

QUARTERLY REPORT

30 September 2018



**BMW
GROUP**

THE NEXT
100 YEARS 



Rolls-Royce
Motor Cars Limited

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1

BMW GROUP IN FIGURES

Key performance indicators reported during the year

→ 01

| | | 3rd quarter 2018 | 3rd quarter 2017 | Change in % |
|--|--------------------|------------------|------------------|-------------|
| GROUP | | | | |
| Profit before tax ¹ | € million | 1,845 | 2,503 | -26.3 |
| Workforce ² (at 30 September 2018/31 December 2017) | | 133,475 | 129,932 | 2.7 |
| AUTOMOTIVE SEGMENT | | | | |
| Deliveries ³ | units | 592,303 | 590,415 | 0.3 |
| Revenues ¹ | € million | 21,111 | 20,433 | 3.3 |
| EBIT margin ^{1,4} | % (change in %pts) | 4.4 | 8.6 | -4.2 |
| MOTORCYCLES SEGMENT | | | | |
| Deliveries | units | 39,818 | 39,429 | 1.0 |
| EBIT margin ^{1,4} | % (change in %pts) | 6.9 | 10.4 | -3.5 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 113,582 units, 2017: 93,641 units).

⁴ Profit before financial result as percentage of segment revenues.

Further performance figures

→ 02

| | | 3rd quarter 2018 | 3rd quarter 2017 | Change in % |
|--|--------------------|--------------------|--------------------|----------------------|
| AUTOMOTIVE SEGMENT | | | | |
| Deliveries | | | | |
| BMW ¹ | units | 506,920 | 499,467 | 1.5 |
| MINI | units | 84,505 | 90,180 | -6.3 |
| Rolls-Royce | units | 878 | 768 | 14.3 |
| Total¹ | | 592,303 | 590,415 | 0.3 |
| Production volume | | | | |
| BMW ² | units | 535,828 | 526,092 | 1.9 |
| MINI | units | 80,335 | 87,730 | -8.4 |
| Rolls-Royce | units | 919 | 709 | 29.6 |
| Total² | | 617,082 | 614,531 | 0.4 |
| MOTORCYCLES SEGMENT | | | | |
| Production volume | units | 37,172 | 41,443 | -10.3 |
| FINANCIAL SERVICES SEGMENT | | | | |
| New contracts with retail customers | | 490,347 | 435,026 | 12.7 |
| Free cash flow Automotive segment | € million | 98 | 668 | -85.3 |
| Group revenues³ | € million | 24,743 | 23,633 | 4.7 |
| Automotive ³ | € million | 21,111 | 20,433 | 3.3 |
| Motorcycles ³ | € million | 476 | 512 | -7.0 |
| Financial Services | € million | 7,333 | 6,679 | 9.8 |
| Other Entities | € million | 1 | 1 | - |
| Eliminations ³ | € million | -4,178 | -3,992 | -4.7 |
| Group profit before financial result (EBIT)³ | € million | 1,745 | 2,384 | -26.8 |
| Automotive ³ | € million | 930 | 1,758 | -47.1 |
| Motorcycles ³ | € million | 33 | 53 | -37.7 |
| Financial Services | € million | 527 | 607 | -13.2 |
| Other Entities | € million | 6 | -12 | - |
| Eliminations ³ | € million | 249 | -22 | - |
| Group profit before tax (EBT)³ | € million | 1,845 | 2,503 | -26.3 |
| Automotive ³ | € million | 1,003 | 1,886 | -46.8 |
| Motorcycles ³ | € million | 31 | 53 | -41.5 |
| Financial Services | € million | 548 | 609 | -10.0 |
| Other Entities | € million | 27 | 11 | - |
| Eliminations ³ | € million | 236 | -56 | - |
| Group income taxes³ | € million | -425 | -657 | 35.3 |
| Profit from continuing operations | € million | 1,420 | 1,846 | -23.1 |
| Loss from discontinued operations | € million | -15 | - | - |
| Group net profit³ | € million | 1,405 | 1,846 | -23.9 |
| Earnings per share^{3,4} | € | 2.09 / 2.09 | 2.76 / 2.76 | -24.3 / -24.3 |
| Group pre-tax return on sales^{3,5} | % (change in %pts) | 7.5 | 10.6 | -3.1 |

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 113,582 units, 2017: 93,641 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 142,381 units, 2017: 114,394 units).

³ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

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.

⁵ Group profit before tax as a percentage of Group revenues.

BMW GROUP IN FIGURES

Key performance indicators reported during the year

→ 03

| | | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
|--|--------------------|--------------------------------------|--------------------------------------|-------------|
| GROUP | | | | |
| Profit before tax ¹ | € million | 7,883 | 8,741 | -9.8 |
| Workforce ² (at 30 September 2018/31 December 2017) | | 133,475 | 129,932 | 2.7 |
| AUTOMOTIVE SEGMENT | | | | |
| Deliveries ³ | units | 1,834,810 | 1,811,234 | 1.3 |
| Revenues ¹ | € million | 62,629 | 62,599 | - |
| EBIT margin ^{1,4} | % (change in %pts) | 7.6 | 9.4 | -1.8 |
| MOTORCYCLES SEGMENT | | | | |
| Deliveries | units | 126,793 | 127,818 | -0.8 |
| EBIT margin ^{1,4} | % (change in %pts) | 12.5 | 15.4 | -2.9 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 328,800 units, 2017: 280,607 units).

⁴ Profit before financial result as percentage of segment revenues.

Further performance figures

→ 04

| | | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
|--|--------------------|--------------------------------------|--------------------------------------|------------------|
| AUTOMOTIVE SEGMENT | | | | |
| Deliveries | | | | |
| BMW ¹ | units | 1,566,216 | 1,537,497 | 1.9 |
| MINI | units | 265,935 | 271,394 | -2.0 |
| Rolls-Royce | units | 2,659 | 2,343 | 13.5 |
| Total¹ | | 1,834,810 | 1,811,234 | 1.3 |
| Production volume | | | | |
| BMW ² | units | 1,647,240 | 1,593,058 | 3.4 |
| MINI | units | 283,116 | 281,591 | 0.5 |
| Rolls-Royce | units | 3,040 | 2,346 | 29.6 |
| Total² | | 1,933,396 | 1,876,995 | 3.0 |
| MOTORCYCLES SEGMENT | | | | |
| Production volume | units | 125,180 | 146,995 | -14.8 |
| FINANCIAL SERVICES SEGMENT | | | | |
| New contracts with retail customers | | 1,422,558 | 1,369,263 | 3.9 |
| Free cash flow Automotive segment | € million | 2,042 | 2,703 | -24.5 |
| Group revenues³ | € million | 72,460 | 73,324 | -1.2 |
| Automotive ³ | € million | 62,629 | 62,599 | - |
| Motorcycles ³ | € million | 1,658 | 1,827 | -9.3 |
| Financial Services | € million | 21,148 | 20,769 | 1.8 |
| Other Entities | € million | 4 | 4 | - |
| Eliminations ³ | € million | -12,979 | -11,875 | -9.3 |
| Group profit before financial result (EBIT)³ | € million | 7,224 | 8,137 | -11.2 |
| Automotive ³ | € million | 4,730 | 5,879 | -19.5 |
| Motorcycles ³ | € million | 208 | 282 | -26.2 |
| Financial Services | € million | 1,703 | 1,799 | -5.3 |
| Other Entities | € million | 22 | 0 | - |
| Eliminations ³ | € million | 561 | 177 | - |
| Group profit before tax (EBT)³ | € million | 7,883 | 8,741 | -9.8 |
| Automotive ³ | € million | 5,346 | 6,562 | -18.5 |
| Motorcycles ³ | € million | 205 | 281 | -27.0 |
| Financial Services | € million | 1,714 | 1,793 | -4.4 |
| Other Entities | € million | 105 | 30 | - |
| Eliminations ³ | € million | 513 | 75 | - |
| Group income taxes³ | € million | -2,073 | -2,404 | 13.8 |
| Profit from continuing operations | € million | 5,810 | 6,337 | -8.3 |
| Loss from discontinued operations | € million | -22 | - | - |
| Group net profit³ | € million | 5,788 | 6,337 | -8.7 |
| Earnings per share^{3,4} | € | 8.69/8.70 | 9.55/9.56 | -9.0/-9.0 |
| Group pre-tax return on sales^{3,5} | % (change in %pts) | 10.9 | 11.9 | -1.0 |

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 328,800 units, 2017: 280,607 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 353,355 units, 2017: 297,992 units).

³ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

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.

⁵ Group profit before tax as a percentage of Group revenues.

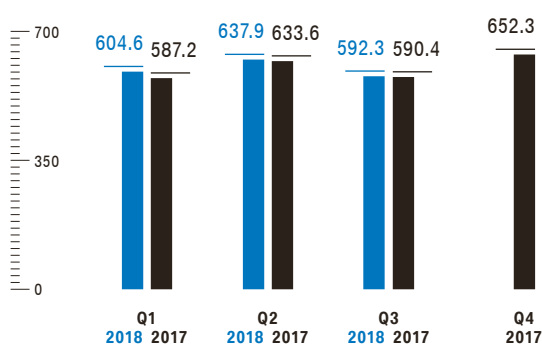
BMW Group automobile deliveries increased

Despite the high political and economic uncertainties triggered by trade conflicts, regulatory requirements and the uncertain outcome of the Brexit negotiations, the BMW Group achieved new record figures for automobile deliveries in both the third quarter of 2018 and the first nine months of the year. During the period from July to September 2018, a total of 592,303¹ BMW, MINI and Rolls-Royce brand cars (+0.3%) were handed over to customers¹ (2017: 590,415¹ units; +0.3%). The equivalent figure for the nine-month period rose by 1.3% to 1,834,810¹ units (2017: 1,811,234¹ units).

