

QUARTERLY REPORT

31 MARCH 2016



**BMW
GROUP**

THE NEXT
100 YEARS 



Rolls-Royce
Motor Cars Limited

BMW GROUP IN FIGURES

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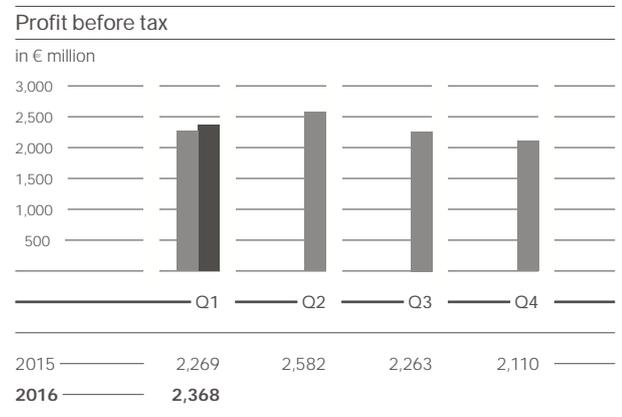
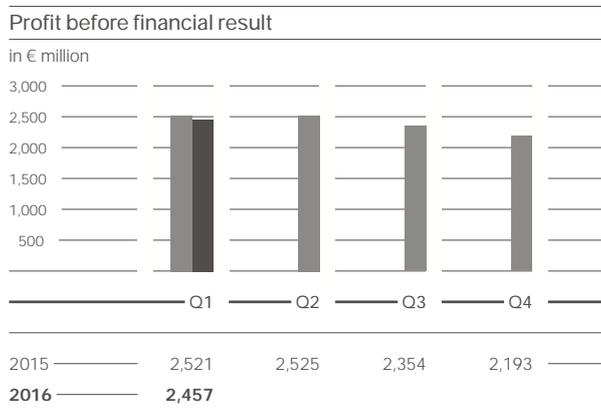
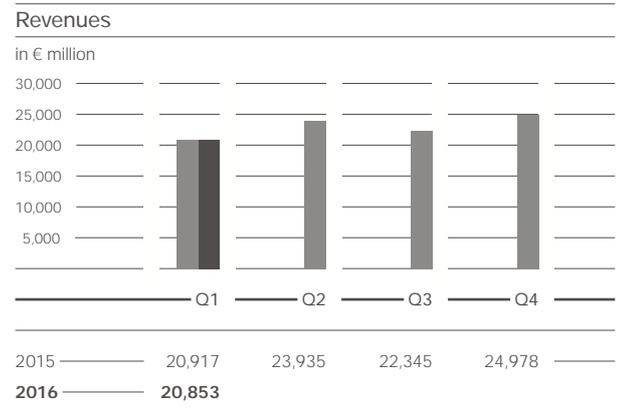
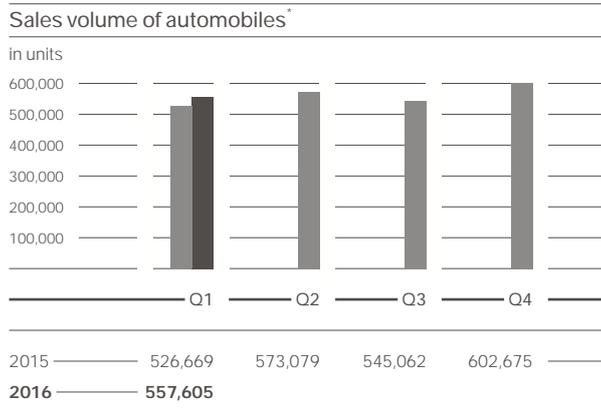
		1st quarter 2016	1st quarter 2015	Change in %
Key performance indicators reported on during the year				
BMW Group				
Workforce at 31 March ¹		122,692	117,554	4.4
Profit before tax	€ million	2,368	2,269	4.4
Automotive segment				
Sales volume ²	units	557,605	526,669	5.9
Revenues	€ million	18,814	18,893	-0.4
EBIT margin	% (change in %pts)	9.4	9.5	-0.1
Motorcycles segment				
Sales volume	units	33,788	31,370	7.7
Further performance figures				
Automotive segment				
Sales volume				
BMW ²	units	478,743	451,576	6.0
MINI	units	78,311	74,312	5.4
Rolls-Royce	units	551	781	-29.4
Total²		557,605	526,669	5.9
Production				
BMW ³	units	490,549	471,404	4.1
MINI	units	89,057	83,907	6.1
Rolls-Royce	units	701	963	-27.2
Total³		580,307	556,274	4.3
Motorcycles segment				
Production	units	40,280	43,357	-7.1
Financial Services segment				
New contracts with retail customers		413,372	384,565	7.5
Operating cash flow Automotive segment				
	€ million	1,219	1,830	-33.4
Revenues				
	€ million	20,853	20,917	-0.3
— Automotive	€ million	18,814	18,893	-0.4
— Motorcycles	€ million	582	567	2.6
— Financial Services	€ million	6,032	6,058	-0.4
— Other Entities	€ million	-1	2	-50.0
— Eliminations	€ million	-4,576	-4,603	-0.6
Profit before financial result (EBIT)				
	€ million	2,457	2,521	-2.5
— Automotive	€ million	1,763	1,794	-1.7
— Motorcycles	€ million	94	115	-18.3
— Financial Services	€ million	591	555	6.5
— Other Entities	€ million	11	40	-72.5
— Eliminations	€ million	-2	17	-
Profit before tax				
	€ million	2,368	2,269	4.4
— Automotive	€ million	1,734	1,634	6.1
— Motorcycles	€ million	94	114	-17.5
— Financial Services	€ million	570	559	2.0
— Other Entities	€ million	-2	-23	91.3
— Eliminations	€ million	-28	-15	-86.7
Income taxes				
	€ million	-727	-753	3.5
Net profit				
	€ million	1,641	1,516	8.2
Earnings per share⁴				
	€	2.48/2.48	2.30/2.30	7.8/7.8

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

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 72,185 units, 2016: 81,900 units).

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 69,353 units, 2016: 57,111 units).

⁴ Common/preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.



BMW Group makes good start to 2016

The BMW Group got off to a good start in the first three months of 2016, with 557,605* BMW, MINI and Rolls-Royce brands vehicles sold worldwide (2015: 526,669* units; +5.9%), a record first-quarter sales volume performance for the sixth year in succession.

The Motorcycles segment also achieved its best-ever first-quarter sales figure, as market conditions remained friendly, particularly in Europe. Worldwide motorcycles sales rose by a solid 7.7% to 33,788 units (2015: 31,370 units).

The Financial Services segment also picked up where it had left off last year with another fine first-quarter performance, concluding a total of 413,372 new lease and credit financing contracts with retail customers during the three-month period (2015: 384,565 contracts; +7.5%).

Profit before tax up

First-quarter revenues were at a similar level to the previous year, finishing at €20,853 million under the influence of unfavourable currency factors (2015: €20,917 million; -0.3%). Group EBIT, at €2,457 million, was 2.5% lower than one year earlier (2015: €2,521 million), reflecting, among other factors, higher administrative and selling expenses. Profit before tax improved by 4.4% to €2,368 million, thanks to the positive impact of financial derivatives (2015: €2,269 million).

Slight increase in workforce size

The BMW Group employed a worldwide workforce of 122,692 people at the end of the first quarter 2016 (2015: 117,554 employees; +4.4%). Substantial amounts are currently being invested in new technologies, digitalisation, highly automated driving, driver assistance systems and a wide variety of mobility services, all of which call for the targeted recruitment of engineers and skilled experts.

Strategy NUMBER ONE > NEXT presented

In March 2016, the BMW Group presented initial details of its Strategy NUMBER ONE > NEXT, which will serve as the basis for future strategy. The technological focus will be on achieving further advances in the fields of electric mobility and automated driving. Going forward, the Group will focus in particular on broadening its technological expertise, expanding the scope of digital interconnectedness between people, vehicles and services, and actively encouraging sustainable mobility.

Despite considerable levels of investment in, and upfront expenditure for, new technologies as well as the cost of meeting increasingly rigorous regulatory requirements, the BMW Group remains committed to achieving its target of profitable growth.

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 72,185 units, 2016: 81,900 units).

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position

General Economic Environment in the first quarter 2016

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Automobile markets in the first quarter 2016

International automobile markets continued to grow in the first quarter, with 3.2% more vehicles sold than one year earlier. The major markets of the USA and China again developed positively. Automobile markets in Europe also saw robust growth. By contrast, registration figures in the emerging markets of Brazil and Russia continued their downward trend.

New registrations in Europe were largely unaffected by growing concerns about future economic developments and increased overall by 8.1%. The major markets, such as Germany (+4.5%), the United Kingdom (+5.1%) and France (+8.5%) also recorded positive growth rates. Southern Europe has experienced particularly strong growth since the beginning of the year. Registration figures went up, for instance, by 21.4% in Italy and by a further 6.9% in Spain, following up on the previous year's extremely good performance.

With the pace of growth slowing down by more than one third in the USA compared to the first three months of the previous year, the positive trend continued, but on a more modest scale. Registration numbers on the US automobile market went up by 3.4% in the first quarter.

The pace of growth has also dropped slightly in China. With an increase of 8.6%, registration figures nevertheless remained at a high level during the period under report.

Weak economic growth is also taking its toll on the automobile market in Japan, where the previous year's negative trend continued unabated in the opening months of 2016 with a further 6.9% drop in new registrations.

The major emerging economies of Brazil and Russia are also expected to record negative growth again in 2016, thus contributing to mounting pressure on their respective automobile markets. The situation in Brazil remained tense, with registrations down by 30.4%, while Russia recorded a 17.6% drop over the same period.

Motorcycle markets in the first quarter 2016

The G 310 R presented in autumn 2015 marks BMW Motorrad's entry into a market segment within the 250 cc plus class. With effect from the beginning of 2016, market analysis has therefore been expanded to cover the whole of the 250 cc plus class.

Motorcycles sales in this class fell slightly in the opening quarter of 2016, reflected in a 1.3% decrease in motorcycle registrations worldwide. European markets grew overall by 5.9%, benefiting above all from the marked

recovery in Southern and Central Europe. However, markets in France and Germany contracted by 2.4% and 5.3% respectively. In fact, the major motorcycle market in Europe to grow was Italy, where registration figures were up by more than a quarter (+26.7%). The US market grew by a robust 5.6%.

Financial services markets in the first quarter 2016

The global economy was characterised by increasing uncertainty during the first quarter 2016. Low raw materials prices, financial market turbulence across the world, a general slowdown in the growth rates of emerging economies and concerns of a possible global recession overshadowed the stable trends currently prevailing in the majority of industrialised countries.

In March, the European Central Bank (ECB) reacted to deflationary trends within the eurozone by lowering the benchmark interest rate to 0%, by imposing negative interest rates on deposits and increasing the scale of monthly bond purchases. The purpose of this raft of measures is to bring the low inflation rate back up towards the target level of 2%.

Buoyed by domestic consumer spending, the US economy kept on growing during the first quarter. In view of increased uncertainty regarding global economic developments, the US Federal Reserve took the decision not to raise the benchmark interest rate further.

In the United Kingdom, stable growth and positive job market figures contrasted with an increasing degree of uncertainty caused by the Brexit debate and global economic trends. Against this backdrop, the Bank of England left its benchmark interest rate at an historically low level.

In January, the Bank of Japan adopted negative interest rates for deposits, with the aim of avoiding deflation on the one hand and stimulating the domestic economy on the other by encouraging banks to increase lending volumes.

Strong turbulence on stock markets and a further slowdown in economic growth were the dominant features of the first quarter in China. China's government reacted by downwardly adjusting its growth target for 2016 and announcing reforms.

Selling prices on international pre-owned vehicle markets fluctuated within normal ranges during the first quarter. Moderate price increases were recorded in the premium segment of Europe's pre-owned vehicle markets during the three-month period, while prices in Asia remained stable and even fell slightly in North America.

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position
Automotive Segment

New sales volume record for the BMW Group

The BMW Group sold 557,605¹ BMW, MINI and Rolls-Royce brand vehicles worldwide during the three-month reporting period (2015: 526,669¹ units; +5.9%), registering a record first-quarter sales volume performance for the sixth year in succession. The BMW and MINI brands in particular posted new sales volume records. Worldwide, the BMW Group sold 478,743¹ BMW brand vehicles (2015: 451,576¹ units; +6.0%) and 78,311 MINI brand vehicles (2015: 74,312 units; +5.4%). Only Rolls-Royce Motor Cars' first-quarter sales figure of 551 units was down on the previous year's level (2015: 781 units; -29.4%).

