

# QUARTERLY REPORT

30 June 2017



**BMW  
GROUP**

THE NEXT  
100 YEARS 



Rolls-Royce  
Motor Cars Limited

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# CONTENTS

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## 1

→ Page 4 **BMW GROUP IN FIGURES**

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## 2

### **INTERIM GROUP MANAGEMENT REPORT**

- Page 11 **Report on Economic Position**
  - Page 11 **General Economic Environment**
  - Page 13 **Automotive Segment**
  - Page 18 **Motorcycles Segment**
  - Page 19 **Financial Services Segment**
  - Page 21 **Results of Operations, Financial Position and Net Assets**
  - Page 31 **Report on Outlook, Risks and Opportunities**
  - Page 31 **Outlook**
  - Page 38 **Risks and Opportunities**
  - Page 39 **BMWAG Stock and Capital Markets**
- 

## 3

### **INTERIM GROUP FINANCIAL STATEMENTS**

- Page 42 **Income Statement**
  - Page 42 **Statement of Comprehensive Income**
  - Page 46 **Balance Sheet**
  - Page 48 **Cash Flow Statement**
  - Page 50 **Statement of Changes in Equity**
  - Page 52 **Notes to the Group Financial Statements**
  - Page 52 **Accounting Principles and Policies**
  - Page 55 **Notes to the Income Statement**
  - Page 58 **Notes to the Statement of Comprehensive Income**
  - Page 60 **Notes to the Balance Sheet**
  - Page 64 **Other Disclosures**
  - Page 68 **Segment Information**
  - Page 72 **Responsibility Statement by the  
Company's Legal Representatives**
  - Page 73 **Review Report**
- 

## 4

### **OTHER INFORMATION**

- Page 75 **Financial Calendar**
- Page 76 **Contacts**

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# **BMW GROUP IN FIGURES**

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**1**

# BMW GROUP IN FIGURES

## Key performance indicators reported during the year

→ 01

		2nd quarter 2017	2nd quarter 2016	Change in %
<b>GROUP</b>				
Profit before tax	€ million	3,055	2,798	9.2
Workforce <sup>1</sup> (at 30 June 2017/31 December 2016)		127,680	124,729	2.4
<b>AUTOMOTIVE SEGMENT</b>				
Sales volume <sup>2</sup>	units	633,582	605,534	4.6
Revenues	€ million	22,976	22,872	0.5
EBIT margin <sup>3</sup>	% (change in %pts)	9.7	9.5	0.2
<b>MOTORCYCLES SEGMENT</b>				
Sales volume	units	52,753	46,966	12.3
EBIT margin <sup>3</sup>	% (change in %pts)	14.9	15.9	-1.0

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

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 96,794 units, 2016: 71,801 units).

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

## Further performance figures

→ 02

		2nd quarter 2017	2nd quarter 2016	Change in %
<b>AUTOMOTIVE SEGMENT</b>				
Sales volume				
BMW <sup>1</sup>	units	534,585	507,814	5.3
MINI	units	98,155	96,587	1.6
Rolls-Royce	units	842	1,133	-25.7
<b>Total<sup>1</sup></b>		<b>633,582</b>	<b>605,534</b>	<b>4.6</b>
Production volume				
BMW <sup>2</sup>	units	517,791	529,800	-2.3
MINI	units	95,962	102,648	-6.5
Rolls-Royce	units	782	1,102	-29.0
<b>Total<sup>2</sup></b>		<b>614,535</b>	<b>633,550</b>	<b>-3.0</b>
<b>MOTORCYCLES SEGMENT</b>				
Production volume	units	51,086	44,105	15.8
<b>FINANCIAL SERVICES SEGMENT</b>				
New contracts with retail customers		468,603	460,718	1.7
<b>Operating cash flow Automotive segment</b>	€ million	<b>1,767</b>	2,905	-39.2
<b>Revenues</b>	€ million	<b>25,799</b>	<b>25,014</b>	<b>3.1</b>
Automotive	€ million	22,976	22,872	0.5
Motorcycles	€ million	696	617	12.8
Financial Services	€ million	7,044	6,505	8.3
Other Entities	€ million	1	2	-
Eliminations	€ million	-4,918	-4,982	1.3
<b>Profit before financial result (EBIT)</b>	€ million	<b>2,929</b>	<b>2,725</b>	<b>7.5</b>
Automotive	€ million	2,238	2,178	2.8
Motorcycles	€ million	104	98	6.1
Financial Services	€ million	588	529	11.2
Other Entities	€ million	8	12	-33.3
Eliminations	€ million	-9	-92	-
<b>Profit before tax</b>	€ million	<b>3,055</b>	<b>2,798</b>	<b>9.2</b>
Automotive	€ million	2,385	2,277	4.7
Motorcycles	€ million	103	97	6.2
Financial Services	€ million	589	503	17.1
Other Entities	€ million	23	46	-50.0
Eliminations	€ million	-45	-125	64.0
<b>Income taxes</b>	€ million	<b>-841</b>	<b>-849</b>	<b>0.9</b>
<b>Net profit</b>	€ million	<b>2,214</b>	<b>1,949</b>	<b>13.6</b>
<b>Earnings per share<sup>3</sup></b>	€	<b>3.34/3.35</b>	<b>2.95/2.96</b>	<b>13.2/13.2</b>

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 96,794 units, 2016: 71,801 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 84,883 units, 2016: 74,575 units).

<sup>3</sup> Common / preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

# BMW GROUP IN FIGURES

## Key performance indicators reported during the year

→ 03

		1 January to 30 June 2017	1 January to 30 June 2016	Change in %
<b>GROUP</b>				
Profit before tax	€ million	6,060	5,166	17.3
Workforce <sup>1</sup> (at 30 June 2017/31 December 2016)		127,680	124,729	2.4
<b>AUTOMOTIVE SEGMENT</b>				
Sales volume <sup>2</sup>	units	1,220,819	1,163,139	5.0
Revenues	€ million	43,668	41,686	4.8
EBIT margin <sup>3</sup>	% (change in %pts)	9.4	9.5	-0.1
<b>MOTORCYCLES SEGMENT</b>				
Sales volume	units	88,389	80,754	9.5
EBIT margin <sup>3</sup>	% (change in %pts)	17.4	16.0	1.4

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

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 186,966 units, 2016: 153,701 units).

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

## Further performance figures

→ 04

		1 January to 30 June 2017	1 January to 30 June 2016	Change in %
<b>AUTOMOTIVE SEGMENT</b>				
Sales volume				
BMW <sup>1</sup>	units	1,038,030	986,557	5.2
MINI	units	181,214	174,898	3.6
Rolls-Royce	units	1,575	1,684	-6.5
<b>Total<sup>1</sup></b>		<b>1,220,819</b>	<b>1,163,139</b>	<b>5.0</b>
Production volume				
BMW <sup>2</sup>	units	1,066,966	1,020,349	4.6
MINI	units	193,861	191,705	1.1
Rolls-Royce	units	1,637	1,803	-9.2
<b>Total<sup>2</sup></b>		<b>1,262,464</b>	<b>1,213,857</b>	<b>4.0</b>
<b>MOTORCYCLES SEGMENT</b>				
Production volume	units	105,552	84,385	25.1
<b>FINANCIAL SERVICES SEGMENT</b>				
New contracts with retail customers		934,237	874,090	6.9
<b>Operating cash flow Automotive segment</b>	€ million	<b>4,393</b>	4,124	6.5
<b>Revenues</b>	€ million	<b>49,247</b>	<b>45,867</b>	<b>7.4</b>
Automotive	€ million	43,668	41,686	4.8
Motorcycles	€ million	1,319	1,199	10.0
Financial Services	€ million	14,090	12,537	12.4
Other Entities	€ million	3	3	-
Eliminations	€ million	-9,833	-9,558	-2.9
<b>Profit before financial result (EBIT)</b>	€ million	<b>5,575</b>	<b>5,182</b>	<b>7.6</b>
Automotive	€ million	4,109	3,941	4.3
Motorcycles	€ million	229	192	19.3
Financial Services	€ million	1,192	1,120	6.4
Other Entities	€ million	12	23	-47.8
Eliminations	€ million	33	-94	-
<b>Profit before tax</b>	€ million	<b>6,060</b>	<b>5,166</b>	<b>17.3</b>
Automotive	€ million	4,664	4,011	16.3
Motorcycles	€ million	228	191	19.4
Financial Services	€ million	1,184	1,073	10.3
Other Entities	€ million	19	44	-56.8
Eliminations	€ million	-35	-153	77.1
<b>Income taxes</b>	€ million	<b>-1,697</b>	<b>-1,576</b>	<b>-7.7</b>
<b>Net profit</b>	€ million	<b>4,363</b>	<b>3,590</b>	<b>21.5</b>
<b>Earnings per share<sup>3</sup></b>	€	<b>6.59/6.60</b>	<b>5.44/5.45</b>	<b>21.1/21.1</b>

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 186,966 units, 2016: 153,701 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 183,598 units, 2016: 131,686 units).

<sup>3</sup> Common / preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

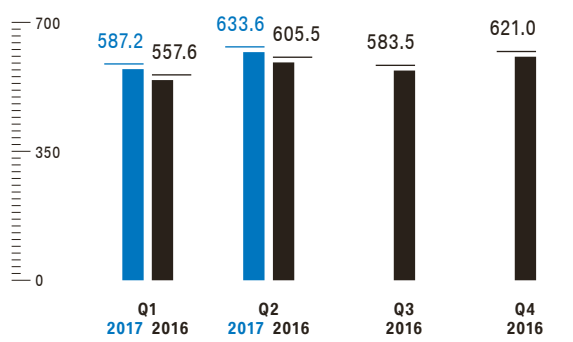
## BMW Group continues its success

The positive sales trend recorded by the Automotive segment during the first three months of 2017 continued throughout the second quarter. In both the quarter and half-year periods, the BMW Group set new sales volume records. During the second quarter alone, 633,582\* BMW, MINI and Rolls-Royce brand vehicles were delivered to customers worldwide (2016: 605,534 units\*; +4.6%), while in the period from January to June 2017 deliveries of the Group's three brands rose by 5.0% to 1,220,819\* units (2016: 1,163,139\* units).

## BMW Group sales volume of automobiles\*

→ 05

in 1,000 units



\* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (second quarter 2017: 96,794, 2016: 71,801 units; 1 January to 30 June 2017: 186,966, 2016: 153,701 units).

The Motorcycles segment also set new sales volume records for the two reporting periods, with second-quarter sales up significantly by 12.3% to 52,753 units (2016: 46,966 units) and six-month sales rising to 88,389 units (2016: 80,754 units; +9.5%).

The Financial Services segment concluded a total of 468,603 new leasing and financing contracts with retail customers worldwide during the second quarter (2016: 460,718 contracts; +1.7%). As a result, the six-month figure climbed by 6.9% to 934,237 contracts (2016: 874,090 contracts).

## New highs for Group revenues and earnings

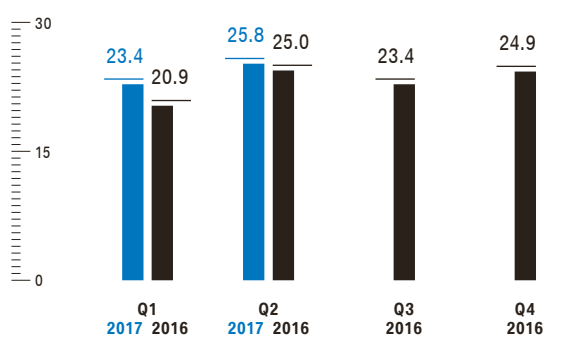
The BMW Group continued to perform successfully during the period under report, achieving new highs for Group revenues and earnings in both the second quarter and the first half of 2017, despite fierce competition, volatile markets and higher expenditure for research and development, marketing, personnel and IT projects.

Group revenues rose primarily due to the higher sales volume of automobiles and motorcycles and increased contract portfolio at Financial Services.

## BMW Group revenues

→ 06

in € billion



Overall, revenues increased by €785 million to €25,799 million for the second quarter (2016: €25,014 million; +3.1%) and by €3,380 million to €49,247 million for the six-month period (2016: €45,867 million; +7.4%).

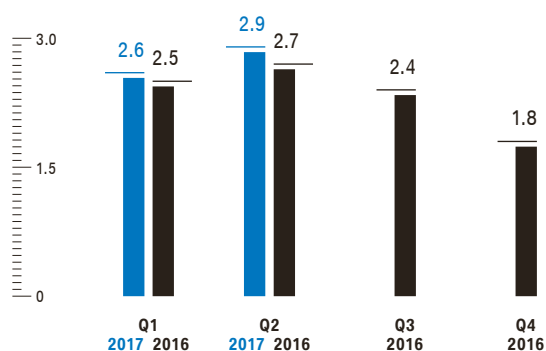


Profit before financial result (EBIT) grew by a solid 7.5% to €2,929 million in the second quarter (2016: €2,725 million) and was also up year-on-year for the six-month period, coming in at €5,575 million (2016: €5,182 million; +7.6%).

### BMW Group profit before financial result (EBIT)

→ 07

in € billion

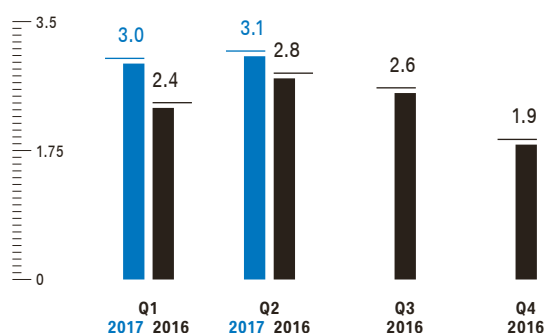


Second-quarter profit before tax climbed by €257 million to €3,055 million (2016: €2,798 million; +9.2%).

### BMW Group profit before tax

→ 08

in € billion



Due in particular to the positive result from equity accounted investments recorded in the first quarter 2017, the pre-tax result for the six-month period rose significantly by 17.3% to €6,060 million (2016: €5,166 million).

### Slight increase in workforce

At 30 June 2017, the BMW Group employed 127,680 people worldwide (31 December 2016: 124,729; +2.4%). The need for skilled workers and IT specialists remains high, particularly due to the trend towards digitalisation, electrification and autonomous driving.

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# INTERIM GROUP MANAGEMENT REPORT

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- Page 11 **Report on Economic Position**
- Page 11 **General Economic Environment**
- Page 13 **Automotive Segment**
- Page 18 **Motorcycles Segment**
- Page 19 **Financial Services Segment**
- Page 21 **Results of Operations, Financial Position and Net Assets**
  
- Page 31 **Report on Outlook, Risks and Opportunities**
- Page 31 **Outlook**
- Page 38 **Risks and Opportunities**
  
- Page 39 **BMWAG Stock and Capital Markets**

# 2

# REPORT ON ECONOMIC POSITION

Vehicle sales volumes reach new high

Group profit at highest level

## €6,060 million

↗ +17.3%

Group profit before tax

## GENERAL ECONOMIC ENVIRONMENT IN THE FIRST HALF OF 2017

### International automobile markets

During the first half of 2017, the number of new vehicle registrations worldwide rose 2.0% compared to one year earlier. However, developments on the major international markets varied widely. Significant growth in Japan and parts of Europe contrasted with market contraction in other areas, in particular the USA.

New registrations in Europe rose by 4.5% during the first six months of the year, with nearly all European automobile markets contributing to the positive development. Growth rates in Germany (3.1%) and France (3.0%) were below the European average. Italy (8.6%) and Spain (7.0%) reported the biggest increases in new registrations during the first half of 2017. In the UK, the number of new registrations for the six-month period were down for the first time in several years (-1.3%).

The strong growth of the automobile market in the USA of recent years appears to be over, at least for the time being. The number of new vehicles registered during the first six months of 2017 dropped by 2.1% compared with the same period in 2016.

In China, demand for automobiles increased slightly compared to the previous year, with new registrations rising by 1.4%.

The Japanese automobile market performed strongly, with a 9.4% increase in new registrations for the period from January to June 2017.

The Brazilian and Russian markets developed positively during the first half of 2017. While in Brazil the number of new vehicle registrations between January and June increased by 5.0%, figures in Russia rose sharply by 12.2% during the same period.