BMW Group deliveries of automobiles¹

→ 05

in 1,000 units



¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (third quarter 2018: 113,582, 2017: 93,641 units; 1 January to 30 September 2018: 328,800, 2017: 280,607 units).

In the Motorcycles segment, third-quarter deliveries rose by 1.0% to a new record level (39,818 units; 2017: 39,429 units), despite the model change in the mid-class segment. Over the nine-month period, at 126,793 units, the number of motorcycles delivered remained similar to the previous year (2017: 127,818 units; -0.8%).

At 30 September 2018, the Financial Services segment had a portfolio of 5,586,855 contracts with retail customers under management (31 December 2017: 5,380,785 contracts; +3.8%). During the period from July to September 2018, 490,347 new credit financing and leasing contracts were signed with retail customers (2017: 435,026 contracts; +12.7%), bringing the total for the nine-month period to 1,422,558 contracts (2017: 1,369,263 contracts; +3.9%).

Earnings performance dampened by numerous factors

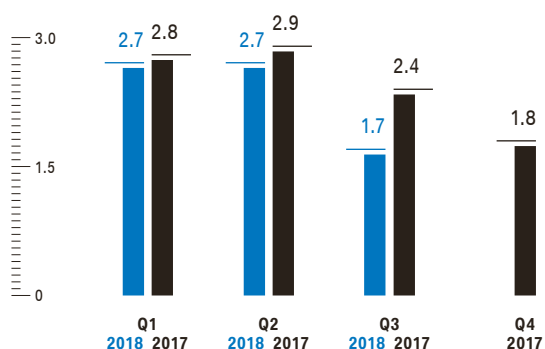
Numerous factors had a dampening effect on the BMW Group's earnings performance during the three-month period under report. Earnings were adversely impacted by currency translation effects and changes in raw materials prices. In the third quarter, higher allocations to provisions for goodwill and warranty measures also had an impact. Moreover, the third quarter saw an intensified level of competition – especially in Europe – in light of the conversion to WLTP² due to the fact that some competitors were still selling non-WLTP-certified vehicles. In addition, the tariffs imposed at the beginning of July between China and the United States had adverse effects during the reporting period.

Regardless of these developments, the BMW Group continues to invest heavily in the mobility of the future. This fact is reflected in the high level of expenses and upfront expenditure incurred for the Group's product offensive as well as for research and development. As a result of these various factors, BMW Group EBIT for the period from July to September 2018 fell to €1,745 million (2017: €2,384³ million; -26.8%). EBIT for the nine-month period amounted to €7,224 million (2017: €8,137³ million; -11.2%).

BMW Group profit before financial result (EBIT)³

→ 06

in € billion



² (Worldwide Harmonized Light Vehicles Test Procedure)

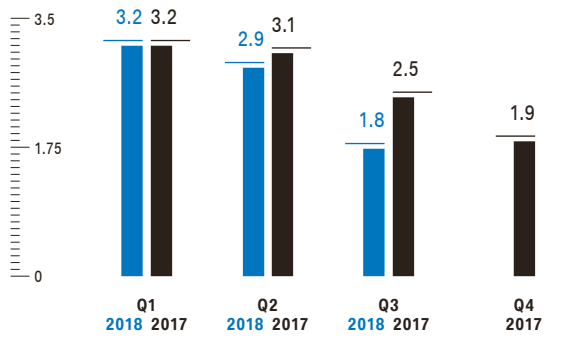
³ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Group profit before tax was also impacted by the aforementioned factors and amounted to €1,845 million in the third quarter (2017: €2,503* million; -26.3 %) and €7,883 million (2017: €8,741* million; -9.8 %) for the nine-month period.

BMW Group profit before tax*

→ 07

in € billion

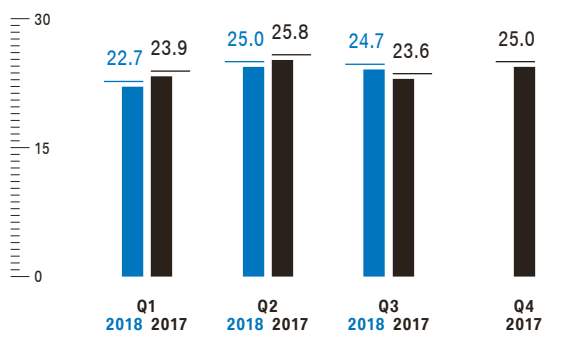


Group revenues developed positively in the third quarter of 2018, rising by 4.7 % to €24,743 million (2017: €23,633* million) year-on-year. Revenues for the nine-month period totalled €72,460 million (2017: €73,324* million; -1.2 %). Adverse foreign currency translation effects, especially from the first quarter, were the main reason that the previous year's high level was not reached.

BMW Group revenues*

→ 08

in € billion



* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Slight increase in workforce

The BMW Group's workforce comprised 133,475 employees worldwide at the end of the reporting period (31 December 2017: 129,932 employees; +2.7%). The recruitment of suitably qualified staff is being driven primarily by projects aimed at securing the Group's future, such as vehicle electrification and autonomous driving. Around 1,656 apprentices, including some 1,200 in Germany, began their working lives with the BMW Group at the start of the new training year.

BMW AG STOCK AND CAPITAL MARKETS

**Markets negatively impacted by
political uncertainties**

**BMW shares outperform
sector index**

BMW AG STOCK AND CAPITAL MARKETS IN THE THIRD QUARTER 2018

The beginning of the third quarter was dominated by the ongoing trade dispute between the USA and China. The significant increase of customs duties on goods with effect from 6 July had a negative impact on stock markets. By contrast, the meeting between US President Trump and the President of the European Commission Juncker at the end of July, which raised the hopes of a possible rapprochement in the trade dispute, helped push up share prices. Throughout the remainder of the quarter, various new political issues emerged, such as the budget discussions in Italy and the election in Brazil, which served to unsettle the capital markets.

The German DAX index closed the third quarter at 12,247 points, down by 5.2% compared to the end of 2017 (12,918 points). Compared to its high for the year to date (13,560 points), the DAX finished 9.7% lower at 30 September 2018, including a drop of 0.5% during the third quarter.

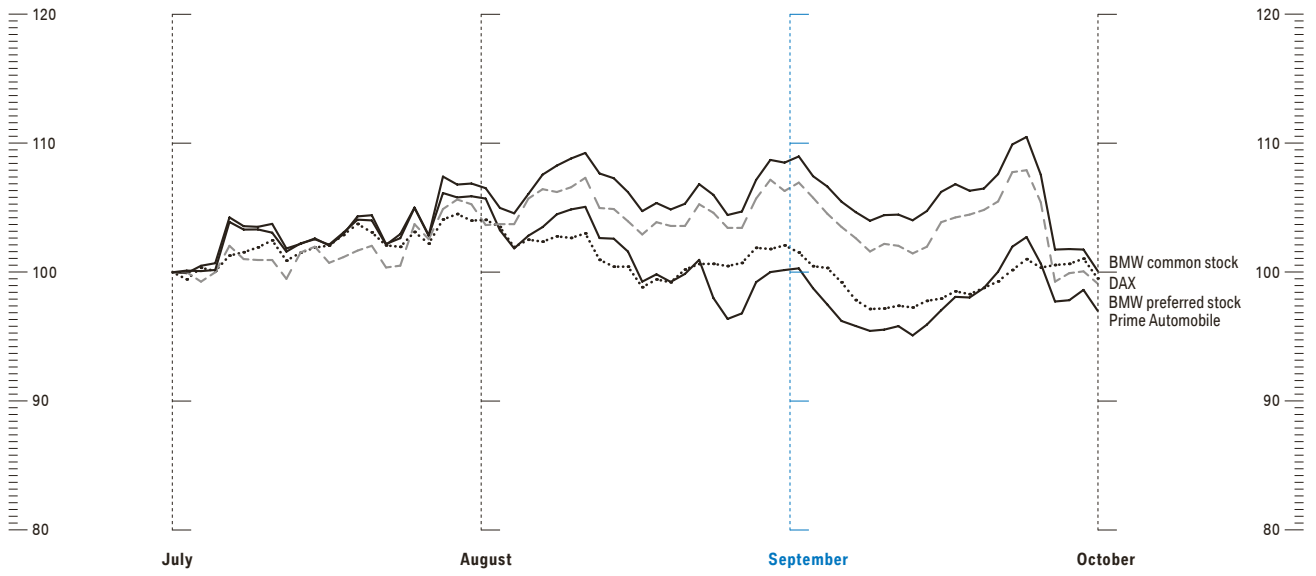
The DAX significantly outperformed the Prime Automobile index in the third quarter. The need for higher investments in future technologies and the trade conflict between China and the USA dampened market sentiment. In addition, the conversion to WLTP, the ongoing discussions regarding diesel engines and the profit warnings issued by some automobile manufacturers and suppliers in the third quarter caused unrest among investors. As a result, the sector barometer fell by 3.0% to 1,416 points during the period from July to September, taking the drop in value over the nine-month period to 16.1%.

Despite the challenging conditions currently facing the automobile industry, which resulted in the annual volume forecast being downgraded in September – BMW stock outperformed the sector index in the three-month period under report. BMW common stock closed at €77.71 at 30 September 2018, 0.1% up on its closing price at the end of the second quarter and 10.5% down over the current financial year to date. BMW preferred stock performed similarly to BMW common stock and finished the third quarter at €67.70, 9.3% down on the closing price recorded at the end of the previous year.

BMW AG development of stock

→ 09

(Index: 29 June 2018 = 100)



Source: Reuters.

