Good morning, Ladies and Gentlemen,

The BMW Group performed well in the third quarter of 2016 and continued the positive business development from the first half of the year. EBIT margin in the Automotive Segment remains within our target range, at 9.1%, for the first nine months. Sales, revenues and Group pre-tax earnings all reached new all-time highs for the year to the end of September. We are also maintaining our ambitious guidance for the full year. In the first nine months of the year, the BMW Group delivered almost 1.75 million vehicles to customers – 6.2% more than the previous year.

In China, BMW Group deliveries exceeded our expectations. More than 379,000 cars were sold by the end of September – an increase of 10.7%.
Both locally produced and imported models did well. The long-wheelbase version of the new BMW X1 and our other X models are proving especially popular with customers in China. Despite lifecycle factors, sales of the BMW 3 Series and the BMW 5 Series continued to perform well here. Sales development in Europe continued to be dynamic, with double-digit growth. The main sales drivers were our compact vehicles and X models. The new BMW 7 Series also continues to make significant gains. The US auto market remains highly competitive with the BMW Group focusing on the correct balance between volume and profitability. The company continues to benefit from its policy of globally balanced sales.
During the course of fine-tuning its strategy, the BMW Group made some key decisions to guide the company into the future. The company is working hard to implement these measures through targeted investments in tomorrow’s mobility. In the first nine months of this year, we forged ahead with many different projects, including electrification of our product line-up and topics related to digitalisation.

Third-quarter Group revenues climbed 4.6% to € 23.36 billion, but were dampened somewhat by currency headwinds. Adjusted for currency translation effects, revenues rose in line with sales, by 6.6%. At the end of the first nine months, revenues reached € 69.23 billion. Pre-tax earnings climbed 13.8% between July and September to € 2.58 billion. As well as positive operating business development at Group level, an improvement in the financial result also contributed to this significant increase. This was mainly due to the positive effect of the fair market valuation of commodity derivatives.

The BMW Group's pre-tax earnings for the first nine months totalled € 7.74 billion, an increase of 8.8%. At Group level, the EBT margin for the year to the end of September was 11.2%. As it implements its strategy, the BMW Group is making targeted investments to expand its model line-up and develop new business segments. The company invested a total of € 1.97 billion in products and equipment in the year to the end of September. This figure is lower than last year because there were fewer product launches.

The capex ratio was 2.8% for the first nine months, and 4.0% for the quarter. In the fourth quarter, capital expenditure is likely to be higher as a result of the usual seasonal factors. We expect the capex ratio for the full year to be on a par with last year, as planned. Research and development spending for the first nine months totalled € 3.33 billion and was therefore moderately lower than in 2015. The previous year’s figure included high development costs for the launch of the BMW 7 Series, the X1 and the 2 Series Gran Tourer, among other effects.
Third-quarter R&D activities mainly concentrated on preparations for new high-volume models. Additional focus areas included increasing vehicle connectivity and further development of driver assistance systems.

The R&D ratio for the first nine months was 4.8%. The fourth-quarter figure will be higher, mainly due to the ramp-up of the new BMW 5 Series. For the full year, as planned, we expect it to be on par with last year’s level. BMW Group liquidity stood at € 11.46 billion at the end of September, confirming the company’s financial strength.

Let’s take a look at the earnings performance in the individual segments.
In the Automotive Segment, the company sold a total of 1.75 million vehicles in the year to the end of September. This represents an increase of 6.2% and a new all-time high: Over 100,000 more vehicles were delivered to customers than in the same period last year. Third-quarter sales reached just under 584,000 vehicles – an increase of 7.1% year-on-year. In the first nine months, revenues rose by 2.8% to € 63.25 billion. The increase in revenues was dampened slightly by currency headwinds. Adjusted for this effect, revenues for the year to the end of September climbed 4.4%. Third-quarter revenues totalled € 21.56 billion. This also represents an increase of 2.8%.

Automotive EBIT for the year to the end of September reached € 5.78 billion. This is a slight increase of 4.6% compared to the same period of last year. EBIT for the third quarter decreased slightly to € 1.84 billion. We are currently working hard to implement Strategy Number ONE > NEXT. This, and the renewal of key high-volume models, once again required upfront investments in the third quarter. We are also investing into the further development of electro-mobility and projects related to digitalisation. The company has continued to recruit qualified specialists for these important future projects. Workforce growth and higher personnel costs from the collectively bargained pay increase in Germany as of the 1st of July impacted earnings in the third quarter.
Due to model change-overs and ramp-ups, production will be lower in the second half of the year than in the first six months, as planned. The resulting effects of inventory valuations will impact earnings in the second half of the year. Competition remains intense in a number of automotive markets. Although prices have largely stabilised in Europe and China, pricing remains a challenge in North America, in particular.

