,206 Rolls-Royce brand vehicles were delivered to customers during the three-month period [†]

under report (2018: 807 units; +49.4%). Both the Phantom* with 140 units (2018: 125 units; +12.0%) and the new Cullinan* with 545 units contributed to this success.

Automotive segment deliveries of Rolls-Royce vehicles by model variant

→ 09

in units	1st quarter 2019	1st quarter 2018	Change in %
Phantom*	140	125	12.0
Ghost	177	233	-24.0
Wraith/Dawn	344	449	-23.4
Cullinan*	545	-	-
Rolls-Royce total	1,206	807	49.4

Significant growth for BMW i

The percentage of electrified vehicles delivered remained stable during the first quarter of 2019. The BMW Group therefore occupies a leading position in the premium segment with regard to electrified vehicles. First-quarter deliveries of 27,044 units were similar to the previous year (2018: 26,858 units; +0.7%) as a result of model changes. Beginning in the third quarter of 2019, [†]

plug-in hybrid variants of the 3 Series and X5 should further stimulate demand. BMW i models recorded a significant increase, with deliveries up by almost one fifth to 9,868 units (2018: 8,405 units; +17.4%). The MINI Cooper SE Countryman ALL4* showed even stronger growth during the three-month period, with deliveries up by more than 60% to a total of 4,019 units (2018: 2,499 units; +60.8%).

Automotive segment deliveries of electrified models

→ 10

in units	1st quarter 2019	1st quarter 2018	Change in %
BMW i	9,868	8,405	17.4
BMW e	13,157	15,954	-17.5
MINI Electric	4,019	2,499	60.8
Total	27,044	26,858	0.7

* Fuel consumption and CO₂ emissions information are available on page 18.

Earnings reduced in particular by high provision for ongoing antitrust proceedings

At €19,213 million, revenues recorded by the Automotive segment during the period under report were at a similar level to the previous year (2018: €19,326 million; -0.6%). Localisation of production of the X3 in China as well as greater competition worldwide had a negative impact on segment revenues. Adjusted for currency factors, first-quarter revenue fell slightly compared to the previous year.

Cost of sales increased slightly during the period under report, mainly due to adverse currency factors and higher raw materials prices as well as increased production costs as a result of stricter regulatory requirements. Other items impacting earnings included higher costs and upfront expenditure for research and development in connection with the wide-ranging electrification of the vehicle fleet and autonomous driving, higher personnel expenses due to the increased workforce size and collectively bargained pay increases, as well as higher depreciation ↯

of property, plant and equipment and amortisation of capitalized development costs.

The expense for recognising a current provision for the ongoing antitrust proceedings referred to above is included in other operating expenses. As a result of these various factors, first-quarter segment EBIT deteriorated significantly from a positive €1,881 million in 2018 to a negative €310 million in 2019.

The EBIT margin fell accordingly to negative 1.6% (2018: 9.7%; -11.3 percentage points). The segment result before tax for the three-month period (loss before tax of €27 million) was therefore also well down on the previous year's figure (2018: profit before tax of €2,281 million).

Free cash flow and net financial assets

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

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

→ 11

in € million	2019	2018	Change
Cash inflow (+)/outflow (-) from operating activities	2,033	1,354	679
Cash inflow (+)/outflow (-) from investing activities	-2,595	-710	-1,885
Net investment in marketable securities and investment funds	3	-342	345
Free cash flow Automotive segment	-559	302	-861

Higher cash inflows from operating activities of the Automotive segment for the first three months of 2019 were attributable above all to the less pronounced rise in working capital, mainly reflecting the higher level of trade payables. The increase in inventories was on a similar scale to one year earlier, reflecting the impact of seasonal factors, model changes (BMW X5 and 3 Series) and the launch of the BMW X7. Higher cash outflows from investing activities were mainly attributable to equity increases at the level of the YOUR NOW companies and ↯

expansion investments in the Group's production network, including in Mexico. Following the adoption of IFRS 16, lease payments are now included in cash flows from financing activities. In the first quarter of 2019, the change had a positive effect of €108 million on free cash flow. If IFRS 16 had been applied similarly in the previous year, free cash flow would have been positively influenced by approximately the same amount.