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2

REPORT ON ECONOMIC POSITION

Automobile markets up only 0.5 %
worldwide

BMW Group sets new sales volume
record for automobiles

1,834,810 units

↗ +1.3%

GENERAL ECONOMIC ENVIRONMENT IN THE FIRST NINE MONTHS OF 2018

International automobile markets

Global automobile markets saw only a minor increase of 0.5 % during the first three quarters of 2018.

New registrations in Europe rose by 2.4 % during this period. While new registrations in July and August significantly increased not least due to the announced implementation of the new WLTP for 1 September, registrations decreased strongly in September. The growth in Germany was on a similar scale (+2.4 %) and therefore in line with the average increase recorded for Europe. This performance compared with a 6.5 % rise in demand in France. Once again, the more pronounced rise in new registrations in Europe was recorded in Spain, where the market grew by a further 11.7 %. By contrast, registration figures in Italy were 2.9 % down year-on-year. The automobile market in the United Kingdom (UK) contracted by 7.5 % during the nine-month period, resulting in significantly lower figures compared to one year earlier.

After a slight decline in the previous year, demand in the USA stabilised again with 0.2 % more new vehicles registered during the nine-month period. While the strong economy had a positive impact, the slowly rising interest rates curbed automobile demand.

New registrations in China during the period from January to September 2018 were slightly down on one year earlier (-0.1 %). The development in the third quarter particularly had an impact. This also reflected the ongoing normalisation of the economy and the government's efforts to combat high levels of debt, especially in the corporate sector.

After robust growth in the previous year, registrations in the Japanese automobile market fell during the first nine months of 2018 by 0.9 % year-on-year.

Having emerged from recession, pent-up demand in Russia was also evident during the nine-month period, with the market growing by 13.2 %.

International motorcycle markets

Motorcycle markets in the 250 cc plus class generally performed well during the first nine months of 2018, with registrations up by 2.7% worldwide. Europe's markets showed a welcome positive trend, expanding at an overall rate of 5.7%. After performing well in the first half of the year, the German market continued its positive trend in the third quarter. For the period from January to September, the number of new registrations grew by 8.5%. Rises were also recorded in Italy (+4.3%) and Spain (+4.7%). The French motorcycle market grew even more strongly (+5.8%). The US market remained weak, reflected in a further 4.2% drop on the previous year.

International interest rate environment and pre-owned vehicle prices

In Europe, the European Central Bank (ECB) maintained its expansive monetary policy in the third quarter. The labour market developed positively. Core inflation in the eurozone remained well below the central bank's target of 2%. Against this background, the ECB left the key interest rate at zero percent, while at the same time announcing its intention to halve monthly bond purchases from October onwards and to halt the programme at the end of the year.

After a weak first half of the year, the UK economy recorded stronger-than-expected growth in the third quarter of 2018. In August, the Bank of England (BoE) decided to raise key interest rates by 25 basis points to 0.75% on account of solid growth figures and in order to counter inflationary pressure. Given that the outcome of the Brexit negotiations and their repercussions remain uncertain, no further interest rate changes are expected for the time being.

Despite the trade dispute between the USA and China, the Federal Reserve remained committed to its stated monetary policy. Due to the upturn in the labour market, economic growth stimulated by tax breaks and rising inflation, the Federal Reserve raised its key interest rate by a further 25 basis points in September. This was the third increase in the current year, lifting the benchmark lending rate to a range of 2.00% to 2.25%.

The Chinese economy remained largely robust during the third quarter of 2018, prompting the People's Bank of China to continue its interest rate policy and leave China's key interest rate unchanged, despite the trade dispute with the USA.

The pace of economic growth in Japan slowed during the period under report. In view of the continuing low rate of inflation, the Japanese central bank opted to maintain its highly expansive fiscal policy.

Selling prices of premium-segment pre-owned vehicles on international markets developed in line with the BMW Group's expectations during the third quarter of 2018. As in the preceding three-month period, prices tended slightly lower in a number of European markets, still reflecting ongoing customer uncertainty with regard to diesel-powered vehicles. The impact differed from region to region. In North America, price levels rose slightly, whereas in Asia they remained largely unchanged.

Automotive Segment

BMW Group sales volume again up on previous year

The BMW Group delivered 592,303¹ BMW, MINI and Rolls-Royce brand vehicles during the third quarter (2017: 590,415¹ units; +0.3%), comprising 506,920¹ BMW (2017: 499,467¹ units; +1.5%), 84,505 MINI (2017: 90,180 units; -6.3%) and 878 Rolls-Royce (2017: 768 units; +14.3%) brand vehicles.

Worldwide sales of the Group's three brands for the nine-month period grew to 1,834,810² units (2017: 1,811,234² units; +1.3%), comprising 1,566,216² BMW (2017: 1,537,497² units; +1.9%), 265,935 MINI (2017: 271,394 units; -2.0%) and 2,659 Rolls-Royce (2017: 2,343 units; +13.5%) brand vehicles, thereby setting new volume records for the Group as a whole as well as for the BMW brand.

Dynamic growth in China in the third quarter

After a weaker second quarter, momentum picked up again between July to September across Asia and in China. Deliveries of the BMW Group's three brands on the Asian continent in the third quarter totalled 214,559¹ units (2017: 205,315¹ units; +4.5%). The equivalent figure for the nine-month period rose by 2.8% to 638,449² units (2017: 621,203² units). The excellent performance was boosted in particular by the launch of the locally produced BMW X3 in China. ↱

Deliveries of BMW Group vehicles on the Chinese mainland between July and September climbed by 11.5% to 160,047¹ units (2017: 143,539¹ units). The nine-month period saw a solid 5.3% rise in deliveries to 460,200² units (2017: 437,111² units).

European markets were affected by political uncertainties, particularly in the UK and Italy, as well as the distortions caused by the conversion to WLTP. In Europe, third-quarter deliveries fell by 2.7% to 253,935 units (2017: 261,027 units;). Deliveries over the nine-month period totalled 816,037 units, in line with the previous year's figure (2017: 816,233 units). Deliveries to customers in the UK totalled 57,433 units in the third quarter (2017: 61,241 units; -6.2%) and 181,727 units during the nine-month period (2017: 186,785 units; -2.7%). Third-quarter sales figures for Germany rose by 3.4% to 75,215 units (2017: 72,760 units), bringing the total number of BMW Group vehicles delivered during the nine-month period to 224,933 units, 3.6% up on the previous year (2017: 217,174 units).

Automotive segment at a glance

→ 10

| | | 3rd quarter 2018 | 3rd quarter 2017 | Change in % |
|--|--------------------|--------------------------------------|--------------------------------------|-------------|
| Deliveries ^{1,3} | units | 592,303 | 590,415 | 0.3 |
| Production ⁴ | units | 617,082 | 614,531 | 0.4 |
| Revenues ^{3,5} | € million | 21,111 | 20,433 | 3.3 |
| Profit before financial result (EBIT) ⁵ | € million | 930 | 1,758 | -47.1 |
| Profit before tax ⁵ | € million | 1,003 | 1,886 | -46.8 |
| EBIT margin ^{3,5,6} | % (change in %pts) | 4.4 | 8.6 | -4.2 |
| | | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
| Deliveries ^{2,3} | units | 1,834,810 | 1,811,234 | 1.3 |
| Production ⁷ | units | 1,933,396 | 1,876,995 | 3.0 |
| Revenues ^{3,5} | € million | 62,629 | 62,599 | - |
| Profit before financial result (EBIT) ⁵ | € million | 4,730 | 5,879 | -19.5 |
| Profit before tax ⁵ | € million | 5,346 | 6,562 | -18.5 |
| EBIT margin ^{3,5,6} | % (change in %pts) | 7.6 | 9.4 | -1.8 |
| Workforce (at 30 September 2018/31 December 2017) | | 121,054 | 117,664 | 2.9 |

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 113,582 units, 2017: 93,641 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 328,800 units, 2017: 280,607 units).

³ Key performance indicators reported on during the year.

⁴ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 142,381 units, 2017: 114,394 units).

⁵ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

⁶ Profit before financial result as percentage of Automotive segment revenues.

⁷ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 353,355 units, 2017: 297,992 units).

Business was also up overall in the Americas region in the third quarter of 2018. During the period from July to September, the BMW Group delivered 110,197 BMW, MINI and Rolls-Royce brand vehicles to customers in the region (2017: 109,059 units; +1.0%), bringing the volume for the nine-month period to ↗

336,258 units (2017: 326,589 units) and therefore 3.0% up on the previous year. At 83,516 units, third-quarter deliveries in the USA were similar to the previous year (2017: 83,897 units; -0.5%). The figure for the nine-month period went up by 1.7% to 260,086 units (2017: 255,682 units).

Automotive segment deliveries of vehicles by region and market

→ 11

| in units | 3rd quarter 2018 | 3rd quarter 2017 | Change in % | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
|-----------------|----------------------------|----------------------------|-------------|--------------------------------------|--------------------------------------|-------------|
| Europe | 253,935 | 261,027 | -2.7 | 816,037 | 816,233 | - |
| thereof Germany | 75,215 | 72,760 | 3.4 | 224,933 | 217,174 | 3.6 |
| thereof UK | 57,433 | 61,241 | -6.2 | 181,727 | 186,785 | -2.7 |
| Americas | 110,197 | 109,059 | 1.0 | 336,258 | 326,589 | 3.0 |
| thereof USA | 83,516 | 83,897 | -0.5 | 260,086 | 255,682 | 1.7 |
| Asia | 214,559 ¹ | 205,315 ¹ | 4.5 | 638,449 ² | 621,203 ² | 2.8 |
| thereof China | 160,047 ¹ | 143,539 ¹ | 11.5 | 460,200 ² | 437,111 ² | 5.3 |
| Other markets | 13,612 | 15,014 | -9.3 | 44,066 | 47,209 | -6.7 |
| Total | 592,303¹ | 590,415¹ | 0.3 | 1,834,810² | 1,811,234² | 1.3 |

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 113,582 units, 2017: 93,641 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 328,800 units, 2017: 280,607 units).

