Good morning Ladies and Gentlemen,

The BMW Group's positive business performance continued in the second quarter of 2016. It was the company's strongest-ever quarter – sales grew by 5.7%, with more than 605,000 BMW, MINI and Rolls-Royce brand vehicles delivered to customers. Group pre-tax earnings also reached a new all-time high for a single quarter. Thanks to this positive business development and a healthy outlook for the second half of 2016, we continue to confirm our guidance for the full year.

Despite increasing volatility in all regions of the world, the BMW Group remains highly profitable. The EBIT margin for the Automotive segment stood at 9.5%. This was the 25th consecutive quarter in which our operating EBIT margin was within or above our target range of 8-10%. The BMW Group's strength lies in profitability and stability at a high level. This shows clearly that the company has the resources it needs to shape mobility of the future.

The sustainable profitability of our core business lays the foundation for us to invest in the future of the company. The Strategy Number ONE > NEXT we presented in the spring emphasised this and is now being implemented step by step. Initial signs of success are already visible, confirming our approach. We continue to systematically implement our strategy.
The strategy of profitable growth and globally balanced sales continues to pay off for the BMW Group. This allows us to compensate for volatility in individual markets and regions of the world.

I would first like to say a few words about the sales situation in the second quarter. In Europe, the positive trend continued. Both Northern and Southern European markets contributed to the increase in deliveries. The referendum in the UK had not yet impacted sales in the second quarter.

The BMW Group also had a good second quarter in China. This was partly due to the stable macroeconomic environment and our attractive model line-up. The locally-produced long-wheelbase version of the X1, which has been available since the end of May, will generate further momentum in the second half of the year. In the premium segment of the US automobile market, new vehicle registrations for the first half-year trended slightly lower. Competition has further intensified – partly due to the strong dollar. Having optimised our inventories, we expect the sales situation to stabilise over the course of the year. Nevertheless, the market will remain challenging in the second half of 2016.

Higher global sales volumes were also reflected in revenues. Group revenues for the first half-year reached € 45.87 billion – up 2.3% year-on-year. Adjusted for currency translation effects, revenues increased by 4.7%. Quarterly revenues were also slightly higher at € 25.01 billion. BMW Group pre-tax earnings for the first six months exceeded € 5 billion for the first time, at € 5.17 billion. This represents a solid increase of 6.5% over the previous year. Group EBT for the second quarter climbed 8.4% to € 2.80 billion. At Group level, the EBT margin for the second quarter stood at 11.2% and therefore remains at a very high level.

The BMW Group is making targeted investments to secure our future competitiveness. The company invested around € 1.04 billion in products and equipment in the first half of 2016. Capital expenditure was higher last year due
to the ramp-up of new models. The capex ratio for the first six months stood at 2.3%. In the second half of the year, capital investment is likely to be higher, due to model launches and the usual seasonal factors. In addition, the upfront investments for strategic projects I mentioned earlier will mainly have an impact in the second half of 2016. We expect the capex ratio for the full year to be on par with last year and below our 5% target as planned.

Research and development spending for the first half of 2016 (according to the HGB – German Commercial Code) totalled € 2.10 billion and was therefore at the same level as the previous year. R&D activities mainly concentrated on the development of new vehicle projects and architectures. Additional focus areas include the further development of our Connected Drive offering, new driver-assistance systems, and investment in alternative drive technologies. The R&D ratio for the first half-year was 4.6% – slightly below our long-term target range of 5- 5.5%, due to ramp-up costs and seasonal factors. We expect the ratio for the full year to be on par with that of last year.

BMW Group liquidity stood at € 12.63 billion at the end of June 2016, confirming that the company has solid financial resources. Let’s now take a look at earnings performance in the individual segments, starting with the Automotive Segment.

In the first six months, deliveries of our BMW, MINI and Rolls-Royce brands rose by 5.8% to more than 1.16 million vehicles. Sales growth was also reflected in higher revenues of € 41.69 billion. This represents a slight increase of 2.8% compared with the previous year. Adjusted for currency translation effects, revenues rose by 5.2%. In the second quarter, segment revenues climbed by 5.6% to € 22.87 billion. The increase in revenues was however dampened by currency translation effects.
Automotive EBIT climbed 9.1% to reach € 3.94 billion in the first half of the year. Second-quarter EBIT also increased significantly to € 2.18 billion. As already mentioned, the EBIT margin remained in the upper half of our target corridor of 8-10%. The figure for both the first half-year and second quarter was at 9.5%.

Earnings benefitted in particular from higher sales volumes. The BMW Group continues to invest in future projects, such as automated driving and mobility services, and is recruiting qualified specialists for these areas. Over the six-month period, the BMW Group workforce increased by 3.4% to a total of 123,597 employees, which has also increased the cost base. Pricing on the global auto markets remains challenging. Competition is intense – especially in the US. In response, the BMW Group continues to focus on sustainable, profitable growth.