Net financial assets comprised the following:

Net financial assets Automotive segment

→ 12

in € million	31.3.2019	31.12.2018	Change
Cash and cash equivalents	9,637	8,631	1,006
Marketable securities and investment funds	4,398	4,321	77
Intragroup net financial assets	5,940	7,694	-1,754
Financial assets	19,975	20,646	-671
Less: external financial liabilities*	-3,338	-1,158	-2,180
Net financial assets Automotive segment	16,637	19,488	-2,851

* Excluding derivative financial instruments.

The decrease in net financial assets in the Automotive segment was mainly attributable to the recognition of lease liabilities amounting to €2.3 billion, recognised in connection with the first-time application of the IFRS 16.

BMW and Daimler combine mobility services

On 28 March 2018, the BMW Group signed an agreement with Daimler – subject to anti-trust approval – regarding the merger of certain business units that provide mobility services. Following approval by the relevant antitrust authorities, the transaction was completed on 31 January 2019. As planned, the two companies are pressing ahead to realise their joint vision of fully electric and autonomous on-demand mobility, including strategic plans to expand existing offerings in the field of individual urban mobility. The new range of mobility services will be easy to access, intuitive to use, and will cater to customers' needs. The cooperation comprises the joint ventures REACH NOW (on-demand mobility and multimodal services), CHARGE NOW (charging), FREE NOW (ride-hailing), PARK NOW (parking) and SHARE NOW (car-sharing). Under the umbrella YOUR NOW, BMW and Daimler will jointly offer innovative solutions for cities and municipalities seeking to make mobility more efficient and sustainable.

BMW and Daimler each hold an equal share in the joint ventures that comprise the mobility services referred to above. As a result of the merger, the BMW Group's interests are now carried as investments accounted for using the equity method and have been remeasured to their fair value, with a carrying amount of €1.6 billion. The first-quarter financial result includes a preliminary revaluation gain of €328 million. The work on opening balance sheets at the merger date and the calculation of the final purchase prices have not yet been finalised. For this reason, the final purchase prices cannot yet be determined definitively. Similarly, purchase price allocations have not yet been finalised.

Financial Services Segment

Financial Services business remains strong

Revenues and profit before tax in the Financial Services segment both improved during the period under report, driven by portfolio growth and the positive impact of the sale of vehicles previously leased to customers. In addition to higher business volumes, the Financial Services segment also benefited from a generally stable risk situation, which was reflected in lower risk provisioning expenses for residual values in a number of markets.

The business volume of the segment in balance sheet terms rose due to currency effects and growth in new business with retail customers, partially offset by a slight reduction in dealership financing receivables.

Slight increase in new business with retail customers

The increase in credit financing and leasing business with retail customers was mainly attributable to growth in China. Slight growth was recorded for both leasing business (+4.9%) and credit financing business (+3.5%). Overall, leasing accounted for 33.2% and credit financing for 66.8% of new business in the period under report.

In the pre-owned vehicle financing and leasing lines of business relating to the BMW and MINI brands, 95,211 new contracts were signed during the first quarter of 2019 (2018: 98,268 contracts), 3.1% fewer than in the same period one year earlier.

The total volume of all new credit financing and leasing contracts concluded with retail customers during the three-month period amounted to €13,898 million, ¹

representing a solid 5.7% increase compared to the previous year (2018: €13,145 million).

Compared to the end of the previous financial year, the Financial Services segment's worldwide contract portfolio with retail customers grew by 1.0% to 5,285,572 contracts at 31 March 2019 (31 December 2018: 5,235,207 contracts). The China region registered the highest growth rate during the three-month period (+6.0%). The Europe/Middle East/Africa region (+1.2%) and the EU Bank² region (+1.1%) also recorded growth. The number of contracts in place with retail customers in the Americas and Asia/Pacific regions fell by 0.9% and 1.0% respectively.

During the first quarter, 50.0%³ of new BMW Group vehicles were either leased or financed by the Financial Services segment (2018: 47.3%; +2.7 percentage points). The increase was largely attributable to growth in credit financing in China.

Fleet business at previous year's level

In the fleet management business, the BMW Group – operating under the brand name Alphabet – 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 703,823 contracts was in place at 31 March 2019 (31 December 2018: 700,080 contracts; +0.5%).

Dealership financing slightly down on previous year

In the first quarter, the total volume of dealership financing decreased slightly by 2.4% compared to the end of 2018 to €19,957 million (31 December 2018: €20,438 million).