Dynamic sales volume growth in Europe and Asia

In Europe, sales of the three Group brands totalled 257,120 units, 9.5% more than in the same period last year (2015: 234,849 units). Germany saw a 3.2% rise in sales volume to 66,649 units (2015: 64,610 units). In total, 59,169 BMW, MINI and Rolls-Royce brand vehicles were handed over to customers during the three-month period under report, significantly up on the previous year (2015: 53,534 units; +10.5%).

Sales figures for Asia also showed dynamic growth during the first quarter 2016, with the number of vehicles sold rising by 9.9% to 183,204¹ units (2015: 166,678¹ units). Deliveries to customers on the Chinese mainland increased to 127,167¹ units (2015: 115,078¹ units; +10.5%).

Sales of the Group's three brands on the American continent totalled 100,245 units (2015: 109,743 units; -8.7%), including 81,601 units sold in the USA, down by 10.8% on the previous year (2015: 91,479 units).

BMW brand achieved best first-quarter sales performance to date¹

The BMW brand achieved a new sales volume record of 478,743 units in the first quarter of 2016 (2015: 451,576 units; +6.0%), thereby retaining a leading position in the premium segment. The BMW X5 and X6 models as well as the BMW 5 and 6 Series all headed the market in their respective segments.

At 41,859 units, sales of the BMW 1 Series remained similar to the previous year (2015: 41,541 units; +0.8%). The BMW 2 Series grew its first-quarter sales volume by more than one half to 43,657 units (2015: 27,930 units; +56.3%). Customers took delivery of a total of 103,225 units of the BMW 3 Series during the three-month period (2015: 107,283 units; -3.8%). Now nearing the end of its model life cycle, the BMW 5 Series recorded sales volume of 82,171 units, just short of the previous year's high figure (2015: 88,621 units; -7.3%). With 10,588 units sold, the new BMW 7 Series recorded a 20.3% increase in first-quarter sales (2015: 8,803 units).

Demand for vehicles of the BMW X family remained exceptionally strong at the beginning of 2016, with deliveries up overall by almost one quarter to 154,746 units (2015: 124,711 units; +24.1%). Sales of the new BMW X1 climbed by some two thirds to 51,002 units (2015: 30,435 units; +67.6%). The BMW X3 also recorded a significant rise, with sales up by 26.9% to 38,719 units (2015: 30,521 units). Worldwide sales of the X5 totalled 39,007 units (2015: 40,242 units; -3.1%).

Automotive

	1st quarter 2016	1st quarter 2015	Change in %
Sales volume ^{1,2} ————— units	557,605	526,669	5.9
Production ³ ————— units	580,307	556,274	4.3
Revenues ² ————— € million	18,814	18,893	-0.4
Profit before financial result (EBIT) ————— € million	1,763	1,794	-1.7
Profit before tax ————— € million	1,734	1,634	6.1
EBIT margin ² ————— % (change in %pts)	9.4	9.5	-0.1
Workforce at 31 March —————	111,566	107,014	4.3

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 72,185 units, 2016: 81,900 units).

² Key performance indicators reported on during the year.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 69,353 units, 2016: 57,111 units).

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Sales volume of BMW vehicles by model series*

in units

	1st quarter 2016	1st quarter 2015	Change in %
BMW 1 Series	41,859	41,541	0.8
BMW 2 Series	43,657	27,930	56.3
BMW 3 Series	103,225	107,283	-3.8
BMW 4 Series	32,729	36,545	-10.4
BMW 5 Series	82,171	88,621	-7.3
BMW 6 Series	3,292	6,977	-52.8
BMW 7 Series	10,588	8,803	20.3
BMW X1	51,002	30,435	67.6
BMW X3	38,719	30,521	26.9
BMW X4	14,975	13,925	7.5
BMW X5	39,007	40,242	-3.1
BMW X6	11,043	9,588	15.2
BMW Z4	1,348	2,529	-46.7
BMW i	5,128	6,636	-22.7
BMW total	478,743	451,576	6.0

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 72,185 units, 2016: 81,900 units).

MINI brand achieved best first-quarter sales performance to date

Sales of 78,311 units during the period from January to March 2016 also represented a new first-quarter sales volume record for the MINI brand (2015: 74,312 units;

+ 5.4 %). With 47,396 units sold, the MINI 3- and 5-door models fell only slightly short of the previous year's high level (2015: 47,922 units; -1.1 %). The new MINI Clubman recorded a sales volume figure of 12,173 units for the three-month period (2015: 297 units).

Sales volume of MINI vehicles by model variant

in units

	1st quarter 2016	1st quarter 2015	Change in %
MINI 3- and 5-door	47,396	47,922	-1.1
MINI Convertible/Coupé/Roadster	2,553	5,327	-52.1
MINI Clubman	12,173	297	-
MINI Countryman/Paceman	16,189	20,766	-22.0
MINI total	78,311	74,312	5.4

Rolls-Royce down on previous year

The first-quarter sales performance of Rolls-Royce Motor Cars was affected by a number of factors, including political and economic uncertainties, most notably in the Middle East. Preparations for the market launch of the Dawn also had an impact. In total, 551 units were handed over to customers during the period under report (2015:

781 units; -29.4 %). Worldwide sales of the Rolls-Royce Ghost totalled 206 units (2015: 310 units; -33.5 %). The Rolls-Royce Wraith (including the Dawn) achieved sales volume of 286 units (2015: 383 units; -25.3 %). The new Rolls-Royce Dawn made its debut at the end of March. Order intake is good and is expected to boost sales volume figures over the remainder of the year.

Sales volume of Rolls-Royce vehicles by model variant

in units

	1st quarter 2016	1st quarter 2015	Change in %
Phantom	59	88	-33.0
Ghost	206	310	-33.5
Wraith/Dawn	286	383	-25.3
Rolls-Royce total	551	781	-29.4

Automobile production higher

In total, 580,307* BMW, MINI and Rolls-Royce brand vehicles rolled off production lines during the first three months of the year (2015: 556,274* units; +4.3%), comprising 490,549* BMW (2015: 471,404* units; +4.1%), 89,057 MINI (2015: 83,907 units; +6.1%) and 701 Rolls-Royce brand vehicles (2015: 963 units; -27.2%).

Solid increase in pre-tax profit

Segment revenues totalled €18,814 million, only marginally short of the previous year's record figure (2015: €18,893 million; -0.4%). EBIT also fell slightly by €31 million to €1,763 million as a result of higher administrative and selling expenses (2015: €1,794 million; -1.7%). Segment profit before tax for the first quarter totalled €1,734 million, reflecting a solid improvement over the previous year, thanks largely to gains recognised on financial derivatives (2015: €1,634 million; +6.1%).

Despite the prevailing volatile environment i.e. in the USA and a challenging competitive situation, the BMW Group continued to grow profitably in the first quarter 2016. The EBIT margin came in at 9.4% and was thus in the upper half of the target range of between 8 and 10% (2015: 9.5%; -0.1 percentage points).

Automotive segment workforce size up on previous year

The Automotive segment employed a workforce of 111,566 people at the end of the reporting period (2015: 107,014 employees), 4.3% more than one year earlier.

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 69,353 units, 2016: 57,111 units).

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position Motorcycles Segment

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Rise in motorcycles sales volume

BMW Motorrad has also got off to a good start to the new financial year. The segment sold 33,788 motorcycles worldwide during the three-month period under report, thereby achieving a record first-quarter sales volume performance for the sixth year in succession (2015: 31,370 units; +7.7%). Within Europe, sales rose by a solid 8.8 % to 20,849 units (2015: 19,159 units), primarily driven by favourable market conditions in Southern and Central Europe. Sales in Germany rose by 5.6 % to 5,668 units (2015: 5,369 units). Business also developed well in Italy with first-quarter sales of 3,125 units (2015: 2,936 units; +6.4%). The number of motorcycles sold in France edged up by 2.4 % to 3,230 units (2015: 3,155 units). By contrast, sales volume in the USA dropped moderately to 3,022 units (2015: 3,229 unit; -6.4 %).

Fewer motorcycles produced

A total of 40,280 motorcycles were manufactured during the first three months of 2016, 7.1 % fewer than one year earlier (2015: 43,357 units).

Motorcycles segment revenues grow

First-quarter revenue in the Motorcycles segment grew by 2.6 % to €582 million (2015: €567 million). Earnings, however, were down on the previous year, due to starting a number of projects in connection with the implementation of the newly adopted strategy. Both EBIT and profit before tax fell to €94 million (EBIT 2015: €115 million; -18.3 %; pre-tax profit 2015: €114 million; -17.5 %).

Workforce larger than in previous year

The BMW Group employed 3,124 people in the Motorcycles segment at 31 March 2016 (2015: 2,981 employees; +4.8 %).

Motorcycles

	1st quarter 2016	1st quarter 2015	Change in %
Sales volume*	33,788	31,370	7.7
Production	40,280	43,357	-7.1
Revenues	582	567	2.6
Profit before financial result (EBIT)	94	115	-18.3
Profit before tax	94	114	-17.5
Workforce at 31 March	3,124	2,981	4.8

* Key performance indicator reported on during the year.

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position Financial Services Segment

Financial Services segment reports successful start to the new year

The Financial Services segment picked up where it had left off in the previous financial year and continued to grow throughout the first quarter 2016. The contract portfolio under management increased by 8.3% to reach 4,786,441 contracts at 31 March 2016 (2015: 4,419,817 contracts). In balance sheet terms, business volume slipped to €109,700 million during the three-month period under report (31 December 2015: €111,191 million; -1.3%) as a result of exchange rate factors.

Growth in new business

As in the previous year, credit financing and leasing business with retail customers again made a significant contribution to the segment's success, with 413,372 new contracts signed during the three-month period under report, 7.5% more than in the previous year (2015: 384,565 contracts).

Leasing business and credit financing grew by 5.5% and 8.6% respectively, accounting for 34.7% and 65.3% of all new business respectively.

The proportion of new BMW Group vehicles¹ either leased or financed by the Financial Services segment at 31 March 2016 was 46.1% (2015: 44.9%; +1.2 percentage points).

In the BMW and MINI brand pre-owned vehicle financing and leasing lines of business, the number of new contracts signed by the segment rose by a solid 7.9% to 85,692 contracts (2015: 79,425 contracts).

The total volume of all new credit financing and leasing contracts concluded with retail customers during the three-month period amounted to €12,460 million, an increase of 5.7% on the previous year (2015: €11,789 million).

The dynamic increase in new retail customer business is also reflected in the overall size of the contract portfolio. In total, 4,402,487 contracts were in place with retail customers at 31 March 2016 (2015: 4,071,468 contracts; +8.1%). As in the previous year, the Asia/Pacific region continued to enjoy strong growth with an 18.3% increase compared to the previous year. The Europe/Middle East/Africa region (+8.3%), the Americas region (+7.5%) and the EU Bank² region (+3.5%) also recorded year-on-year growth.

Solid growth in fleet business

Operating under the brand name "Alphabet", the BMW Group is one of the leading leasing and full-service providers of fleet management services in Europe. Alphabet offers lease and financing arrangements as well as a range of other services to commercial customers. A portfolio of 608,924 contracts was in place

Financial Services

	1st quarter 2016	1st quarter 2015	Change in %
New contracts with retail customers	413,372	384,565	7.5
Revenues ————— € million	6,032	6,058	-0.4
Profit before financial result (EBIT) ————— € million	591	555	6.5
Profit before tax ————— € million	570	559	2.0
Workforce at 31 March	7,891	7,444	6.0
	31.3.2016	31.12.2015	Change in %
Business volume in balance sheet terms ³ ————— € million	109,700	111,191	-1.3

¹ The calculation only includes automobile markets, in which the Financial Services segment is represented by a consolidated entity.

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

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

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at the end of the reporting period (2015: 563,394 contracts; + 8.1 %).

Slight decrease in multi-brand financing

Multi-brand financing saw a slight drop in new business volume, with 39,052 new contracts signed during the three-month period under report (2015: 39,429 contracts; – 1.0 %). A total portfolio of 469,922 contracts was in place at 31 March 2016, similar to the level reported one year earlier (2015: 468,992 contracts; + 0.2 %).

Dealer financing up on previous year

The total volume of dealer financing increased by 5.5 % to stand at €16,586 million at the end of the reporting period (2015: €15,719 million).

Slight decrease in deposit business

Deposit-taking represents an important source of refinancing for the Financial Services segment. The volume of bank deposits fell slightly during the first three months of 2016 to €13,319 million (31 December 2015: €13,509 million; – 1.4 %).

Growth in insurance business

Business with insurance products developed positively in the first quarter 2016, with new business up by 2.2 % to 295,439 insurance contracts (2015: 289,119 contracts) and the contract portfolio rising to 3,272,818 contracts (2015: 2,968,302 contracts; + 10.3 %).

