Ladies and Gentlemen,

Good morning. The BMW Group is on course to meet its targets for the year. As part of our corporate strategy, we remain fully committed to using our financial strength to invest in the future.

The technologies we develop today will make us even more competitive in the future. Our clear strategic focus is on electromobility and autonomous driving. As expected, these high upfront investments have affected our earnings development. R&D costs for the first half year are about 300 million euros higher than for the same period last year. As previously announced, we also faced headwinds from currency and commodity prices.

Nevertheless, the BMW Group continued its solid performance in the first half of 2018. The company achieved a strong EBT margin of 12.7% at Group level. Pre-tax earnings once again exceeded the 6-billion-euro mark. In the Automotive Segment, the EBIT margin for the year to the end of June was also within our target range, at 9.2%.

We are systematically addressing the challenges resulting from the current geopolitical environment. Volatility has become a given in our business. And we have shown, time and time again: We know how to deal with such circumstances and are able to respond flexibly to the ever-changing conditions.
At the same time we continue to maintain our strong financial footing, which enables us to make the right decisions – quickly and effectively. The BMW Group posted solid earnings for the first six months of 2018. Due to negative currency effects, Group revenues decreased by 4.0% year-on-year to around 47.72 billion euros.

Research and development spending, including capitalised development costs and minus depreciation, increased to 2.76 billion euros in the year to the end of June. The income statement impact from R&D costs in the first half year amounted to 2.61 billion euros. This is an increase of 312 million euros or 14% over the same period last year.

The R&D ratio for the first half year stands at 5.8%. This is higher than the figure for the previous year and for the first quarter. As previously announced, the ratio will reach around 7% by the end of the year. This increase is mainly driven by:

- preparations for the fifth generation of the electric drive train,
- continued development of our flexible rear and front-wheel drive architectures,
- autonomous driving and
- development activities for the 8 Series model range and new X vehicles.

We also expect capital expenditure to reach a new all-time high in 2018. The main reasons are the on-going construction of the plant in Mexico and the large number of model ramp-ups. This includes significantly increasing capacity for our X models. By the end of June, we had invested a total of 1.58 billion euros, mainly in property, plant and equipment. This amount is around 120 million euros more than the previous year. The capex ratio was higher than in the first six months of 2017, at 3.3%. For the full year, we expect a ratio of around 5%.

Despite these negative effects, pre-tax earnings totalled 6.04 billion euros for the first six months and around 2.87 billion euros for the second quarter. Both the
EBT margin of 11.5% for the quarter and 12.7% for the first half year were above our 10% target.

Now let’s take a look at the individual segments, starting with the Automotive Segment. In the first half of 2018, we delivered more than 1.2 million vehicles to customers. All major sales regions reported growth. The slight downward trend in revenues is mainly due to currency headwinds and the intensely competitive environment. Adjusted for currency effects, revenues were up 2.4%.

To make rapid progress in future technologies, we also continued to hire qualified staff in the second quarter. As I already mentioned, we once again increased research and development spending. At the same time, we are currently in the process of modernising and standardising our IT landscape.

Despite higher costs for future projects, additional currency headwinds and intense competition, the Automotive Segment’s operating earnings remained high at 3.8 billion euros. In the second quarter, we were once again able to offset some of the high additional costs through efficiency measures. The EBIT margin of 9.2% for the half year and 8.6% for the quarter are within our target range.

Thanks to new models like the 5 Series, the BBA joint venture contributed around 100 million euros more to earnings than the previous year. Overall, BBA sales increased by around 15%, to more than 215,000 units. The model offensive has also had a positive impact on pricing. Pre-tax earnings for the first half year totalled around 4.34 billion euros. With a free cash flow of 1.94 billion euros in the Automotive Segment at the half-year mark, we are on track to meet our target for the year of more than 3 billion euros.