As already mentioned, our operating EBIT margin stood at 9.1% after the first nine months of the year. The EBIT margin for the third quarter also remained within our ambitious target range of 8-10%, at 8.5%.

The financial result for the Automotive Segment improved significantly in the third quarter – increasing by € 260 million as compared to the third quarter 2015. As already mentioned, this growth mainly stems from the positive fair market valuation effects of commodity derivatives. The third-quarter at-equity result, which primarily includes the earnings contribution from the Chinese joint venture BBA and expenses in connection with the stake acquired in the mapping service HERE, totalled € 162 million. As usual, we anticipate higher costs in the fourth quarter. This will dampen earnings development.

The financial position in the Automotive Segment continued its positive trend. Free cash flow stood at € 3.42 billion at the end of September. We expect free cash flow in the Automotive Segment to remain strong and to exceed our target of € 3 billion over the full year. At the end of the third quarter, net financial assets amounted to € 16.72 billion.

The Financial Services Segment continued its growth trend in the third quarter. A total of nearly 468,000 new contracts were concluded with customers between July and September. This represents a significant increase of 11.2%. Business in the Chinese market was particularly successful.
Over 1.34 million contracts were concluded with retail customers in the first nine months, 9.8% more than the previous year. The overall volume of new business climbed around 9.0% to € 40.63 billion.

In the third quarter, credit financing, in particular, saw significant growth of 14.8%. The percentage of leasing contracts remained stable at around one third of total new business. The dynamic growth in new business is also reflected in the total number of contracts. As of the 30th of September 2016, the Financial Services Segment maintained 4.60 million contracts with retail customers worldwide. This represents an increase of 8.8% over the previous year.

The Asia/Pacific region once again reported double-digit growth of 18.7%, while the Europe/Middle East/Africa region posted a solid increase of 8.5%. The Americas and the EU Bank also contributed to this successful development.

The penetration rate – the percentage of new vehicles financed or leased by Financial Services – has increased to 49.0% at the end of the third quarter. This is 2.9 percentage points higher than for the same period of last year, mainly due to the significant growth in credit financing.

BMW Group Financial Services continues its strong performance. The positive development in new business is reflected in revenues and earnings. Segment revenues for the year to the end of September rose by 6.2% to € 18.94 billion. Earnings before tax climbed roughly 8.2% over the same period to € 1.64 billion. Pricing on the international used-car markets remained relatively stable from the previous year. We are constantly monitoring residual value trends as part of our comprehensive risk management activities. The credit loss ratio of 0.30% remains very low.
Overall, the risk situation in the segment remains stable, with strong demand for financial services products. We expect this positive business performance to continue in the fourth quarter of 2016.

The Motorcycles Segment also posted a strong third quarter. More than 116,000 BMW motorcycles were delivered to customers in the first nine months – an increase of 3.2%. Revenues for the first nine months reached € 1.65 billion and were therefore on a par with 2015. Segment EBIT for the same period stood at € 224 million, which was lower than the previous year.

BMW Motorrad is focusing its efforts on implementing its strategy and expanding its model portfolio. This requires significant upfront investments this year, which are reflected in segment earnings. The strategic model offensive continues. In October, the Bagger K 1600 B – a bike specially designed for the American market – celebrated its world premiere in Los Angeles. BMW Motorrad is also expanding its successful Heritage family with the R NineT Pure and R NineT Racer also presented last month. The BMW G 310 R is a genuine BMW in the segment below 500 cc that will open up completely new market potential worldwide. Based on this strong product momentum, we expect sales for the full year 2016 to reach a new all-time high.

Let’s move on to the outlook for the fourth quarter.

Costs generally rise towards the end of the year, so we expect this to have a dampening effect on earnings. Capital expenditure will also be higher in the last three months of the year, mainly due to the start of production and ramp-up of the new BMW 5 Series. The BMW Group is focusing on its ambitious targets for the year. Assuming conditions remain stable, we can confirm our guidance from the beginning of the year.
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 revenues and deliveries.

We intend to keep the EBIT margin for the Automotive Segment within our target range of 8-10%.

For BMW Motorrad, we forecast a solid increase and a new all-time high in retail 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%.

Depending on the political and economic situation, actual business performance could, however, differ from current expectations.

The profitability corridor of 8-10% for our automotive business will remain our target, also in the coming years. In 2007, we geared our company towards profitability. Recent years have shown that forward-looking management using key performance indicators also makes the company more robust in times of crisis. Strategy Number ONE > NEXT is the logical extension of this idea. The BMW Group has a strong core business. It gives us the financial leverage to make targeted investments in future projects, such as further development of electro-mobility, autonomous driving and digitalisation.

As we move forward, the BMW Group will continue to actively shape the mobility of the future – focusing on sustainable business management and stable profitability at a high level.

Thank you.