Earnings increased

The Financial Services segment's strong performance is also reflected in its earnings. Segment profit before tax improved by 2.0 % to €570 million (2015: €559 million), mainly reflecting a more favourable risk profile. First-quarter revenues of €6,032 million were influenced by unfavourable currency factors (2015: €6,058 million; – 0.4 %).

Workforce up on previous year

The Financial Services segment's growth is also reflected in the size of its workforce. The BMW Group employed 7,891 people worldwide in the Financial Services segment at 31 March 2016 (2015: 7,444 employees), 6.0 % more than one year earlier.

INTERIM GROUP MANAGEMENT REPORT

Report on Economic Position

Results of Operations, Financial Position and Net Assets

Earnings performance

First-quarter sales of BMW, MINI and Rolls-Royce brand vehicles increased by 5.9% to 557,605 units. This figure includes 81,900 units (2015: 72,185 units) manufactured by the joint venture BMW Brilliance Automotive Ltd., Shenyang.

At 31 March 2016, the BMW Group's workforce comprised 122,692 employees (2015: 117,554 employees).

The BMW Group recorded a net profit of €1,641 million in the first quarter (2015: €1,516 million). The post-tax return on sales was 7.9% (2015: 7.2%). Earnings per share were €2.48, both for common and preferred stock (2015: €2.30 in both cases).

At €20,853 million, Group revenues for the three-month period were at a similar level to the previous year (2015: €20,917 million). Adjusted for exchange rate factors, revenues edged up by 1.3%.

External revenues from the sale of BMW, MINI and Rolls-Royce brand vehicles were at a similar level (-0.3%) to the previous year. Adjusted for exchange rate factors, the increase was 1.6%. The negative currency impact was mainly attributable to the change in the average exchange rates of the Chinese renminbi, South African rand and British pound against the euro. External revenues of the Motorcycles segment grew by 2.7%. Adjusted for exchange rate factors, segment revenues increased by a solid 5.1%. External revenues of the Financial Services segment were at a similar level to the previous year (-0.5%), largely unaffected by exchange rate factors.

Within Group revenues, income from lease instalments and interest income on loan financing increased by 7.1% and 5.6% respectively, whereas revenue from the sale of vehicles previously leased to customers fell by 10.3%. Revenues from the sale of automobiles, motorcycles and related products were at a similar level to the previous year (-0.7%).

Group cost of sales for the quarter was 1.1% lower than in the previous year. Manufacturing costs fell by 5.3%, partly as a result of exchange rate factors, while costs directly attributable to financial services went down by 1.0%. By contrast, research and development expenses increased by 5.1%.

Measured as a percentage of revenues, the research and development expense ratio increased by 0.2 percentage

points to 4.7%. Total research and development expenditure – comprising research costs, non-capitalised development costs and capitalised development costs (excluding systematic amortisation thereon) – amounted to €974 million in the first quarter (2015: €926 million). The research and development expenditure ratio was therefore 4.7% (2015: 4.4%). The proportion of development costs recognised as assets was 30.1% (2015: 26.6%).

Gross profit for the three-month period improved by 2.8% to €4,480 million, resulting in a gross profit margin of 21.5% (2015: 20.8%).

Compared to the previous year, first-quarter selling and administrative expenses were €104 million higher at €1,988 million. Overall, selling and administrative expenses were equivalent to 9.5% (2015: 9.0%) of revenues, whereby the increase was attributable primarily to the higher workforce size on the one hand and higher marketing and IT expenses on the other.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses totalled €1,187 million (2015: €1,106 million).

Other operating income and expenses deteriorated by €84 million to give a net negative amount of €35 million for the three-month period. The change compared to the previous year was mainly due to the expense recognised for donations to the BMW Foundations and lower gains on the disposal of assets.

Profit before financial result (EBIT) amounted to €2,457 million (2015: €2,521 million).

The financial result was a net negative amount of €89 million, an improvement of €163 million over the previous year's corresponding figure. The result from equity-accounted investments fell by €57 million to €71 million. It includes the Group's share of the results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungen GmbH, Munich. The figure for the first quarter 2016 also includes the Group's share of the result of THERE Holding B.V., Amsterdam. The deterioration in the result from equity-accounted investments was attributable, among other factors, to a lower contribution from BMW Brilliance Automotive Ltd., Shenyang, caused, in turn, by the impact of upfront

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Revenues by segment in the first quarter

in € million

	External revenues		Inter-segment revenues		Total revenues	
	2016	2015	2016	2015	2016	2015
Automotive	14,607	14,655	4,207	4,238	18,814	18,893
Motorcycles	580	565	2	2	582	567
Financial Services	5,666	5,696	366	362	6,032	6,058
Other Entities	-	1	1	1	1	2
Eliminations	-	-	-4,576	-4,603	-4,576	-4,603
Group	20,853	20,917	-	-	20,853	20,917

expenditure for production start-ups of new vehicles, capacity expansion measures and the increased level of competition on the market. In addition, the inclusion of THERE Holding B.V., Amsterdam, also had a negative impact on the result from equity-accounted investments, mainly in the form of scheduled depreciation and amortisation on purchase price allocations on the one hand and transaction costs on the other. Other financial result in the first quarter was a net negative amount of €77 million, comprising the result on investments and on currency, interest rate and commodity derivatives. Other financial result improved by €223 million, mainly thanks to the lower negative impact of currency derivatives and gains on commodity derivatives. By contrast, the impairment loss recognised on the investment in SGL Carbon SE, Wiesbaden, had a negative impact on other financial result.

Profit before tax increased to €2,368 million mainly attributable to the improvement of the financial result (2015: €2,269 million). The pre-tax return on sales was 11.4% (2015: 10.8%).

Income tax expense amounted to €727 million (2015: €753 million), corresponding to an effective tax rate of

30.7% (2015: 33.2%). The lower income tax expense for the three-month period was partly attributable to the changed regional earnings mix as well as intergroup pricing issues.

Earnings performance by segment

Automotive segment deliveries to customers were 5.9% up on the previous year. At €18,814 million, revenues were at a similar level to the first quarter 2015. Adjusted for exchange rate factors, segment revenues went up by 1.0%. The gross profit margin came in at 18.4%, roughly in line with the first quarter 2015 (17.9%).

First-quarter selling and administrative expenses edged up by €61 million to €1,651 million, mainly reflecting the increased workforce size and higher marketing expenses. Overall, selling and administrative expenses were equivalent to 8.8% (2015: 8.4%) of segment revenues.

The net negative amount from other operating income and expenses deteriorated by €47 million (2015: net negative amount of €1 million). The change compared to the previous year was mainly due to the expense

Profit before tax by segment in the first quarter

in € million

	2016	2015
Automotive	1,734	1,634
Motorcycles	94	114
Financial Services	570	559
Other Entities	-2	-23
Eliminations	-28	-15
Profit before tax	2,368	2,269
Income taxes	-727	-753
Net profit	1,641	1,516

recognised for donations to the BMW Foundations and lower gains on the disposal of assets.

The Automotive segment's profit before financial result (EBIT) amounted to €1,763 million (2015: €1,794 million). The EBIT margin of 9.4% was at a similar level to the previous year (2015: 9.5%).

The Automotive segment reports a negative financial result for the first quarter of €29 million, an improvement of €131 million compared to the previous year. The result from equity-accounted investments fell by €57 million to €71 million. It includes the Group's share of the results of BMW Brilliance Automotive Ltd., Shenyang, the two DriveNow entities and – in the first quarter 2016 – THERE Holding B.V., Amsterdam. The deterioration is attributable to the lower contribution from BMW Brilliance Automotive Ltd., Shenyang, and the inclusion of THERE Holding B.V., Amsterdam, as described above. Other financial result in the first quarter was a net negative amount of €15 million, comprising the result on investments and on currency, interest rate and commodity derivatives. Other financial result improved by €224 million, mainly thanks to the lower negative impact of currency derivatives on the one hand and gains on commodity derivatives on the other. By contrast, impairment losses recognised on the investment in SGL Carbon SE, Wiesbaden, had a negative impact on other financial result.

Overall, profit before tax rose by a solid 6.1% to €1,734 million mainly attributable to the improvement of the financial result.

Motorcycles segment deliveries to customers were 7.7% and revenues 2.6% up on the previous year. Adjusted for exchange rate factors, segment revenues rose by a solid 5.1%. Profit before tax for the first quarter deteriorated by €20 million (2015: €114 million), mainly as a consequence of higher expenses for new projects in connection with the implementation of the new strategy.

Financial Services segment revenues in the first quarter amounted to €6,032 million, similar to the level reported one year earlier (2015: €6,058 million). Changes in exchange rates did not have a significant impact on reported revenues. Selling and administrative expenses were higher than one year earlier (2016: €283 million; 2015: €247 million). Other operating income and expenses improved by €5 million (2015: net expense of €5 million). In contrast, the financial result deteriorated

from €4 million to a net negative amount of €21 million. Overall, the Financial Services segment posted profit before tax of €570 million, slightly higher (+2.0%) than in the first quarter 2015.

The Other Entities segment recorded a loss before tax of €2 million. The improvement of €21 million was partly due to effects of interest rate and currency derivatives.

The negative impact on earnings at the level of profit before tax reported in the Eliminations column for the first quarter increased from €15 million to €28 million.

Financial position

The consolidated cash flow statements for the Group and the Automotive and Financial Services segments show the sources and applications of cash flows for the first quarters of 2016 and 2015, classified into cash flows from 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. By contrast, cash flows from investing and financing activities are based on actual payments and receipts.

The cash outflow for operating activities in the first quarter 2016 totalled €86 million (2015: cash inflow of €989 million), mainly reflecting the impact of increased working capital.

The cash outflow for investing activities amounted to €449 million (2015: €1,712 million) and was therefore 73.8% lower than in the previous year, mostly due to the fact that first-quarter net investments in marketable securities and term deposits decreased by €1,230 million (2016: cash inflow of €236 million).

The cash inflow from financing activities totalled €578 million (2015: cash outflow of €931 million). Proceeds from the issue of bonds brought in €3,178 million (2015: €2,749 million), compared with an outflow of €2,273 million (2015: €1,886 million) for the repayment of bonds. Changes in other financial liabilities and commercial paper gave rise to a cash outflow of €327 million (2015: €1,794 million).

Cash outflows from operating and investing activities in the first quarter 2016 totalled €535 million. In the

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previous year, the cash outflow from investing activities exceeded the cash inflow from operating activities by €723 million.

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group totalling a positive amount of €10 million (2015: negative amount of €180 million), the various cash flows resulted in an increase in cash and cash equivalents of €33 million (2015: decrease of €1,474 million).

in € million	2016	2015
Cash inflow from operating activities	1,219	1,830
Cash outflow from investing activities	-373	-1,697
Net investment in marketable securities and term deposits	-314	927
Free cash flow Automotive segment	532	1,060

The cash flow statement for the Automotive segment shows that the cash inflow from operating activities exceeded the cash outflow for investing activities by €846 million (2015: €133 million). Adjusted for net investments in marketable securities and term deposits with a negative amount of €314 million (2015: positive amount of €927 million), the surplus amounted to €532 million (2015: €1,060 million).

Free cash flow of the Automotive segment can be analysed as follows:

Cash outflows from operating activities of the Financial Services segment are driven primarily by cash flows relating to leased products and receivables from sales financing and totalled €1,615 million (2015: €1,382 million). The cash inflow from investing activities totalled €8 million (2015: €9 million).

Net financial assets of the Automotive segment comprise the following:

in € million	31.3.2016	31.12.2015
Cash and cash equivalents	4,631	3,952
Marketable securities and investment funds	4,053	4,326
Intragroup net financial assets	11,173	11,278
Financial assets	19,857	19,556
Less: external financial liabilities [*]	-2,346	-2,645
Net financial assets Automotive segment	17,511	16,911

^{*} Excluding derivative financial instruments.

Refinancing

The BMW Group uses a broadly diversified and flexible range of funding sources to finance its operating activities. Almost all of the funds raised are used 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 2015.

During the period from January to March 2016, BMW Group entities issued a dual-tranche euro benchmark bond with a total volume of €1.3 billion and other EMTN private placements in various currencies with a total volume of €1.9 billion. Breaking new ground, a debut bond with a volume of 2.0 billion Chinese renminbi was also emitted. In addition four promissory notes with a total volume of €180 million were issued and an

ABS transaction with a volume of 1.0 billion US dollar executed in the USA. Moreover, commercial paper is regularly issued. Deposits taken in by the Group's banking subsidiaries are also used to refinance the BMW Group.