BMW brand performing well with slightly higher volumes²

The BMW brand set new sales volume records for both the quarter and the nine-month period under report, with good momentum coming from the BMW 5 and 6 Series, the BMW X family and the fleet of electrified vehicles.

With 149,659 units delivered during the first nine months of the current year, the BMW 1 Series registered growth of 4.6% (2017: 143,018 units). Now nearing the end of its model life cycle, deliveries of the BMW 3 Series totalled 278,499 units (2017: 307,619 units; -9.5%). The BMW 5 Series recorded growth on a double-digit scale, with 286,180 units delivered to customers during the nine-month period under report (2017: 249,067 units; +14.9%). The 6 Series benefited from the launch of the Gran Turismo in November 2017, resulting in a significant rise in deliveries to 20,246 units in the period from January to September 2018 (2017: 6,962 units).

The BMW X family continued to perform well throughout the period under report. Worldwide deliveries of X models totalled 564,542 units (2017: 522,374 units; +8.1%) for the nine-month period. Contributing to that figure, the number of BMW X1 vehicles delivered to customers rose slightly by 2.9% to 213,633 units (2017: 207,663 units). The new BMW X3 has been available since the end of 2017,

causing deliveries to jump by 15.3% to 132,478 units (2017: 114,852 units) in the first nine months of 2018. Deliveries of this model in the third quarter were up by nearly two thirds (54,014 units; 2017: 33,245 units; +62.5%). This excellent performance was assisted by the start of production of the X3 in China and South Africa in the second quarter of 2018 following the model change. With the BMW X5 now approaching the end of its life cycle, 117,621 units of the BMW X5 were delivered to customers during the period from January to September (2017: 130,318 units; -9.7%). The new BMW X5 will be available to customers from November 2018 onwards and will generate increasing demand for this highly successful model. The new BMW X2 was launched in March 2018, accounting for deliveries of 42,395 units up to 30 September.

Automotive segment deliveries of BMW vehicles by model series*

→ 12

| in units | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
|------------------|--------------------------------------|--------------------------------------|-------------|
| BMW 1 Series | 149,659 | 143,018 | 4.6 |
| BMW 2 Series | 116,295 | 135,643 | -14.3 |
| BMW 3 Series | 278,499 | 307,619 | -9.5 |
| BMW 4 Series | 84,197 | 101,157 | -16.8 |
| BMW 5 Series | 286,180 | 249,067 | 14.9 |
| BMW 6 Series | 20,246 | 6,962 | - |
| BMW 7 Series | 41,078 | 47,880 | -14.2 |
| BMW X1 | 213,633 | 207,663 | 2.9 |
| BMW X2 | 42,395 | - | - |
| BMW X3 | 132,478 | 114,852 | 15.3 |
| BMW X4 | 31,233 | 39,991 | -21.9 |
| BMW X5 | 117,621 | 130,318 | -9.7 |
| BMW X6 | 27,182 | 29,550 | -8.0 |
| BMW i | 25,520 | 23,777 | 7.3 |
| BMW total | 1,566,216 | 1,537,497 | 1.9 |

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 328,800 units, 2017: 280,607 units).

MINI slightly down on previous year's record level

The BMW Group delivered 84,505 MINI brand vehicles during the three-month period under report (2017: 90,180 units; -6.3%), bringing the nine-month figure up to 265,935 units, the second-best result achieved for the MINI brand in the company's history (2017: 271,394 units; -2.0%). The number ↱

of MINI Countryman delivered during the first nine months of the current year was up by around a quarter to 71,490 units (2017: 57,256 units; +24.9%). At 133,963 units, deliveries of the MINI 3- and 5-door models remained below the high level reported one year earlier (2017: 143,214 units; -6.5%).

Automotive segment deliveries of MINI vehicles by model variant

→ 13

| in units | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
|----------------------------|--------------------------------------|--------------------------------------|-------------|
| MINI Hatch (3- and 5-door) | 133,963 | 143,214 | -6.5 |
| MINI Convertible | 25,813 | 26,665 | -3.2 |
| MINI Clubman | 34,669 | 44,259 | -21.7 |
| MINI Countryman | 71,490 | 57,256 | 24.9 |
| MINI total | 265,935 | 271,394 | -2.0 |

Significant growth for Rolls-Royce

Rolls-Royce Motor Cars delivered 2,659 vehicles to customers worldwide during the period from January to September 2018, significantly up (+13.5 %) on the same period one year earlier (2017: 2,343 units). ↱

The performance included a positive contribution from the new Rolls-Royce Phantom which has been available since January 2018. The brand's top model attracted a great deal of interest and recorded a sales volume of 578 units during the nine-month period under report (2017: 100 units).

Automotive segment deliveries of Rolls-Royce vehicles by model variant

→ 14

| in units | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
|--------------------------|--------------------------------------|--------------------------------------|-------------|
| Phantom | 578 | 100 | – |
| Ghost | 711 | 772 | –7.9 |
| Wraith/Dawn | 1,370 | 1,471 | –6.9 |
| Rolls-Royce total | 2,659 | 2,343 | 13.5 |

Percentage share of electrified automobiles steadily increasing

The percentage of deliveries of electrified vehicles by the BMW Group has continued to grow significantly since the beginning of 2018. During the period from January to September, the BMW Group delivered a total of 97,543 BMW i, BMW iPerformance and MINI Electric vehicles to customers (2017: 68,687 units; +42.0 %). During this period, the number of electrified BMW models delivered climbed by a good one third to 88,717 units (2017: 65,973 units; +34.5 %). Deliveries of ↱

BMW plug-in hybrids went up by almost one half to 63,197 units (2017: 42,196 units; +49.8 %). Based on this performance, BMW occupies pole position in the premium segment for plug-in hybrids. The MINI Countryman plug-in hybrid model recorded worldwide sales of 8,826 units during the first nine months of the year (2017: 2,714 units); (fuel consumption in l/100 km (combined) 2.3–2.1//CO₂ emissions in g/km (combined) 52–49//electric power consumption in kWh/100 km (combined) 14.0–13.2).

Automotive segment deliveries of electrified models

→ 15

| in units | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
|------------------|--------------------------------------|--------------------------------------|-------------|
| BMW i | 25,520 | 23,777 | 7.3 |
| BMW iPerformance | 63,197 | 42,196 | 49.8 |
| MINI Electric | 8,826 | 2,714 | – |
| Total | 97,543 | 68,687 | 42.0 |

Automobile production higher than previous year

During the third quarter of 2018, a total of 617,082¹ BMW, MINI and Rolls-Royce brand vehicles rolled off the assembly lines of the BMW Group's production network (2017: 614,531¹ units; +0.4%), comprising 535,828¹ BMW (2017: 526,092¹ units; +1.9%), 80,335 MINI (2017: 87,730 units; -8.4%) and 919 Rolls-Royce (2017: 709 units; +29.6%) brand vehicles.

The total production volume of the Group's three brands during the nine-month period was increased by 3.0% to 1,933,396² units (2017: 1,876,995² units), comprising 1,647,240² BMW (2017: 1,593,058² units; +3.4%), 283,116 MINI (2017: 281,591 units; +0.5%) and 3,040 Rolls-Royce (2017: 2,346 units; +29.6%) brand vehicles.

Engagement in China strengthened for the long-term

In mid-October 2018, the BMW Group announced its intention to expand its activities in China. In this context, the joint venture agreement relating to BMW Brilliance Automotive Ltd., Shenyang (BBA), will be extended ahead of schedule until 2040. In addition, the BMW Group intends to increase its stake in BBA from 50% to 75%. An agreement to this effect was signed by the BMW Group and its joint venture partner Brilliance China Automotive Holdings Ltd. (CBA) in mid-October. The agreement is subject to approval by the relevant regulatory authorities and by the CBA Shareholders' Meeting.

Revenues stable, earnings significantly down on previous year³

Automotive segment earnings were adversely impacted by a number of factors, including currency translation effects, raw materials price changes and higher allocations to provisions for goodwill and warranty measures, partly relating to the exhaust gas recirculation cooler. Furthermore, the third quarter saw an intensified level of competition – especially in Europe – in light of the conversion to WLTP as some competitors were still selling non-WLTP-certified vehicles. In addition, the tariffs imposed at the beginning of July between China and the United States had adverse effects during the reporting period.

Despite these developments, the BMW Group continues to invest heavily in the mobility of the future, which is reflected in high levels of expenses and upfront expenditures for both the product offensive and research and development.

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 142,381 units, 2017: 114,394 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 353,355 units, 2017: 297,992 units).

³ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

The factors described above had a correspondingly negative impact on EBIT (€930 million; -47.1%; 2017: €1,758³ million). The EBIT margin for the quarter came in at 4.4% (2017: 8.6³%; -4.2 percentage points). Nine-month EBIT was also down on the previous year at €4,730 million (2017: €5,879³ million; -19.5%), as a result of which the EBIT margin for the period fell to 7.6% (2017: 9.4³%; -1.8 percentage points). Profit before tax amounted to €1,003 million (2017: €1,886³ million; -46.8%) for the three-month period and to €5,346 million (2017: €6,562³ million; -18.5%) for the nine-month period.

Compared to the previous year, third-quarter segment revenues grew by 3.3% to €21,111 million (2017: €20,433³ million). At €62,629 million, nine-month segment revenues were at a similarly high level to the previous year (2017: €62,599³ million). Automotive segment revenues were adversely impacted by the translation of foreign currencies, particularly in the first quarter.