Financial Services segment at a glance

→ 13

		1st quarter 2019	1st quarter 2018	Change in %
New contracts with retail customers		469,624	451,908	3.9
Revenues ¹	€ million	7,146	6,561	8.9
Profit / loss before financial result (EBIT) ¹	€ million	648	561	15.5
Profit / loss before tax ¹	€ million	627	553	13.4
		31. 3. 2019	31. 12. 2018	Change in %
Total contract portfolio		5,735,975	5,708,032	0.5
Contract portfolio with retail customers		5,285,572	5,235,207	1.0
Business volume in balance sheet terms ^{1,4}	€ million	135,314	133,147	1.6

¹ Prior year figures adjusted due to first-time application of IFRS 16; see note 5 to the Group Financial Statements for the year ended 31 December 2018.

In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

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

³ The calculation only includes automobile markets in which the Financial Services segment is represented by a consolidated entity or a branch office.

⁴ 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.

REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

New record for automobile deliveries targeted

EBIT margin reduced as result of recognition of provision for ongoing antitrust proceedings

OUTLOOK

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including the significant risks and opportunities, from a Group management perspective. It contains forward-looking statements based on expectations and assessments that are subject to uncertainty. As a result, actual outcomes, including those attributable to political, legal and economic developments, could differ positively or negatively from those described below. Further information on this topic is provided in the Annual Report 2018 (Outlook, pp. 84, Risks and Opportunities, pp. 90).

Overall assessment by Group management

Business conditions are expected to remain volatile in the financial year 2019. While numerous new automobile and motorcycle models as well as an expanded range of individual mobility-related services will provide additional momentum, various political and economic challenges could well have an offsetting effect. Research and development expenses will remain at a high level in view of important future-oriented projects. Increasing manufacturing costs are also being influenced by stricter regulatory requirements. Accordingly, Group profit before tax is expected to decrease significantly. Automotive segment deliveries to customers are expected to increase slightly and reach a new record level. At the same time, fleet carbon dioxide emissions are forecast to drop slightly. The Group intends to achieve its targets with a workforce similar in size to the previous year. Without the effect of the provision for the antitrust allegations, the target range for the EBIT margin of between 6 and 8 % has not changed. However, since the provision has a negative impact of 1.5 percentage points on the EBIT margin, a margin in the Automotive segment for 2019 between 4.5 and 6.5 % is expected. ↱

A significant decrease is forecast for the RoCE¹ of the Automobiles segment. The RoE² for the Financial Services segment should remain at the previous year's level. However, both performance indicators will be above their long-term targets of 26 % (RoCE) and 14 % (RoE) respectively. Deliveries to customers in the Motorcycles segment are forecast to show a solid increase, with the EBIT margin set to be within the target range of between 8 and 10 % and the RoCE also showing a solid year-on-year increase.

Depending on the political, legal and economic situation and the risks and opportunities described in the Annual Report 2018, actual business performance could differ from current expectations.

Growing uncertainty, fuelled in particular by unresolved political situations such as Brexit and international trade and customs policies, may cause economic developments in many regions to deviate from expected trends and outcomes, with a correspondingly significant impact on the business performance of the BMW Group.

BMW Group key performance indicators

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		2018 reported	2018 adjusted ³	2019 Outlook ⁴
GROUP				
Profit before tax	€ million	9,815	9,627	significant decrease
Workforce at year-end		134,682	–	in line with last year's level
AUTOMOTIVE SEGMENT				
Deliveries to customers ⁵	units	2,490,664	–	slight increase
Fleet emissions ⁶	g CO ₂ /km	128	–	slight reduction
EBIT margin	%	7.2	–	between 4.5 and 6.5
Return on capital employed	%	49.8	–	significant decrease
MOTORCYCLES SEGMENT				
Deliveries to customers	units	165,566	–	solid increase
EBIT margin	%	8.1	–	between 8 and 10
Return on capital employed ¹	%	28.4	–	solid increase
FINANCIAL SERVICES SEGMENT				
Return on equity ²	%	14.8	–	in line with last year's level

¹ RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that do not incur interest.

² RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital attributable to the Financial Services segment balance sheet.

³ Prior year figures adjusted due to first-time application of IFRS 16; see note 5 to the Group Financial Statements for the year ended 31 December 2018.

⁴ Based on adjusted figures due to first-time application of IFRS 16.

⁵ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 459,581 units).

⁶ EU-28.