Net assets

The Group balance sheet total increased during the three-month period under report by 0.7% to stand at €173,332 million at 31 March 2016. Adjusted for exchange rate factors, the increase was 2.6%. The currency impact was mainly attributable to the depreciation in the value of a number of currencies against the euro, most notably the US dollar, the British pound and the Chinese renminbi.

The increase in non-current assets on the assets side of the balance sheet related primarily to financial receivables (41.8%). Leased products and property, plant and equipment decreased by 1.8% and 3.4% respectively.

Non-current financial receivables accounted for 1.8% (2015: 1.3%) of total assets. Compared to 31 December 2015, they went up by €922 million to €3,130 million, mainly reflecting changes in currency derivatives.

Leased products accounted for 19.8% of total assets at the end of the reporting period (31 December 2015: 20.3%). Adjusted for exchange rate factors, they increased by 0.6% and, on that basis, were at a similar level to the end of 2015.

Property, plant and equipment accounted for 9.9% of total assets at the end of the reporting period (31 December 2015: 10.3%), after decreasing by €598 million to €17,161 million. Adjusted for exchange rate factors, this represented a 2.5% decrease. First-quarter product and infrastructure investments amounting to €400 million were lower than one year earlier (2015: €545 million). At the same time, depreciation on property, plant and equipment went up from €806 million to €839 million.

Within current assets, the main increase was registered for inventories (18.7%), whereas receivables from sales financing decreased by 3.0%.

Inventories increased by €2,074 million to €13,145 million during the three-month period and accounted for

7.6% (31 December 2015: 6.4%) of total assets. Most of the increase related to finished goods and was primarily attributable to stocking up in the various markets. Adjusted for exchange rate factors, the increase was 20.3%.

Current receivables from sales financing decreased from €28,178 million to €27,322 million, mainly as a result of changes in exchange rates. Adjusted for currency factors, they finished at a similar level to the end of the previous financial year (-0.5%).

On the equity and liabilities side of the balance sheet, the increase was due primarily to changes in equity (4.6%), pension provisions (28.8%) and trade payables (7.0%). By contrast, non-current and current financial liabilities decreased by 0.9% and 4.8% respectively.

Group equity rose by €1,984 million to €44,748 million, mainly as a result of fair value gains on derivative financial instruments recognised directly in equity (€2,165 million) and the net profit attributable to shareholders of BMW AG (€1,631 million). Furthermore, income and expenses relating to equity accounted investments and recognised directly in equity (before tax) increased equity by €54 million. The fair value measurement of marketable securities benefited equity by a further €48 million, while minority interests increased by €6 million. By contrast, remeasurements of the net defined benefit liability for pension plans reduced equity by €1,053 million, mainly as a result of the lower discount rate applied in Germany. Currency translation differences also had a negative impact of €445 million on equity. Deferred taxes on items recognised directly in equity decreased equity by €422 million.

The Group equity ratio at the end of the reporting period was 25.8% (31 December 2015: 24.8%). The equity ratio of the Automotive segment was 41.0% (31 December 2015: 40.1%) and that of the Financial Services segment was 8.4% (31 December 2015: 8.2%).

Pension provisions increased from €3,000 million to €3,863 million during the three-month period, mainly as a result of the lower discount factor used in Germany.

Trade payables went up from €7,773 million to €8,316 million. Adjusted for exchange rate factors, they increased by 8.1%, mainly reflecting higher production volumes.

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Trade payables accounted for 4.8 % of the balance sheet total at the end of the reporting period (31 December 2015: 4.5 %).

Current and non-current financial liabilities fell from €91,683 to €89,216 million during the three-month period. Adjusted for exchange rate factors, they were 1.2 % lower than at the end of 2015. Fair value gains on currency derivatives were the main factor for the decreases in non-current and current financial liabilities.

Overall, the results of operations, financial position and net assets position of the BMW Group continued to develop positively during the three-month period under report.

Related party relationships

Further information on transactions with related parties can be found in note 30 to the Interim Group Financial Statements.

Events after the end of the reporting period

No events have occurred after the balance sheet date which could have a major impact on the earnings performance, financial position or net assets of the BMW Group.

INTERIM GROUP MANAGEMENT REPORT

Report on Outlook, Risks and Opportunities
Report on 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.

The report on outlook, risks and opportunities contains forward-looking assertions based on the BMW Group's expectations and assessments, which are, by their very nature, subject to a certain degree of uncertainty. As a result, actual outcomes, including those attributable to political and economic developments, could differ substantially – either positively or negatively – from the expectations described below. Further information is also available in the "Report on risks and opportunities" section of the Annual Report 2015 (page 68 et seq.).

Further information on the assumptions used in the BMW Group's outlook can be found in the "Outlook" section of the Annual Report 2015 (page 63 et seq.).

Global economy continues to grow

Based on the most recent predictions of the International Monetary Fund, the global economy is set to continue growing in 2016, this time by an expected 3.2%.

Gross domestic product (GDP) in the USA is forecast to grow by 2.0% over the full year. Inflation is expected to be in the region of 1.3%, with the consequence that the Federal Reserve is likely to proceed with the gradual normalisation of monetary policies by imposing moderate interest rate increases. Consumer spending and industrial production should both grow robustly, accompanied by a further reduction in the unemployment rate. The only potential downside is that export volumes may be held down by a relatively strong US dollar. If the US Federal Reserve does raise interest rates more quickly than expected, the downward pressure on some emerging economy currencies could mount.

The eurozone as a whole is forecast to grow at a moderate rate of 1.5% in 2016. The highly expansive monetary policies of the European Central Bank (ECB) are likely to keep the value of the euro on the low side for the time being, thus helping the export sector. However, the various economies within the eurozone are set to grow at greatly differing paces, with forecast GDP growth rates ranging from a positive 4.7% for Ireland to a negative 0.6% for Greece. The German economy is predicted

to grow by 1.6% in 2016, with consumer spending providing the main impetus on the back of favourable employment market conditions. Although the French economy is expected to grow at a rate of 1.3% and therefore lower than the eurozone average, it is nevertheless likely to remain ahead of Italy, where a growth rate of 1.0% is predicted. The Spanish economy is forecast to grow by 2.7% in the current year.

A growth rate of 2.0% is predicted for the United Kingdom, with consumer spending remaining strong. At the same time, the "Brexit" referendum to be held in June 2016 is causing increased levels of uncertainty and could have a negative impact on the economy, particularly in terms of investment growth.

The Japanese economy is only likely to expand by a modest 0.7% in 2016, despite the fiscal measures taken by the government. After several years of decline, there are hopes that consumer spending could stabilise in the current year, whereas export growth is likely to lose further pace.

China's GDP is forecast to grow by 6.5% in the current year, at the lower end of the government's targeted range of 6.5 to 7.0%. Despite China's domestic market problems due to overcapacity in the steel and coal sectors and its exposure to reduced demand for exports, state-backed stimulus measures should help to steer the country away from an economic slump.

The Brazilian economy is set to contract for the second year in succession in 2016 (-3.5%), due to a combination of high inflation, low export prices and political uncertainty. The position in Russia remains tense, due to the ongoing negative impact of sanctions and the low price of oil, which point to a further decline in overall economic output (-1.3%). The appreciation in the value of the rouble during the first quarter 2016 should enable the central bank to bring the inflation rate back down to below 10%. GDP growth of 7.5% is predicted for India in 2016, with infrastructure improvements and foreign investments recognised as prerequisites for the country's ability to generate high growth rates going forward.

The price of oil is not expected to rise significantly during the current year, given that inventory levels remain high

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and oversupply is only likely to be reduced gradually. Low energy prices are expected to provide an additional boost to consumer spending.

Automobile markets in 2016

For the full year 2016, the BMW Group expects automobile markets to grow by approximately 2.8% worldwide. Growth in China is likely to be more pronounced than in Europe or the USA, which are both likely to improve on their previous year's performance, according to forecasts.

Generally positive consumer sentiment in Europe is also likely to be reflected in greater demand for passenger vehicles, new registrations of which are forecast to increase by 3.6% to 14.7 million units. Germany is expected to report a 1.4% increase to 3.3 million new registrations. The UK market is expected to slightly increase to 2.7 million units (+1.2%). The automobile market in France is also likely to continue recovering, with the number of new vehicles on the road rising by 3.3% to 1.9 million. The Italian automobile market is predicted to expand by 10.5% to 1.8 million units. A strong performance is forecast for the Spanish market, which is expected to grow by 11.2% to 1.2 units.

Despite the trend towards deteriorating financing conditions, registration numbers in the USA are currently benefiting from positive consumer sentiment but are expected to increase only by 1.3% to 17.7 million units in 2016 (2015: +5.7%). The pace of growth of the Chinese automobile market is likely to slow down year-on-year, nevertheless expanding by 6.9% to 22.0 million units. There are good signs that the market in Japan will be able to reverse the previous year's downward trend and grow to around 5.0 million units (+3.2%).

The difficult economic situation in Brazil is also likely to be reflected in the number of new registrations, whereby the forecast decrease of 21.1% to 2.0 million units is less pronounced than the previous year's contraction. The situation in Russia also remains tense, with the recession likely to hold down registration numbers to 1.3 million units (-15.4%).

Motorcycle markets in 2016

Markets for 250 cc plus motorcycles are likely to continue their slight upward trend in 2016. Registration figures for Europe as a whole are also expected to rise moderately,

including a minor increase in Germany. Italy and France are set to remain at similar levels to the previous year. Motorcycle registrations in the USA should be up slightly over the year as a whole.

Financial services markets in 2016

Uncertainty about developments on key emerging markets and the potentially negative consequences of a further downturn are likely to play an important role in global economic performance over the coming months. However, the global economy is expected to grow at a stable rate. Central banks in the majority of industrialised countries are predicted to support these developments with a range of expansionary monetary policies in 2016.

The ECB is set to continue its policy of quantitative easing within the eurozone. The benchmark interest rate in the USA is likely to be increased in a number of steps. The situation in the UK in the coming months will be overshadowed by uncertainty about the outcome of the forthcoming EU referendum, the result of which will have a significant influence on the decisions of the Bank of England. The growth rate in China is likely to slow down as the year progresses, with both the government and the central bank endeavouring to counter the trend with a combination of economic and fiscal measures.

The BMW Group expects premium-sector selling prices to remain predominantly stable on European and Asian pre-owned vehicle markets over the course of the year, whereas prices in North America could fall slightly.

Outlook for the BMW Group**BMW Group**

Profit before tax: slight increase expected

Competition on international automobile markets is set to remain fierce in the current year. Furthermore, the continuing normalisation on the Chinese market and developments in major emerging economies and the USA are likely to influence the pace of earnings growth. Political and macroeconomic uncertainties in Europe may also play a role (see the "Political and global economic risks" section in the Risk Report of the Annual Report 2015).

Nevertheless, the BMW Group expects to remain firmly on course for growth in 2016. This upward trend will, however, be held down by rising personnel expenses and high levels of investment in projects that ultimately

help safeguard future competitiveness. Overall, Group profit before tax is expected to increase slightly year-on-year (2015: €9,224 million).

Workforce at year-end: slight increase expected

The BMW Group will continue to recruit staff in 2016, spurred by growth in the automobile and motorcycle lines of business on the one hand and the expansion of its financial and mobility services on the other. Based on our latest forecasts, we expect a slight increase in the size of the workforce (2015: 122,244 employees) during the twelve-month period.

Automotive segment

Deliveries to customers: slight increase expected

The BMW Group forecasts successful sales volume performances for all three of its brands in 2016. Assuming economic conditions remain stable, deliveries to customers are expected to rise slightly to a new record level (2015: 2,247,485¹ units).

Although the overall pace of growth may be marginally weaker than one year earlier, the combination of attractive new models and good market conditions, particularly in Europe, should nevertheless provide additional impetus for vehicle sales. Most notably, the previous year's upward trend on southern European markets is set to continue. By contrast, the situation in major emerging markets is likely to remain tense for the remainder of the forecast period. Despite the gradual trend towards normalisation on the Chinese market, Asia as a whole is expected to provide a certain degree of momentum for growth. Sales volume in the USA is also forecast to rise slightly.

Carbon fleet emissions²: slight decrease expected

Regulations governing vehicle carbon emissions are becoming stricter all around the world. Developing highly efficient combustion engines and increasing the scope of electrification in its fleet of vehicles are key aspects in the BMW Group's constant endeavours to reduce fuel consumption and carbon emissions, without compromising its excellent standards in terms of sporting flair and dynamic driving performance. Fleet emissions are forecast to drop slightly in 2016, thus continuing the trend seen in previous years (2015: 127 grams CO₂/km).

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 282,000 units).

² EU-28.

Revenues: slight increase expected

The positive business performance predicted for the BMW Group should also be reflected in Automotive segment revenues. A slight increase in segment revenues is therefore predicted for the forecast period (2015: €85,536 million).