Slight increase in workforce size

The BMW Group had a workforce of 121,054 employees in the Automotive segment at the end of the reporting period (31 December 2017: 117,664 employees), a slight increase of 2.9% over the nine-month period.

Motorcycles Segment

Motorcycle deliveries up in third quarter

BMW Motorrad delivered 39,818 motorcycles in the period from July to September 2018, slightly up (+1.0 %) on the previous year's corresponding figure and therefore setting a new record for a third quarter (2017: 39,429 units). Despite the model change in the mid-class Adventure segment in the first half of the year, deliveries to customers totalling 126,793 units in the first nine months were similar to the previous year (2017: 127,818 units; -0.8 %).

In Europe, motorcycle deliveries between January and September 2018 totalled 77,788 units (2017: 82,601 units; -5.8 %), including 17,798 units in Germany (2017: 20,403 units; -12.8 %), 12,955 units in France (2017: 13,558 units; -4.4 %) and 11,827 units in Italy (2017: 12,160 units; -2.7 %). Spain also recorded a slight year-on-year drop, with deliveries down to 8,179 units (2017: 8,282 units; -1.2 %). By contrast, the number of motorcycles sold on the highly competitive but contracting US market, rose slightly by 3.7 % to 10,581 units (2017: 10,200 units).

Motorcycle production influenced by model changes

A total of 37,172 motorcycles rolled off production lines between July and September of the current year (2017: 41,443 units; -10.3 %). A total of 125,180 units

were manufactured during the nine-month period (2017: 146,995 units; -14.8 %). The significant reduction in production volume was primarily attributable to the model change in the mid-class segment.

Revenues and earnings down on the previous year¹

Motorcycles segment revenues and earnings were negatively impacted by the ramp-up situation attributable to multiple model changes. Third-quarter revenues fell to €476 million (2017: €512¹ million; -7.0 %), generating a segment EBIT of €33 million (2017: €53¹ million; -37.7 %) and an EBIT margin of 6.9 % (2017: 10.4¹%; -3.5 percentage points). Profit before tax fell accordingly to €31 million (2017: €53¹ million; -41.5 %).

Nine-month revenues totalled €1,658 million (2017: €1,827¹ million; -9.3 %). The segment recorded an EBIT margin of 12.5 % (2017: 15.4¹%; -2.9 percentage points) on an EBIT figure of €208 million (2017: €282¹ million; -26.2 %). Profit before tax stood at €205 million (2017: €281¹ million; -27.0 %).

Slight increase in workforce

The BMW Group had a workforce of 3,622 employees in the Motorcycles segment at the end of the reporting period (31 December 2017: 3,506 employees; +3.3 %).

Motorcycles segment at a glance

→ 16

| | | 3rd quarter 2018 | 3rd quarter 2017 | Change in % |
|--|--------------------|------------------|------------------|-------------|
| Deliveries ² | units | 39,818 | 39,429 | 1.0 |
| Production | units | 37,172 | 41,443 | -10.3 |
| Revenues ¹ | € million | 476 | 512 | -7.0 |
| Profit before financial result (EBIT) ¹ | € million | 33 | 53 | -37.7 |
| Profit before tax ¹ | € million | 31 | 53 | -41.5 |
| EBIT margin ^{1, 2, 3} | % (change in %pts) | 6.9 | 10.4 | -3.5 |

| | | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
|--|--------------------|--------------------------------------|--------------------------------------|-------------|
| Deliveries ² | units | 126,793 | 127,818 | -0.8 |
| Production | units | 125,180 | 146,995 | -14.8 |
| Revenues ¹ | € million | 1,658 | 1,827 | -9.3 |
| Profit before financial result (EBIT) ¹ | € million | 208 | 282 | -26.2 |
| Profit before tax ¹ | € million | 205 | 281 | -27.0 |
| EBIT margin ^{1, 2, 3} | % (change in %pts) | 12.5 | 15.4 | -2.9 |
| Workforce (at 30 September 2018/31 December 2017) | | 3,622 | 3,506 | 3.3 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Key performance indicators reported on during the year.

³ Profit before financial result as percentage of Motorcycles segment revenues.

Financial Services Segment

Financial Services on growth course

The segment's contract portfolio under management grew by 3.8% during the nine-month period and stood at 5,586,855 contracts at 30 September 2018 (31 December 2017: 5,380,785 contracts). In balance sheet terms, business volume increased slightly during the nine-month period to stand at €128,788 million (31 December 2017: €124,719 million; +3.3%).

Significant growth in new business with retail customers

A total of 490,347 new credit financing and leasing contracts were concluded with retail customers during the period from July to September 2018 (2017: 435,026 contracts; +12.7%). Leasing business grew slightly by 4.3% during this period, whereas credit financing business was significantly higher than one year earlier (+17.1%), mostly reflecting strong growth in China.

A total of 1,422,558 new contracts were signed with retail customers between January and September 2018, slightly up on the previous year's corresponding figure (2017: 1,369,263 contracts; +3.9%). Overall, leasing accounted for 32.7% (31 December 2017: 33.0%) and credit financing for 67.3% (31 December 2017: 67.0%) of total new business with new and pre-owned vehicles during the nine-month reporting period. ↱

A total of 306,146 credit financing and leasing contracts were signed during the first nine months of the year relating to pre-owned BMW and MINI brand vehicles (2017: 298,624 contracts), slightly more than one year earlier (+2.5%).

The volume of all new credit financing and leasing contracts with retail customers signed during the first nine months of the year totalled €41,391 million, similar to the previous year's level (2017: €41,343 million; +0.1%). Adjusted for currency effects, the volume of new business was up by 3.5% year-on-year.

In total, 5,143,666 contracts were in place with retail customers at the end of the reporting period (31 December 2017: 4,926,228 contracts), up slightly by 4.4% over the nine-month period. The contract portfolio for the China region grew by 16.7% and was therefore significantly higher than at the beginning of the year. The Europe/Middle East/Africa region (+5.5%), the EU Bank¹ region (+4.6%) and the Americas region (+1.0%) also recorded growth. By contrast, the contract portfolio with retail customers in the Asia/Pacific region was slightly lower than at the end of the previous financial year (-1.4%).

During the first nine months of 2018, 49.4²% of new BMW Group vehicles were either leased or financed by the Financial Services segment (2017: 46.7²%; +2.7 percentage points).

Financial Services segment at a glance

→ 17

| | | 3rd quarter 2018 | 3rd quarter 2017 | Change in % |
|---------------------------------------|-----------|------------------|------------------|-------------|
| New contracts with retail customers | | 490,347 | 435,026 | 12.7 |
| Revenues | € million | 7,333 | 6,679 | 9.8 |
| Profit before financial result (EBIT) | € million | 527 | 607 | -13.2 |
| Profit before tax | € million | 548 | 609 | -10.0 |

| | | 1 January to 30 September 2018 | 1 January to 30 September 2017 | Change in % |
|---|-----------|--------------------------------------|--------------------------------------|-------------|
| New contracts with retail customers | | 1,422,558 | 1,369,263 | 3.9 |
| Revenues | € million | 21,148 | 20,769 | 1.8 |
| Profit before financial result (EBIT) | € million | 1,703 | 1,799 | -5.3 |
| Profit before tax | € million | 1,714 | 1,793 | -4.4 |
| Workforce (at 30 September 2018/31 December 2017) | | 8,679 | 8,645 | 0.4 |

| | | 30.9.2018 | 31.12.2017 | Change in % |
|---|-----------|-----------|------------|-------------|
| Business volume in balance sheet terms ³ | € million | 128,788 | 124,719 | 3.3 |

¹ EU Bank comprises BMW Bank GmbH, its branches in Italy, Spain and Portugal and its subsidiary in France.

² The calculation only includes automobile markets in which the Financial Services segment is represented by a consolidated entity.

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.

Fleet business up slightly on previous year

In the fleet management business, with its Alphabet brand, the BMW Group is one of Europe's foremost leasing and full-service providers. Alphabet offers leasing and financing arrangements as well as other specific services to commercial customers. A portfolio of 693,553 fleet leasing contracts was in place at 30 September 2018 (31 December 2017: 679,895 contracts; +2.0%).

Decrease in multi-brand financing

Overall, 105,186 new contracts were signed in the multi-brand financing line of business during the nine-month period under report (2017: 123,406 contracts). The significant year-on-year decrease (-14.8%) mainly reflects a stronger focus on the Group's own brands. In total, 405,351 contracts were in place at 30 September 2018, similar to the figure reported at the end of the previous financial year (31 December 2017: 406,813 contracts; -0.4%).

Dealership financing volumes slightly down

The total volume of dealership financing at 30 September 2018 was slightly lower than at the end of the previous financial year and amounted to €18,849 million (31 December 2017: €19,161 million; -1.6%).

Slight increase in customer deposits

Deposit-taking provides an important source of refinancing for the Financial Services segment. Banking deposits amounted to €13,916 million at 30 September 2018, slightly higher than at the end of the previous financial year (31 December 2017: €13,572 million; +2.5%).

Insurance business slightly up year-on-year

Overall, 1,042,152 new insurance contracts were brokered during the period from January to September 2018 (2017: 994,346 contracts; +4.8%). The number of insurance contracts in place at the end of the reporting period grew to 3,826,404 (31 December 2017: 3,649,362 contracts; +4.9%).

Earnings slightly down

Third-quarter segment revenues rose by a solid 9.8% to €7,333 million (2017: €6,679 million) on the back of leasing revenue growth. Nine-month segment revenues edged up by 1.8% to €21,148 million (2017: €20,769 million). Profit before tax for the third quarter totalled €548 million and was therefore down on the previous year's high level (2017: €609 million; -10.0%). For the period from January to September 2018, pre-tax profit fell by 4.4% year-on-year to €1,714 million (2017: €1,793 million). The deterioration was mainly due to negative foreign currency translation effects and increased allocations to provisions for litigation.