## International motorcycle markets

Developments on motorcycle markets in the 250 cc plus segment presented a varied picture during the first half of 2017. Worldwide, new registrations of motorcycles were down by 1.0%. In Europe, the trend was generally positive and, with 2.9% growth, the markets picked up slightly. The German market, however, recorded a 7.6% drop in new registrations. Other major European motorcycle markets, however, all surpassed the previous year's figures (Italy +11.6%, Spain +4.8%, France +8.3%). After a weak performance in 2016, the US market contracted by a further 5.2%.

Selling prices for pre-owned premium vehicles on international markets developed during the second quarter 2017 within the normal historical fluctuation range. Values stabilised in North America in the second quarter, with the slight downward trend from the first quarter levelling off. Despite discussions of possible bans on diesel vehicles, prices of pre-owned vehicles in Europe remained stable overall. Prices of pre-owned vehicles also remained broadly stable in Asia.

## International interest rate environment and financing markets

In Europe, the European Central Bank (ECB) continued its expansionary policy during the second quarter 2017, despite improving growth rates, positive signals from the job market and a higher inflation rate.

Following the parliamentary elections held in June 2017, the picture for the UK economy was mixed. While the job market held up well, economic growth lost momentum. In view of these factors, the Bank of England maintained its course and continued its expansionary policy. At 2.6%, the inflation rate in June was once again significantly higher than the target rate of 2.0%.

Sound economic momentum and good job market figures prompted the US Federal Reserve to raise its benchmark interest rate to a range of 1.00 to 1.25%.

China's economy grew again in the second quarter, boosted by retail trade and the service sector. The Chinese central bank reacted to the sharp rise in credit volumes by raising money-market interest rates.

The Japanese economy continued to grow during the second quarter, with a weak yen supporting exports. With inflation at well below 2.0%, the Japanese central bank sees no reason to end its expansionary policy.

## Automotive Segment

### Automobile sales growth for BMW Group

The BMW Group remained on course with its automobile business, achieving new sales volume records for both the quarter and the six-month period. In total, the BMW Group delivered 633,582<sup>1</sup> BMW, MINI and Rolls-Royce brand vehicles to customers worldwide in the period from April to June (2016: 605,534<sup>1</sup> units; +4.6%), comprising 534,585<sup>1</sup> BMW (2016: 507,814<sup>1</sup> units; +5.3%), 98,155 MINI (2016: 96,587 units; +1.6%) and 842 Rolls-Royce brand vehicles (2016: 1,133 units; –25.7%).

From January to June 2017, deliveries of the three Group brands in the period increased by 5.0% to 1,220,819<sup>2</sup> units (2016: 1,163,139<sup>2</sup> units), comprising 1,038,030<sup>2</sup> BMW (2016: 986,557<sup>2</sup> units; +5.2%), 181,214 MINI (2016: 174,898 units; +3.6%) and 1,575 Rolls-Royce brand vehicles (2016: 1,684 units; –6.5%).

### Double-digit growth in Asia

Sales in Asia were particularly strong, with double-digit growth rates achieved. In total, 215,748<sup>1</sup> BMW, MINI and Rolls-Royce brand vehicles were delivered to customers in Asia during the second quarter (2016: 178,364<sup>1</sup> units; +21.0%). For the six-month period sales rose by 15.0% to 415,888<sup>2</sup> units (2016: 361,568<sup>2</sup> units). In China, sales of the BMW Group's three brands ↗

during the second quarter totalled 150,614<sup>1</sup> units (2016: 120,650<sup>1</sup> units; +24.8%). The number of vehicles sold on the Chinese mainland during the six-month period grew by 18.5% (293,572<sup>2</sup> units; 2016: 247,817<sup>2</sup> units).

Deliveries in Europe during the second quarter totalled 287,210 units, in line with the previous year (2016: 286,150 units; +0.4%). Over the six-month period, the BMW Group recorded a slight increase (+2.2%) across the region to 555,206 units (2016: 543,270 units). Second-quarter deliveries in Germany, at 76,982 units, fell short of the previous year's high level (2016: 81,408 units; –5.4%). From January to June vehicle sales were slightly down compared to the previous year's high level (144,414 units; 2016: 148,057 units; –2.5%). The UK automobile market was influenced during the second quarter amongst others by the start of Brexit negotiations, which contributed to increased uncertainty. Deliveries to customers during the three-month period fell slightly by 1.6% to 62,540 units (2016: 63,551 units). Due to the sales volume growth recorded in the first quarter, a slight increase of 2.3% was achieved for the six-month period (125,544 units; 2016: 122,720 units).

### Automotive Segment at a glance

→ 09

		2nd quarter 2017	2nd quarter 2016	Change in %
Sales volume <sup>1,3</sup>	units	633,582	605,534	4.6
Production <sup>4</sup>	units	614,535	633,550	–3.0
Revenues <sup>3</sup>	€ million	22,976	22,872	0.5
Profit before financial result (EBIT)	€ million	2,238	2,178	2.8
Profit before tax	€ million	2,385	2,277	4.7
EBIT margin <sup>3,5</sup>	% (change in %pts)	9.7	9.5	0.2

		1 January to 30 June 2017	1 January to 30 June 2016	Change in %
Sales volume <sup>2,3</sup>	units	1,220,819	1,163,139	5.0
Production <sup>6</sup>	units	1,262,464	1,213,857	4.0
Revenues <sup>3</sup>	€ million	43,668	41,686	4.8
Profit before financial result (EBIT)	€ million	4,109	3,941	4.3
Profit before tax	€ million	4,664	4,011	16.3
EBIT margin <sup>3,5</sup>	% (change in %pts)	9.4	9.5	–0.1
Workforce (at 30 June 2017/31 December 2016)		115,522	112,869	2.4

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 96,794 units, 2016: 71,801 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 186,966 units, 2016: 153,701 units).

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

<sup>4</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 84,883 units, 2016: 74,575 units).

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

<sup>6</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 183,598 units, 2016: 131,686 units).

Within an overall contracting market, deliveries to customers in the Americas during the second quarter fell by 6.2 % to 115,292 units (2016: 122,853 units). During the first six months of 2017, the BMW Group delivered 217,530 units to customers in the region ↱

(2016: 223,098 units; – 2.5 %). In the USA, too, second-quarter sales were down by 8.1 % for the quarter to 89,616 units (2016: 97,501 units) and by 4.1 % to 171,785 units for the six-month period (2016: 179,102 units).

## Automotive Segment sales volume of vehicles by region and market

→ 10

in units	2nd quarter 2017	2nd quarter 2016	Change in %	1 January to 30 June 2017	1 January to 30 June 2016	Change in %
Europe	287,210	286,150	0.4	555,206	543,270	2.2
thereof Germany	76,982	81,408	–5.4	144,414	148,057	–2.5
thereof UK	62,540	63,551	–1.6	125,544	122,720	2.3
Americas	115,292	122,853	–6.2	217,530	223,098	–2.5
thereof USA	89,616	97,501	–8.1	171,785	179,102	–4.1
Asia	215,748 <sup>1</sup>	178,364 <sup>1</sup>	21.0	415,888 <sup>2</sup>	361,568 <sup>2</sup>	15.0
thereof China	150,614 <sup>1</sup>	120,650 <sup>1</sup>	24.8	293,572 <sup>2</sup>	247,817 <sup>2</sup>	18.5
Other markets	15,332	18,167	–15.6	32,195	35,203	–8.5
<b>Total</b>	<b>633,582<sup>1</sup></b>	<b>605,534<sup>1</sup></b>	<b>4.6</b>	<b>1,220,819<sup>2</sup></b>	<b>1,163,139<sup>2</sup></b>	<b>5.0</b>

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 96,794 units, 2016: 71,801 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 186,966 units, 2016: 153,701 units).

### BMW brand posts new sales volume records<sup>2</sup>

The BMW brand enjoyed its best sales volume performance, both for the quarter and six-month period. Important contributions were made in particular by the BMW X-family models and the sedan versions of the new BMW 5 and 7 Series.

The BMW 1 Series recorded a solid increase in the first half of 2017, with deliveries rising to 91,802 units (2016: 86,198 units; +6.5 %). Customers took delivery of a total of 91,848 units of the BMW 2 Series during the period under report (2016: 97,949 units; –6.2 %). Sales figures for the 3 Series fell slightly by 2.1 % to 207,692 units (2016: 212,180 units). In total, 166,353 units of the BMW 5 Series were sold worldwide (2016: 169,398 units), whereby the slight decrease (–1.8 %) was mainly due to the fact that the 5 Series Touring and, in China, the extended-wheelbase 5 Series were not launched until June. Sales of the new BMW 7 Series during the first six months of 2017 jumped by more than a quarter to 32,290 units (2016: 25,453 units; +26.9 %).

The BMW X-family remained extremely popular during the first half of 2017, with a combined total of 357,496 units of the five X models sold worldwide (2016: 305,084; +17.2 %). Deliveries of the BMW X1 surged by almost a half to 136,749 units (2016: 94,156 units; +45.2 %). Even though the X3 has reached the end of its model life cycle, it nevertheless achieved a solid year-on-year increase with 81,607 units sold (2016: 77,486 units; +5.3 %). Deliveries of the BMW X5 totalled 89,958 units, a significant increase (+10.6 %) over the previous year (2016: 81,351 units).

## Automotive Segment sales volume of BMW vehicles by model series\*

→ 11

in units	1 January to 30 June 2017	1 January to 30 June 2016	Change in %
BMW 1 Series	91,802	86,198	6.5
BMW 2 Series	91,848	97,949	-6.2
BMW 3 Series	207,692	212,180	-2.1
BMW 4 Series	68,646	69,430	-1.1
BMW 5 Series	166,353	169,398	-1.8
BMW 6 Series	4,703	6,896	-31.8
BMW 7 Series	32,290	25,453	26.9
BMW X1	136,749	94,156	45.2
BMW X3	81,607	77,486	5.3
BMW X4	28,087	30,075	-6.6
BMW X5	89,958	81,351	10.6
BMW X6	21,095	22,016	-4.2
BMW Z4	1,261	2,941	-57.1
BMW i	15,939	11,028	44.5
<b>BMW total</b>	<b>1,038,030</b>	<b>986,557</b>	<b>5.2</b>

\* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 186,966 units, 2016: 153,701 units).

### Sales volume highs for MINI

The new MINI family of vehicles provided a strong boost to sales during the first half of 2017. A new all-time high was recorded for a three-month period. The MINI brand also recorded its best sales volume performance for the first half of a year (181,214 units; 2016: 174,898 units; +3.6%). Sales of the MINI Convertible during the first six months

of the year were nearly a third higher year-on-year (18,699 units; 2016: 14,354 units; +30.3%). The MINI Countryman, which has been available since mid-February, recorded a sales volume of 34,423 units (2016: 32,500 units; +5.9%). With 97,820 units delivered to customers, sales of MINI 3- and 5-door models matched their previous year's performance (2016: 98,546 units; -0.7%).

## Automotive Segment sales volume of MINI vehicles by model variant

→ 12

in units	1 January to 30 June 2017	1 January to 30 June 2016	Change in %
MINI Hatch (3- and 5-door)	97,820	98,546	-0.7
MINI Convertible	18,699	14,354	30.3
MINI Clubman	29,867	27,511	8.6
MINI Countryman/Paceman	34,828	34,487	1.0
<b>MINI total</b>	<b>181,214</b>	<b>174,898</b>	<b>3.6</b>

**Rolls-Royce influenced by regional factors**

Rolls-Royce Motor Cars sold 1,575 vehicles worldwide during the first six months of the year (2016:  $\mp$

1,684 units;  $-6.5\%$ ). The decrease was mainly influenced by ongoing political uncertainty in the Middle East and market contraction in the USA.

**Automotive Segment sales volume of Rolls-Royce vehicles by model variant**

→ 13

in units	1 January to 30 June 2017	1 January to 30 June 2016	Change in %
Phantom	79	176	-55.1
Ghost	505	489	3.3
Wraith / Dawn	991	1,019	-2.7
<b>Rolls-Royce total</b>	<b>1,575</b>	<b>1,684</b>	<b>-6.5</b>

**Significant increase in electrified automobile sales**

Deliveries of BMW i and iPerformance models developed well during the first six months of 2017 and made a positive contribution to the overall strong segment performance. The number of electrified BMW brand vehicles sold increased by some three quarters to 41,875 units (2016: 23,681 units;  $+76.8\%$ ). The BMW i3 enjoyed strong demand throughout the first half of the  $\mp$

year, with deliveries to customers up by more than a half to 14,825 units (2016: 9,341 units;  $+58.7\%$ ). Sales figures for BMW plug-in hybrid models sold under the "iPerformance" brand name more than doubled to 25,936 units (2016: 12,647 units). BMW is therefore leader in the premium segment for plug-in hybrid vehicles. The MINI Countryman has also been available as a plug-in hybrid version since the end of June, with 698 units sold up to the end of the reporting period.

**Automotive Segment sales volume of electrified models**

→ 14

in units	1 January to 30 June 2017	1 January to 30 June 2016	Change in %
BMW i	15,939	11,034	44.5
BMW iPerformance	25,936	12,647	-
MINI ELECTRIC	698	-	-
<b>Total</b>	<b>42,573</b>	<b>23,681</b>	<b>79.8</b>



### Automobile production up over first half-year

Between April and June 2017, 614,535<sup>1</sup> BMW, MINI and Rolls-Royce brand vehicles rolled off the assembly lines of the BMW Group's production network (2016: 633,550<sup>1</sup> units; -3.0%), comprising 517,791<sup>1</sup> BMW (2016: 529,800<sup>1</sup> units; -2.3%), 95,962 MINI (2016: 102,648 units; -6.5%) and 782 Rolls-Royce brand vehicles (2016: 1,102 units; -29.0%). A total of 1,262,464<sup>2</sup> units of the Group's three brands were produced during the first six months of the year (2016: 1,213,857<sup>2</sup> units; +4.0%), comprising 1,066,966<sup>2</sup> BMW (2016: 1,020,349<sup>2</sup> units; +4.6%), 193,861 MINI (2016: 191,705 units; +1.1%) and 1,637 Rolls-Royce brand vehicles (2016: 1,803 units; -9.2%).

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 84,883 units, 2016: 74,575 units).

<sup>2</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 183,598 units, 2016: 131,686 units).

### Slight increase in workforce

The Automotive segment employed a workforce of 115,522 at the end of the first half of the year (31 December 2016: 112,869 employees), slightly up on the level at the end of the previous financial year (+2.4%).

### Earnings up on previous year

At €22,976 million, revenues recorded by the Automotive segment during the second quarter of 2017 were at a similarly high level to the previous year (2016: €22,872 million; +0.5%). Compared to the increase in deliveries, revenue growth was held back due to the high sales dynamic in the Chinese joint venture BBA. Segment revenues for the period from January to June increased slightly by 4.8% to €43,668 million (2016: €41,686 million).

The earnings performance was mainly driven by cost of sales, which increased at a lower rate than revenues over the half year period, and decreased in the second quarter.

Second-quarter EBIT amounted to €2,238 million (2016: €2,178 million; +2.8%). The Automotive segment's EBIT margin improved by 0.2 percentage points to 9.7% (2016: 9.5%). Six-month EBIT increased by 4.3% to €4,109 million (2016: €3,941 million), leading to an EBIT margin for the period from January to June of 9.4% (2016: 9.5%). The values for both the quarter and the six-month period therefore lie within the upper half of the 8 to 10% target range. Profit before tax recorded by the Automotive segment for both the three-month period (€2,385 million; 2016: €2,277 million; +4.7%) and the six-month period (€4,664 million; 2016: €4,011 million; +16.3%) was therefore up on the previous year. Profit before tax for the six-month period benefited in particular from the positive financial result recorded in the first quarter of 2017.

## Motorcycles Segment

### Deliveries at all-time high

The number of units delivered by the Motorcycles segment worldwide in the second quarter of 2017 rose significantly (+12.3 %) to 52,753 units (2016: 46,966 units). Deliveries for the six-month period amounted to 88,389 units (2016: 80,754 units; +9.5 %). These figures represent the best quarterly and six-month sales volume performances in BMW Motorrad's history.

The BMW Group sold 58,617 units (2016: 51,930 units; +12.9 %) in Europe during the first six months of the year. The number of motorcycles sold in Germany increased by 4.9 % to 14,461 units (2016: 13,792 units). At 9,447 units, the figure for France was more than one fifth up on the previous year (2016: 7,790 units; +21.3 %). Significant growth was also achieved in Italy, where motorcycle sales rose by 15.0 % to 9,099 units (2016: 7,912 units). Despite an extremely competitive and contracting US market, the BMW Group achieved 3.8 % sales volume growth year-on-year (7,157 units; 2016: 6,897 units).

