Ladies and Gentlemen

Good morning from my side as well! The BMW Group’s successful business performance continued in the second quarter of the year. With more than 573,000 vehicles delivered to customers, it was the company’s strongest-ever second quarter.

This 7.5% increase in volumes confirms that the BMW Group has attractive models on the market.
It shows the strength of our premium brands and our product line-up.
It also affirms our strategy of globally balanced sales growth.

BMW Motorrad delivered more than 47,000 motorcycles from April to June – its highest-ever quarterly figures.

The market development seen in the first three months continued. We once again reported solid sales growth in the Americas and Europe.

Competition is increasing in the U.S.: The strong dollar is creating attractive market conditions. OEMs are allocating units from China and other emerging markets to benefit from the currency effect.

There have been increasing signs of more moderate growth in the Chinese auto market for several months now.
The market is normalising faster than originally forecast: The second quarter saw increased competition across the industry – while the volatility of the Chinese stock market has also weakened consumer confidence.

In recent years, our company has benefitted from China’s high double-digit growth rates. In 2014, sales were almost twenty times what they had been a decade ago, at 456,000 vehicles.

But, as we have stressed for some time now, that kind of dynamic double-digit growth cannot last forever.

As one of the leading suppliers in the premium segment, we remain confident about medium and long-term economic development in China. Steady economic growth will lead to increased demand for cars. China’s extensive infrastructure and low rate of car ownership, combined with the growth expectation of the premium and brand-conscious Chinese middle class, reinforces our view on the potential of this market.

China’s short-term development over the coming months is harder to predict. We are currently adjusting production to match the slower growth, and reducing retail inventory. With attractive models coming onto the market over the next few months, we expect new sales momentum. We are also implementing a range of measures across the Chinese sales organisation to strengthen our profitability and that of our dealers.

Worldwide sales of almost 1.10 million vehicles boosted Group revenues for the first six months to an all-time high of € 44.85 billion – up 17.6% from the same period of last year. Positive currency translation effects from depreciation of the euro against the other main currencies also contributed to this increase. Adjusted for these effects, revenues were 8.1% higher.
In the first half of 2015, the BMW Group generated an EBIT of € 5.05 billion − thus exceeding the 5 billion euro threshold for the first time in a six-month period. EBIT margin after six months was 11.3%.

BMW Group pre-tax earnings for the first half-year were on a par with last year at € 4.85 billion. Group pre-tax earnings for the second quarter totalled € 2.58 billion. This is slightly lower than the record high of last year’s extremely strong second quarter. At Group level, the EBT margin for both the second quarter and first six months stood at 10.8%.

The BMW Group remains focused on its strategic targets. We are investing in new products, as planned, and strengthening the company’s future success.

The BMW Group invested a total of almost € 2.21 billion in products and equipment in the first half-year. This is a decrease of 14.4% over the previous year. Investment focused on the new 7 Series, the recently-launched revised 3 Series, the 2 Series Gran Tourer, and the X1 and MINI Clubman for release in October.

With significantly higher revenues, the capex ratio for the first half-year stood at 4.9%. Due to the large number of projects, we expect investment for the full year 2015 to remain at the same high level as last year. A capex ratio of below 7% of revenue is our benchmark. This ensures our future competitiveness.

Research and development spending for the first half of 2015 totalled € 2.10 billion – an increase of 2.7% year-on-year. Research and development focused on alternative drive concepts and measures to reduce CO2 emissions. At the same time, we strengthened our digital services and connectivity activities. We also invested in vehicle architectures for small model series with front-wheel drive and larger rear-wheel-drive models.
Our R&D activities strengthen the company's competitive position. The R&D ratio (according to HGB – German Commercial Code) was only 4.7% in the first half-year and was also affected by currency translation effects on revenues. For the full year 2015, the company is aiming for a ratio within its target range of 5-5.5% of revenue. We expect capital expenditure and R&D spending to be higher in the second half of the year due to the new models.

BMW Group liquidity stood at € 11.30 billion at the end of June. This solid liquidity position enhances our financial flexibility.

Let's take a look at earnings performance in the individual segments. Positive sales development in the Automotive segment led to higher revenues of € 40.54 billion in the first half-year – an increase of 15.6% year-on-year.

Revenues rose faster than sales, due, in part, to currency translation effects. Adjusted for these effects, revenues for the first half-year increased by just 5.7%.

Automotive EBIT for the first half-year totalled € 3.61 billion. This represents a slight decrease of 3.4% over the previous year. EBIT for the three-month period stood at € 1.82 billion and was therefore 15.8% lower year-on-year. As already mentioned, the second quarter of 2014 is an exceptionally strong basis for comparison, due to a more favourable vehicle mix, improved pricing and lower personnel costs.

EBIT margin for the segment stood at 8.9% after six months and therefore within our target range of 8-10%. Higher revenues due to currency effects also impacted this ratio.

I would like to discuss the factors influencing the second quarter of 2015 in a little more detail.
The vehicle mix shifted towards small and compact vehicles in the second quarter. The BMW brand’s share of sales was two percentage points lower in the second quarter of 2015 than in the same quarter of 2014.

With more than 91,600 deliveries, the MINI brand reported its best-ever second-quarter sales. BMW also made the largest gains with its compact models, such as the 2 Series Active Tourer, the 4 Series and the new X4.

Pricing remained below expectations in the second quarter, with a corresponding impact on earnings.