Workforce unchanged

At 30 September 2018, the Financial Services segment had a worldwide workforce of 8,679 employees (31 December 2017: 8,645 employees), similar to the level at the end of the previous year (+0.4%).

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of operations

Deliveries of BMW, MINI and Rolls-Royce brand vehicles during the first nine months of 2018 increased slightly by 1.3 % to 1,834,810 units compared to the previous year. The figure includes 328,800 units (2017: 280,607 units) from the joint venture BMW Brilliance Automotive Ltd., Shenyang.

The BMW Group had a worldwide workforce of 133,475 employees at the end of the reporting period (31 December 2017: 129,932 employees). ↱

The gross profit for the period under report fell moderately year-on-year. Higher warranty expenses, regional mix effects, increased fixed costs as well as an adverse currency translation impact more than offset the positive effect of the growth in automobile deliveries. The currency impact was mainly attributable to changes in US dollar, Chinese renminbi, Russian rouble and Japanese yen exchange rates to the euro. The net amount reported for other operating income and expenses and the financial result had a positive effect on earnings for the period. Profit before tax for the nine-month period to 30 September 2018 was moderately down on the previous year.

BMW Group condensed Income Statement for the period from 1 July to 30 September

→ 18

| in € million | 2018 | 2017 ¹ | Change in % |
|--|--------------|-------------------------|-----------------------|
| Revenues | 24,743 | 23,633 | 4.7 |
| Cost of sales | -20,769 | -18,791 | 10.5 |
| Gross profit | 3,974 | 4,842 | -17.9 |
| Selling and administrative expenses | -2,278 | -2,192 | 3.9 |
| Other operating income and expenses | 49 | -266 | - |
| Profit before financial result | 1,745 | 2,384 | -26.8 |
| Financial result | 100 | 119 | -16.0 |
| Profit before tax | 1,845 | 2,503 | -26.3 |
| Income taxes | -425 | -657 | -35.3 |
| Profit from continuing operations | 1,420 | 1,846 | -23.1 |
| Loss from discontinued operations | -15 | - | - |
| Net profit | 1,405 | 1,846 | -23.9 |
| Earnings per share of common stock in € | 2.09 | 2.76 | -24.3 |
| Earnings per share of preferred stock in € | 2.09 | 2.76 | -24.3 |
| in % | 2018 | 2017¹ | Change in %pts |
| Pre-tax return on sales ² | 7.5 | 10.6 | -3.1 |
| Post-tax return on sales ³ | 5.7 | 7.8 | -2.1 |
| Gross profit margin ⁴ | 16.1 | 20.5 | -4.4 |
| Effective tax rate ⁵ | 23.0 | 26.2 | -3.2 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Group profit before tax as a percentage of Group revenues.

³ Group net profit as a percentage of Group revenues.

⁴ Gross profit as a percentage of Group revenues.

⁵ Income tax expenses as a percentage of Group profit before tax.

Revenues during the first nine months of 2018 fell slightly by €864 million to €72,460 million due to currency effects. Adjusted for currency factors, revenues increased slightly on the back of positive sales volume and sales financing portfolio developments. The positive impact of increased deliveries was held down by regional mix effects.

Group cost of sales went up slightly, with positive currency effects holding down the scale of the \uparrow

increase. The year-on-year increase was primarily attributable to higher research and development expenses. In addition, cost of sales recorded in the third quarter of 2018 increased significantly due to higher allocations to provisions in connection with goodwill and warranty measures as well as higher raw material prices. Similarly, cost of sales relating to the financial services business also contributed to the year-on-year increase.

BMW Group condensed Income Statement for the period from 1 January to 30 September

→ 19

| in € million | 2018 | 2017 ¹ | Change in % |
|--|---------------|-------------------|----------------|
| Revenues | 72,460 | 73,324 | -1.2 |
| Cost of sales | -58,534 | -57,961 | 1.0 |
| Gross profit | 13,926 | 15,363 | -9.4 |
| Selling and administrative expenses | -6,792 | -6,709 | 1.2 |
| Other operating income and expenses | 90 | -517 | - |
| Profit before financial result | 7,224 | 8,137 | -11.2 |
| Financial result | 659 | 604 | 9.1 |
| Profit before tax | 7,883 | 8,741 | -9.8 |
| Income taxes | -2,073 | -2,404 | -13.8 |
| Profit from continuing operations | 5,810 | 6,337 | -8.3 |
| Loss from discontinued operations | -22 | - | - |
| Net profit | 5,788 | 6,337 | -8.7 |
| Earnings per share of common stock in € | 8.69 | 9.55 | -9.0 |
| Earnings per share of preferred stock in € | 8.70 | 9.56 | -9.0 |
| in % | 2018 | 2017 ¹ | Change in %pts |
| Pre-tax return on sales ² | 10.9 | 11.9 | -1.0 |
| Post-tax return on sales ³ | 8.0 | 8.6 | -0.6 |
| Gross profit margin ⁴ | 19.2 | 21.0 | -1.8 |
| Effective tax rate ⁵ | 26.3 | 27.5 | -1.2 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Group profit before tax as a percentage of Group revenues.

³ Group net profit as a percentage of Group revenues.

⁴ Gross profit as a percentage of Group revenues.

⁵ Income tax expenses as a percentage of Group profit before tax.

Research and development expenses totalling €3,881 million (2017: €3,485 million) were significantly higher than in the previous year due to the ongoing model offensive, vehicle electrification and development work on autonomous driving. Total research and

development expenditure – comprising research costs, non-capitalised development costs and capitalised development costs (excluding amortisation thereon) and advance payments – amounted to €4,454 million (2017: 4,058 million) in the first nine months of the year.

BMW Group research and development ratios for the period from 1 July to 30 September

→ 20

| in % | 2018 | 2017 ¹ | Change in %pts |
|---|------|-------------------|----------------|
| Research and development expenses as a percentage of revenues | 5.1 | 5.0 | 0.1 |
| Research and development expenditure ratio ² | 6.9 | 6.0 | 0.9 |
| Capitalisation rate ³ | 46.5 | 37.9 | 8.6 |

BMW Group research and development ratios for the period from 1 January to 30 September

→ 21

| in % | 2018 | 2017 ¹ | Change in %pts |
|---|------|-------------------|----------------|
| Research and development expenses as a percentage of revenues | 5.4 | 4.8 | 0.6 |
| Research and development expenditure ratio ² | 6.1 | 5.5 | 0.6 |
| Capitalisation rate ³ | 35.7 | 36.4 | -0.7 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Research and development expenditure as a percentage of Group revenues.

³ Capitalised development costs as a percentage of research and development expenditure.

At €6,792 million, selling and administrative expenses were slightly up year-on-year, mainly due to increased personnel and IT expenses.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses in the first nine months of 2018 totalled €3,753 million (2017: €3,536 million).

Other operating income and expenses recorded in the nine-month period turned round significantly from a net negative amount of €517 million to a net positive amount of €90 million, mainly as a result of lower allocations to provisions for legal disputes.

Profit before financial result (EBIT) for the nine-month period fell by €913 million to €7,224 million (2017: €8,137 million).

The financial result represented a €55 million improvement on the corresponding figure reported for the first nine months of 2017. The main reason for the improvement was the €207 million increase in the result on investments, which included a gain of €209 million arising in conjunction with the revaluation of the DriveNow companies. This positive development was

partially offset by a €129 million deterioration in the result from equity accounted investments to €506 million. In the previous financial year, the sale of shares in HERE International B.V., Amsterdam, resulted in a positive impact of €183 million. The earnings contribution of BMW Brilliance Automotive Ltd., Shenyang, for the nine-month period improved by €60 million year-on-year on the back of volume growth.

Profit before tax amounted to €7,883 million and was therefore moderately down on the previous year's nine-month figure (2017: €8,741 million).

The income tax expense for the period under report amounted to €2,073 million (2017: €2,404 million).

Earnings performance by segment

BMW Group revenues by segment for the period from 1 July to 30 September

→ 22

| in € million | 2018 | 2017 ¹ | Change in % | Currency adjusted change ² in % |
|--------------------|---------------|-------------------|-------------|--|
| Automotive | 21,111 | 20,433 | 3.3 | 3.8 |
| Motorcycles | 476 | 512 | -7.0 | -5.2 |
| Financial Services | 7,333 | 6,679 | 9.8 | 9.4 |
| Other Entities | 1 | 1 | - | - |
| Eliminations | -4,178 | -3,992 | 4.7 | 4.1 |
| Group | 24,743 | 23,633 | 4.7 | 5.1 |

BMW Group profit/loss before tax by segment for the period from 1 July to 30 September

→ 23

| in € million | 2018 | 2017 ¹ | Change in % |
|--------------------|--------------|-------------------|--------------|
| Automotive | 1,003 | 1,886 | -46.8 |
| Motorcycles | 31 | 53 | -41.5 |
| Financial Services | 548 | 609 | -10.0 |
| Other Entities | 27 | 11 | - |
| Eliminations | 236 | -56 | - |
| Group | 1,845 | 2,503 | -26.3 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.² The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

Automotive segment

As a result of currency factors, Automotive segment revenues for the first nine months of 2018 remained at a similar level to the previous year. Despite unfavourable regional mix effects, revenues increased slightly on a currency-adjusted basis thanks to the growth in sales volume. Cost of sales went up slightly, primarily as a result of higher research and development expenses. In addition, cost of sales recorded in the third quarter of 2018 increased significantly, mainly due to higher allocations to provisions in connection with goodwill and warranty measures as well as higher raw material prices. Warranty expenses include the accrued expense for vehicle recall actions, the cost of which is expected to exceed amounts previously recognised. As a result, an amount of €679 million was allocated to the warranty provision, among other things in connection with the exhaust gas recirculation cooler.