The Financial Services Segment continued to perform well. Since the start of the year, the total portfolio has increased by 2.3% to more than 5.5 million contracts. More than 930,000 new contracts were concluded with customers in the first
half of the year. The penetration rate was on a par with the previous year at 47.4%. Second-quarter pre-tax earnings climbed 2.7% to 605 million euros.

We also remain well positioned on the risk side. Our credit loss ratio remains low and residual values for our leasing portfolio have developed as expected. For all risks, we have made appropriate provisions.

Let’s take a brief look at the Motorcycles Segment. Business development in the first half year was affected, among other things, by the ramp-ups for various model changes. In the year to the end of June, motorcycle sales therefore decreased slightly. Despite these effects, the second-quarter EBIT margin of 14.9% was still on par with last year. The segment EBIT for the first six months totalled 175 million euros.

Ladies and Gentlemen,
Let’s now turn to our outlook. New products will generate positive sales momentum in the second half of the year. The 5 Series is now fully available in China, where we’ve also just recently launched the new locally-produced X3. We will be doubling capacity for the X3 and X4 to around 400,000 units per year over the medium term. More major launches are planned up in the autumn and winter: with important, high margin models like the new X5, the X7, the new 8 Series and the Rolls-Royce Cullinan in the pipeline.

We are on schedule with the WLTP transition, which is almost complete.

Against this background, we are able to confirm our guidance for the current year. Of course, we continue to monitor the current trade situation very closely. If conditions deteriorate any further, we cannot rule out effects on our guidance.

At Group level, we expect earnings before tax to be on par with the high level of the previous year. In the Automotive Segment – despite high R&D costs and a
significant headwind from the strong euro – we anticipate a slight increase in deliveries and revenues. We also expect the EBIT margin to remain within the range of 8 to 10%.

In the Motorcycles Segment, bolstered by new products, we expect to see a slight increase in deliveries, with an EBIT margin in the range of 8-10%. And, in the Financial Services Segment, we are aiming for a return on equity above our target figure of 14%.

Ladies and Gentlemen,
Profitability, growth and innovation are the cornerstones of our business success. The BMW Group aspires to be a clear technology leader. To achieve this, we are using our financial resources to make investments targeted for future success.

Our business environment will remain volatile. However, challenging conditions are always an opportunity to leverage competitive advantages and to capitalise on new ones. Our strategic focus remains clear and we continue to maintain our guidance for the full year.

Thank you.
CONSUMPTION AND EMISSION DATA.

BMW X3:
Fuel consumption in l/100 km (combined): 9.1-5.3
CO₂ emissions in g/km (combined): 207-140

BMW X4:
Fuel consumption in l/100 km (combined): 9.1-5.4
CO₂ emissions in g/km (combined): 206-142

BMW X5:
Fuel consumption in l/100 km (combined): 8.7-6.0
CO₂ emissions in g/km (combined): 197-158

BMW 8 Series Coupé:
Fuel consumption in l/100 km (combined): 10.5-5.9*
CO₂ emissions in g/km (combined): 240-154*

Rolls-Royce Cullinan:
Fuel consumption in l/100 km (combined): 15*
CO₂ emissions in g/km (combined): 341*

* Preliminary data not yet confirmed, subject to change.

The fuel consumption, CO₂ emissions, power consumption and operating range figures were determined according to the European Regulation (EC) 715/2007 in the version applicable. The figures refer to a vehicle with basic configuration in Germany and the range shown considers the different sizes of the selected wheels/tyres and the selected items of optional equipment.

Further information on official fuel consumption figures and specific CO₂ emission values of new passenger cars is included in the following guideline: "Leitfaden über den Kraftstoffverbrauch, die CO₂-Emissionen und den Stromverbrauch neuer
Personenkraftwagen’ (Guideline for fuel consumption, CO₂ emissions and electric power consumption of new passenger cars), which can be obtained free of charge from all dealerships and at https://www.dat.de/en/offers/publications/guideline-for-fuel-consumption.html.