The segment’s financial result for the first half-year improved by € 205 million from the previous year – mainly due to the positive effect of the mark to market valuation of commodity derivatives.

Our Chinese joint venture BBA contributed € 241 million to the at-equity result for the six-month period. This figure is € 43 million lower than the previous year due to launch costs of new models.

And now a few words about the financial situation in the Automotive Segment. Free cash flow totalled € 2.52 billion at the end of the second quarter and is therefore on par with last year. We expect free cash flow for the full year to remain above our target of € 3 billion. At the end of the second quarter, net financial assets in the Automotive Segment totalled € 16.49 billion.

Let’s move on to the Financial Services Segment. The segment performed well in the first six months, concluding more than 874,000 new leasing and financing contracts with retail customers. This represents a solid increase of 9.1% over the
first half of last year. The volume of new business climbed 7.0% to € 26.35 billion over the same period.

The increased number of contracts also reflected the positive development of new business. As of the 30th of June, BMW Group Financial Services maintained nearly 4.5 million contracts with retail customers, 8.3% more than the previous year. Both leasing and financing contracts contributed to this solid growth. The strongest growth was once again reported in the Asia/Pacific region, where the total number of contracts climbed by 17.4%. The Europe/Middle East/Africa and Americas regions and the EU Bank also posted solid growth.

The penetration rate – the percentage of new BMW Group vehicles financed or leased by the Financial Services Segment – stood at 47.4% for the first six months of the year. This is an increase of 2.3 percentage points over the previous year.

Demand for financial services products remains dynamic. BMW Group Financial Services continues to strive for a good balance between leasing and financing.

The positive business development of the first half-year lifted pre-tax earnings slightly to € 1.07 billion. The figure for the second quarter was € 503 million. Pricing on the international used-car markets remained mostly stable in the second quarter. The credit loss ratio of 0.29% for the first half-year remains very low.

The Financial Services Segment adopts a proactive approach to risk management and has made appropriate risk provisions. We expect the segment’s positive business development to continue throughout the rest of the year. Let’s now take a look at the Motorcycles Segment: BMW Motorrad posted record half-year sales for the fourth time in succession – selling more than 80,000 motorcycles for the first time in a six-month period. Europe was a strong growth driver, with Asia, particularly China, also achieving dynamic sales
increases. The popular R 1200 GS enduro is still the undisputed top-selling BMW Motorrad model: more than 14,000 were delivered to customers. Its sister model, the R 1200 GS Adventure, also remains highly successful. Sales figures for the R NineT Roadster continue to exceed expectations.

Segment revenues for the first half of 2016 reached € 1.20 billion. EBIT for the same period totalled € 192 million. This decrease from last year’s record figure mainly stems from higher costs for strategic projects. In the second half of the year, we expect a further sales boost from strategically-important new models like the G 310 R, which will take BMW Motorrad into the segment below 500 cc. The R NineT Scrambler is also receiving very positive feedback from the public ahead of its market launch. We expect to see this positive development continue in the Motorcycles segment in the second half of the year, backed by its young and attractive model line-up.

I would now like to talk about the outlook for the second half of the year. Profitable growth is the focus of our Strategy Number ONE > NEXT. We are steering the company based on key performance indicators and the guidance we issued at the start of the year – which assumes that economic and political conditions do not deteriorate significantly.

Upfront investments for future projects and measures to implement our Strategy Number ONE > NEXT will have a greater impact on earnings in the second half of the year than in the first six months. Higher personnel costs from the collectively bargained pay increase in Germany as of the 1st of July will also have a dampening effect. In view of the uncertainty surrounding political developments worldwide, the business environment is likely to be more cautious.
The company remains committed to its ambitious targets for 2016.

- The BMW Group expects to see a slight increase in pre-tax earnings for the full year.
- The Automotive Segment is targeting slight increases in both sales and revenues.
- We intend to keep the EBIT margin for the Automotive Segment within our 8-10% target range.
- Since deliveries of BMW motorcycles in Europe, Latin America and Asia were higher than expected in the first half of the year, we now forecast a solid increase in sales for the full year 2016.
- In the Financial Services Segment, we expect return on equity to remain at last year’s level – and therefore above our target of at least 18%.

Naturally, actual business performance may deviate from our present forecast, depending on global conditions. The BMW Group remains optimistic about the second half of the year. With its strategy of globally balanced sales, the company is well positioned for the future.

Once again, our strong business performance in the first six months confirms the factors which set this company apart: high profitability, stability and sustainability.

This level of performance provides the BMW Group with the financial flexibility to develop new business areas and drive innovation. This, in turn, secures our future competitiveness and long-term success.

Thank you.