### Significant increase in motorcycle production

In the second quarter 2017, the BMW Group manufactured 51,086 motorcycles at its four production sites worldwide (2016: 44,105 units; +15.8 %). A total of 105,552 motorcycles rolled off production lines (2016: 84,385 units; +25.1 %) during the first six

months of the current year. The significant increase in motorcycle production was largely due to the higher number of model production starts compared to the previous year.

### Revenues and earnings up

The Motorcycles segment continued to reap the benefits of sales volume growth in the second quarter of 2017. In addition, business with optional equipment also made an important earnings contribution. Second-quarter revenues rose by 12.8 % to €696 million (2016: €617 million), generating segment EBIT of €104 million (2016: €98 million; +6.1 %) with an EBIT margin of 14.9 % (2016: 15.9%; -1.0 percentage points). Profit before tax went up by €6 million to €103 million (2016: €97 million; +6.2 %). Segment revenues for the six-month period were also significantly higher with a 10.0 % year-on-year increase (€1,319 million; 2016: €1,199 million). The segment recorded an EBIT margin of 17.4 % (2016: 16.0%; +1.4 percentage points) with an EBIT of €229 million (2016: €192 million; +19.3 %). Profit before tax for the first half of 2017 rose sharply to €228 million (2016: €191 million; +19.4 %).

### Workforce slightly up on previous year

At 30 June 2017, the BMW Group employed 3,449 people working to implement the strategy and expansion of the product portfolio in the Motorcycles segment (31 December 2016: 3,351 employees; +2.9 %).

### Motorcycles Segment at a glance

→ 15

		2nd quarter 2017	2nd quarter 2016	Change in %
Sales volume*	units	52,753	46,966	12.3
Production	units	51,086	44,105	15.8
Revenues	€ million	696	617	12.8
Profit before financial result (EBIT)	€ million	104	98	6.1
Profit before tax	€ million	103	97	6.2
EBIT margin*	% (change in %pts)	14.9	15.9	-1.0
		1 January to 30 June 2017	1 January to 30 June 2016	Change in %
Sales volume*	units	88,389	80,754	9.5
Production	units	105,552	84,385	25.1
Revenues	€ million	1,319	1,199	10.0
Profit before financial result (EBIT)	€ million	229	192	19.3
Profit before tax	€ million	228	191	19.4
EBIT margin*	% (change in %pts)	17.4	16.0	1.4
Workforce (at 30 June 2017/31 December 2016)		3,449	3,351	2.9

\* Key performance indicators reported on during the year.

## Financial Services Segment

### Financial Services segment continues to grow

Business in the Financial Services segment developed positively in the reporting period. In total, 468,603 new credit financing and leasing contracts were concluded with retail customers during the period from April to June 2017, representing a 1.7% increase on the same quarter one year earlier (2016: 460,718 contracts). The number of new leasing contracts signed in the second quarter was 6.8% down year-on-year, whereas the number of new credit financing contracts grew by 6.1%.

The number of new contracts entered into with retail customers over the six-month period amounted to 934,237, exceeding the previous year's number by 6.9% (2016: 874,090 contracts). Overall, leasing accounted for 31.1% (31 December 2016: 34.2%) and credit financing for 68.9% (31 December 2016: 65.8%) of new business in the first half of 2017.

The number of credit financing and leasing contracts for pre-owned BMW and MINI brand vehicles during the six-month period rose significantly. A total of 201,812 new contracts were signed during the six-month period (2016: 177,506 contracts; +13.7%).

The total volume of new credit financing and leasing contracts concluded with retail customers during the period from January to June 2017 increased by a solid 9.1% to €28,745 million (2016: €26,353 million).

In total, 4,882,433 contracts were in place with retail customers at 30 June 2017 (31 December 2016: 4,703,417 contracts; +3.8%). Business in the Asia/Pacific region continued to grow and was reflected in a 9.4% increase in the contract portfolio compared to 31 December 2016. The Europe/Middle East/Africa region (+5.4%) and the EU Bank<sup>1</sup> region (+2.8%) also recorded further growth. The portfolio of contracts with retail customers in the Americas region was at a level similar to that recorded at the end of the previous financial year (+0.2%).

Due in particular to growth in China, some 47.6%<sup>2</sup> of new BMW Group vehicles were either leased or financed by the Financial Services segment in the first half of 2017 (2016: 47.4%<sup>2</sup>; +0.2 percentage points).

In balance sheet terms, business volume<sup>3</sup> amounted to €123,138 million at 30 June 2017, similar to the level recorded at the end of the previous financial year (31 December 2016: €123,394 million; -0.2%).

### Financial Services Segment at a glance

→ 16

		2nd quarter 2017	2nd quarter 2016	Change in %
New contracts with retail customers		468,603	460,718	1.7
Revenues	€ million	7,044	6,505	8.3
Profit before financial result (EBIT)	€ million	588	529	11.2
Profit before tax	€ million	589	503	17.1
		1 January to 30 June 2017	1 January to 30 June 2016	Change in %
New contracts with retail customers		934,237	874,090	6.9
Revenues	€ million	14,090	12,537	12.4
Profit before financial result (EBIT)	€ million	1,192	1,120	6.4
Profit before tax	€ million	1,184	1,073	10.3
Workforce (at 30 June 2017/31 December 2016)		8,593	8,394	2.4
		30.6.2017	31.12.2016	Change in %
Business volume in balance sheet terms <sup>3</sup>	€ million	123,138	123,394	-0.2

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

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

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

### Fleet business up slightly on previous year

In the fleet management business, the BMW Group – operating under the brand name “Alphabet” – is one of Europe’s leading leasing and full-service providers. Alphabet offers leasing and financing arrangements as well as other specific services to commercial customers. A portfolio of 657,788 fleet leasing contracts was in place at 30 June 2017 (31 December 2016: 644,420 contracts; +2.1%).

### Increase in multi-brand financing

New business in the multi-brand financing business in the six-month period was up by 5.7% to 84,373 contracts (2016: 79,787 contracts). The total portfolio amounted to 484,521 contracts at 30 June 2017 (31 December 2016: 466,436 contracts; +3.9%).

### Dealership financing almost unchanged

The total volume of dealership financing stood at €18,301 million at 30 June 2017, in line with the level reported at the end of the previous financial year (31 December 2016: €18,307 million).

### Deposit business volume at previous year’s level

Deposit-taking provides an important source of refinancing for the Financial Services segment. Banking deposits at 30 June 2017 amounted to €13,439 million, in line with the level reported at the end of the previous financial year (31 December 2016: €13,512 million; –0.5%).

### Solid growth in new insurance business

The number of new insurance contracts signed during the first half of the year increased by 5.6% to 662,633 contracts (2016: 627,503 contracts). At 30 June 2017, a total of 3,529,645 brokered insurance contracts was in place (31 December 2016: 3,411,872 contracts; +3.5%).

### Revenues and earnings increase

The Financial Services segment benefited from the positive trend in business volumes during the reporting period. Segment revenues totalled €7,044 million for the second quarter of 2017 (2016: €6,505 million; +8.3%) and €14,090 million (2016: €12,537 million) for the six-month period (+12.4%). Profit before tax improved significantly (+17.1%) to €589 million (2016: €503 million) for the second quarter, and by 10.3% to €1,184 million for the period from January to June (2016: €1,073 million).

### Slight increase in workforce

The Financial Services segment’s growth is also reflected in the size of its workforce, which comprised 8,593 people worldwide at 30 June 2017 (31 December 2016: 8,394 employees), a 2.4% increase over the six-month period.

# RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

## Results of operations

In the first half of 2017, the BMW Group recorded growth in revenues, sales volume and profit before tax year-on-year. The number of BMW, MINI and Rolls-Royce brand vehicles delivered to customers rose by a solid 5.0% to 1,220,819 units. The figure  $\uparrow$

includes 186,966 units (2016: 153,701 units) from the joint venture BMW Brilliance Automotive Ltd., Shenyang.

At the end of the reporting period, the BMW Group's workforce comprised 127,680 employees (31 December 2016: 124,729 employees).

Profit before tax for the six-month period was significantly higher than one year earlier, mainly due to sales volume growth, the financial result development and higher allocation in the previous year to warranty provisions relating to vehicle recalls. The pre-tax return on sales was slightly higher than the previous year.

## BMW Group condensed Income Statement for the period from 1 April to 30 June

→ 17

in € million	2017	2016	Change in %
Revenues	25,799	25,014	3.1
Cost of sales	-20,267	-19,957	1.6
<b>Gross profit</b>	<b>5,532</b>	<b>5,057</b>	<b>9.4</b>
Selling and administrative expenses	-2,339	-2,287	2.3
Other operating income and expenses	-264	-45	-
<b>Profit before financial result</b>	<b>2,929</b>	<b>2,725</b>	<b>7.5</b>
Financial result	126	73	72.6
<b>Profit before tax</b>	<b>3,055</b>	<b>2,798</b>	<b>9.2</b>
Income taxes	-841	-849	-0.9
<b>Net profit</b>	<b>2,214</b>	<b>1,949</b>	<b>13.6</b>
Earnings per share of common stock in €	3.33	2.95	12.9
Earnings per share of preferred stock in €	3.34	2.96	12.8
in %	2017	2016	Change
Pre-tax return on sales <sup>1</sup>	11.8	11.2	0.6
Post-tax return on sales <sup>2</sup>	8.6	7.8	0.8
Gross margin <sup>3</sup>	21.4	20.2	1.2
Selling and administrative expenses as a percentage of revenues	9.1	9.1	-

<sup>1</sup> Group profit before tax as a percentage of Group revenues.

<sup>2</sup> Group net profit as a percentage of Group revenues.

<sup>3</sup> Gross profit as a percentage of Group revenues.

Revenues generated during the first half of 2017 totalled €49,247 million, representing a solid year-on-year increase of €3,380 million. Second-quarter revenues were slightly higher than one year earlier. The main drivers of revenue growth were the increased sales of automobiles and motorcycles, the growth of the Financial Services contract portfolio and the sale of returned leasing vehicles. Slightly positive currency factors also contributed to the increase in revenue. Currency impact was mainly due to changes in the average exchange rates of the Russian ruble, the US dollar and the South African rand.

↱

Mainly as a result of volume and portfolio factors, Group cost of sales rose moderately for the six-month period and slightly for the three-month period under report. The significant rise in cost of sales in the Financial Services business also contributed, with costs for the six-month period increasing by €1,608 million to €11,758 million. The rise was mainly due to the portfolio development and the sale of returned leasing vehicles in the terminations business. The warranty expense development had a mitigating effect, with the previous year impacted by an allocation to the warranty provision relating to vehicle recalls.

## BMW Group condensed Income Statement for the period from 1 January to 30 June

→ 18

in € million	2017	2016	Change in %
Revenues	49,247	45,867	7.4
Cost of sales	-38,904	-36,330	7.1
<b>Gross profit</b>	<b>10,343</b>	<b>9,537</b>	<b>8.5</b>
Selling and administrative expenses	-4,517	-4,275	5.7
Other operating income and expenses	-251	-80	-
<b>Profit before financial result</b>	<b>5,575</b>	<b>5,182</b>	<b>7.6</b>
Financial result	485	-16	-
<b>Profit before tax</b>	<b>6,060</b>	<b>5,166</b>	<b>17.3</b>
Income taxes	-1,697	-1,576	7.7
<b>Net profit</b>	<b>4,363</b>	<b>3,590</b>	<b>21.5</b>
Earnings per share of common stock in €	6.59	5.44	21.1
Earnings per share of preferred stock in €	6.60	5.45	21.1
in %	2017	2016	Change
Pre-tax return on sales <sup>1</sup>	12.3	11.3	1.0
Post-tax return on sales <sup>2</sup>	8.9	7.8	1.1
Gross margin <sup>3</sup>	21.0	20.8	0.2
Selling and administrative expenses as a percentage of revenues	9.2	9.3	-0.1
Effective tax rate <sup>4</sup>	28.0	30.5	-2.5

<sup>1</sup> Group profit before tax as a percentage of Group revenues.

<sup>2</sup> Group net profit as a percentage of Group revenues.

<sup>3</sup> Gross profit as a percentage of Group revenues.

<sup>4</sup> Income tax expenses as a percentage of Group profit before tax.

Research and development expenses for the six-month period totalled €2,298 million (2016: €2,026 million), significantly up on the previous year due to the current product offensive. Total research and development expenditure – comprising research costs, non-capitalised development costs, capitalised development

costs (excluding amortisation thereon) and advance payments – amounted to €2,650 million in the first half of the year (2016: €2,102 million). The increase compared to the previous half-year was mainly due to a higher level of capitalised development costs in conjunction with the launch of new models and modules.

### BMW Group research and development expenses for the period from 1 April to 30 June

→ 19

in %	2017	2016	Change
Research and development expenses as a percentage of revenues	4.3	4.2	0.1
Research and development expenditure ratio <sup>1</sup>	5.2	4.5	0.7
Capitalisation rate <sup>2</sup>	38.0	35.0	3.0

### BMW Group research and development expenses for the period from 1 January to 30 June

→ 20

in %	2017	2016	Change
Research and development expenses as a percentage of revenues	4.7	4.4	0.3
Research and development expenditure ratio <sup>1</sup>	5.4	4.6	0.8
Capitalisation rate <sup>2</sup>	35.6	32.7	2.9

<sup>1</sup> Research and development expenditure as a percentage of Group revenues.

<sup>2</sup> Capitalised development costs as a percentage of research and development expenditure.

Gross profit in the first half of 2017 amounted to €10,343 million. The solid rise of €806 million compared to the first half of 2016 reflected increased sales of vehicles, higher business volumes in the Financial Services segment and the higher allocation to warranty provisions in the previous year due to vehicle recalls.

Selling and administrative expenses for the six-month period rose by €242 million to €4,517 million. This moderate increase mainly reflects the larger workforce and higher marketing and IT expenses.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative costs totalled €2,349 million (2016: €2,381 million) over the six-month period and €1,159 million (2016: €1,194 million) in the second quarter.

Other operating income and expenses deteriorated significantly, resulting in a net negative amount of €251 million (2016: – €80 million), with higher allocations to provisions for legal risks contributing to the year-on-year change.

Profit before financial result (EBIT) for the six-month period amounted to €5,575 million (2016: €5,182 million). The improvement was largely due to the higher gross profit, which was offset, however, by increased selling and administrative expenses and other operating expenses.

Compared to the first half of 2016, the financial result improved by €501 million to €485 million, mainly due to the result from equity accounted investments. Thanks to a €183 million positive effect following the sale of 15% of the shares in HERE International B.V., Amsterdam, by THERE Holding B.V., Amsterdam, and a higher earnings contribution from BMW Brilliance Automotive Ltd, Shenyang, due to higher sales volumes, the result from equity accounted investments improved by €292 million to €490 million. In addition, other financial result improved by €102 million to €74 million, mostly due to net gains on interest rate and currency derivatives. In addition, in contrast to the previous year, the result on investments for the first half of 2017 includes no impairment losses on other financial assets. Furthermore, the net interest result improved by €107 million to a net expense of €79 million due to higher interest income and lower interest and similar expenses compared to the previous

year. The second-quarter financial result improved significantly by €53 million to €126 million year-on-year. This positive development was mainly due to lower interest and similar expenses, reflecting the fact that the prior-year figure included higher expenses for discounting non-current provisions.

As well as higher business volumes, the significantly improved financial result in particular had a positive impact, leading to a significant increase in profit before tax for the six-month period to €6,060 million (2016: €5,166 million).

Income tax expense for the six-month period went up moderately to €1,697 million (2016: €1,576 million).

Net profit reported for both the first half of 2017 and the second quarter 2017 was significantly higher year-on-year.

## Results of operations by segment

### BMW Group revenues by segment for the period from 1 April to 30 June

→ 21

in € million	2017	2016	Change in %	Currency adjusted change* in %
Automotive	22,976	22,872	0.5	0.4
Motorcycles	696	617	12.8	13.2
Financial Services	7,044	6,505	8.3	8.7
Other Entities	1	2	-50.0	15.4
Eliminations	-4,918	-4,982	-1.3	-
<b>Group</b>	<b>25,799</b>	<b>25,014</b>	<b>3.1</b>	<b>2.9</b>

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

### BMW Group profit / loss before tax by segment for the period from 1 April to 30 June

→ 22

in € million	2017	2016	Change in %
Automotive	2,385	2,277	4.7
Motorcycles	103	97	6.2
Financial Services	589	503	17.1
Other Entities	23	46	-50.0
Eliminations	-45	-125	-64
<b>Group</b>	<b>3,055</b>	<b>2,798</b>	<b>9.2</b>



### Automotive segment

Automotive segment revenues grew slightly in the first half of 2017. The gross profit margin came in at a similar level to the previous year. Segment revenues for the second quarter of 2017 were also on a par with the previous year's period. As a result of strong sales volume growth at the Chinese joint venture BMW Brilliance Automotive Ltd., Shenyang, second-quarter revenue growth was reduced.