EBIT margin in target range between 8 and 10 % expected

The Automotive segment continues to target an EBIT margin between 8 and 10 % for 2016 (2015: 9.2%).

Segment RoCE is forecast to decrease moderately (2015: 72.2%). However, the long-term target RoCE of at least 26 % for the Automotive segment will be easily surpassed.

Motorcycles segment

Deliveries to customers: slight increase expected

The BMW Group expects the upward trend most recently recorded in the Motorcycles segment to continue, helped in particular by impetus from the F 700 GS and F 800 GS models launched in March 2016 and the new R NineT Scrambler and G 310 R models presented in autumn 2015. Overall, deliveries of BMW motorcycles to customers are forecast to increase slightly year-on-year (2015: 136,963 units).

Return on capital employed: slight decrease expected

The Motorcycles segment's RoCE is forecast to decrease slightly in the current year (2015: 31.6%), mainly reflecting the scheduled build-up of inventory levels due to the Indian partner entity, TVS, commencing production and the plants in Brazil and Thailand raising production volumes.

Financial Services segment

Return on equity expected at previous year's level

The Financial Services segment is likely to continue performing well in 2016. RoE is expected to come in at a similar level to the previous year (2015: 20.2%), thus remaining ahead of the minimum target of 18%.

Overall assessment by Group management

Business is expected to develop well in the financial year 2016. Despite the many challenges described above, Group profit before tax is forecast to increase slightly. Automotive segment revenues are expected to edge up on the back of a slight increase in deliveries to customers. Simultaneously, a slight decrease in fleet carbon emissions is predicted. The Group's targets are to

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be met with only a slight rise in staff numbers world-wide. The Automotive segment's EBIT margin is set to remain within the target range of between 8 and 10%, whereas its RoCE is likely to decrease moderately. The Financial Services segment's RoE will be broadly in line with the previous year. Nevertheless, both performance indicators will be higher than their long-term targets of 26% (RoCE) and 18% (RoE) respectively. Motorcycles segment sales are also forecast to grow slightly, accompanied by a slight drop in RoCE.

Depending on the political and economic situation and the outcomes of the risks and opportunities described in the Annual Report 2015, actual business performance could, however, differ from current expectations.

Report on Risks and Opportunities

As a globally operating enterprise, the BMW Group is constantly confronted with a broad range of risks, but also with numerous opportunities. Making full use of the opportunities that present themselves is the basis for the Group's corporate success. Risks are also taken consciously in order to achieve growth, profitability, greater efficiency and sustainable levels of future business. There have been no material changes to the overall risk profile compared to that described in the Group Management Report 2015. 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 2015 (page 68 et seq.).

Key performance indicators

	2015	2016 Outlook	
BMW Group			
Profit before tax	€ million	9,224	slight increase
Workforce at year-end		122,244	slight increase
Automotive segment			
Sales volume ¹	units	2,247,485	slight increase
Fleet emissions ²	g CO ₂ /km	127	slight decrease
Revenues	€ million	85,536	slight increase
EBIT margin	%	9.2	between 8 and 10
Return on capital employed	%	72.2	moderate decrease
Motorcycles segment			
Sales volume	units	136,963	slight increase
Return on capital employed	%	31.6	slight decrease
Financial Services segment			
Return on equity	%	20.2	in line with last year's level

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2015: 282,000 units).

² EU-28.

BMW stock and capital markets in the first quarter 2016

The high level of volatility that characterised the 2015 stock market year continued throughout the first quarter 2016. At the beginning of the year, investors were unsettled by China's economic slowdown. Chinese stock market indices slumped accordingly, dragging down stock markets worldwide. The decision taken by the ECB at the beginning of March to include corporate bonds in its buyback program temporarily brightened the mood on stock markets. However, concerns about a possible UK exit from the European Union and falling oil prices (generally seen as an indicator of slower economic growth) took hold and ultimately resulted in the financial markets recording losses for the opening quarter of the year.

The German stock index (DAX) finished at 9,966 points, a drop of 7.2% compared to the end of the previous year, although significantly up on the low for the quarter (8,753 points).

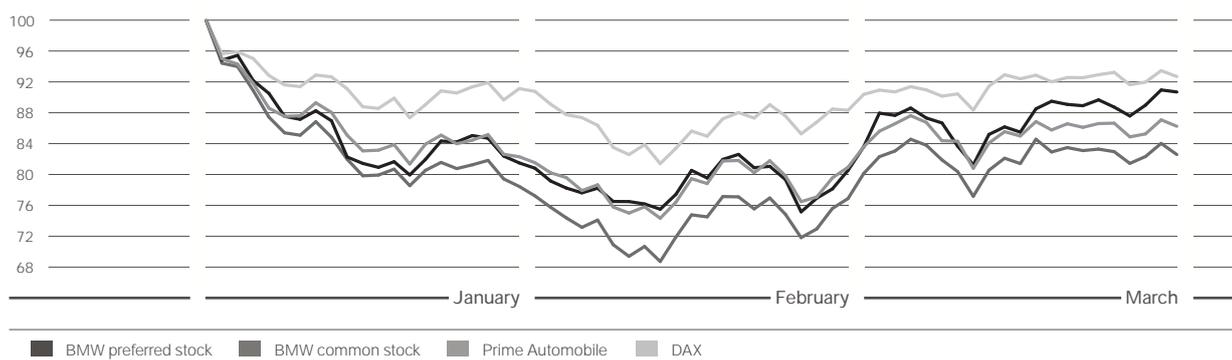
The Prime Automobile sector index was also subject to strong fluctuations during the period under report, initially falling by more than a quarter to 1,187 points (-25.6%), before finishing the three-month period at 1,377 points, 13.7% below its closing level on 30 December 2015. Concerns about the health of the global economy were therefore more pronounced for automobile stocks than for the DAX as a whole.

Similar to stocks of other automobile manufacturers, BMW stocks were unable to escape the generally overcast mood on stock markets. BMW common stock recorded its low of €67.18 in mid-February, then proceeded to recover well and finished the quarter at €80.70, 17.3% lower than at the end of 2015. BMW preferred stock also lost ground during the first quarter, closing the reporting period at €70.26 (2015: €77.41; -9.2%).

The US dollar lost in value against the euro, finishing the first quarter at US dollar 1.14 to the euro (2015: US dollar 1.09 to the euro; -4.6%).

Development of BMW stock compared to stock exchange indices

(Index: 30.12.2015 = 100)



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Income Statements for Group and Segments for the first quarter

in € million

	Note	Group	Automotive
		2016	2015
Revenues	5	20,853	18,814
Cost of sales	6	-16,373	-15,352
Gross profit		4,480	3,462
Selling and administrative expenses	7	-1,988	-1,651
Other operating income	8	213	181
Other operating expenses	8	-248	-229
Profit before financial result		2,457	1,763
Result from equity accounted investments	9	71	71
Interest and similar income	10	35	92
Interest and similar expenses	10	-118	-177
Other financial result	11	-77	-15
Financial result		-89	-29
Profit before tax		2,368	1,734
Income taxes	12	-727	-554
Net profit/loss		1,641	1,180
Attributable to minority interest		10	-1
Attributable to shareholders of BMW AG		1,631	1,081
Basic earnings per share of common stock in €	13	2.48	2.30
Basic earnings per share of preferred stock in €	13	2.48	2.30
Dilutive effects	13	-	-
Diluted earnings per share of common stock in €	13	2.48	2.30
Diluted earnings per share of preferred stock in €	13	2.48	2.30

Statement of Comprehensive Income for Group for the first quarter

in € million

	Note	2016	2015
Net profit		1,641	1,516
Remeasurement of the net liability for defined benefit pension plans		-1,053	-1,604
Deferred taxes		331	585
Items not expected to be reclassified to the income statement in the future		-722	-1,019
Available-for-sale securities		48	27
Financial instruments used for hedging purposes		2,165	4,637
Other comprehensive income from equity accounted investments		54	130
Deferred taxes		-753	-1,561
Currency translation foreign operations		-445	-1,347
Items expected to be reclassified to the income statement in the future		1,069	-1,832
Other comprehensive income for the period after tax	14	347	-2,851
Total comprehensive income		1,988	-1,335
Total comprehensive income attributable to minority interests		10	4
Total comprehensive income attributable to shareholders of BMW AG		1,978	-1,339

Motorcycles		Financial Services		Other Entities		Eliminations		
2016	2015	2016	2015	2016	2015	2016	2015	
582	567	6,032	6,058	1	2	4,576	4,603	Revenues
427	403	5,158	5,251	-	-	4,564	4,601	Cost of sales
<u>155</u>	<u>164</u>	<u>874</u>	<u>807</u>	<u>1</u>	<u>2</u>	<u>-12</u>	<u>-2</u>	Gross profit
55	49	283	247	5	4	6	6	Selling and administrative expenses
-	-	5	3	43	57	16	3	Other operating income
6	-	5	8	28	15	20	16	Other operating expenses
<u>94</u>	<u>115</u>	<u>591</u>	<u>555</u>	<u>11</u>	<u>40</u>	<u>-2</u>	<u>17</u>	Profit before financial result
-	-	-	-	-	-	-	-	Result from equity accounted investments
-	-	1	2	301	289	359	340	Interest and similar income
-	-1	-1	-1	273	288	333	308	Interest and similar expenses
-	-	21	3	41	64	-	-	Other financial result
-	-1	-21	4	-13	-63	-26	-32	Financial result
<u>94</u>	<u>114</u>	<u>570</u>	<u>559</u>	<u>-2</u>	<u>-23</u>	<u>-28</u>	<u>-15</u>	Profit before tax
30	37	154	175	1	6	10	4	Income taxes
<u>64</u>	<u>77</u>	<u>416</u>	<u>384</u>	<u>-1</u>	<u>-17</u>	<u>-18</u>	<u>-11</u>	Net profit/loss
-	-	11	5	-	-	-	-	Attributable to minority interest
<u>64</u>	<u>77</u>	<u>405</u>	<u>379</u>	<u>-1</u>	<u>-17</u>	<u>-18</u>	<u>-11</u>	Attributable to shareholders of BMW AG
								Basic earnings per share of common stock in €
								Basic earnings per share of preferred stock in €
								Dilutive effects
								Diluted earnings per share of common stock in €
								Diluted earnings per share of preferred stock in €

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		Note	Group	Automotive
in € million			31.12.2015	31.12.2015
			31.3.2016	31.3.2016
Assets				
Intangible assets	15	7,313	7,372	6,846
Property, plant and equipment	16	17,161	17,759	16,830
Leased products	17	34,329	34,965	-
Investments accounted for using the equity method	18	2,343	2,233	2,343
Other investments	18	309	428	5,077
Receivables from sales financing	19	41,972	41,865	-
Financial assets	20	3,130	2,208	1,314
Deferred tax	21	2,004	1,945	3,760
Other assets	22	1,389	1,568	3,329
Non-current assets		109,950	110,343	39,499
Inventories	23	13,145	11,071	12,690
Trade receivables		2,977	2,751	2,615
Receivables from sales financing	19	27,322	28,178	-
Financial assets	20	6,568	6,635	4,535
Current tax	21	2,621	2,381	1,465
Other assets	22	4,594	4,693	21,057
Cash and cash equivalents		6,155	6,122	4,631
Current assets		63,382	61,831	46,993
Total assets		173,332	172,174	86,492

Equity and liabilities

		Note	Group	Automotive
in € million			31.12.2015	31.12.2015
			31.3.2016	31.3.2016
Subscribed capital	24	657	657	-
Capital reserves	24	2,027	2,027	-
Revenue reserves	24	41,936	41,027	-
Accumulated other equity	24	-112	-1,181	-
Equity attributable to shareholders of BMW AG	24	44,508	42,530	
Minority interest	24	240	234	-
Equity		44,748	42,764	35,429
Pension provisions		3,863	3,000	2,764
Other provisions	25	4,529	4,621	4,065
Deferred tax	26	2,730	2,116	918
Financial liabilities	27	49,068	49,523	1,856
Other liabilities	28	4,502	4,559	5,531
Non-current provisions and liabilities		64,692	63,819	15,134
Other provisions	25	5,076	5,009	4,471
Current tax	26	1,335	1,441	650
Financial liabilities	27	40,148	42,160	2,220
Trade payables		8,316	7,773	7,353
Other liabilities	28	9,017	9,208	21,235
Current provisions and liabilities		63,892	65,591	35,929
Total equity and liabilities		173,332	172,174	86,492