RISKS AND OPPORTUNITIES

As a globally operating enterprise, the BMW Group is exposed to a broad range of risks and opportunities. The Group's corporate success is based on leveraging perceived opportunities as they present themselves. In order to drive growth, boost profitability, bolster efficiency and work in a sustainable way going forward, the BMW Group also needs to take calculated risks.

Compared with the overall risk situation presented in the Group Management Report 2018, the assessment of legal risks in conjunction with antitrust allegations made against five German car manufacturers has become more concrete following receipt of the Statement of Objections from the EU Commission. The Statement of Objections leads the BMW Group to believe that it is probable ("more likely than not") that the Commission will issue a significant fine. If necessary, the BMW Group will contest the Commission's allegations with all the legal means at its disposal. A provision of approximately €1.4 billion was recognised in accordance with International Financial Reporting Standards for negative financial impacts that cannot yet be definitively assessed. Furthermore, the progress of the Brexit negotiations and developments in global trade policy will continue to be closely monitored and factored into the Group's forecasts as deemed appropriate. Further information on risks and opportunities as well as on the methods employed to manage them is also available in the "Report on Risks and Opportunities" section of the Annual Report 2018 (pp. 90).

Fuel consumption and CO₂ emissions information

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Model	Fuel consumption in l/100 km (combined)	CO ₂ emissions in g/km (combined)	Electric power consumption in kWh/100 km (combined)
MINI			
MINI Cooper SE Countryman ALL4	2.5–2.4	56–55	13.7–13.4
ROLLS-ROYCE			
Cullinan	15	341	–
Phantom	14.5–14.4	330–328	–

INTERIM GROUP FINANCIAL STATEMENTS

→ Page 20 **Income Statement**

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BMW GROUP INCOME STATEMENT

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

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in € million	Group		Automotive		Motorcycles	
	2019	2018*	2019	2018	2019	2018
Revenues	22,462	22,665	19,213	19,326	586	524
Cost of sales	-18,406	-17,825	-16,393	-15,659	-438	-392
Gross profit	4,056	4,840	2,820	3,667	148	132
Selling and administrative expenses	-2,122	-2,177	-1,769	-1,810	-59	-56
Other operating income	164	197	171	200	-	1
Other operating expenses	-1,509	-153	-1,532	-176	-	-
Profit / loss before financial result	589	2,707	-310	1,881	89	77
Result from equity accounted investments	157	223	157	223	-	-
Interest and similar income	35	38	87	81	1	-
Interest and similar expenses	-93	-103	-151	-133	-2	-
Other financial result	74	274	190	229	-1	1
Financial result	173	432	283	400	-2	1
Profit / loss before tax	762	3,139	-27	2,281	87	78
Income taxes	-218	-857	7	-645	-25	-23
Profit / loss from continuing operations	544	2,282	-20	1,636	62	55
Profit / loss from discontinued operations	44	-	44	-	-	-
Net profit / loss	588	2,282	24	1,636	62	55
Attributable to minority interest	27	20	9	6	-	-
Attributable to shareholders of BMW AG	561	2,262	15	1,630	62	55
Basic earnings per share of common stock in €	0.85	3.44				
Basic earnings per share of preferred stock in €	0.85	3.44				
Dilutive effects	-	-				
Diluted earnings per share of common stock in €	0.85	3.44				
Diluted earnings per share of preferred stock in €	0.85	3.44				