In the Chinese market, premium car companies have repriced their models. Consumers increasingly expect incentives. As already mentioned, there is a growing trend towards incentives in the US market. Within Europe, sales growth mainly came from our compact models in southern and western European markets – in these regions the encouraging recovery trend continues.

The BMW Group is expanding its global production network and strengthening its core development competencies. The company is also enhancing its IT expertise, especially in future technologies, such as digital services. As a result, the workforce increased by 6.2% to 119,489 employees as of 30 June.

The BMW Group therefore reported higher personnel costs for the six-month period. In Germany, where just over 70% of staff are employed, a collective-bargaining agreement on pay increase of 3.4% took effect on 1 April 2015.

Exchange rate changes had a positive impact on earnings in the low three-digit million area in the second quarter. We expect this currency tailwind to continue throughout 2015. The company is hedged for the most part in the main currencies. We have also taken steps to hedge our currency exposure for subsequent years at attractive rates.
Sales and administrative costs were higher in the first half of 2015 than for the same period of last year. This was due to higher personnel costs as well as increased expenditure for IT projects and market-launch costs for the new models I mentioned before.

Our Chinese joint venture, BBA, made a smaller contribution to the Automotive segment’s financial result than last year.

In addition to market normalisation, ramp-up costs for new vehicles and capacity expansion dampened BBA’s earnings contribution. Our Chinese joint venture is currently preparing to launch new models and drive technologies and is investing in construction of a new engine plant.

The cut-off date valuation of financial derivatives also had a negative impact on the segment’s financial result.

I would now like to say a few words about the financial situation in the Automotive segment: Free cash flow increased substantially as we actively reduced inventories in the second quarter – reaching € 2.56 billion as per 30 June. We are maintaining our target of more than € 3 billion for the full year 2015.

At the end of the second quarter, net financial assets in Automotive segment totalled € 13.60 billion.

That brings me to the Financial Services segment. The business area continues on its successful course with the international expansion of its business: In the first half of the year, the segment concluded more than 801,000 new leasing and financing contracts with retail customers – 10.0% more than in the first half of last year. The volume of new business climbed 26.3% to € 24.63 billion as per
30 June 2015. Adjusted for currency translation effects, the volume of new business was up 15.3%.

Over the first six months, the total portfolio increased by 6.6% year-on-year to 4.15 million contracts – due, in particular, to growth in the Asia/Pacific region, where the total number of contracts climbed 19.2%. In the Americas and Europe/Africa/Middle East regions, Financial Services also reported solid growth in customer financing.

The segment penetration rate – the percentage of new vehicles financed or leased by Financial Services – stood at 45.1% for the first six months of the year. This increase of 4.2 percentage points over the previous year mainly stems from growth in its retail loan business.

Demand for financial services products – both leasing and financing – remains strong in all regions of the world. BMW Group Financial Services continues to strive for profitable growth, with a good balance between leasing and financing.

Dynamic growth in the first half-year boosted pre-tax earnings in the Financial Services segment by 16.6% to € 1.06 billion. Business profit is currently benefitting from attractive refinancing conditions and a healthy risk situation, as well as from currency translation effects on earnings outside of Europe.

The risk situation remains stable, with pricing on the international used-car markets and credit risks on a par with last year.

The credit loss ratio for the entire portfolio is low, at 0.34%, which is below last year’s figure. We are making appropriate risk provisions and taking a comprehensive, proactive approach to risk management. On its basis, we expect residual values and credit risks to remain stable throughout the second half of
the year. This should support continued positive business development in the Financial Services segment.

Let us finish with a look at the Motorcycles segment: BMW Motorrad is maintaining its successful course – with record sales, revenues and earnings. Realignment of the segment and targeted expansion of its line-up are yielding positive results.

In the first half of 2015, BMW Motorrad sales rose 10.5% to more than 78,000 motorcycles. The brand reported significant gains in its home region of Europe, which accounts for almost two thirds of deliveries.

In the Chinese market, BMW Motorrad has seen dynamic growth since its market entry last year.

Revenues for the first six months reached € 1.19 billion – a significant increase of 18.9% over the previous year, due in part to currency tailwinds. EBIT for the same period almost doubled to € 227 million.

This highly-seasonal business also benefitted from a positive model mix and currency effects, as well as higher sales volumes.

I would like to talk about our outlook for the second half of the year. We expect the BMW Group to continue its successful course with new all-time highs for sales, revenues and earnings – assuming that conditions remain mostly stable over the coming months.

In expectation of continued positive business development, we confirm our targets for 2015:

- a solid increase in Group earnings before tax;
a solid increase in sales, with significantly higher revenues in the Automotive segment and an EBIT margin between 8 and 10%;
- a solid increase in sales at BMW Motorrad;
- in Financial Services, return on equity on a par with last year – and therefore above our target of at least 18%.

Depending on how political and economic conditions develop, actual business performance may deviate from our current forecast.

Capital expenditure, development and personnel costs will have a greater impact in the second half of the year. Also, we cannot rule out the possibility of increased challenges in the Chinese market impacting our outlook.

The BMW Group has set itself the target of sustainable growth and strong profitability – and is constantly enhancing its competitiveness to achieve this. We are using our financial strength to make targeted investments – to adjust our business to changing regulatory conditions and to develop new business areas.

The company remains flexible in the face of economic volatility and long-term changes in our environment. With our clear strategic alignment, we will remain on track for success in the future.

Thank you.