Cost of sales rose slightly compared to the first half of 2016, but fell slightly compared to the second quarter of 2016. The previous year's second-quarter cost of sales was adversely affected by an allocation to the warranty provision related to vehicle recalls.

Selling and administrative expenses went up by €205 million to €3,770 million for the six-month period, due amongst others to higher costs for personnel and marketing as well as for IT projects. ▽

The net amount of other operating income and expenses for the six-month period deteriorated by €206 million (2016: – €71 million), with higher allocations to provisions for legal risks contributing to the year-on-year change.

As a result of the factors described above, segment profit before financial result was slightly higher compared to the previous year, at €4,109 million (2016: €3,941 million) for the first half of 2017 and €2,238 million (2016: €2,178 million) for the second quarter. The positive impact from the volume increase was offset amongst others by the increase in other operating expenses and in selling and administrative expenses.

Overall, the Automotive segment's pre-tax profit was significantly higher for the six-month period and slightly higher for the second quarter.

### BMW Group revenues by segment for the period from 1 January to 30 June

→ 23

in € million	2017	2016	Change in %	Currency adjusted change* in %
Automotive	43,668	41,686	4.8	4.2
Motorcycles	1,319	1,199	10.0	8.7
Financial Services	14,090	12,537	12.4	11.5
Other Entities	3	3	–	14.8
Eliminations	–9,833	–9,558	2.9	–
<b>Group</b>	<b>49,247</b>	<b>45,867</b>	<b>7.4</b>	<b>6.9</b>

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

### BMW Group profit/loss before tax by segment for the period from 1 January to 30 June

→ 24

in € million	2017	2016	Change in %
Automotive	4,664	4,011	16.3
Motorcycles	228	191	19.4
Financial Services	1,184	1,073	10.3
Other Entities	19	44	–56.8
Eliminations	–35	–153	–77.1
<b>Group</b>	<b>6,060</b>	<b>5,166</b>	<b>17.3</b>

**Motorcycles segment**

The Motorcycles segment recorded a significant increase in revenues compared to the first half of 2016, mainly reflecting year-on-year volume growth. Higher sales of optional equipment, spare parts and extras as well as improved pricing also contributed to the positive result.

↱

Cost of sales rose significantly compared to the first half-year 2016 due to production costs.

Profit before tax, which is influenced by seasonal factors, increased significantly over the six-month period, with a solid increase in the second quarter.

**BMW Group segment performance indicators for the period from 1 April to 30 June**

→ 25

in %	2017	2016	Change
<b>Automotive</b>			
Gross margin	19.4	18.0	1.4
Selling and administrative expenses as a percentage of revenues	8.5	8.4	0.1
EBIT margin*	9.7	9.5	0.2
<b>Motorcycles</b>			
Gross margin	24.0	25.1	-1.1
EBIT margin*	14.9	15.9	-1.0

**BMW Group segment performance indicators for the period from 1 January to 30 June**

→ 26

in %	2017	2016	Change
<b>Automotive</b>			
Gross margin	18.7	18.2	0.5
Selling and administrative expenses as a percentage of revenues	8.6	8.6	-
EBIT margin*	9.4	9.5	-0.1
<b>Motorcycles</b>			
Gross margin	26.2	25.9	0.3
EBIT margin*	17.4	16.0	1.4

\* Profit before financial result as a percentage of revenues.

**Financial Services segment**

Financial Services segment revenues grew significantly compared to the first half of 2016 and solidly compared to the second quarter of 2016, due to the positive business development and the sale of returned leasing vehicles in the terminations business. In addition, the risk profile remained at a historically favourable level during both the six-month period and the second quarter.

Selling and administrative expenses within the segment increased by a moderate €40 million to €631 million compared to the first half of 2016, mainly due to the larger workforce, higher volume-driven operational cost and increased project costs.

Larger business volumes as well as lower other operating expenses contributed to a significant improvement in profit before tax reported by the Financial Services segment for both the six-month period and the second quarter.

## Financial position

The consolidated cash flow statements for the Group as well as for the Automotive and Financial Services segments show the sources and applications of cash flows for the first six months of 2017 and 2016. Cash flows are classified according to 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. 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 30 June

→ 27

in € million	2017	2016	Change
Cash inflow/outflow from operating activities	1,918	1,212	706
Cash inflow/outflow from investing activities	-2,270	-1,969	-301
Cash inflow/outflow from financing activities	-123	1,821	-1,944
Effect of exchange rate and changes in composition of Group	-90	-6	-84
<b>Change in cash and cash equivalents</b>	<b>-565</b>	<b>1,058</b>	<b>-1,623</b>

Cash flows from operating activities in the first half of 2017 were effected by the higher net profit and the lower increase in working capital.

Increased cash outflows for investing activities at Group level were mainly driven by higher levels of investment in intangible assets and property, plant and equipment. Lower investments in other investments had a mitigating effect. ↗

The change in cash flows from financing activities was mainly due to settlement of current other financial liabilities.

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

in € million	2017	2016	Change
Cash inflow/outflow from operating activities	4,393	4,124	269
Cash inflow/outflow from investing activities	-2,187	-1,461	-726
Net investment in marketable securities and investment funds	-171	-141	-30
<b>Free cash flow Automotive segment</b>	<b>2,035</b>	<b>2,522</b>	<b>-487</b>

The higher cash inflow from operating activities was mainly due to the higher net profit and a lower increase in working capital, offset in part by changes in provisions.

The higher cash outflow for investing activities mainly reflects increased investments for intangible assets and property, plant and equipment.

Net financial assets of the Automotive segment comprise the following:

in € million	30. 6. 2017	31. 12. 2016	Change
Cash and cash equivalents	5,252	4,794	458
Marketable securities and investment funds	4,053	4,147	-94
Intragroup net financial assets	11,165	12,077	-912
<b>Financial assets</b>	<b>20,470</b>	<b>21,018</b>	<b>-548</b>
Less: external financial liabilities*	-1,590	-1,498	-92
<b>Net financial assets Automotive segment</b>	<b>18,880</b>	<b>19,520</b>	<b>-640</b>

\* Excluding derivative financial instruments.

Cash flows from operating and investing activities in the Financial Services segment developed in the first half of the year as follows:

in € million	2017	2016	Change
Cash inflow/outflow from operating activities	-4,046	-4,174	128
Cash inflow/outflow from investing activities	-17	20	-37
<b>Net</b>	<b>-4,063</b>	<b>-4,154</b>	<b>91</b>

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

### Refinancing

The BMW Group uses a broadly diversified range of funding sources to finance its operating activities. Funds raised are used almost exclusively to finance the BMW Group's Financial Services business. Further details regarding the principles and objectives of financial management are contained in the Group Financial Statements of BMW AG at 31 December 2016.

During the period from January to June 2017, BMW Group entities issued euro benchmark bonds with a volume of €3.8 billion as well as EMTN private placements in various currencies with a total volume of €3.2 billion and a promissory note of €50 million. The BMW Group also issued US dollar bonds amounting to US\$ 2.2 billion in a private placement on the US market.

Bonds denominated in Indian rupees, Korean won, Canadian dollars and British pounds were issued with a total volume of €0.8 billion. In addition, five ABS transactions with a volume of €3.1 billion were issued in Japan, Canada, China, Germany and the USA. In addition, the Group regularly issues commercial paper as well as using deposit-taking by the Group's banking subsidiaries as a further source of refinancing.

## Net assets

### BMW Group condensed balance sheet

→ 28

in € million	Group		Change in %	Currency adjusted change* in %	Proportion of balance sheet total in %
	30.6.2017	31.12.2016			
<b>ASSETS</b>					
Intangible assets	8,477	8,157	3.9	4.1	4.5
Property, plant and equipment	17,448	17,960	-2.9	-1.5	9.2
Leased products	36,192	37,789	-4.2	-0.5	19.2
Investments accounted for using the equity method	3,020	2,546	18.6	18.6	1.6
Other investments	529	560	-5.5	-5.0	0.3
Receivables from sales financing	79,692	78,260	1.8	5.7	42.3
Financial assets	10,086	9,770	3.2	3.9	5.3
Deferred and current tax	3,563	4,265	-16.5	-9.1	1.9
Inventories	13,133	11,841	10.9	13.5	7.0
Trade receivables	2,717	2,825	-3.8	0.5	1.4
Other assets	6,420	6,682	-3.9	-2.2	3.4
Cash and cash equivalents	7,315	7,880	-7.2	-4.9	3.9
<b>Total assets</b>	<b>188,592</b>	<b>188,535</b>	<b>-</b>	<b>3.1</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>					
Equity	50,470	47,363	6.6	8.7	26.8
Pension provisions	3,164	4,587	-31.0	-29.9	1.7
Other provisions	11,201	10,918	2.6	5.8	5.9
Deferred and current tax	4,311	3,869	11.4	28.3	2.3
Financial liabilities	95,051	97,731	-2.7	0.5	50.4
Trade payables	8,358	8,512	-1.8	-0.1	4.4
Other liabilities	16,037	15,555	3.1	6.9	8.5
<b>Total equity and liabilities</b>	<b>188,592</b>	<b>188,535</b>	<b>-</b>	<b>3.1</b>	<b>100.0</b>

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

Due to currency factors, the balance sheet total of the BMW Group remained at a similar level to that reported in the Group Financial Statements for the financial year 2016.

Business volume growth in the Financial Services segment is mainly reflected in the slightly higher level of receivables from sales financing. Negative currency effects due to the weakening of certain currencies against the euro – particularly the US dollar, the Chinese renminbi and the British pound – offset the effect of higher business volumes in the Financial Services segment. A total of 643,940 new credit financing contracts were signed during the six-month period ended 30 June 2017. As a result, the total credit financing portfolio grew to 3,189,619 contracts, 5.5 % up on the level recorded at 31 December 2016. Leased products decreased slightly, however. Adjusted for currency factors, they were at a similar level to the previous year.

Inventories were significantly higher than at the end of the financial year 2016. The increase was mainly due to finished goods, reflecting general business growth and stocking-up in the various markets in conjunction with the launch of new vehicle models.

Cash and cash equivalents decreased moderately compared to 31 December 2016. Group liquidity nevertheless remained at a solid level.

Group equity rose by €3,107 million to €50,470 million. Equity increase was mainly driven by the net profit attributable to shareholders of BMW AG amounting to €4,333 million, net fair value gains on derivative financial instruments amounting to €1,516 million ↗

and the positive impact of remeasurements of the net defined benefit liability for pension plans amounting to €911 million, mainly due to higher interest rates and the lower rate of inflation in Germany. By contrast, the dividend payment reduced equity by €2,300 million.

## BMW Group equity ratio\*

→ 29

in %	30. 6. 2017	31.12. 2016	Change
Group	26.8	25.1	1.7
Automotive	42.9	41.3	1.6
Financial Services	8.1	8.0	0.1

\* Equity capital as a percentage of the balance sheet total.

Pension provisions decreased significantly compared to the end of the financial year 2016, due to higher interest rates and the lower inflation rate in Germany. A transfer from plan assets for pre-retirement part-time working arrangements to plan assets for pension plans brought about a further reduction in pension provisions and a slight increase in other provisions.

Financial liabilities fell slightly compared to the end of 2016. The increase in bonds was more than offset by the decrease in liabilities for asset-backed financing arrangements, commercial paper and derivatives. Financial liabilities were also impacted by negative currency factors.

Overall, the earnings performance, financial position and net assets position of the BMW Group continued to develop positively during the second quarter of 2017.

## Related parties

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

→ see  
note 32

# REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

**BMW Group continues  
successful course**

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**Profitability expected within  
target corridor**

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**Global economy offers favourable  
conditions, despite uncertainties**

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## OUTLOOK

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including the associated material risks and opportunities, from a Group management perspective. It contains forward-looking assertions and is based on expectations and assessments which are subject to uncertainty. As a result, actual outcomes, including those due to political and economic developments, could differ – either positively or negatively – from the expectations described below. Further information is provided in the Annual Report 2016 (Outlook, pp. 82ff., Risks and Opportunities, pp. 88ff.).

### **Economic outlook for 2017**

Based on the forecasts of the International Monetary Fund, the global economy is expected to grow by around 3.5 % in 2017.

The eurozone economy performed better than expected during the first half of the year. Some of the uncertainties that were a cause for concern at the beginning of the year, such as the outcome of elections in the Netherlands and France, have subsided. Economic growth in Europe is currently forecast at 1.9 % for the full year 2017. The unemployment rate in the eurozone continues to sink, which should encourage consumer spending and support growth. With inflation expected at 1.6 % and therefore below the target figure, the European Central Bank is unlikely to raise interest levels for the time being. This should provide a boost to consumer spending and investments.

The German economy is again forecast to perform well this year, with current predictions at 1.8 % growth. The growth has a broad basis, with domestic spending, investments and exports all making positive contributions.

The French economy is predicted to grow by 1.5 % this year, the current trend being mainly driven by investments in the private sector. These investments could create the conditions required for further economic recovery over the coming months.

Consumer spending in Italy remains robust, making it likely that economic recovery will continue with a forecast growth rate of 1.2% in 2017. A solution to the problems that have plagued the Italian banking sector in the past could further improve the economic outlook.

The economy in Spain is predicted to grow by 3.0% this year. The country is profiting from positive trends in the service sector, particularly a strong performance in tourism. At the same time, consumer spending is being boosted by the rapidly falling unemployment rate.

In the UK, there are increasing signs of an economic slowdown. The devaluation of the British pound in the wake of last year's referendum is driving inflation upwards and dampening domestic demand. Increasing uncertainties regarding the future terms for leaving the European Union are discouraging investment. Economic growth in the UK is expected at 1.6%.

Gross domestic product (GDP) in the USA is forecast to grow by 2.2% in 2017. Hopes of government stimulus measures have not yet come to fruition and higher interest rates have driven up the cost of investment. Nevertheless, the construction and industrial production sectors are both performing well.

The Chinese economy is forecast to grow by 6.6% this year. Policymakers in China are currently focused on reining in exceptionally high credit growth. The goal is to foster stability in the finance sector and slow down rising property prices. The pace of growth in China is therefore predicted to slow down in the medium term.

In Japan, the economy continues to recover and growth is expected to run at 1.3% for the full year, primarily driven by a weaker Japanese yen, leading to higher exports and increased production.

With an expected growth rate of 7.2% for 2017, the Indian economy is one of the fastest growing worldwide. The implementation of a number of long-planned reforms is providing the opportunity to boost efficiency in the Indian economy and maintain economic momentum in the medium term.

The Russian economy is set to return to positive growth in the current year. GDP in Russia is expected to grow by 1.3%. Brazil's economic recovery, however, is likely to be significantly slower, with economic output expected to increase by only 0.4% during the full year.

The price of Brent crude oil averaged around 53 US dollars per barrel between January and May. In June, however, the oil price dropped below the 50 US dollar mark, negatively impacted by high inventories, higher production figures in the USA and increased OPEC exports. For these reasons, oil prices are unlikely to rise significantly in the foreseeable future.

Current political developments and increasing risks could jeopardise the economic outlook. Possible trade conflicts, the current development in the UK with EU exit negotiations, increasing consumer debt in China, as well as the political situation in the Middle East represent the greatest risks to global growth.



### **International automobile markets in 2017**

At present, automobile markets worldwide are expected to grow by 1.6% to around 87.5 million units in 2017. Apart from China, growth is likely to be driven primarily by demand from Japan and continental Europe. However, the forecast vehicle registration trend in the USA and UK could have a dampening impact on the global automobile market.

In Europe, favourable economic conditions should provide momentum for automobile markets, with the latest forecasts predicting growth of 1.6% to 15.4 million units for the year. With an expected 1.4% increase in new registrations to 3.4 million units, Germany lies somewhat below the European average. The same applies to France, where growth is set to run at 1.4% to 2.0 million units. Markets in both Italy (1.98 million units; +6.8%) and Spain (1.2 million units; +4.6%) are forecast to grow more strongly. In the UK, Brexit and an increase in motor vehicle tax are likely to dampen the automobile market and a 5.5% drop to 2.5 million units is expected for the full year.