* Prior year figures adjusted due to first-time application of IFRS 16; see note 5 to the Group Financial Statements for the year ended 31 December 2018. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Financial Services		Other Entities		Eliminations		
2019	2018*	2019	2018	2019	2018*	
7,146	6,561	1	2	-4,484	-3,748	Revenues
-6,198	-5,686	-	-	4,623	3,912	Cost of sales
948	875	1	2	139	164	Gross profit
-294	-306	-4	-7	4	2	Selling and administrative expenses
3	3	25	33	-35	-40	Other operating income
-9	-11	-18	-19	50	53	Other operating expenses
648	561	4	9	158	179	Profit / loss before financial result
-	-	-	-	-	-	Result from equity accounted investments
-	1	378	249	-431	-293	Interest and similar income
-1	-2	-345	-239	406	271	Interest and similar expenses
-20	-7	-95	51	-	-	Other financial result
-21	-8	-62	61	-25	-22	Financial result
627	553	-58	70	133	157	Profit / loss before tax
-177	-155	19	-22	-42	-12	Income taxes
450	398	-39	48	91	145	Profit / loss from continuing operations
-	-	-	-	-	-	Profit / loss from discontinued operations
450	398	-39	48	91	145	Net profit / loss
18	14	-	-	-	-	Attributable to minority interest
432	384	-39	48	91	145	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	Group			Automotive		Motorcycles	
	31.3.2019	1.1.2019 ¹	31.12.2018 ²	31.3.2019	31.12.2018	31.3.2019	31.12.2018
ASSETS							
Intangible assets	11,058	10,971	10,971	10,558	10,472	100	95
Property, plant and equipment	22,134	22,163	19,801	21,648	19,372	387	399
Leased products	39,171	38,259	38,259	–	–	–	–
Investments accounted for using the equity method	4,555	2,624	2,624	4,555	2,624	–	–
Other investments	676	739	739	4,904	4,843	–	–
Receivables from sales financing	49,286	48,313	48,313	–	–	–	–
Financial assets	1,085	1,010	1,010	158	216	–	–
Deferred tax	2,426	1,640	1,638	3,534	3,043	–	–
Other assets	1,674	1,299	1,299	3,403	5,085	34	33
Non-current assets	132,065	127,018	124,654	48,760	45,655	521	527
Inventories	16,455	13,639	13,639	15,161	12,462	629	568
Trade receivables	2,948	2,546	2,546	2,634	2,287	179	167
Receivables from sales financing	39,146	38,700	38,700	–	–	–	–
Financial assets	6,426	6,675	6,675	4,864	4,988	–	–
Current tax	1,581	1,378	1,378	759	618	–	–
Other assets	9,688	9,906	9,906	24,307	22,016	3	2
Cash and cash equivalents	12,441	10,979	10,979	9,637	8,631	10	12
Assets held for sale	–	463	461	–	461	–	–
Current assets	88,685	84,286	84,284	57,362	51,463	821	749
Total assets	220,750	211,304	208,938	106,122	97,118	1,342	1,276
EQUITY AND LIABILITIES							
Subscribed capital	658	658	658	–	–	–	–
Capital reserves	2,118	2,118	2,118	–	–	–	–
Revenue reserves	56,088	55,830	55,862	–	–	–	–
Accumulated other equity	–1,273	–1,338	–1,338	–	–	–	–
Equity attributable to shareholders of BMWAG	57,591	57,268	57,300	–	–	–	–
Minority interest	580	529	529	–	–	–	–
Equity	58,171	57,797	57,829	39,016	39,778	–	–
Pension provisions	2,768	2,330	2,330	2,318	2,089	106	64
Other provisions	5,647	5,530	5,530	5,456	5,354	70	70
Deferred tax	1,900	1,762	1,773	1,057	1,016	–	–
Financial liabilities	69,998	66,744	64,772	2,434	1,017	–	–
Other liabilities	4,952	5,293	5,293	7,525	7,558	533	506
Non-current provisions and liabilities	85,265	81,659	79,698	18,790	17,034	709	640
Other provisions	7,284	5,871	5,871	6,807	5,433	108	101
Current tax	956	1,158	1,158	705	933	–	–
Financial liabilities	41,241	39,260	38,825	2,024	879	–	–
Trade payables	10,391	9,669	9,669	9,040	8,360	388	348
Other liabilities	17,442	15,826	15,826	29,740	24,639	137	187
Liabilities in conjunction with assets held for sale	–	64	62	–	62	–	–
Current provisions and liabilities	77,314	71,848	71,411	48,316	40,306	633	636
Total equity and liabilities	220,750	211,304	208,938	106,122	97,118	1,342	1,276

¹ The figures to 1 January 2019 have been adjusted, based on the first-time application of IFRS 16.