At €5,621 million, selling and administrative expenses were slightly up year-on-year, primarily due to increased personnel and IT expenses.

Other operating income and expenses reported by the segment improved from a net negative amount of

€531 million to a net positive amount of €64 million, mainly as a result of lower allocations to provisions for legal disputes.

Profit before financial result fell significantly and amounted to €4,730 million (2017: €5,879 million) for the nine-month period.

The Automotive segment's financial result during the first three quarters of 2018 was moderately down on the previous year, influenced by the result from equity accounted investments and the result from investments described above. In addition, other financial result deteriorated compared to the previous year when it had benefited from fair value measurement gains recognised on commodity derivatives. As a result of the first-time application of IFRS 9, most of these effects are now recognised directly in equity. For further information on the changed accounting treatment of commodity derivatives, see → note 6 to the Interim BMW Group Financial Statements.

→ see
note 6

Overall, profit before tax for the first nine months of 2018 was significantly down on the previous year.

BMW Group revenues by segment for the period from 1 January to 30 September

→ 24

| in € million | 2018 | 2017 ¹ | Change in % | Currency adjusted change ² in % |
|--------------------|---------------|-------------------|-------------|--|
| Automotive | 62,629 | 62,599 | – | 2.9 |
| Motorcycles | 1,658 | 1,827 | –9.3 | –6.3 |
| Financial Services | 21,148 | 20,769 | 1.8 | 5.3 |
| Other Entities | 4 | 4 | – | – |
| Eliminations | –12,979 | –11,875 | 9.3 | 14.4 |
| Group | 72,460 | 73,324 | –1.2 | 1.5 |

BMW Group profit / loss before tax by segment for the period from 1 January to 30 September

→ 25

| in € million | 2018 | 2017 ¹ | Change in % |
|--------------------|--------------|-------------------|-------------|
| Automotive | 5,346 | 6,562 | –18.5 |
| Motorcycles | 205 | 281 | –27.0 |
| Financial Services | 1,714 | 1,793 | –4.4 |
| Other Entities | 105 | 30 | – |
| Eliminations | 513 | 75 | – |
| Group | 7,883 | 8,741 | –9.8 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.² The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.**Motorcycles segment**

Motorcycles segment revenues fell moderately compared to the first nine months of the previous year, mainly due to the ramp-up situation attributable to multiple model changes. The decrease was also exacerbated by product mix and currency effects.

Nine-month profit before tax was therefore significantly lower than one year earlier.

Financial Services segment

Financial Services segment revenues grew slightly in the reporting period despite negative foreign currency translation effects. Adjusted for currency effects, the segment recorded solid growth due to the increased size of the portfolio.

Nine-month cost of sales relating to financial services business increased year-on-year by €453 million (2017: €17,981 million).

The net negative amount of other operating income and expenses deteriorated from €19 million to €34 million, mainly as a result of higher allocations to provisions for legal disputes.

The risk profile remained stable during the nine-month period under report. While price levels on the North American and German pre-owned automobile markets stabilised, residual values in a number of European markets declined slightly, in line with expectations.

Profit before tax in the Financial Services segment decreased slightly due to these various factors, including unfavourable currency effects.

BMW Group margins by segment for the period from 1 July to 30 September

→ 26

| in % | 2018 | 2017 ¹ | Change in %pts |
|----------------------------------|------|-------------------|----------------|
| Automotive | | | |
| Gross profit margin ² | 12.9 | 18.6 | -5.7 |
| EBIT margin ³ | 4.4 | 8.6 | -4.2 |
| Motorcycles | | | |
| Gross profit margin ² | 20.4 | 21.9 | -1.5 |
| EBIT margin ³ | 6.9 | 10.4 | -3.5 |

BMW Group margins by segment for the period from 1 January to 30 September

→ 27

| in % | 2018 | 2017 ¹ | Change in %pts |
|----------------------------------|------|-------------------|----------------|
| Automotive | | | |
| Gross profit margin ² | 16.4 | 19.1 | -2.7 |
| EBIT margin ³ | 7.6 | 9.4 | -1.8 |
| Motorcycles | | | |
| Gross profit margin ² | 23.6 | 25.1 | -1.5 |
| EBIT margin ³ | 12.5 | 15.4 | -2.9 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.² Gross profit as a percentage of Segment revenues.³ Segment profit before financial result as a percentage of segment revenues.**Other Entities segment/Eliminations**

The result before tax in the Other Entities segment improved significantly year-on-year, helped, among other things, by positive valuation effects arising on interest rate derivatives. The impact of inter-segment eliminations on pre-tax profit for the first three quarters of 2018 improved by €438 million to €513 million, mainly due to the positive effect of reversals in the portfolio of leased products and positive effects arising on a reduced elimination of margins.

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 financial years for the first nine months of the financial years 2018 and 2017, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow \uparrow

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.

BMW Group cash flows for the period from 1 January to 30 September

→ 28

| in € million | 2018 | 2017 | Change |
|---|------------|-------------|------------|
| Cash inflow (+)/outflow (-) from operating activities | 4,552 | 4,667 | -115 |
| Cash inflow (+)/outflow (-) from investing activities | -4,205 | -4,106 | -99 |
| Cash inflow (+)/outflow (-) from financing activities | -411 | -750 | 339 |
| Effect of exchange rate and changes in composition of Group | - | -157 | 157 |
| Change in cash and cash equivalents | -64 | -346 | 282 |

The cash inflow from operating activities in the first nine months of 2018 was influenced favourably by the lower year-on-year increase in receivables from sales financing, the effect of which was partially offset by the higher level of working capital.

The change in cash outflows for financing activities was primarily attributable to the higher volume of bonds issued compared with the previous year, offset partially by the repayment of commercial paper.

The increase in cash outflows for investing activities mainly reflects higher investments in intangible assets and property, plant and equipment. \uparrow

Free cash flow for the Automotive segment in the first nine months of 2018 was as follows:

Free cash flow Automotive segment for the period from 1 January to 30 September

→ 29

| in € million | 2018 | 2017 | Change |
|--|--------------|--------------|-------------|
| Cash inflow (+)/outflow (-) from operating activities | 6,290 | 7,132 | -842 |
| Cash inflow (+)/outflow (-) from investing activities | -4,175 | -4,255 | 80 |
| Net investment in marketable securities and investment funds | -73 | -174 | 101 |
| Free cash flow Automotive segment | 2,042 | 2,703 | -661 |

The reduction in the cash inflow from operating activities of the Automotive segment for the nine-month period was mainly attributable to the lower net profit for the period, higher capital expenditure and the unfavourable change in working capital.

Net financial assets of the Automotive segment comprise the following:

Net financial assets Automotive segment

→ 30

| in € million | 30.9.2018 | 31.12.2017 | Change |
|--|---------------|---------------|---------------|
| Cash and cash equivalents | 6,118 | 7,157 | -1,039 |
| Marketable securities and investment funds | 4,223 | 4,336 | -113 |
| Intragroup net financial assets | 8,548 | 9,774 | -1,226 |
| Financial assets | 18,889 | 21,267 | -2,378 |
| Less: external financial liabilities* | -1,198 | -1,480 | 282 |
| Net financial assets Automotive segment | 17,691 | 19,787 | -2,096 |

* Excluding derivative financial instruments.

Cash flows relating to the Financial Services segment developed as follows during the first nine months of 2018:

Net cash flows for the Financial Services segment for the period from 1 January to 30 September

→ 31

| in € million | 2018 | 2017 | Change |
|---|------------|-------------|--------------|
| Cash inflow (+)/outflow (-) from operating activities | -3,049 | -3,527 | 478 |
| Cash inflow (+)/outflow (-) from investing activities | 49 | -9 | 58 |
| Cash inflow (+)/outflow (-) from financing activities | 3,110 | 2,563 | 547 |
| Net | 110 | -973 | 1,083 |

Lower cash outflows from operating activities in the Financial Services segment were driven primarily by the change in receivables from sales financing.

Lower repayment of other financial liabilities during the period under report were the main reason for year-on-year increase in the cash inflow from financing activities.

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 BMW Group Financial Statements for the year ended 31 December 2017.

During the period from January to September 2018, BMW Group entities issued three euro benchmark bonds with a total volume of €5.5 billion (in conjunction with the EMTN programme), two GBP-denominated bonds with a total volume of British pound 600 million and private placements in various currencies with a total volume of €3.3 billion. The BMW Group also placed bonds for US dollar 7.0 billion on the US capital market. Bonds denominated in Chinese renminbi and Canadian dollar were issued with a total volume of €1.1 billion.

In addition, ten ABS transactions with a volume of €5.4 billion were issued in Germany, France, Japan, Canada, the USA, the UK and China. The regular issue of commercial paper on the one hand and deposit-taking by the Group's banking subsidiaries on the other are also used to refinance the BMW Group.