								Assets	
Motorcycles		Financial Services		Other Entities		Eliminations			
31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015		
47	48	419	424	1	1	-	-	Intangible assets	
302	313	29	30	-	-	-	-	Property, plant and equipment	
-	-	40,406	41,148	-	-	-6,077	-6,183	Leased products	
-	-	-	-	-	-	-	-	Investments accounted for using the equity method	
-	-	2	2	5,966	5,966	-10,736	-10,687	Other investments	
-	-	41,972	41,865	-	-	-	-	Receivables from sales financing	
-	-	209	236	2,046	1,985	-439	-599	Financial assets	
-	-	262	222	183	205	-2,201	-2,596	Deferred tax	
23	25	2,402	2,469	22,575	22,268	-26,940	-27,129	Other assets	
372	386	85,701	86,396	30,771	30,425	-46,393	-47,194	Non-current assets	
449	453	6	7	-	-	-	-	Inventories	
201	139	159	158	2	1	-	-	Trade receivables	
-	-	27,322	28,178	-	-	-	-	Receivables from sales financing	
-	-	1,420	1,354	1,091	1,121	-478	-699	Financial assets	
-	-	59	37	1,097	1,104	-	-	Current tax	
-	-	4,656	4,540	44,489	45,379	-65,608	-65,133	Other assets	
-	-	1,381	1,359	143	811	-	-	Cash and cash equivalents	
650	592	35,003	35,633	46,822	48,416	-66,086	-65,832	Current assets	
1,022	978	120,704	122,029	77,593	78,841	-112,479	-113,026	Total assets	

								Equity and liabilities	
Motorcycles		Financial Services		Other Entities		Eliminations			
31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015		
-	-	10,079	9,948	15,054	15,225	-15,814	-15,869	Subscribed capital	
-	-	-	-	-	-	-	-	Capital reserves	
-	-	-	-	-	-	-	-	Revenue reserves	
-	-	-	-	-	-	-	-	Accumulated other equity	
								Equity attributable to shareholders of BMW AG	
-	-	-	-	-	-	-	-	Minority interest	
-	-	10,079	9,948	15,054	15,225	-15,814	-15,869	Equity	
45	45	65	55	989	1,130	-	-	Pension provisions	
136	136	298	313	30	31	-	-	Other provisions	
-	-	5,898	6,158	26	28	-4,112	-4,499	Deferred tax	
-	-	15,716	16,030	31,935	31,471	-439	-599	Financial liabilities	
419	401	23,943	23,613	493	835	-25,884	-25,835	Other liabilities	
600	582	45,920	46,169	33,473	33,495	-30,435	-30,933	Non-current provisions and liabilities	
72	85	527	518	6	8	-	-	Other provisions	
-	-	284	223	401	408	-	-	Current tax	
-	-	22,485	23,038	15,921	16,610	-478	-699	Financial liabilities	
292	263	645	630	26	24	-	-	Trade payables	
58	48	40,764	41,503	12,712	13,071	-65,752	-65,525	Other liabilities	
422	396	64,705	65,912	29,066	30,121	-66,230	-66,224	Current provisions and liabilities	
1,022	978	120,704	122,029	77,593	78,841	-112,479	-113,026	Total equity and liabilities	

INTERIM GROUP FINANCIAL STATEMENT

Condensed Cash Flow Statements for Group and Segments for the period from 1 January to 31 March 2016

	Group		
in € million	2016	2015	
2 BMW GROUP IN FIGURES			
4 INTERIM GROUP MANAGEMENT REPORT			
4 Report on Economic Position	Net profit	1,641	1,516
16 Events after the End of the Reporting Period	Depreciation and amortisation of tangible, intangible and investment assets	1,256	1,106
17 Report on Outlook, Risks and Opportunities	Change in provisions	-123	-12
21 BMW Stock and Capital Markets	Change in leased products and receivables from sales financing	-1,029	-930
	Change in deferred taxes	358	186
	Changes in working capital	-1,903	-1,055
	Other	-286	178
22 INTERIM GROUP FINANCIAL STATEMENTS	Cash inflow/outflow from operating activities	-86	989
22 Income Statements for Group and Segments	Investment in intangible assets and property, plant and equipment	-698	-794
22 Statement of Comprehensive Income for Group	Net investment in marketable securities and term deposits	236	-994
24 Balance Sheets for Group and Segments	Other	-13	76
26 Cash Flow Statements for Group and Segments	Cash inflow/outflow from investing activities	-449	-1,712
28 Group Statement of Changes in Equity	Cash inflow/outflow from financing activities	578	-931
30 Notes to the Group Financial Statements	Effect of exchange rate on cash and cash equivalents	-52	180
	Effect of changes in composition of Group on cash and cash equivalents	42	-
	Change in cash and cash equivalents	33	-1,474
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Automotive		Financial Services		
2016	2015	2016	2015	
1,180	1,083	416	384	Net profit
1,231	1,083	7	8	Depreciation and amortisation of tangible, intangible and investment assets
-4	144	92	-17	Change in provisions
-	3	-996	-930	Change in leased products and receivables from sales financing
263	267	-9	-12	Change in deferred taxes
-1,885	-914	10	-49	Changes in working capital
434	164	-1,135	-790	Other
1,219	1,830	-1,615	-1,382	Cash inflow/outflow from operating activities
-692	-785	-1	-1	Investment in intangible assets and property, plant and equipment
314	-927	9	10	Net investment in marketable securities and term deposits
5	15	-	-	Other
-373	-1,697	8	9	Cash inflow/outflow from investing activities
-179	-1,232	1,639	992	Cash inflow/outflow from financing activities
-18	81	-22	-11	Effect of exchange rate on cash and cash equivalents
30	-	12	-	Effect of changes in composition of Group on cash and cash equivalents
679	-1,018	22	-392	Change in cash and cash equivalents
3,952	5,752	1,359	1,783	Cash and cash equivalents as at 1 January
4,631	4,734	1,381	1,391	Cash and cash equivalents as at 31 March

INTERIM GROUP FINANCIAL STATEMENT

Group Statement of Changes in Equity to 31 March 2016

	in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
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22 Income Statements for Group and Segments					
22 Statement of Comprehensive Income for Group					
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	in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2015		24 –	656	2,005	35,621
Net profit			-	-	-1,512
Other comprehensive income for the period after tax			-	-	-1,019
Comprehensive income 31 March 2015			-	-	493
Other changes			-	-	-
31 March 2015		24 –	656	2,005	36,114
	in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2016		24 –	657	2,027	41,027
Net profit			-	-	-1,631
Other comprehensive income for the period after tax			-	-	-722
Comprehensive income 31 March 2016			-	-	909
Other changes			-	-	-
31 March 2016		24 –	657	2,027	41,936

Accumulated other equity			Equity attributable to shareholders of BMW AG	Minority interest	Total	
Translation differences	Securities	Derivative financial instruments				
<u>-723</u>	<u>141</u>	<u>-480</u>	<u>37,220</u>	<u>217</u>	<u>37,437</u>	1 January 2015
-	-	-	1,512	4	1,516	Net profit
-1,545	-26	-3,403	-2,851	-	-2,851	Other comprehensive income for the period after tax
<u>1,545</u>	<u>26</u>	<u>-3,403</u>	<u>-1,339</u>	<u>4</u>	<u>-1,335</u>	Comprehensive income 31 March 2015
-	-	-	-	25	25	Other changes
<u>822</u>	<u>167</u>	<u>-3,883</u>	<u>35,881</u>	<u>246</u>	<u>36,127</u>	31 March 2015

Accumulated other equity			Equity attributable to shareholders of BMW AG	Minority interest	Total	
Translation differences	Securities	Derivative financial instruments				
<u>132</u>	<u>24</u>	<u>-1,337</u>	<u>42,530</u>	<u>234</u>	<u>42,764</u>	1 January 2016
-	-	-	1,631	10	1,641	Net profit
-520	-34	-1,555	-347	-	-347	Other comprehensive income for the period after tax
<u>-520</u>	<u>34</u>	<u>1,555</u>	<u>1,978</u>	<u>10</u>	<u>1,988</u>	Comprehensive income 31 March 2016
-	-	-	-	-4	-4	Other changes
<u>-388</u>	<u>58</u>	<u>218</u>	<u>44,508</u>	<u>240</u>	<u>44,748</u>	31 March 2016

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Condensed Notes to the Group Financial Statement to 31 March 2016
Accounting Principles and Policies

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1 – Basis of preparation

The Group Financial Statements of BMW AG at 31 December 2015 were drawn up in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) at that date. The Interim Group Financial Statements (Interim Report) at 31 March 2016, 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 2015 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 31 March 2016 have been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the German Accounting Standards Committee e. V. (GASC).

Further information regarding the Group's accounting principles and policies is contained in the Group Financial Statements of BMW AG at 31 December 2015.

In order to improve clarity, various items are aggregated in the income statements and balance sheets presented. These items are disclosed and analysed separately in the notes.

A Statement of Comprehensive Income is presented at Group level, reconciling the net profit to comprehensive income for the periods under report.

In order to provide a better insight into the earnings performance, financial position and net assets 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.

In order to facilitate the sale of its products, the BMW Group provides various financial services – mainly loan and lease financing – to both retail customers and dealers. The inclusion of the financial services activities of the Group therefore has an impact on the Interim Group Financial Statements.

Inter-segment transactions – relating primarily to internal sales of products, the provision of funds and the related interest – are eliminated in the “Eliminations”

column. 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 2015.

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well-established instrument used by industrial companies. These transactions usually take the form of asset-backed financing transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to “service” the receivables and receives an appropriate fee for these services. Such assets remain in the Group Financial Statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet. Special purpose trusts/entities are included as consolidated companies in accordance with IFRS 10 (Consolidated Financial Statements).

In addition to credit financing and leasing contracts, the Financial Services segment also brokers insurance business via cooperation arrangements entered into with local insurance companies. These activities are not material to the BMW Group as a whole.

The Interim Group Financial Statements at 31 March 2016 have neither been audited nor reviewed by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

The Group currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise.

The preparation of the Interim Group Financial Statements requires management to make certain assumptions and judgements and to use estimations that can affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. All assumptions and estimates are based on factors known at the end of the reporting period. They are determined on the basis of the most likely outcome of future business developments. Actual amounts could differ from those assumptions and estimates if business conditions develop differently to the Group's expectations at the end of the reporting period. Estimates and underlying assumptions are checked regularly.

2 – Consolidated companies

The Group Financial Statements for the first quarter 2016 include, besides BMW AG, 21 German and 159 foreign subsidiaries. This includes one special purpose securities fund and 21 special purpose trusts, almost all of which are used for asset backed financing. In addition, three joint operations are consolidated proportionately.

BMW SLP S.A. de C.V., San Luis Potosí, and BMW Financial Services Polska Sp. z o.o., Warsaw, were consolidated for the first time in the first quarter 2016.

Compared to the corresponding three-month period last year, two subsidiaries and seven special purpose trusts have been consolidated for the first time. One subsidiary and 16 special purpose trusts ceased to be consolidated companies compared to the same period last year.

The changes to the composition of the Group do not have a material impact on the results of operations, financial position or net assets of the Group. Moreover, there were no acquisitions during first quarter 2016 which were material for the BMW Group as a whole.

3 – Foreign currency translation

The exchange rates applied for currency translation purposes in accordance with the modified closing rate

method, and which have a material impact on the Group Financial Statements, were as follows:

	Closing rate	Average rate		
	31.3.2016	31.12.2015	1st quarter 2016	1st quarter 2015
US Dollar	1.14	1.09	1.10	1.13
British Pound	0.79	0.74	0.77	0.74
Chinese Renminbi	7.35	7.07	7.21	7.02
Japanese Yen	128.20	130.74	126.98	134.10
Russian Rouble	76.39	79.91	82.33	70.88
Korean Won	1,303.82	1,278.92	1,325.04	1,238.41
South African Rand	16.79	16.86	17.46	13.22

For further information regarding foreign currency translation, reference is made to note 5 of the Group

Financial Statements of BMW AG for the year ended 31 December 2015.

4 – Financial reporting rules

(a) Financial reporting rules applied for the first time in the first quarter 2016

The following Standards, Revised Standards, Amendments and Interpretations were applied for the first time in the first quarter 2016:

Standard/Interpretation	Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Impact on BMW Group
IFRS 11 – Acquisition of an Interest in a Joint Operation – (Amendments to IFRS 11)	6.5.2014	1.1.2016	1.1.2016	Insignificant
IAS 1 – Presentation of Financial Statements (Initiative to Improve Disclosure Requirements – Amendments to IAS 1)	18.12.2014	1.1.2016	1.1.2016	Significant in principle
IAS 16/IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	12.5.2014	1.1.2016	1.1.2016	Insignificant
IAS 16/IAS 41 – Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	30.6.2014	1.1.2016	1.1.2016	None
IAS 27 – Equity Method in Separate Financial Statements (Amendments to IAS 27)	12.8.2014	1.1.2016	1.1.2016	None
Annual Improvements to IFRS 2012–2014	25.9.2014	1.1.2016	1.1.2016	Insignificant

Application of these new rules does not have a material impact on the Group Financial Statements.