² Prior year figures adjusted due to first-time application of IFRS 16; see note 5 to the Group Financial Statements for the year ended 31 December 2018. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Financial Services		Other Entities		Eliminations		
31.3.2019	31.12.2018 ²	31.3.2019	31.12.2018	31.3.2019	31.12.2018 ²	
						ASSETS
399	403	1	1	–	–	Intangible assets
99	30	–	–	–	–	Property, plant and equipment
46,859	46,114	–	–	–7,688	–7,855	Leased products
–	–	–	–	–	–	Investments accounted for using the equity method
1	1	6,545	6,660	–10,774	–10,765	Other investments
49,309	48,333	–	–	–23	–20	Receivables from sales financing
134	138	858	695	–65	–39	Financial assets
489	485	64	28	–1,661	–1,918	Deferred tax
3,165	2,835	34,209	33,956	–39,137	–40,610	Other assets
100,455	98,339	41,677	41,340	–59,348	–61,207	Non-current assets
665	609	–	–	–	–	Inventories
133	91	2	1	–	–	Trade receivables
39,146	38,700	–	–	–	–	Receivables from sales financing
1,303	1,325	380	460	–121	–98	Financial assets
96	91	726	669	–	–	Current tax
4,977	5,081	53,760	48,775	–73,359	–65,968	Other assets
2,539	1,985	255	351	–	–	Cash and cash equivalents
–	–	–	–	–	–	Assets held for sale
48,859	47,882	55,123	50,256	–73,480	–66,066	Current assets
149,314	146,221	96,800	91,596	–132,828	–127,273	Total assets
						EQUITY AND LIABILITIES
						Subscribed capital
						Capital reserves
						Revenue reserves
						Accumulated other equity
						Equity attributable to shareholders of BMW AG
						Minority interest
15,478	14,806	20,800	20,683	–17,123	–17,438	Equity
37	49	307	128	–	–	Pension provisions
121	106	–	–	–	–	Other provisions
4,645	4,576	20	22	–3,822	–3,841	Deferred tax
20,180	19,170	47,449	44,624	–65	–39	Financial liabilities
34,841	36,333	837	1,168	–38,784	–40,272	Other liabilities
59,824	60,234	48,613	45,942	–42,671	–44,152	Non-current provisions and liabilities
361	328	8	9	–	–	Other provisions
241	208	10	17	–	–	Current tax
25,991	25,705	13,347	12,339	–121	–98	Financial liabilities
952	950	11	11	–	–	Trade payables
46,467	43,990	14,011	12,595	–72,913	–65,585	Other liabilities
–	–	–	–	–	–	Liabilities in conjunction with assets held for sale
74,012	71,181	27,387	24,971	–73,034	–65,683	Current provisions and liabilities
149,314	146,221	96,800	91,596	–132,828	–127,273	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	
	2019	2018*
Net profit	588	2,282
Profit from discontinued operations	-44	-
Depreciation and amortisation of tangible, intangible and investment assets	1,440	1,233
Change in provisions	996	120
Change in leased products and receivables from sales financing	-87	-421
Change in deferred taxes	155	277
Changes in working capital	-2,084	-2,837
Other	209	-165
Cash inflow/outflow from operating activities	1,173	489
Total investment in intangible assets and property, plant and equipment	-1,611	-1,128
Net investment in marketable securities and investment funds	45	383
Other	-1,043	76
Cash inflow/outflow from investing activities	-2,609	-669
Cash inflow/outflow from financing activities	2,808	-270
Effect of exchange rate on cash and cash equivalents	90	-18
Effect of changes in composition of Group on cash and cash equivalents	-	-19
Change in cash and cash equivalents	1,462	-487
Cash and cash equivalents as at 1 January	10,979	9,039
Cash and cash equivalents as at 31 March	12,441	8,552

* Prior year figures adjusted due to first-time application of IFRS 16; see note 5 to the Group Financial Statements for the year ended 31 December 2018.

Automotive		Financial Services		
2019	2018	2019	2018*	
24	1,636	450	398	Net profit
-44	-	-	-	Profit from discontinued operations
1,403	1,200	12	9	Depreciation and amortisation of tangible, intangible and investment assets
1,445	114	38	30	Change in provisions
-	-	162	-30	Change in leased products and receivables from sales financing
143	-38	10	96	Change in deferred taxes
-2,208	-2,853	-95	70	Changes in working capital
1,270	1,295	-1,203	-530	Other
2,033	1,354	-626	43	Cash inflow/outflow from operating activities
-1,591	-1,112	-3	-2	Total investment in intangible assets and property, plant and equipment
-3	342	49	13	Net investment in marketable securities and investment funds
-1,001	60	1	4	Other
-2,595	-710	47	15	Cash inflow/outflow from investing activities
1,534	-1,138	1,082	-119	Cash inflow/outflow from financing activities
34	-4	51	-10	Effect of exchange rate on cash and cash equivalents
-	-19	-	-	Effect of changes in composition of Group on cash and cash equivalents
1,006	-517	554	-71	Change in cash and cash equivalents
8,631	7,157	1,985	1,856	Cash and cash equivalents as at 1 January
9,637	6,640	2,539	1,785	Cash and cash equivalents as at 31 March