In the USA, the automobile market probably reached a peak in the previous year, with the consequence that a 2.6% decline to 17.1 million units is seen as a realistic outcome for 2017.

In China, growth is forecast to slow to 4.9%, at a total of 25.3 million units, after the market grew faster than expected the previous year.

In Japan, the relatively good economy is also having a positive effect on the automobile market. New registrations are developing positively, with growth expected at around 2.6% to 4.9 million units.

Economic recovery in Russia and Brazil is also likely to be reflected in the performance of their respective automobile markets. In Russia, new registrations are expected to grow by 8.0% to reach 1.4 million units. In Brazil registrations are set to rise by 4.6% to 1.8 million new vehicles.

### **International motorcycle markets in 2017**

The world's motorcycle markets in the 250 cc plus class are forecast to remain at the previous year's level in 2017. In Europe, the positive trend is expected to continue in the major markets, such as France, Italy and Spain. The forecast for the motorcycles market in Germany and the USA is for volumes to be slightly below the previous year.

### **Interest rate environment and financing markets in 2017**

The ECB is expected to continue its expansionary monetary policy in the eurozone for the remainder of the year, albeit on a less intensive scale. Faced with rising inflation and weaker growth prospects in conjunction with Brexit negotiations, the Bank of England is expected to maintain its cautious approach and leave its monetary policies largely unchanged. If the US economy continues to perform positively, the Federal Reserve could raise the benchmark interest rate further in the course of the year. China is expected to continue the process of transforming its economy. The expectation is that the government and central bank will support this process with economic and monetary measures. The Japanese central bank is likely to maintain its expansionary monetary approach.

Pre-owned vehicle prices in North America are set to fall slightly over the year, while prices in the premium segment in Asia are expected to remain stable. A similar situation prevails in continental Europe. In the UK, the pre-owned market is expected to come under pressure. Further developments there will also depend on the progress of Brexit negotiations.

## Outlook for the BMW Group Group

### Profit before tax: slight increase expected

Competition on international automobile markets is expected to remain intense throughout the current year. The formal start of exit negotiations between the EU and the UK is also a source of uncertainty with respect to future political and economic developments. In the USA, the new administration's course of action remains uncertain. Political risks are also arising in the Middle East. Further information is provided in the Report on Risks and Opportunities in the Annual Report 2016.

Nevertheless, the BMW Group plans to pursue its growth course in 2017. New vehicles, such as the BMW 5 Series and MINI Countryman introduced in spring and motorcycles such as the new R NineT Pure and Racer models, as well as attractive services, should contribute to earnings growth. Important investments in future-oriented projects, including vehicle electrification, digitalisation and the expansion of the production network, will offset the general positive trend in the second half of the year, however. Overall, Group profit before tax is expected to increase slightly year-on-year (2016: €9,665 million).

### Workforce at year-end: slight increase expected

Based on current forecasts, the BMW Group's workforce is again expected to grow slightly in 2017 (2016: 124,729 employees). The growth is mainly driven by projects aimed at securing the Group's future, increased demand for automobiles and motorcycles and the expansion of financial and mobility services.

## Automotive segment

### Deliveries to customers: slight increase expected

The BMW Group expects positive sales volume growth to continue in 2017 and again aims to occupy a leading position with its brands in the global premium segment. A strong presence in the major sales regions of Europe, Asia and the Americas is an essential element to balance volatilities and political uncertainties in individual markets. Assuming economic conditions do not deteriorate, deliveries to customers are forecast to rise slightly to a new high (2016: 2,367,603<sup>1</sup> units).

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2016: 316,200 units).

Important contributions to the targeted sales growth are expected primarily from new models. The all-new BMW 5 Series Sedan was launched in mid-February 2017, followed by the BMW 5 Series iPerformance and M Performance models in March. The new extended-wheelbase version of the BMW 5 Series Sedan has been available to customers in China since the end of June. The new BMW 5 Series Touring model was launched during the same month. The model revisions of the BMW 4 Series as well as the BMW M4 Coupé and Convertible were launched in March. The second generation of the highly successful MINI Countryman model became available in February. At mid-year, two further versions were added to this highly successful model, namely the sporty John Cooper Works version and a plug-in hybrid model. Model revisions of the BMW 1 Series, BMW 2 Series Convertible and the 2 Series Coupé have been on sale since July. The new BMW 6 Series Gran Turismo and the new BMW X3 are set to follow in autumn.

### <sup>2</sup> EU-28. Fleet carbon dioxide emissions<sup>2</sup>: slight decrease expected

The BMW Group is continuing its efforts to reduce vehicle-fuel consumption and carbon dioxide emissions across its fleet of vehicles. According to forecasts, fleet emissions will drop slightly during the outlook period, thus continuing the downward trend seen in previous years (2016: 124 grams CO<sub>2</sub>/km).

**Revenues: solid increase expected**

Automotive segment revenues are expected to grow solidly during the outlook period (2016: €86,424 million). In the Annual Report 2016, only a slight increase in segment revenues had been forecast. The original forecast from the beginning of the year has been revised upwards mainly due to positive translation effects.

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

An EBIT margin (profit before financial result as a percentage of Automotive Segment revenues) within a range of 8 to 10% (2016: 8.9%) remains the target for the Automotive segment.

**Return on capital employed\* (RoCE): expected at previous year's level**

Segment RoCE is forecast to be at the previous year's level (2016: 74.3%). In the Annual Report 2016, the Group had expected RoCE to decrease slightly. The development is due to an improvement in capital employed. The long-term target RoCE of at least 26% for the Automotive segment will be significantly exceeded.

**Motorcycles segment****Deliveries to customers: significant increase expected**

The positive trend in the Motorcycles segment observed during the year to date is expected to continue throughout 2017. The new R NineT Pure and R NineT Racer models unveiled at various international motor shows in autumn 2016 have been available to customers since March 2017. Likewise, the new G 310 R and the updated version of the R 1200 GS have been on the market since March. The revised version of the S 1000 RR has been on sale since January. Updated versions of the S 1000 R and the K 1600 GT were introduced in February. The model revisions of the luxury K 1600 GTL and the R NineT Urban G/S were launched in June. The new K 1600 B will follow in the summer, with the G 310 GS expected in the autumn. The broader product range should appeal to new customer groups and provide further momentum for sales volume growth. Overall, deliveries of BMW motorcycles to customers are forecast to increase significantly year-on-year (2016: 145,032 units).

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

With effect from the financial year 2017, EBIT margin also serves as a key performance indicator for the Motorcycles segment. Accordingly, segment performance will also be managed based on EBIT margin going forward. Further information is available in the description of the Group management system within the section "General Information on the BMW Group" in the Annual Report 2016. A target range of 8 to 10% has also been set for the Motorcycles segment. The EBIT margin for the Motorcycles segment is expected to lie within this range in 2017 (2016: 9.0%).

**Return on capital employed\*: slight increase expected**

Segment RoCE is forecast to increase slightly in 2017 and the long-term target RoCE of 26% will be exceeded (2016: 33.0%). The improvement in RoCE is due amongst others to the expected growth in earnings. In the Annual Report 2016, RoCE was forecast to be in line with the previous year.

\*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.

## Financial Services segment

### Return on equity\* (RoE): slight decrease expected

According to forecasts, the Financial Services segment should continue its successful performance in 2017. It is expected, however, that regulatory requirements for equity capital will be tightened and that the favourable risk situation of the previous year will return to a normal level. The segment RoE is therefore expected to decrease slightly year-on-year (2016: 21.2%). The target of at least 18% is nevertheless expected to be exceeded again.

\*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.

## Overall assessment by Group management

Business is expected to develop positively in the financial year 2017. The introduction of numerous new automobile and motorcycle models, as well as the expansion of services around individual mobility give reason to expect further profitable growth during the current year.

Despite the challenges previously described, Group profit before tax is forecast to grow slightly. Based on the forecast of a slight increase in deliveries to customers as well as positive translation effects, Automotive segment revenues are expected to grow solidly. At the same time, a slight decrease in fleet carbon dioxide emissions is expected. The stipulated targets are to be supported by a slight increase in the workforce. The Automotive segment's EBIT margin in 2017 is expected to remain within the target range of between 8 and 10%, while its RoCE is forecast to remain at the previous year's level. A slight decline is forecast for the RoE in the Financial Services segment. Both performance indicators are expected to be above their long-term targets of 26% (RoCE) and 18% (RoE) respectively. Motorcycles segment deliveries to customers are expected to rise significantly in the forecast period, with the EBIT margin within the target range of between 8 and 10% and RoCE slightly up on the previous year.

Depending on the political and economic situation and the outcomes of the risks and opportunities described in the Annual Report 2016, actual business performance could, however, differ from current expectations.

A summary of the forecast outcome for key performance indicators is provided in the following table:

## BMW Group key performance indicators

→ 30

		2016	2017 Outlook
<b>GROUP</b>			
Profit before tax	€ million	9,665	slight increase
Workforce at year-end		124,729	slight increase
<b>AUTOMOTIVE SEGMENT</b>			
Sales volume <sup>1</sup>	units	2,367,603	slight increase
Fleet emissions <sup>2</sup>	g CO <sub>2</sub> /km	124	slight decrease
Revenues	€ million	86,424	solid increase
EBIT margin	%	8.9	between 8 and 10
Return on capital employed	%	74.3	At previous year's level
<b>MOTORCYCLES SEGMENT</b>			
Sales volume	units	145,032	significant increase
EBIT margin	%	9.0	between 8 and 10
Return on capital employed	%	33.0	slight increase
<b>FINANCIAL SERVICES SEGMENT</b>			
Return on equity	%	21.2	slight decrease

<sup>1</sup> Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2016: 316,200 units).

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

# RISKS AND OPPORTUNITIES

As a globally operating enterprise, the BMW Group is confronted with a broad 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, greater efficiency and sustainable future business, the Group consciously takes risks.

Current issues such as the progress of Brexit negotiations, further political developments with regard to diesel engines, such as possible driving bans in inner cities, and tightening of regulations regarding vehicle emissions and safety will be closely monitored and if necessary promptly included in the planning.

In July 2017, media outlets reported allegations of anti-competitive practices amongst German automotive manufacturers. According to a report of the German Press Agency dpa, the European Commission is currently investigating evidence in its possession. To date, the BMW Group has not been contacted by the European Commission in this regard. Nor is the BMW Group aware of any formal investigation by the European Commission against the Company on such matter. The Group has nevertheless launched an internal investigation in order to clarify the facts.

During the period under report and in light of these circumstances, there have been no material changes to the overall risk profile as described in the Group Management Report 2016.

Further information on risks and opportunities, and on the methods employed to manage them, can also be found in the "Report on risks and opportunities" section of the Annual Report 2016 (pp. 88ff.).

# BMW AG STOCK AND CAPITAL MARKETS

BMW shares below  
previous year's level

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Earnings per share of  
common stock increase to €6.59  
(+ 21.1 %) in first half-year

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## BMW AG STOCK AND CAPITAL MARKETS IN THE SECOND QUARTER 2017

Stock markets were largely stable during the second quarter of 2017. The outcome of presidential and parliamentary elections in France in particular, which signalled a more pro-European political agenda, gave the markets a boost. In the latter part of the quarter, the trend towards greater price stability was even more evident.

The German stock index (DAX) closed at 12,325 points on 30 June 2017, similar to the level recorded at the beginning of the second quarter. Compared to the end of 2016, when it stood at 11,481 points, the index has gained 7.4 %. A new all-time high of 12,889 points was recorded on 19 June 2017. The benchmark index weakened slightly towards the end of the quarter as a result of profit-taking and amid expectations that the European Central Bank will move towards tighter monetary policies.

The Prime Automobile sector index was broadly stable during the first half of 2017 and finished the reporting period at 1,472 points, 2.3 % lower than at 31 December 2016 and 5.3 % below the level of 31 March 2017. Political and economic uncertainties in particular have influenced the performance of automobile stocks.

BMW common stock was also impacted by the general trend affecting automobile stocks, closing at €81.28 on 30 June 2017, 8.4 % down on the market price at the end of 2016. Compared to the end of the previous quarter, this represents a decline of 4.9 %. BMW preferred stock followed the trend and finished the second quarter at €72.18, 2.2 % down on the price at the end of the first quarter. Compared to the final day of trading in 2016, BMW preferred stock fell by 0.7 %.

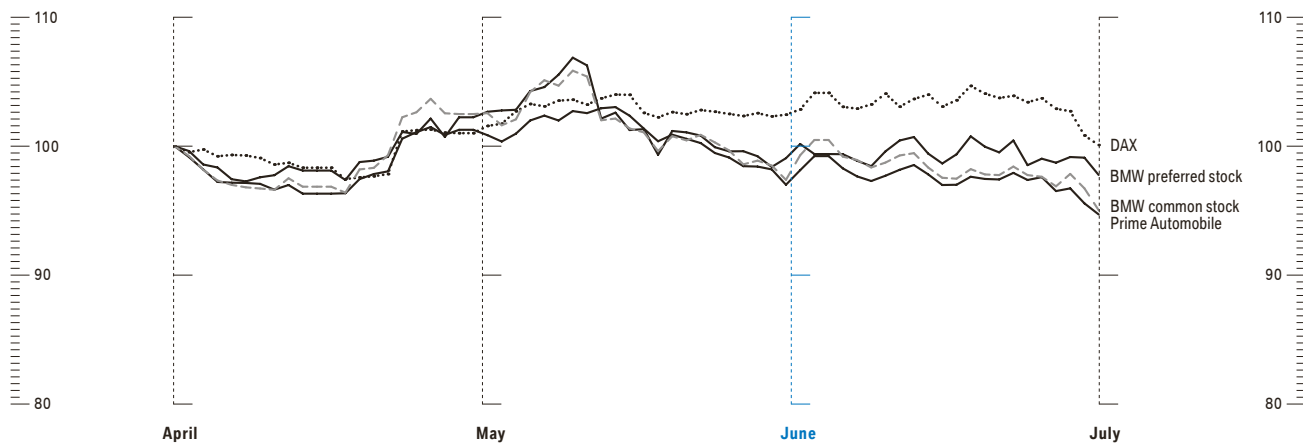
The US dollar weakened against the euro during the second quarter. At 1.14 US dollars to the euro at the end of the reporting period, it finished 7.5 % down on its closing rate at the end of the previous year (31 December 2016: 1.06 US dollars to the euro).

# BMW AG development of stock

→ 31

→ BMW AG Stock and Capital Markets

(Index: 31.03.2017 = 100)



Source: Reuters.