(b) Financial reporting pronouncements issued by the IASB, but not yet applied

During the first quarter, there have been no significant changes in the assessments of the impact of financial reporting rules that have not yet been applied. For further

details, please see the comments in the Group Financial Statements of BMW AG for the year ended 31 December 2015.

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5 – Revenues

Revenues by activity comprise the following:

in € million	1st quarter 2016	1st quarter 2015
Sales of products and related goods	14,871	14,980
Income from lease instalments	2,335	2,181
Sales of products previously leased to customers	2,041	2,276
Interest income on loan financing	835	791
Other income	771	689
Revenues	20,853	20,917

An analysis of revenues by segment is shown in the segment information in note 31.

6 – Cost of sales

Cost of sales includes €8,778 million (2015: €9,267 million) in the first quarter relating to manufacturing costs.

Cost of sales includes €4,912 million (2015: €4,964 million) relating to financial services business.

First-quarter cost of sales includes research and development expenses of €985 million (2015: €937 million), comprising all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to €304 million (2015: €257 million).

7 – Selling and administrative expenses

Selling expenses amounted to €1,327 million for the three-month period (2015: €1,254 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative expenses, comprising expenses for administration not attributable to development, production or sales functions, amounted to €661 million in the first quarter (2015: €630 million).

8 – Other operating income and expenses

Other operating income in the first quarter totalled €213 million (2015: €295 million), while other operating expenses amounted to €248 million (2015: €246 million). These items principally include exchange gains and

losses, gains and losses on the disposal of assets, write-downs and income/expense from the reversal of, and allocation to, provisions. Income from the reversal of provisions includes amounts arising on the termination of legal disputes.

9 – Result from equity accounted investments

The result from equity accounted investments in the first quarter was a positive amount of €71 million (2015: €128 million). These figures include the 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.

10 – Net interest result

in € million	1st quarter 2016	1st quarter 2015
Interest and similar income	35	42
Interest and similar expenses	-118	-122
Net interest result	-83	-80

11 – Other financial result

in € million	1st quarter 2016	1st quarter 2015
Result on investments	- 66	-
Sundry other financial result	- 11	- 300
Other financial result	-77	-300

The result on investments comprises an impairment loss on the investment in SGL Carbon SE, Wiesbaden.

12 – Income taxes

Taxes on income comprise the following:

in € million	1st quarter 2016	1st quarter 2015
Current tax expense	369	567
Deferred tax expense	358	186
Income taxes	727	753

The effective tax rate for the three-month period was 30.7 % (2015: 33.2%) 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

The computation of earnings per share is based on the following figures:

	1st quarter 2016	1st quarter 2015
Profit attributable to shareholders of BMW AG — € million	1,631.3	1,511.7
Profit attributable to common stock — € million	1,495.2	1,386.2
Profit attributable to preferred stock — € million	136.1	125.5
Average number of common stock shares in circulation — number	601,995,196	601,995,196
Average number of preferred stock shares in circulation — number	54,809,404	54,499,544
Basic earnings per share of common stock — €	2.48	2.30
Basic earnings per share of preferred stock — €	2.48	2.30

Basic earnings per share are calculated for common and preferred stock by dividing the net profit after minority interests, as attributable to each category of stock, by the average number of shares in circulation.

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 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.

INTERIM GROUP FINANCIAL STATEMENT

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Notes to the Statement of Comprehensive Income

2 BMW GROUP IN FIGURES	14 Disclosures relating to the statement of total comprehensive income	Other comprehensive income for the period after tax comprises the following:	
4 INTERIM GROUP MANAGEMENT REPORT	in € million	1st quarter 2016	1st quarter 2015
4 Report on Economic Position			
16 Events after the End of the Reporting Period			
17 Report on Outlook, Risks and Opportunities	Remeasurement of the net liability for defined benefit pension plans	-1,053	-1,604
21 BMW Stock and Capital Markets	Deferred taxes	331	585
	Other comprehensive income from equity accounted investments	-	-
22 INTERIM GROUP FINANCIAL STATEMENTS	Items not expected to be reclassified to the income statement in the future	-722	-1,019
22 Income Statements for Group and Segments	Available-for-sale securities	48	27
22 Statement of Comprehensive Income for Group	— thereof gains/losses arising in the period under report	55	90
24 Balance Sheets for Group and Segments	— thereof reclassifications to the income statement	-7	-63
26 Cash Flow Statements for Group and Segments	Financial instruments used for hedging purposes	2,165	-4,637
28 Group Statement of Changes in Equity	— thereof gains/losses arising in the period under report	1,959	-4,878
30 Notes to the Group Financial Statements	— thereof reclassifications to the income statement	206	241
	Other comprehensive income from equity accounted investments	54	-130
44 OTHER INFORMATION	Deferred taxes	-753	-1,561
44 Financial Calendar	Currency translation foreign operations	-445	-1,347
45 Contacts	Items expected to be reclassified to the income statement in the future	1,069	-1,832
	Other comprehensive income for the period after tax	347	-2,851

Deferred taxes for the three-month period related to following items:

in € million	1st quarter 2016			1st quarter 2015		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net liability for defined benefit pension plans	-1,053	331	-722	-1,604	585	-1,019
Available-for-sale securities	48	-14	34	27	-1	26
Financial instruments used for hedging purposes	2,165	-707	1,458	-4,637	1,480	-3,157
Other comprehensive income from equity accounted investments	54	-32	22	-130	82	-48
Currency translation foreign operations	-445	-	-445	-1,347	-	-1,347
Other comprehensive income	769	-422	347	-4,997	2,146	-2,851

INTERIM GROUP FINANCIAL STATEMENT

Condensed Notes to the Group Financial Statement to 31 March 2016
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 acquired customer lists. Capitalised development costs amounted to €6,340 million at the end of the reporting period (31 December 2015: €6,351 million). Additions to development costs in the first quarter 2016 totalled €293 million (2015: €246 million). The amortisation expense for the period was €304 million (2015: €257 million).

At 31 March 2016 other intangible assets amounted to €609 million (31 December 2015: €657 million). This includes a brand-name right with a carrying amount of €45 million (31 December 2015: €48 million), which is allocated to the Automotive segment and is not subject to scheduled depreciation since its useful life is deemed

to be indefinite. The change compared to 31 December 2015 is due entirely to currency factors. Other intangible assets also include concessions, protected rights and licenses amounting to €362 million (31 December 2015: €394 million). During the first three months of 2016, €5 million (2015: €3 million) was invested in other intangible assets. Amortisation on other intangible assets in the first quarter totalled €44 million (2015: €43 million).

In addition, intangible assets include goodwill of €33 million (31 December 2015: €33 million) allocated to the Automotive cash-generating unit and goodwill of €331 million (31 December 2015: €331 million) allocated to the Financial Services cash-generating unit.

Intangible assets amounting to €45 million (31 December 2015: €48 million) are subject to restrictions on title.

16 – Property, plant and equipment

Capital expenditure for property, plant and equipment in the first three months of 2016 totalled €400 million (2015: €545 million). The depreciation expense for the period amounted to €839 million (2015: €806 million), while disposals amounted to €5 million (2015: €10 mil-

lion). No impairment losses were recognised during the first quarter 2016.

Purchase commitments for property, plant and equipment totalled €2,837 million at the end of the reporting period (31 December 2015: €2,217 million).

17 – Leased products

Additions to leased products and depreciation thereon amounted to €3,540 million (2015: €3,936 million) and

€1,075 million (2015: €899 million) respectively, while disposals totalled €2,311 million (2015: €2,629 million).

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, and DriveNow Verwaltungs GmbH, Munich and the associated company THERE Holding B.V., Amsterdam.

Other investments relate to investments in non-consolidated subsidiaries, joint ventures, joint operations and associated companies, participations and non-current marketable securities. An impairment loss of €66 million (2015: €- million) was recognised on the investment in SGL Carbon SE, Wiesbaden, during the period under report.

19 – Receivables from sales financing

Receivables from sales financing totalling €69,294 million (31 December 2015: €70,043 million) relate to credit financing for retail customers and dealerships and to finance leases.

Receivables from sales financing include €41,972 million (31 December 2015: €41,865 million) with a remaining term of more than one year.

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20 – Financial assets

Financial assets comprise:

in € million	31.3.2016	31.12.2015
Derivative instruments	4,084	3,030
Marketable securities and investment funds	5,077	5,261
Loans to third parties	131	133
Credit card receivables	252	272
Other	154	147
Financial assets	9,698	8,843
thereof non-current	3,130	2,208
thereof current	6,568	6,635

A description of the measurement of derivatives is provided in note 29.

21 – Income tax assets

Income tax assets totalling €2,621 million (31 December 2015: €2,381 million) include claims amounting to €513 million (31 December 2015: €519 million) which

are expected to be settled after more than twelve months. Some of the claims may be settled earlier than this depending on the timing of proceedings.

22 – Other assets

Other assets comprise the following items:

in € million	31.3.2016	31.12.2015
Prepayments	1,699	1,527
Receivables from subsidiaries	374	716
Receivables from other companies in which an investment is held	912	893
Other taxes	940	1,036
Collateral receivables	322	412
Expected reimbursement claims	719	711
Sundry other assets	1,017	966
Other assets	5,983	6,261
thereof non-current	1,389	1,568
thereof current	4,594	4,693

23 – Inventories

Inventories comprise the following:

in € million	31.3.2016	31.12.2015
Raw materials and supplies	1,175	1,004
Work in progress, unbilled contracts	1,171	1,098
Finished goods and goods for resale	10,799	8,969
Inventories	13,145	11,071

24 – Equity

The Group Statement of Changes in Equity is shown on pages 28 and 29.

Number of shares issued

At 31 March 2016 common stock issued by BMW AG was divided, as at the end of the previous year, into 601,995,196 shares of common stock with a par-value of €1. Preferred stock issued by BMW AG was divided at the end of the reporting period – also unchanged from 31 December 2015 – into 54,809,404 shares 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.

The shareholders passed a resolution at the 2014 Annual General Meeting authorising the Board of Management, with the approval of the Supervisory Board, to increase the Company's share capital by up to €5 million prior to 14 May 2019 by the issuance of new shares of non-voting preferred stock, carrying the same rights as existing non-voting preferred stock, in return for cash contributions. So far, 549,617 shares of preferred stock have been issued on the basis of this authorisation. Authorised Capital therefore stands at €4.5 million at the end of the reporting period. The BMW Group did not hold any treasury shares at 31 March 2016.

Capital reserves

Capital reserves include premiums arising from the issue of shares and were unchanged from 31 December 2015 at €2,027 million.

25 – Other provisions

Other provisions, at €9,605 million (31 December 2015: €9,630 million) primarily include employee and social-related obligations as well as obligations for ongoing operational expenses.

Current other provisions amounted to €5,076 million at the end of the reporting period (31 December 2015: €5,009 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.

Revenue reserves increased during the three-month period to stand at €41,936 million at the end of the reporting period (31 December 2015: €41,027 million). Revenue reserves increased during the first quarter 2016 by the net profit attributable to the shareholders of BMW AG amounting to €1,631 million (2015: €1,512 million) and decreased by €722 million (2015: €1,019 million) for remeasurements of net defined benefit liability for pension plans, net of related deferred tax recognised directly in equity.

Accumulated other equity

Accumulated other equity comprises all amounts recognised directly in equity resulting from the translation of the financial statements of foreign subsidiaries, the effects of recognising changes in the fair value of derivative financial instruments and marketable securities directly in equity and the related deferred taxes recognised directly in equity.

Minority interests

Equity attributable to minority interests amounted to €240 million (31 December 2015: €234 million). This includes a minority interest of €10 million in the results for the period (31 December 2015: €27 million).

For disclosures relating to contingent liabilities, please see note 41 to the Group Financial Statements of BMW AG for the year ended 31 December 2015, since there have been no significant changes during the first three months of 2016.

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26 – Income tax liabilities

Income tax liabilities totalling €1,335 million (31 December 2015: €1,441 million) include obligations amounting to €334 million (31 December 2015: €485 million) which are expected to be settled after more than twelve months. Some of the liabilities may

be settled earlier than this depending on the timing of proceedings.

Current tax liabilities comprise €276 million (31 December 2015: €288 million) for taxes payable and €1,059 million (31 December 2015: €1,153 million) for tax provisions.