OTHER INFORMATION

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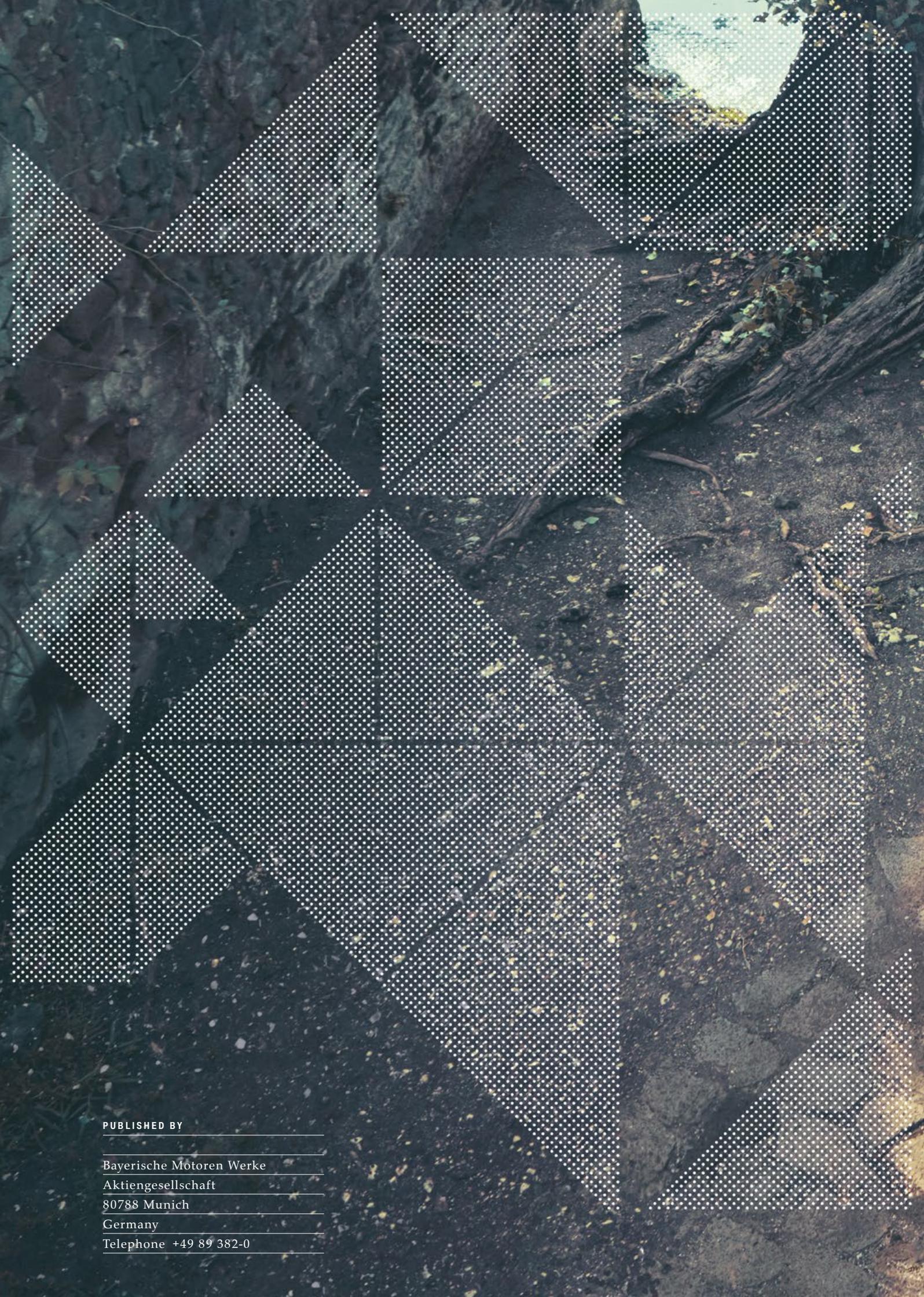
The BMW Group on the Internet

Further information about the BMW Group is available online at → www.bmwgroup.com.

Investor Relations information is available directly at → www.bmwgroup.com/ir.

Information about the various BMW Group brands is available at → www.bmw.com, → www.mini.com and → www.rolls-roycemotorcars.com.

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