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# INTERIM GROUP FINANCIAL STATEMENTS

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- Page 42 **Income Statement**
- Page 42 **Statement of Comprehensive Income**
- Page 46 **Balance Sheet**
- Page 48 **Cash Flow Statement**
- Page 50 **Statement of Changes in Equity**
- Page 52 **Notes to the Group Financial Statements**
- Page 52 **Accounting Principles and Policies**
- Page 55 **Notes to the Income Statement**
- Page 58 **Notes to the Statement of Comprehensive Income**
- Page 60 **Notes to the Balance Sheet**
- Page 64 **Other Disclosures**
- Page 68 **Segment Information**
- Page 72 **Responsibility Statement by the  
Company's Legal Representatives**
- Page 73 **Review Report**

# 3

# 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 April to 30 June

→ 32

in € million	Note	Group		Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)	
		2017	2016	2017	2016	2017	2016
Revenues	5	25,799	25,014	22,976	22,872	696	617
Cost of sales	6	-20,267	-19,957	-18,529	-18,757	-529	-462
<b>Gross profit</b>		<b>5,532</b>	<b>5,057</b>	<b>4,447</b>	<b>4,115</b>	<b>167</b>	<b>155</b>
Selling and administrative expenses	7	-2,339	-2,287	-1,950	-1,914	-64	-65
Other operating income	8	156	149	165	131	2	4
Other operating expenses	8	-420	-194	-424	-154	-1	4
<b>Profit / loss before financial result</b>		<b>2,929</b>	<b>2,725</b>	<b>2,238</b>	<b>2,178</b>	<b>104</b>	<b>98</b>
Result from equity accounted investments	9	139	127	139	127	-	-
Interest and similar income	10	46	38	72	55	-	-
Interest and similar expenses	10	-88	-141	-112	-172	-1	-1
Other financial result	11	29	49	48	89	-	-
<b>Financial result</b>		<b>126</b>	<b>73</b>	<b>147</b>	<b>99</b>	<b>-1</b>	<b>-1</b>
<b>Profit / loss before tax</b>		<b>3,055</b>	<b>2,798</b>	<b>2,385</b>	<b>2,277</b>	<b>103</b>	<b>97</b>
Income taxes	12	-841	-849	-649	-696	-26	-28
<b>Net profit / loss</b>		<b>2,214</b>	<b>1,949</b>	<b>1,736</b>	<b>1,581</b>	<b>77</b>	<b>69</b>
Attributable to minority interest		20	8	6	4	-	-
<b>Attributable to shareholders of BMW AG</b>		<b>2,194</b>	<b>1,941</b>	<b>1,730</b>	<b>1,577</b>	<b>77</b>	<b>69</b>
Basic earnings per share of common stock in €	13	3.33	2.95				
Basic earnings per share of preferred stock in €	13	3.34	2.96				
Dilutive effects	13	-	-				
Diluted earnings per share of common stock in €	13	3.33	2.95				
Diluted earnings per share of preferred stock in €	13	3.34	2.96				

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

→ 33

in € million	Note	2017	2016
<b>Net profit</b>		<b>2,214</b>	<b>1,949</b>
Remeasurement of the net liability for defined benefit pension plans		452	-1,035
Deferred taxes		-133	336
<b>Items not expected to be reclassified to the income statement in the future</b>		<b>319</b>	<b>-699</b>
Available-for-sale securities		31	54
Financial instruments used for hedging purposes		2,043	-108
Other comprehensive income from equity accounted investments		26	19
Deferred taxes		-634	12
Currency translation foreign operations		-747	44
<b>Items expected to be reclassified to the income statement in the future</b>		<b>719</b>	<b>21</b>
<b>Other comprehensive income for the period after tax</b>	14	<b>1,038</b>	<b>-678</b>
<b>Total comprehensive income</b>		<b>3,252</b>	<b>1,271</b>
Total comprehensive income attributable to minority interest		20	8
<b>Total comprehensive income attributable to shareholders of BMW AG</b>		<b>3,232</b>	<b>1,263</b>

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2017	2016	2017	2016	2017	2016	
7,044	6,505	1	2	-4,918	-4,982	Revenues
-6,109	-5,619	-	-	4,900	4,881	Cost of sales
935	886	1	2	-18	-101	<b>Gross profit</b>
-331	-308	-1	-7	7	7	Selling and administrative expenses
5	5	32	25	-48	-16	Other operating income
-21	-54	-24	-8	50	18	Other operating expenses
588	529	8	12	-9	-92	<b>Profit / loss before financial result</b>
-	-	-	-	-	-	Result from equity accounted investments
5	1	279	320	-310	-338	Interest and similar income
-3	-19	-246	-254	274	305	Interest and similar expenses
-1	-8	-18	-32	-	-	Other financial result
1	-26	15	34	-36	-33	<b>Financial result</b>
589	503	23	46	-45	-125	<b>Profit / loss before tax</b>
-143	-126	-3	-15	-20	16	Income taxes
446	377	20	31	-65	-109	<b>Net profit / loss</b>
13	4	1	-	-	-	Attributable to minority interest
433	373	19	31	-65	-109	<b>Attributable to shareholders of BMW AG</b>
						<b>Basic earnings per share of common stock in €</b>
						<b>Basic earnings per share of preferred stock in €</b>
						Dilutive effects
						<b>Diluted earnings per share of common stock in €</b>
						<b>Diluted earnings per share of preferred stock in €</b>

# 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 30 June

→ 34

in € million	Note	Group		Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)	
		2017	2016	2017	2016	2017	2016
Revenues	5	49,247	45,867	43,668	41,686	1,319	1,199
Cost of sales	6	-38,904	-36,330	-35,512	-34,109	-973	-889
<b>Gross profit</b>		<b>10,343</b>	<b>9,537</b>	<b>8,156</b>	<b>7,577</b>	<b>346</b>	<b>310</b>
Selling and administrative expenses	7	-4,517	-4,275	-3,770	-3,565	-117	-120
Other operating income	8	329	362	305	312	2	4
Other operating expenses	8	-580	-442	-582	-383	-2	-2
<b>Profit / loss before financial result</b>		<b>5,575</b>	<b>5,182</b>	<b>4,109</b>	<b>3,941</b>	<b>229</b>	<b>192</b>
Result from equity accounted investments	9	490	198	490	198	-	-
Interest and similar income	10	107	73	166	147	-	-
Interest and similar expenses	10	-186	-259	-234	-349	-1	-1
Other financial result	11	74	-28	133	74	-	-
<b>Financial result</b>		<b>485</b>	<b>-16</b>	<b>555</b>	<b>70</b>	<b>-1</b>	<b>-1</b>
<b>Profit / loss before tax</b>		<b>6,060</b>	<b>5,166</b>	<b>4,664</b>	<b>4,011</b>	<b>228</b>	<b>191</b>
Income taxes	12	-1,697	-1,576	-1,313	-1,250	-63	-58
<b>Net profit / loss</b>		<b>4,363</b>	<b>3,590</b>	<b>3,351</b>	<b>2,761</b>	<b>165</b>	<b>133</b>
Attributable to minority interest		30	18	6	3	-	-
<b>Attributable to shareholders of BMW AG</b>		<b>4,333</b>	<b>3,572</b>	<b>3,345</b>	<b>2,758</b>	<b>165</b>	<b>133</b>
Basic earnings per share of common stock in €	13	6.59	5.44				
Basic earnings per share of preferred stock in €	13	6.60	5.45				
Dilutive effects	13	-	-				
Diluted earnings per share of common stock in €	13	6.59	5.44				
Diluted earnings per share of preferred stock in €	13	6.60	5.45				

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

→ 35

in € million	Note	2017	2016
<b>Net profit</b>		<b>4,363</b>	<b>3,590</b>
Remeasurement of the net liability for defined benefit pension plans		911	-2,088
Deferred taxes		-256	667
<b>Items not expected to be reclassified to the income statement in the future</b>		<b>655</b>	<b>-1,421</b>
Available-for-sale securities		33	102
Financial instruments used for hedging purposes		1,516	2,057
Other comprehensive income from equity accounted investments		28	73
Deferred taxes		-484	-741
Currency translation foreign operations		-696	-401
<b>Items expected to be reclassified to the income statement in the future</b>		<b>397</b>	<b>1,090</b>
<b>Other comprehensive income for the period after tax</b>	14	<b>1,052</b>	<b>-331</b>
<b>Total comprehensive income</b>		<b>5,415</b>	<b>3,259</b>
Total comprehensive income attributable to minority interest		30	18
<b>Total comprehensive income attributable to shareholders of BMW AG</b>		<b>5,385</b>	<b>3,241</b>

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2017	2016	2017	2016	2017	2016	
14,090	12,537	3	3	-9,833	-9,558	Revenues
-12,263	-10,777	-	-	9,844	9,445	Cost of sales
<b>1,827</b>	<b>1,760</b>	<b>3</b>	<b>3</b>	<b>11</b>	<b>-113</b>	<b>Gross profit</b>
-631	-591	-13	-12	14	13	Selling and administrative expenses
36	10	77	68	-91	-32	Other operating income
-40	-59	-55	-36	99	38	Other operating expenses
<b>1,192</b>	<b>1,120</b>	<b>12</b>	<b>23</b>	<b>33</b>	<b>-94</b>	<b>Profit / loss before financial result</b>
-	-	-	-	-	-	Result from equity accounted investments
6	2	554	621	-619	-697	Interest and similar income
-5	-20	-497	-527	551	638	Interest and similar expenses
-9	-29	-50	-73	-	-	Other financial result
<b>-8</b>	<b>-47</b>	<b>7</b>	<b>21</b>	<b>-68</b>	<b>-59</b>	<b>Financial result</b>
<b>1,184</b>	<b>1,073</b>	<b>19</b>	<b>44</b>	<b>-35</b>	<b>-153</b>	<b>Profit / loss before tax</b>
-296	-280	-1	-14	-24	26	Income taxes
<b>888</b>	<b>793</b>	<b>18</b>	<b>30</b>	<b>-59</b>	<b>-127</b>	<b>Net profit / loss</b>
23	15	1	-	-	-	Attributable to minority interest
<b>865</b>	<b>778</b>	<b>17</b>	<b>30</b>	<b>-59</b>	<b>-127</b>	<b>Attributable to shareholders of BMW AG</b>
						<b>Basic earnings per share of common stock in €</b>
						<b>Basic earnings per share of preferred stock in €</b>
						Dilutive effects
						<b>Diluted earnings per share of common stock in €</b>
						<b>Diluted earnings per share of preferred stock in €</b>

# BMW GROUP BALANCE SHEET

in € million	Note	Group		Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)	
		30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
<b>ASSETS</b>							
Intangible assets	15	8,477	8,157	7,994	7,705	45	46
Property, plant and equipment	16	17,448	17,960	17,060	17,566	360	365
Leased products	17	36,192	37,789	–	–	–	–
Investments accounted for using the equity method	18	3,020	2,546	3,020	2,546	–	–
Other investments	18	529	560	5,289	5,195	–	–
Receivables from sales financing	19	49,375	48,032	–	–	–	–
Financial assets	20	2,626	2,705	1,405	1,287	–	–
Deferred tax	21	1,846	2,327	3,901	4,310	–	–
Other assets	22	1,558	1,595	3,613	4,043	27	28
<b>Non-current assets</b>		<b>121,071</b>	<b>121,671</b>	<b>42,282</b>	<b>42,652</b>	<b>432</b>	<b>439</b>
Inventories	23	13,133	11,841	12,610	11,344	518	492
Trade receivables		2,717	2,825	2,384	2,502	162	144
Receivables from sales financing	19	30,317	30,228	–	–	–	–
Financial assets	20	7,460	7,065	5,105	4,862	–	–
Current tax	21	1,717	1,938	920	1,000	–	–
Other assets	22	4,862	5,087	21,876	21,561	7	2
Cash and cash equivalents		7,315	7,880	5,252	4,794	5	–
<b>Current assets</b>		<b>67,521</b>	<b>66,864</b>	<b>48,147</b>	<b>46,063</b>	<b>692</b>	<b>638</b>
<b>Total assets</b>		<b>188,592</b>	<b>188,535</b>	<b>90,429</b>	<b>88,715</b>	<b>1,124</b>	<b>1,077</b>
<b>EQUITY AND LIABILITIES</b>							
Subscribed capital	24	657	657	–	–	–	–
Capital reserves	24	2,047	2,047	–	–	–	–
Revenue reserves	24	47,163	44,445	–	–	–	–
Accumulated other equity	24	356	–41	–	–	–	–
<b>Equity attributable to shareholders of BMWAG</b>	24	<b>50,223</b>	<b>47,108</b>	–	–	–	–
Minority interest	24	247	255	–	–	–	–
<b>Equity</b>		<b>50,470</b>	<b>47,363</b>	<b>38,820</b>	<b>36,624</b>	–	–
Pension provisions	25	3,164	4,587	1,846	2,911	44	83
Other provisions	26	5,724	5,039	5,259	4,570	113	103
Deferred tax	27	3,327	2,795	1,649	740	–	–
Financial liabilities	28	55,328	55,405	1,376	1,942	–	–
Other liabilities	29	5,095	5,357	6,365	6,530	461	442
<b>Non-current provisions and liabilities</b>		<b>72,638</b>	<b>73,183</b>	<b>16,495</b>	<b>16,693</b>	<b>618</b>	<b>628</b>
Other provisions	26	5,477	5,879	4,858	5,187	98	90
Current tax	27	984	1,074	716	770	–	–
Financial liabilities	28	39,723	42,326	826	1,481	–	–
Trade payables		8,358	8,512	7,226	7,483	322	303
Other liabilities	29	10,942	10,198	21,488	20,477	86	56
<b>Current provisions and liabilities</b>		<b>65,484</b>	<b>67,989</b>	<b>35,114</b>	<b>35,398</b>	<b>506</b>	<b>449</b>
<b>Total equity and liabilities</b>		<b>188,592</b>	<b>188,535</b>	<b>90,429</b>	<b>88,715</b>	<b>1,124</b>	<b>1,077</b>

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	
<b>ASSETS</b>						
437	405	1	1	-	-	Intangible assets
28	29	-	-	-	-	Property, plant and equipment
43,446	45,134	-	-	-7,254	-7,345	Leased products
-	-	-	-	-	-	Investments accounted for using the equity method
3	3	6,945	6,585	-11,708	-11,223	Other investments
49,375	48,032	-	-	-	-	Receivables from sales financing
190	221	1,240	1,780	-209	-583	Financial assets
427	389	208	263	-2,690	-2,635	Deferred tax
3,082	3,093	26,709	27,120	-31,873	-32,689	Other assets
<b>96,988</b>	<b>97,306</b>	<b>35,103</b>	<b>35,749</b>	<b>-53,734</b>	<b>-54,475</b>	<b>Non-current assets</b>
5	5	-	-	-	-	Inventories
168	178	3	1	-	-	Trade receivables
30,317	30,228	-	-	-	-	Receivables from sales financing
1,561	1,504	1,095	1,329	-301	-630	Financial assets
156	44	641	894	-	-	Current tax
5,334	5,417	46,563	44,782	-68,918	-66,675	Other assets
2,031	3,046	27	40	-	-	Cash and cash equivalents
<b>39,572</b>	<b>40,422</b>	<b>48,329</b>	<b>47,046</b>	<b>-69,219</b>	<b>-67,305</b>	<b>Current assets</b>
<b>136,560</b>	<b>137,728</b>	<b>83,432</b>	<b>82,795</b>	<b>-122,953</b>	<b>-121,780</b>	<b>Total assets</b>
<b>EQUITY AND LIABILITIES</b>						
Subscribed capital						
Capital reserves						
Revenue reserves						
Accumulated other equity						
<b>Equity attributable to shareholders of BMW AG</b>						
Minority interest						
<b>11,088</b>	<b>11,049</b>	<b>17,932</b>	<b>16,744</b>	<b>-17,370</b>	<b>-17,054</b>	<b>Equity</b>
81	77	1,193	1,516	-	-	Pension provisions
352	353	-	13	-	-	Other provisions
6,413	6,755	44	48	-4,779	-4,748	Deferred tax
15,217	17,718	38,944	36,328	-209	-583	Financial liabilities
28,743	29,413	601	601	-31,075	-31,629	Other liabilities
<b>50,806</b>	<b>54,316</b>	<b>40,782</b>	<b>38,506</b>	<b>-36,063</b>	<b>-36,960</b>	<b>Non-current provisions and liabilities</b>
512	599	9	3	-	-	Other provisions
256	255	12	49	-	-	Current tax
27,072	27,368	12,126	14,107	-301	-630	Financial liabilities
800	702	10	24	-	-	Trade payables
46,026	43,439	12,561	13,362	-69,219	-67,136	Other liabilities
<b>74,666</b>	<b>72,363</b>	<b>24,718</b>	<b>27,545</b>	<b>-69,520</b>	<b>-67,766</b>	<b>Current provisions and liabilities</b>
<b>136,560</b>	<b>137,728</b>	<b>83,432</b>	<b>82,795</b>	<b>-122,953</b>	<b>-121,780</b>	<b>Total equity and liabilities</b>

# BMW GROUP

## CASH FLOW STATEMENT

→ BMW Group  
Cash Flow Statement

### Condensed Cash Flow Statement for the period from 1 January to 30 June

→ 36

in € million	Group	
	2017	2016
Net profit	4,363	3,590
Depreciation and amortisation of tangible, intangible and investment assets	2,349	2,441
Change in provisions	127	595
Change in leased products and receivables from sales financing	-3,987	-4,220
Change in deferred taxes	556	871
Changes in working capital	-1,592	-2,239
Other	102	174
<b>Cash inflow/outflow from operating activities</b>	<b>1,918</b>	<b>1,212</b>
Investment in intangible assets and property, plant and equipment	-2,403	-1,730
Net investment in marketable securities and investment funds	132	-71
Other	1	-168
<b>Cash inflow/outflow from investing activities</b>	<b>-2,270</b>	<b>-1,969</b>
<b>Cash inflow/outflow from financing activities</b>	<b>-123</b>	<b>1,821</b>
<b>Effect of exchange rate on cash and cash equivalents</b>	<b>-155</b>	<b>-48</b>
<b>Effect of changes in composition of Group on cash and cash equivalents</b>	<b>65</b>	<b>42</b>
<b>Change in cash and cash equivalents</b>	<b>-565</b>	<b>1,058</b>
Cash and cash equivalents as at 1 January	7,880	6,122
<b>Cash and cash equivalents as at 30 June</b>	<b>7,315</b>	<b>7,180</b>



Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)		
2017	2016	2017	2016	
3,351	2,761	888	793	Net profit
2,290	2,398	18	14	Depreciation and amortisation of tangible, intangible and investment assets
-51	590	-17	147	Change in provisions
-	-	-4,154	-4,426	Change in leased products and receivables from sales financing
655	706	87	85	Change in deferred taxes
-1,423	-2,312	115	62	Changes in working capital
-429	-19	-983	-849	Other
4,393	4,124	-4,046	-4,174	<b>Cash inflow/outflow from operating activities</b>
-2,363	-1,705	-4	-1	Investment in intangible assets and property, plant and equipment
171	141	-13	21	Net investment in marketable securities and investment funds
5	103	-	-	Other
-2,187	-1,461	-17	20	<b>Cash inflow/outflow from investing activities</b>
-1,761	-1,093	3,085	4,183	<b>Cash inflow/outflow from financing activities</b>
13	-16	-102	-13	<b>Effect of exchange rate on cash and cash equivalents</b>
-	30	65	12	<b>Effect of changes in composition of Group on cash and cash equivalents</b>
458	1,584	-1,015	28	<b>Change in cash and cash equivalents</b>
4,794	3,952	3,046	1,359	Cash and cash equivalents as at 1 January
5,252	5,536	2,031	1,387	<b>Cash and cash equivalents as at 30 June</b>

# BMW GROUP

## STATEMENT OF CHANGES IN EQUITY

→ BMW Group  
Statement of  
Changes in Equity

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
<b>1 January 2017</b>	24	657	2,047	44,445
Dividends paid		–	–	–2,300
Net profit		–	–	4,333
Other comprehensive income for the period after tax		–	–	655
<b>Comprehensive income to 30 June 2017</b>		–	–	4,988
Other changes		–	–	30
<b>30 June 2017</b>	24	657	2,047	47,163

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
<b>1 January 2016</b>	24	657	2,027	41,027
Dividends paid		–	–	–2,102
Net profit		–	–	3,572
Other comprehensive income for the period after tax		–	–	–1,421
<b>Comprehensive income to 30 June 2016</b>		–	–	2,151
Other changes		–	–	–10
<b>30 June 2016</b>	24	657	2,027	41,066

Accumulated other equity						
Translation differences	Securities	Derivative financial instruments	Equity attributable to shareholders of BMW AG	Minority interest	Total	
-171	52	78	47,108	255	47,363	1 January 2017
-	-	-	-2,300	-	-2,300	Dividends paid
-	-	-	4,333	30	4,363	Net profit
-831	31	1,197	1,052	-	1,052	Other comprehensive income for the period after tax
-831	31	1,197	5,385	30	5,415	<b>Comprehensive income to 30 June 2017</b>
-	-	-	30	-38	-8	Other changes
-1,002	83	1,275	50,223	247	50,470	<b>30 June 2017</b>

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

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES AND POLICIES

### 01

#### Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW AG Group Financial Statements or Group Financial Statements) at 31 December 2016 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 30 June 2017, 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 2016 Group Financial Statements. The BMW Group applies the option of publishing condensed group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which were mandatory at 30 June 2017 have been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the Accounting Standards Committee of Germany (ASCG).

Further information regarding the Group's accounting principles and policies is contained in the Group Financial Statements of BMW AG at 31 December 2016.

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 net assets, financial position and performance of the BMW Group, and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include balance sheets and income statements for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by statements of cash flows for the Automotive and Financial Services segments. 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 respective "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 Group Financial Statements of BMW AG for the year ended 31 December 2016.

The Interim Group Financial Statements at 30 June 2017 have been reviewed by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

## 02 Group reporting entity

The Interim Group Financial Statements at 30 June 2017 include BMW AG, all material subsidiaries including one special purpose securities fund and 41 structured entities, over which BMW AG – either directly or indirectly – exercises control. The structured entities are used exclusively in conjunction with the BMW Group's asset-backed financing arrangements. In addition, three joint operations are consolidated proportionately.

The following changes took place in the Group reporting entity during the first six months of 2017:

	Germany	Foreign	Total
Included at 31 December 2016	21	178	199
Included for the first time in 2017	–	8	8
No longer included in 2017	–	4	4
<b>Included at 30 June 2017</b>	<b>21</b>	<b>182</b>	<b>203</b>

Herald International Financial Leasing Co., Ltd., Tianjin, BMW i Ventures Fund SCS SICAV-RAIF, Senningerberg, and BiV Carry I SCS SICAV, Senningerberg, were consolidated for the first time in the first half of 2017.

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.

In December 2016, THERE Holding B.V., Amsterdam, signed contracts relating to the sale of shares in HERE International B.V., Amsterdam: 15 % were sold to Intel Holdings B.V., Schiphol-Rijk, and 10 % to a consortium comprising NavInfo Co. Ltd., Beijing, Tencent Holdings Ltd., Shenzhen, and GIC Private Ltd., Singapore. The transaction with Intel Holdings B.V., Schiphol-Rijk, was completed on 31 January 2017. Closure of the transaction with the consortium is subject to approval by the relevant authorities.

The transaction with Intel Holdings B.V., Schiphol-Rijk, resulted in a loss of control, as defined by IFRS 10, at the level of THERE Holding B.V., Amsterdam. Since THERE Holding B.V., Amsterdam, still exerts a significant influence over HERE International B.V., Amsterdam, the latter is now included in the financial statements of THERE Holding B.V., Amsterdam, as an associated company, accounted for using the equity method. The loss of control and the subsequent deconsolidation of HERE International B.V., Amsterdam, and its subsidiaries led to a positive earnings effect at the level of THERE Holding B.V., Amsterdam. The BMW Group portion amounted to €183 million, which was recognised in the result from equity accounted investments.

The sale of shares had no effect on the BMW Group's shareholding in THERE Holding B.V., Amsterdam.

**03****Foreign currency translation**

The exchange rates applied for currency translation ↗

	Closing rate		Average rate	
	30.6.2017	31.12.2016	1 January to 30 June 2017	1 January to 30 June 2016
US Dollar	1.14	1.06	1.08	1.12
British Pound	0.88	0.85	0.86	0.78
Chinese Renminbi	7.74	7.34	7.45	7.30
Russian Ruble	67.59	64.49	62.78	78.31
Korean Won	1,304.68	1,274.34	1,235.74	1,319.14

For further information regarding foreign currency translation, please refer to note 3 of the Group Financial Statements of BMW AG for the year ended 31 December 2016. → see note 3

**04****Financial reporting rules**

- (a) For the BMW Group no significant new Standards or revised Standards were applied for the first time in the first six months of 2017.
- (b) Financial reporting pronouncements issued by the IASB that are significant for the BMW Group, but have not yet been applied:

Compared to the comments provided in the Group Financial Statements of BMW AG at 31 December 2016, the following additional information can now be provided with respect to the impact of IFRS 9:

In conjunction with the implementation of the new impairment model in the Financial Services segment, simulations have been run for subsidiaries and additional validations performed for the data delivery process. Based on the results of these simulations and validations, no material change is expected overall to the value adjustments on receivables from sales financing.

In future, all costs in conjunction with hedge accounting will be reported as part of the profit before financial result. As the cost of options to hedge foreign currency exposures is currently reported in the financial result, this will result in a shift between the items "Financial result" and "Profit before financial result". The scale of the shift will depend mainly on the future volume of option contracts. The volume of the option portfolio at 31 December 2017 is not expected to be material.

purposes in accordance with the modified closing rate method, and which had a material impact on the Group Financial Statements, were as follows:

Regarding IFRS 15, compared to the comments provided in the Group Financial Statements of BMW AG at 31 December 2016, the following has been added:

Assessment of the impact within the Automotive segment of repurchase agreements with the Financial Services segment has yet to be concluded.

Regarding IFRS 16, compared to the comments provided in the Group Financial Statements of BMW AG at 31 December 2016, it has now been decided to apply the available exemptions to recognition of short-term leases and low value leasing assets. In addition, the grandfather clause available for existing leases will be applied.

For further details, please see the comments in the Group Financial Statements for the year ended 31 December 2016.

# NOTES TO THE INCOME STATEMENT

## 05 Revenues

Revenues by activity comprise the following:

in € million	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
Sales of products and related goods	18,827	18,586	35,308	33,457
Sales of products previously leased to customers	2,690	2,440	5,403	4,481
Income from lease instalments	2,475	2,355	4,967	4,690
Interest income on loan financing	939	844	1,876	1,679
Other income	868	789	1,693	1,560
<b>Revenues</b>	<b>25,799</b>	<b>25,014</b>	<b>49,247</b>	<b>45,867</b>

An analysis of revenues by business segment is shown in the segment information in → note 34.

→ see  
note 34

## 06 Cost of sales

Cost of sales relate to the following items:

in € million	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
Manufacturing costs	11,394	11,361	21,347	20,139
Cost of sales relating to financial services business	5,847	5,238	11,758	10,150
Research and development expenses	1,113	1,041	2,298	2,026
thereof amortisation of capitalised development costs	287	308	591	612
Other cost of sales	1,913	2,317	3,501	4,015
<b>Cost of sales</b>	<b>20,267</b>	<b>19,957</b>	<b>38,904</b>	<b>36,330</b>

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

## 07

**Selling and administrative expenses**

in € million	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
Selling expenses	1,524	1,500	2,928	2,827
Administrative expenses	815	787	1,589	1,448
<b>Selling and administrative expenses</b>	<b>2,339</b>	<b>2,287</b>	<b>4,517</b>	<b>4,275</b>

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

## 08

**Other operating income and expenses**

These items mainly include currency gains and losses, gains and losses on the disposal of assets, impairment losses and reversals, as well as income or expense from the reversal of and allocation to provisions, including provisions for legal risks. Income from the reversal of provisions includes amounts arising on the termination of legal disputes.

→

## 09

**Result from equity accounted investments**

Result from equity accounted investments includes results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, and the associated company THERE Holding B.V., Amsterdam. Information regarding the earnings impact of the sale of 15% of the shares of HERE International B.V., Amsterdam, by THERE Holding B.V., Amsterdam, is provided in → note 2.

→ see  
note 2

## 10

**Net interest result**

in € million	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
Interest and similar income	46	38	107	73
Interest and similar expenses	-88	-141	-186	-259
<b>Net interest result</b>	<b>-42</b>	<b>-103</b>	<b>-79</b>	<b>-186</b>

## 11

**Other financial result**

in € million	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
Result on investments	14	14	14	-52
Sundry other financial result	15	35	60	24
<b>Other financial result</b>	<b>29</b>	<b>49</b>	<b>74</b>	<b>-28</b>

Result on investments in the half-year of the previous year included an impairment loss of €66 million on the investment in SGL Carbon SE, Wiesbaden.



## 12

**Income taxes**

Taxes on income comprise the following:

in € million	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
Current tax expense	697	335	1,141	704
Deferred tax expense	144	514	556	872
<b>Income taxes</b>	<b>841</b>	<b>849</b>	<b>1,697</b>	<b>1,576</b>

The effective tax rate for the six-month period ended 30 June 2017 was 28.0% (2016: 30.5%) 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 interim reporting period.

## 13

**Earnings per share**

Calculation of earnings per share is based on the following data:

		2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
Profit attributable to shareholders of BMW AG	€ million	2,193.9	1,941.0	4,332.8	3,572.3
Profit attributable to common stock	€ million	2,009.4	1,778.5	3,968.9	3,273.7
Profit attributable to preferred stock	€ million	184.5	162.5	363.9	298.6
Average number of common stock shares in circulation	number	601,995,196	601,995,196	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	55,114,404	54,809,404	55,114,404	54,809,404
<b>Basic earnings per share of common stock</b>	€	<b>3.33</b>	<b>2.95</b>	<b>6.59</b>	<b>5.44</b>
<b>Basic earnings per share of preferred stock</b>	€	<b>3.34</b>	<b>2.96</b>	<b>6.60</b>	<b>5.45</b>

In calculating earnings per share of preferred stock, 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

## 14

### Disclosures relating to the statement of comprehensive income

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

in € million	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
Remeasurement of the net defined benefit liability for pension plans	452	– 1,035	911	– 2,088
Deferred taxes	– 133	336	– 256	667
<b>Items not expected to be reclassified to the income statement in the future</b>	<b>319</b>	<b>– 699</b>	<b>655</b>	<b>– 1,421</b>
<b>Available-for-sale securities</b>	<b>31</b>	<b>54</b>	<b>33</b>	<b>102</b>
thereof gains / losses arising in the period under report	30	65	36	120
thereof reclassifications to the income statement	1	– 11	– 3	– 18
<b>Financial instruments used for hedging purposes</b>	<b>2,043</b>	<b>– 108</b>	<b>1,516</b>	<b>2,057</b>
thereof gains / losses arising in the period under report	2,117	– 289	1,434	1,670
thereof reclassifications to the income statement	– 74	181	82	387
<b>Other comprehensive income from equity accounted investments</b>	<b>26</b>	<b>19</b>	<b>28</b>	<b>73</b>
<b>Deferred taxes</b>	<b>– 634</b>	<b>12</b>	<b>– 484</b>	<b>– 741</b>
<b>Currency translation foreign operations</b>	<b>– 747</b>	<b>44</b>	<b>– 696</b>	<b>– 401</b>
<b>Items expected to be reclassified to the income statement in the future</b>	<b>719</b>	<b>21</b>	<b>397</b>	<b>1,090</b>
<b>Other comprehensive income for the period after tax</b>	<b>1,038</b>	<b>– 678</b>	<b>1,052</b>	<b>– 331</b>

Deferred taxes on components of other comprehensive income for the second quarter were as follows:

in € million	2nd quarter 2017			2nd quarter 2016		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	452	-133	319	-1,035	336	-699
Available-for-sale securities	31	-	31	54	-12	42
Financial instruments used for hedging purposes	2,043	-590	1,453	-108	31	-77
Other comprehensive income from equity accounted investments	26	-44	-18	19	-7	12
Currency translation foreign operations	-747	-	-747	44	-	44
<b>Other comprehensive income</b>	<b>1,805</b>	<b>-767</b>	<b>1,038</b>	<b>-1,026</b>	<b>348</b>	<b>-678</b>

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

in € million	1 January to 30 June 2017			1 January to 30 June 2016		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	911	-256	655	-2,088	667	-1,421
Available-for-sale securities	33	-2	31	102	-26	76
Financial instruments used for hedging purposes	1,516	-441	1,075	2,057	-676	1,381
Other comprehensive income from equity accounted investments	28	-41	-13	73	-39	34
Currency translation foreign operations	-696	-	-696	-401	-	-401
<b>Other comprehensive income</b>	<b>1,792</b>	<b>-740</b>	<b>1,052</b>	<b>-257</b>	<b>-74</b>	<b>-331</b>

Other comprehensive income arising from equity accounted investments is reported in the Statement of Changes in Equity within currency translation with a negative amount of €135 million (2016: -€84 million) and within financial instruments used for hedging purposes with a positive amount of €163 million (2016: €118 million).

# NOTES TO THE BALANCE SHEET

## 15

### Intangible assets

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

in € million	30. 6. 2017	31.12.2016
Capitalised development costs	7,573	7,221
Other intangible assets	524	572
Goodwill	380	364
thereof allocated to the Automotive cash-generating unit	33	33
thereof allocated to the Financial Services cash-generating unit	347	331
<b>Intangible assets</b>	<b>8,477</b>	<b>8,157</b>

Other intangible assets include a brand-name right amounting to €41 million (31 December 2016: €42 million), which is allocated to the Automotive segment and is not subject to amortisation since its useful life is deemed to be indefinite. The change is entirely due to currency factors.

Intangible assets amounting to €41 million (31 December 2016: €42 million) are subject to restrictions on title.

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

in € million	2017	2016
Capitalised development costs		
Investments	943	688
Amortisation	591	612
Other intangible assets		
Investments	27	25
Amortisation	96	88

As in the previous year, no impairment losses or reversals of impairment losses were recorded on intangible assets during the period under report.