27 – Financial liabilities

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

in € million	31.3.2016	31.12.2015
Bonds	41,047	40,319
Liabilities to banks	12,160	12,720
Liabilities from customer deposits (banking)	13,319	13,509
Commercial paper	5,392	5,415
Asset backed financing transactions	13,253	13,631
Derivative instruments	2,704	4,550
Other	1,341	1,539
Financial liabilities	89,216	91,683
thereof non-current	49,068	49,523
thereof current	40,148	42,160

During the first quarter 2016, a number of bonds were issued in various currencies with a total volume of €3,433 million (2015: €2,884 million). Repayments during the three-month period amounted to €2,536 million (2015: €1,801 million). Currency translation differences accounted for most of the remainder of the change in bonds.

Further information relating to the change in other items within financial liabilities is provided in the Interim Group Management Report. A description of the measurement of derivatives is provided in note 29.

28 – Other liabilities

Other liabilities comprise the following items:

in € million	31.3.2016	31.12.2015
Other taxes	1,145	1,080
Social security	83	89
Advance payments from customers	740	802
Deposits received	823	871
Payables to subsidiaries	94	86
Payables to other companies in which an investment is held	103	107
Deferred income	6,316	6,254
Other	4,215	4,478
Other liabilities	13,519	13,767
thereof non-current	4,502	4,559
thereof current	9,017	9,208

29 – Financial instruments

The fair values shown are computed using market information available at the balance sheet date, on the basis of prices quoted by the contract partners or using

appropriate measurement methods e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 March 2016 on the basis of the following interest rates:

ISO Code in %	EUR	USD	GBP	JPY	CNY
Interest rate for six months	-0.13	-0.67	0.84	-0.21	2.83
Interest rate for one year	-0.15	-0.74	0.75	-0.05	2.82
Interest rate for five years	0.05	-1.21	-1.01	-0.07	3.04
Interest rate for ten years	0.58	-1.69	-1.45	-0.15	3.25

The interest rates derived from interest-rate structures are adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument.

Derivative financial instruments are measured at their fair value. The fair values of derivative financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market price spreads are taken into account in the measurement of derivative financial instruments. The supply of data to the model used to calculate fair values also takes account of tenor and currency basis spreads, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on their disposal. In addition, the Group's own default risk and that of counterparties is taken into account in the form of credit default swap

contracts which have matching terms and which can be observed on the market.

Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 13 (Fair Value Measurement). This includes financial instruments that are

1. measured at their fair values in an active market for identical financial instruments (Level 1),
2. measured at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (Level 2), or
3. using input factors not based on observable market data (Level 3).

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

31 March 2016 in € million	Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Marketable securities, investment fund shares and collateral assets – available-for-sale	5,077	-	-
Other investments – available-for-sale/fair value option	174	-	-
Derivative instruments (assets)			
— Interest rate risks	-	2,268	-
— Currency risks	-	1,806	-
— Raw materials price risks	-	10	-
Derivative instruments (liabilities)			
— Interest rate risks	-	952	-
— Currency risks	-	881	-
— Raw materials price risks	-	871	-

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Other disclosures

2	BMW GROUP IN FIGURES	31 December 2015			Level hierarchy in accordance with IFRS 13		
		in € million			Level 1	Level 2	Level 3
4	INTERIM GROUP MANAGEMENT REPORT						
4	Report on Economic Position	Marketable securities, investment fund shares and collateral assets – available-for-sale	5,259	-	-	-	-
16	Events after the End of the Reporting Period	Other investments – available-for-sale/fair value option	244	-	-	-	-
17	Report on Outlook, Risks and Opportunities	Derivative instruments (assets)					
21	BMW Stock and Capital Markets	— Interest rate risks	-	1,939	-	-	-
		— Currency risks	-	1,086	-	-	-
		— Raw materials price risks	-	5	-	-	-
22	INTERIM GROUP FINANCIAL STATEMENTS	Derivative instruments (liabilities)					
22	Income Statements for Group and Segments	— Interest rate risks	-	1,352	-	-	-
22	Statement of Comprehensive Income for Group	— Currency risks	-	2,136	-	-	-
24	Balance Sheets for Group and Segments	— Raw materials price risks	-	1,062	-	-	-

As in the financial year 2015, there were no reclassifications within the level hierarchy during the first quarter of 2016.

In situations where a fair value was required to be measured for a financial instrument only for disclosure purposes, this was achieved using the discounted cash flow method and taking account of the BMW Group's own

default risk. For 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 to this general rule:

in € million	31.3.2016		31.12.2015	
	Fair value	Carrying amount	Fair value	Carrying amount
Loans and receivables – Receivables from sales financing	72,013	69,294	72,309	70,043
Other liabilities – Bonds	41,621	41,047	40,701	40,319

30 – Related party relationships

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities which have the ability to control the BMW Group or which are controlled by the BMW Group, must be disclosed unless such parties are already included in the Group Financial Statements of BMW AG as consolidated companies. Control is defined as ownership of more than one half of the voting power of BMW AG or the power to direct, by statute or agreement, the financial and operating policies of the management of the BMW Group.

In addition, the disclosure requirements of IAS 24 also cover transactions with associated companies, joint ventures and individuals that have the ability to exercise significant influence over the financial and operating policies of the BMW Group. This also includes close relatives and intermediary entities. Significant influence over the financial and operating policies of the BMW Group is presumed when a party holds 20% or more of the voting power of BMW AG. In addition, the requirements contained in IAS 24 relating to key management

personnel and close members of their families or intermediary entities are also applied. In the case of the BMW Group, this applies to members of the Board of Management and Supervisory Board.

For the first three months of 2016, the disclosure requirements contained in IAS 24 affect the BMW Group with regard to business relationships with affiliated, non-consolidated entities, joint ventures and associated companies as well as with members of the Board of Management and Supervisory Board of BMW AG.

The BMW Group maintains normal business relationships with **non-consolidated subsidiaries**. Transactions with these companies are small in scale, arise in the normal course of business and are conducted on the basis of arm's length principles.

Transactions of BMW Group companies with the **joint venture** BMW Brilliance Automotive Ltd., Shenyang, arise without exception in the normal course of business and are conducted on the basis of arm's length principles.

Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during the first quarter 2016 for an amount of €1,087 million (2015: €1,149 million). At 31 March 2016, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, totalled €910 million (31 December 2015: €892 million). Trade and financial payables of Group companies to BMW Brilliance Automotive Ltd., Shenyang, amounted to €103 million (31 December 2015: €107 million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, during the first three months of 2016 for an amount of €8 million (2015: €4 million).

All relationships of BMW Group entities with the **joint ventures** DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, are conducted on the basis of arm's length principles. Transactions with these entities arise in the normal course of business and are small in scale.

THERE Holding B.V., Amsterdam, was consolidated in the Group Financial Statements of BMW AG for the year ended 31 December 2015 for the first time as an **associated company** using the equity method. Transactions of BMW Group companies with THERE Holding B.V., Amsterdam, and that entity's subsidiaries (HERE Group), arise without exception in the normal course of business and are conducted on the basis of arm's length principles. The HERE Group's digital maps are fundamental for the next generation of mobility and location-based services, providing the basis for new assistance systems and, ultimately, fully automated driving. Using high-precision digital maps in combination with real-time vehicle data, it will be possible to increase road safety and facilitate the development of innovative new products and services. The BMW Group did not sell any goods or services to the HERE Group during the first quarter 2016. Group companies received goods and services from the HERE Group during the first three months of 2016 in the form of licenses amounting to €12 million. At 31 March 2016, payables of Group companies to the HERE Group totalled €7 million (31 December 2015: €3 million). Group companies had no receivables from the HERE Group at the end of the reporting period (31 December 2015: €– million).

Business transactions between BMW Group entities and other **associated companies** are small in scale, arise without exception in the normal course of business and are conducted on the basis of arm's length principles.

Stefan Quandt 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 logistic-related services for the BMW Group during the first three months of 2016. In addition, companies of the DELTON Group used vehicles provided by the BMW Group, mostly in the form of leasing contracts. Stefan Quandt 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 quarter 2016. The service, cooperation and lease contracts referred to above are not material for the BMW Group. They all arise in the normal course of business and are conducted without exception on the basis of arm's length principles.

Susanne Klatten is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairman of the Supervisory Board of Altana AG, Wesel. Altana AG, Wesel, acquired vehicles from the BMW Group during the first three months of 2016, mostly in the form of lease contracts. These contracts are not material for the BMW Group, arise in the course of ordinary activities and are made, without exception, on the basis of arm's length principles.

Apart from vehicle lease contracts concluded on an arm's length basis, 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, administers assets on a trustee basis to secure obligations relating to pensions and 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, which is a registered association (eingetragener Verein) under German law, does not have any assets of its own. It did not have any 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.

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31 Explanatory notes to segment information

For information on the basis used for identifying and assessing the performance of reportable segments along internal management lines, please see the Group Financial Statements of BMW AG for the year ended 31 December 2015. No changes have been made either in the

accounting policies applied or in the basis used for identifying reportable segments as compared to 31 December 2015.

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

Segment information by operating segment

	Automotive		Motorcycles	
in € million	2016	2015	2016	2015
External revenues	14,607	14,655	580	565
Inter-segment revenues	4,207	4,238	2	2
Total revenues	18,814	18,893	582	567
Segment result	1,763	1,794	94	115
Result from equity accounted investments	71	128	-	-
Capital expenditure on non-current assets	692	785	5	8
Depreciation and amortisation on non-current assets	1,162	1,083	18	16

	Automotive		Motorcycles	
in € million	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Investments accounted for using the equity method	2,343	2,233	-	-
Segment assets	10,378	10,024	577	557

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

in € million	1st quarter 2016	1st quarter 2015
Reconciliation of segment result		
— Total for reportable segments	2,425	2,445
— Financial result of Automotive segment and Motorcycles segment	-29	-161
— Elimination of inter-segment items	-28	-15
Group profit before tax	2,368	2,269
Reconciliation of capital expenditure on non-current assets		
— Total for reportable segments	5,456	5,909
— Elimination of inter-segment items	-1,218	-1,179
Total Group capital expenditure on non-current assets	4,238	4,730
Reconciliation of depreciation and amortisation on non-current assets		
— Total for reportable segments	3,529	3,207
— Elimination of inter-segment items	-1,267	-1,202
Total Group depreciation and amortisation on non-current assets	2,262	2,005

Financial Services		Other Entities		Reconciliation to Group figures		Group		
2016	2015	2016	2015	2016	2015	2016	2015	
5,666	5,696	-	-1	-	-	20,853	20,917	External revenues
366	362	-1	-1	-4,576	-4,603	-	-	Inter-segment revenues
6,032	6,058	1	2	-4,576	-4,603	20,853	20,917	Total revenues
570	559	-2	-23	-57	-176	2,368	2,269	Segment result
-	-	-	-	-	-	71	128	Result from equity accounted investments
4,759	5,116	-	-	-1,218	-1,179	4,238	4,730	Capital expenditure on non-current assets
2,349	2,108	-	-	-1,267	-1,202	2,262	2,005	Depreciation and amortisation on non-current assets

Financial Services		Other Entities		Reconciliation to Group figures		Group		
31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015	
-	-	-	-	-	-	2,343	2,233	Investments accounted for using the equity method
10,079	9,948	70,451	71,709	81,847	79,936	173,332	172,174	Segment assets

in € million		31.3.2016	31.12.2015
Reconciliation of segment assets			
Total for reportable segments		91,485	92,238
Non-operating assets – Other Entities segment		7,142	7,132
Total liabilities – Financial Services segment		110,625	112,081
Non-operating assets – Automotive and Motorcycles segments		43,310	41,932
Liabilities of Automotive and Motorcycles segments not subject to interest		33,249	31,817
Elimination of inter-segment items		-112,479	-113,026
Total Group assets		173,332	172,174

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4 INTERIM GROUP	Quarterly Report to 30 June 2016	2 August 2016
4 MANAGEMENT REPORT	Quarterly Report to 30 September 2016	4 November 2016
4 Report on Economic Position		
16 Events after the End of the Reporting Period	Annual Report 2016	21 March 2017
17 Report on Outlook, Risks and Opportunities	Annual Accounts Press Conference	21 March 2017
21 BMW Stock and Capital Markets	Analyst and Investor Conference	22 March 2017
22 INTERIM GROUP	Quarterly Report to 31 March 2017	4 May 2017
22 FINANCIAL STATEMENTS	Annual General Meeting	11 May 2017
22 Income Statements for Group and Segments	Quarterly Report to 30 June 2017	3 August 2017
22 Statement of Comprehensive Income for Group	Quarterly Report to 30 September 2017	7 November 2017
24 Balance Sheets for Group and Segments		
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Further information about the BMW Group is available online at www.bmwgroup.com. Investor Relations information is available directly at www.bmwgroup.com/ir. Information about the various BMW Group brands is available at www.bmw.com, www.mini.com and www.rolls-roycemotorcars.com.

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