## 16

### Property, plant and equipment

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

in € million	2017	2016
Investments	1,433	1,017
Depreciation	1,662	1,681
Disposals	8	8

No impairment losses were recognised during the first half-year of 2017.

Purchase commitments for property, plant and equipment totalled €4,681 million (31 December 2016: €3,141 million).

17

**Leased products**

Leased products developed during the first half of the year as follows:

in € million	2017	2016
Additions	8,908	11,467
Depreciation	1,701	2,050
Disposals	7,370	8,408

18

**Investments accounted for using the equity method and other investments**

Investments accounted for using the equity method comprise the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, DriveNow Verwaltungs GmbH, Munich, and the BMW Group's interest 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.

19

**Receivables from sales financing**

Receivables from sales financing totalling €79,692 million (31 December 2016: €78,260 million) include credit financing for retail customers and dealerships, as well as finance leases.

20

**Financial assets**

Financial assets comprise:

in € million	30.6.2017	31.12.2016
Marketable securities and investment funds	5,195	5,287
Derivative instruments	4,341	3,922
Credit card receivables	251	287
Loans to third parties	115	129
Other	184	145
<b>Financial assets</b>	<b>10,086</b>	<b>9,770</b>

21

**Income tax assets**

Income tax assets totalling €1,717 million (31 December 2016: €1,938 million) include €356 million (31 December 2016: €351 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 time.

22

**Other assets**

Other assets comprise:

in € million	30.6.2017	31.12.2016
Prepayments	1,960	1,914
Receivables from companies in which an investment is held	1,159	1,217
Other taxes	1,035	1,135
Expected reimbursement claims	833	779
Collateral receivables	327	387
Receivables from subsidiaries	325	422
Sundry other assets	781	828
<b>Other assets</b>	<b>6,420</b>	<b>6,682</b>

23

**Inventories**

Inventories comprise the following:

in € million	30.6.2017	31.12.2016
Finished goods and goods for resale	10,857	9,684
Raw materials and supplies	1,209	1,000
Work in progress, unbilled contracts	1,067	1,157
<b>Inventories</b>	<b>13,133</b>	<b>11,841</b>

**24****Shareholder's equity**

The Group Statement of Changes in Equity is shown on → pages 50 and 51.

→ see pages  
50 and 51

**Number of shares issued**

At 30 June 2017 common stock issued by BMW AG, as at 31 December 2016, amounted to 601,995,196 shares with a par value of €1. The number of shares of preferred stock at that date was 55,114,404 shares, as at 31 December 2016, each with a par value of €1. Unlike the common stock, no voting rights are attached to the preferred stock. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

To date, 854,617 shares of preferred stock have been issued to employees. BMW AG is authorised until 14 May 2019 to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million. As a result, 4.2 million authorised shares and Authorised Capital amounting to €4.2 million remained available for issue at the end of the reporting period. No treasury shares were held at 30 June 2017.

**Capital reserves**

Capital reserves include premiums arising from the issue of shares and were unchanged from 31 December 2016 at €2,047 million.

**Revenue reserves**

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

During the first half of 2017, BMW AG paid the dividend for the financial year 2016 amounting to €2,107 million for common stock and €193 million for preferred stock.

**Accumulated other equity**

Accumulated other equity comprises 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 and the related deferred taxes.

**25****Pension provisions**

Pension provisions stood at €3,164 million (31 December 2016: €4,587 million). Remeasurement of the net defined benefit liability for pension plans decreased provisions by €911 million in the first six months of 2017, mainly due to the higher interest rate and the lower inflation rate in Germany. In addition, the pension provision decreased due to a transfer from plan assets for pre-retirement part-time working arrangements to plan assets for pension plans.

**26****Other provisions**

Other provisions consist of the following:

in € million	30.6.2017	31.12.2016
Obligations for ongoing operational expenses	6,116	6,527
Obligations for personnel and social expenses	2,695	2,191
Other obligations	2,390	2,200
<b>Other provisions</b>	<b>11,201</b>	<b>10,918</b>

Provisions for obligations for ongoing operational expenses mainly include warranty obligations. Also included are other provisions for expected payments for bonuses, rebates and other price deductions.

**27****Income tax liabilities**

Income tax liabilities totalling €984 million (31 December 2016: €1,074 million) include €123 million (31 December 2016: €33 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 €147 million (31 December 2016: €269 million) for taxes payable and €837 million (31 December 2016: €805 million) for tax provisions.

28

**Financial liabilities**

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

in € million	30. 6. 2017	31.12. 2016
Bonds	47,721	44,421
Asset backed financing transactions	14,737	16,474
Liabilities to banks	14,256	14,892
Liabilities from customer deposits (banking)	13,439	13,512
Commercial paper	2,130	3,852
Derivative instruments	1,605	3,331
Other	1,163	1,249
<b>Financial liabilities</b>	<b>95,051</b>	<b>97,731</b>

29

**Other liabilities**

Other liabilities comprise the following items:

in € million	30. 6. 2017	31.12. 2016
Deferred income	7,381	7,256
Other taxes	1,040	807
Deposits received	934	893
Advance payments from customers	768	977
Payables to other companies in which an investment is held	745	615
Social security	100	92
Payables to subsidiaries	72	99
Sundry	4,997	4,816
<b>Other liabilities</b>	<b>16,037</b>	<b>15,555</b>

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

### 30

#### Contingent liabilities

For disclosures relating to contingent liabilities, please see note 36 to the Group Financial Statements of BMW AG for the year ended 31 December 2016, as no significant changes have occurred during the first six months of 2017. → see note 36

### 31

#### Financial instruments

A description of the accounting treatment and measurement of derivative financial instruments and allocation of financial instruments to different measurement levels is provided in notes 4 and 37 of the Group Financial Statements of BMW AG for the year ended 31 December 2016. → see note 4 and 37

Amounts are discounted at 30 June 2017 on the basis of the following interest rates:

in %	ISO Code				
	EUR	USD	GBP	JPY	CNY
Interest rate for six months	-0.32	1.35	0.54	-0.05	4.52
Interest rate for one year	-0.23	1.43	0.55	0.03	4.43
Interest rate for five years	0.27	1.92	0.99	0.11	4.43
Interest rate for ten years	0.92	2.27	1.36	0.27	4.52

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.



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

in € million	30. 6. 2017		
	Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral assets – available-for-sale	5,296	–	–
Other investments – available-for-sale / fair value option	272	–	–
Derivative instruments (assets)			
Interest rate risks	–	1,809	–
Currency risks	–	2,301	–
Raw materials price risks	–	231	–
Derivative instruments (liabilities)			
Interest rate risks	–	1,022	–
Currency risks	–	369	–
Raw materials price risks	–	214	–

in € million	31. 12. 2016		
	Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral assets – available-for-sale	5,387	–	–
Other investments – available-for-sale / fair value option	213	–	–
Derivative instruments (assets)			
Interest rate risks	–	1,933	–
Currency risks	–	1,842	–
Raw materials price risks	–	147	–
Derivative instruments (liabilities)			
Interest rate risks	–	1,402	–
Currency risks	–	1,479	–
Raw materials price risks	–	450	–

As in the previous financial year 2016, no reclassifications within the level hierarchy have been performed during the first six months of 2017.

Where a fair value was required for a financial instrument for disclosure purposes only, the discounted cash flow method was used and taking account of the BMW Group's own default risk. For  $\square$

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

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

in € million	30. 6. 2017		31. 12. 2016	
	Fair value	Carrying amount	Fair value	Carrying amount
Receivables from sales financing	83,164	79,692	81,621	78,260
Bonds	48,494	47,721	45,140	44,421

## 32

**Related parties**

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			
	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
BMW Brilliance Automotive Ltd.	1,454	1,327	2,769	2,414

in € million	Supplies and services received			
	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
BMW Brilliance Automotive Ltd.	18	14	32	22

in € million	Receivables		Payables	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
BMW Brilliance Automotive Ltd.	1,158	1,215	745	615

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 half-year. 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 six months of 2017.

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 half-year of 2017, mostly 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 six months of 2017, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, primarily in the form of consultancy and workshop services.

Seen from the perspective of BMW Group entities, the volume of transactions with the above-mentioned entities was as follows:

in € thousand	Supplies and services performed			
	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
DELTON AG	861	846	1,717	1,699
SOLARWATT GmbH	63	65	154	140
ALTANA AG	507	520	1,022	1,048
UnternehmerTUM GmbH	32	29	32	29

in € thousand	Supplies and services received			
	2nd quarter 2017	2nd quarter 2016	1 January to 30 June 2017	1 January to 30 June 2016
DELTON AG	6,952	6,051	17,358	11,710
SOLARWATT GmbH	–	–	–	–
ALTANA AG	–	–	–	–
UnternehmerTUM GmbH	414	130	582	292

in € thousand	Receivables		Payables	
	30. 6. 2017	31. 12. 2016	30. 6. 2017	31. 12. 2016
DELTON AG	37	64	2,643	1,331
SOLARWATT GmbH	6	1	–	–
ALTANA AG	201	337	–	50
UnternehmerTUM GmbH	–	–	305	585

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 assets on a trustee basis for performance of pension obligations and manages the accrued entitlement 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.

### 33

#### Events after the end of the reporting period

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

# SEGMENT INFORMATION

34

## Explanatory notes to segment information

For information on the basis used for identifying and managing reportable segments, please refer to the Group Financial Statements of BMW AG for the year ended 31 December 2016.

↱

→ see  
note 44

Due to the management system, reported segment results and asset values are based on different performance measures. Details can be found in note 44 of the Group Financial Statements of BMW AG at 31 December 2016. No changes have been made either in the valuation methods applied or in the basis used for identifying reportable segments as compared to 31 December 2016.

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

in € million	Automotive		Motorcycles		Financial Services	
	2017	2016	2017	2016	2017	2016
<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>						
External revenues	18,469	18,290	693	615	6,636	6,108
Inter-segment revenues	4,507	4,582	3	2	408	397
<b>Total revenues</b>	<b>22,976</b>	<b>22,872</b>	<b>696</b>	<b>617</b>	<b>7,044</b>	<b>6,505</b>
Segment result	2,238	2,178	104	98	589	503
Result from equity accounted investments	139	127	–	–	–	–
Capital expenditure on non-current assets	1,333	1,013	27	19	6,030	9,448
Depreciation and amortisation on non-current assets	1,129	1,170	21	17	2,462	2,355

Segment information by operating segment for the first half of the year is as follows:

in € million	Automotive		Motorcycles		Financial Services	
	2017	2016	2017	2016	2017	2016
<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>						
External revenues	34,648	32,897	1,314	1,195	13,284	11,774
Inter-segment revenues	9,020	8,789	5	4	806	763
<b>Total revenues</b>	<b>43,668</b>	<b>41,686</b>	<b>1,319</b>	<b>1,199</b>	<b>14,090</b>	<b>12,537</b>
Segment result	4,109	3,941	229	192	1,184	1,073
Result from equity accounted investments	490	198	–	–	–	–
Capital expenditure on non-current assets	2,363	1,705	36	24	12,064	14,207
Depreciation and amortisation on non-current assets	2,290	2,332	41	35	4,784	4,704

in € million	Automotive		Motorcycles		Financial Services	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Segment assets	9,741	9,411	595	600	11,088	11,049
Investments accounted for using the equity method	3,020	2,546	–	–	–	–

Other Entities		Reconciliation to Group figures		Group		
2017	2016	2017	2016	2017	2016	
						<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>
1	1	–	–	25,799	25,014	External revenues
–	1	–4,918	–4,982	–	–	Inter-segment revenues
1	2	–4,918	–4,982	25,799	25,014	<b>Total revenues</b>
23	46	101	–27	3,055	2,798	Segment result
–	–	–	–	139	127	Result from equity accounted investments
–	–	–1,644	–1,521	5,746	8,959	Capital expenditure on non-current assets
–	–	–1,526	–1,373	2,086	2,169	Depreciation and amortisation on non-current assets

Other Entities		Reconciliation to Group figures		Group		
2017	2016	2017	2016	2017	2016	
						<b>SEGMENT INFORMATION BY OPERATING SEGMENT</b>
1	1	–	–	49,247	45,867	External revenues
2	2	–9,833	–9,558	–	–	Inter-segment revenues
3	3	–9,833	–9,558	49,247	45,867	<b>Total revenues</b>
19	44	519	–84	6,060	5,166	Segment result
–	–	–	–	490	198	Result from equity accounted investments
–	–	–3,152	–2,739	11,311	13,197	Capital expenditure on non-current assets
–	–	–3,065	–2,640	4,050	4,431	Depreciation and amortisation on non-current assets

Other Entities		Reconciliation to Group figures		Group		
30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	
75,822	75,363	91,346	92,112	188,592	188,535	Segment assets
–	–	–	–	3,020	2,546	Investments accounted for using the equity method

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

in € million	2017	2016
Reconciliation of segment result		
Total for reportable segments	2,954	2,825
Financial result of Automotive segment and Motorcycles segment	146	98
Elimination of inter-segment items	-45	-125
<b>Group profit before tax</b>	<b>3,055</b>	<b>2,798</b>
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	7,390	10,480
Elimination of inter-segment items	-1,644	-1,521
<b>Total Group capital expenditure on non-current assets</b>	<b>5,746</b>	<b>8,959</b>
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	3,612	3,542
Elimination of inter-segment items	-1,526	-1,373
<b>Total Group depreciation and amortisation on non-current assets</b>	<b>2,086</b>	<b>2,169</b>

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

in € million	2017	2016
Reconciliation of segment result		
Total for reportable segments	5,541	5,250
Financial result of Automotive segment and Motorcycles segment	554	69
Elimination of inter-segment items	-35	-153
<b>Group profit before tax</b>	<b>6,060</b>	<b>5,166</b>
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	14,463	15,936
Elimination of inter-segment items	-3,152	-2,739
<b>Total Group capital expenditure on non-current assets</b>	<b>11,311</b>	<b>13,197</b>
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	7,115	7,071
Elimination of inter-segment items	-3,065	-2,640
<b>Total Group depreciation and amortisation on non-current assets</b>	<b>4,050</b>	<b>4,431</b>

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

in € million	30. 6. 2017	31. 12. 2016
<b>Reconciliation of segment assets</b>		
Total for reportable segments	97,246	96,423
Non-operating assets – Other Entities segment	7,610	7,432
Total liabilities – Financial Services segment	125,472	126,679
Non-operating assets – Automotive and Motorcycles segments	46,642	45,923
Liabilities of Automotive and Motorcycles segments not subject to interest	34,575	33,858
Elimination of inter-segment items	-122,953	-121,780
<b>Total Group assets</b>	<b>188,592</b>	<b>188,535</b>

Munich, 25 July 2017

**Bayerische Motoren Werke**  
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree    Markus Duesmann

Klaus Fröhlich    Dr. Nicolas Peter

Dr. Ian Robertson (HonDSc)    Peter Schwarzenbauer

Oliver Zipse

# BMW GROUP RESPONSIBILITY STATE- MENT BY THE COMPANY'S LEGAL REPRESENTATIVES

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

Munich, 25 July 2017

**Bayerische Motoren Werke**  
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree    Markus Duesmann

Klaus Fröhlich    Dr. Nicolas Peter

Dr. Ian Robertson (HonDSc)    Peter Schwarzenbauer

Oliver Zipse



# BMW GROUP REVIEW REPORT

## To Bayerische Motoren Werke Aktiengesellschaft, Munich

We have reviewed the condensed interim consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft, Munich – comprising the income statement for group and the statement of comprehensive income for group, the balance sheet for group, the condensed cash flow statement for group, the group statement of changes in equity and selected explanatory notes, together with the interim group management report of Bayerische Motoren Werke Aktiengesellschaft, Munich, for the period from 1 January to 30 June 2017, that are part of the semi-annual financial report according to § 37 w WpHG (“Wertpapierhandelsgesetz”: “German Securities Trading Act”). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

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

Munich, 31 July 2017

**KPMG AG**  
Wirtschaftsprüfungsgesellschaft

Sailer  
Wirtschaftsprüfer

Feege  
Wirtschaftsprüfer

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# OTHER INFORMATION

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→ Page 75 **Financial Calendar**

→ Page 76 **Contacts**

# 4

# FINANCIAL CALENDAR

## 2017

**7 November 2017**

Quarterly Report to 30 September 2017

## 2018

**21 March 2018**

Annual Report 2017

**21 March 2018**

Annual Accounts Press Conference

**22 March 2018**

Analyst and Investor Conference

**4 May 2018**

Quarterly Report to 31 March 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

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



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