Net assets

BMW Group condensed balance sheet

→ 32

| in € million | Group | | | | Proportion of balance sheet total in % |
|--|----------------|-------------------------|-------------|---|--|
| | 30.9.2018 | 31.12.2017 ¹ | Change in % | Currency adjusted change ² in % | |
| ASSETS | | | | | |
| Intangible assets | 9,947 | 9,464 | 5.1 | 5.0 | 4.9 |
| Property, plant and equipment | 18,615 | 18,471 | 0.8 | 0.5 | 9.2 |
| Leased products | 37,460 | 36,257 | 3.3 | 1.9 | 18.5 |
| Investments accounted for using the equity method | 2,565 | 2,769 | -7.4 | -7.4 | 1.3 |
| Other investments | 805 | 690 | 16.7 | 15.8 | 0.4 |
| Receivables from sales financing | 83,518 | 80,434 | 3.8 | 3.8 | 41.2 |
| Financial assets | 8,126 | 10,334 | -21.4 | -21.6 | 4.0 |
| Deferred and current tax | 3,679 | 3,559 | 3.4 | 1.7 | 1.8 |
| Inventories | 15,168 | 12,707 | 19.4 | 19.9 | 7.5 |
| Trade receivables | 3,031 | 2,667 | 13.6 | 14.0 | 1.5 |
| Other assets | 10,229 | 9,115 | 12.2 | 12.4 | 5.1 |
| Cash and cash equivalents | 8,975 | 9,039 | -0.7 | -0.1 | 4.4 |
| Assets held for sale | 432 | - | - | - | 0.2 |
| Total assets | 202,550 | 195,506 | 3.6 | 3.3 | 100.0 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | 56,876 | 54,107 | 5.1 | 5.6 | 28.1 |
| Pension provisions | 2,574 | 3,252 | -20.8 | -21.1 | 1.3 |
| Other provisions | 11,997 | 11,999 | - | -0.3 | 5.9 |
| Deferred and current tax | 3,506 | 3,281 | 6.9 | 2.9 | 1.7 |
| Financial liabilities | 98,084 | 94,648 | 3.6 | 3.0 | 48.5 |
| Trade payables | 10,401 | 9,731 | 6.9 | 6.6 | 5.1 |
| Other liabilities | 19,090 | 18,488 | 3.3 | 3.1 | 9.4 |
| Liabilities in conjunction with assets held for sale | 22 | - | - | - | - |
| Total equity and liabilities | 202,550 | 195,506 | 3.6 | 3.3 | 100.0 |

¹ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

The Group balance sheet total was slightly higher than at the end of the financial year 2017.

Compared to the end of the previous year, leased products increased slightly as a result of portfolio growth in various countries, including Germany and France. Positive currency effects also contributed to the increase.

Receivables from sales financing increased slightly over the nine-month period, mainly due to the greater credit financing volumes in the UK, China and the USA. A total of 957,352 new credit financing contracts were signed during the nine-month period ended 30 September 2018. Compared to the end of the previous financial year, the contract portfolio under management grew by 4.4% to 3,797,025 contracts.

Financial assets decreased significantly compared to 31 December 2017, mainly due to the fair value measurement of currency derivatives. Lower fair values as well as a change in the volume of commodity derivatives in place exacerbated the situation.

Inventories were significantly higher than at the end of the financial year 2017, whereby most of the increase related to finished goods and stocking up effects.

Compared to the end of the previous year, other assets went up significantly, including an increase of return right assets recognised relating to future leased vehicles and higher receivables from non-consolidated companies in which an investment is held.

Group equity rose by €2,769 million to €56,876 million, having increased primarily by the profit attributable ¹

to shareholders of BMW AG (€5,714 million) and decreased by the dividend payment of €2,630 million.

BMW Group equity ratio¹

→ 33

| in % | 30. 9. 2018 | 31. 12. 2017 ² | Change in %pts |
|----------------------------|-------------|---------------------------|----------------|
| Group | 28.1 | 27.7 | 0.4 |
| Automotive segment | 39.0 | 42.0 | -3.0 |
| Financial Services segment | 10.1 | 10.7 | -0.6 |

¹ Equity as a percentage of relevant total assets.

² Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Pension provisions decreased significantly compared to the end of the financial year 2017, mainly due to higher discount rates applied in Germany and the UK.

Financial liabilities went up slightly compared to 31 December 2017, mainly due to the increase in bonds, offset partially by the repayment of commercial paper.

Other liabilities increased slightly compared to the end of the financial year 2017, mainly in connection with the higher amount of refund liabilities recognised relating to future leased vehicles.

The line items "Assets held for sale" and "Liabilities in connection with assets held for sale" relate to the discontinued operations of the DriveNow companies. Further information is provided in → note 2 to the Interim Group Financial Statements. → see note 2

Overall, the earnings performance, financial position and net assets position of the BMW Group continued to develop positively during the third quarter of 2018.

Related party relationships

Further information on transactions with related parties can be found in → note 34 to the Interim Group Financial Statements. → see note 34

REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

Economic trend with increasing uncertainties

Automobile and motorcycle deliveries – new record figures targeted

BMW Group changes outlook for full financial year

OUTLOOK

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including material risks and opportunities, from a Group management perspective. It contains forward-looking statements and is based on expectations and assessments that are subject to uncertainty. As a result, actual outcomes, including those attributable to political and economic developments, could differ – either positively or negatively – from those described below. Further information on this topic is provided in the Annual Report 2017 (Outlook, pp. 90, Risks and Opportunities, pp. 96).

Global economy impacted by increasing trade disputes

The International Monetary Fund (IMF) has cut its economic growth forecast for the current year to 3.7%. One of the main reasons for the downward adjustment is the current trade dispute between the world's two largest economies, the USA and China. The situation is also exacerbated by a host of other uncertainties, including Brexit.

The forecast for the eurozone has also been revised downwards compared to July. Gross domestic product (GDP) in the eurozone is currently expected to grow by 2.1% over the year as a whole and therefore at a slower pace than in 2017. Although all economies within the EU are growing, there are significant differences in the pace of growth. In general, however, the economic environment is likely to remain conducive to further growth. Unemployment continues to fall, the weak euro is driving export growth and the ECB is only gradually running down its expansive monetary policy.

The German economy continues to grow, underpinned by historically low levels of unemployment. Despite a slight dip in market sentiment in recent months, the German economy is still expected to grow by 2.0%, similar to one year earlier.

The French economy is only predicted to grow by 1.7% this year, with both the lack of progress in reducing unemployment and the large trade deficit being cited as the main reasons for weaker economic growth.

The forecast for Italy will also have to be reduced, and at a rate of 1.2%, is likely to remain at the lower end of the scale for Europe. Despite gradually falling unemployment figures and recent growth in domestic demand creating positive impulses, the country's debt policy and the rise in interest rates for Italian government bonds are a source of great concern for capital markets.

In Spain, the consequences of the political uncertainty regarding Catalonia continue to have a negative impact on economic development for the country as a whole. Despite the prevailing political uncertainty, a growth rate of 2.7% is nevertheless forecast for the current year, mainly driven by significantly lower levels of unemployment and robust domestic demand.

While eurozone markets for the most part continue to grow, the UK economy is being negatively impacted by Brexit and the uncertainties surrounding it. Even though the unemployment rate has continuously declined since the referendum and the country is enjoying record employment levels, growth forecasts have been revised downwards with frequent regularity. GDP is only expected to grow by 1.3% in 2018.

Any continued intensification of the US trade dispute with key trading partners is highly likely to have a dampening effect on global economic growth for the remainder of 2018. The increase in customs duties for US imports from China and those from the USA to China, as well as other measures taken by the USA and countered by other countries, are having an effect on global economic growth. The tough nature of the negotiations between the USA, Canada and Mexico with the aim of replacing the existing NAFTA agreement were also a cause of apprehension on world markets. In the meantime, by agreeing to the "United States-Mexico-Canada Agreement" (USMCA), the countries concerned have decided on a new set of rules to replace the previous arrangements.

In the USA, the economic situation remains very positive despite the distortions caused by trade policies. Moreover, the Federal Reserve continues to act very cautiously with its interest rate hikes. Strong US labour market figures and the short-term stimulus generated by the corporate tax reform are providing a powerful boost to growth, resulting in market forecasts for the current year being raised to 2.8%.

The Chinese economy remains on the course set by the country's government, despite considerable risks and the escalation of the trade dispute. Economic growth in China is generally expected to run at 6.6% in 2018, its greatest problem being the high level of debt, mostly of a corporate nature, even though the situation has not worsened. Moreover, a major drop in the continually rising property prices could trigger turbulence on financial markets as well as an economic downturn, not only in China, but worldwide.

Japan has been unable to maintain the pace of growth seen in the previous year and its economy is expected to grow by only 1.0% in 2018. Uncertainties over trade relations with the USA are having a particularly unfavourable impact on Japan, as an export-dependent economy. Any slow-down in international trade is therefore likely to curb the pace of growth.

India is now back on a growth course, having overcome the partially chaotic conditions caused by a banknote changeover and in the wake of an extensive reform to its tax system. The country's economy is expected to grow by 7.4% in 2018.

Despite the ongoing rise in oil prices, the Russian economy is forecast to grow by only 1.8% this year. Recovery is also proving to be sluggish in Brazil (+1.6%). Although some signs point to an upturn in domestic demand, uncertainty regarding future economic policies is unlikely to dissipate, even after the outcome of the presidential elections is known.

International automobile markets

Automobile markets worldwide are predicted to contract by 0.3% in 2018.

Europe's automobile economy is currently being distorted by the introduction of the WLTP test cycle. Nevertheless, markets in this region are expected to grow slightly in 2018 (15.8 million units; +1.2%).

In Germany, new registrations are forecast to rise by 1.7% to 3.5 million units during the year under report. The market in France is also expected to grow by 4.2% to 2.2 million units. Registrations are likely to decrease in Italy (1.9 million units; -4.0%) and to rise sharply in Spain (1.3 million units; +7.7%). The UK automobile market is set to experience another difficult year in 2018, with new registrations likely to drop by a further 7.5% to 2.3 million units.

The US automobile market is forecast to contract slightly again in the year under report. According to the latest prediction, the total market volume will slip to 17.1 million units (-0.8%).

As the normalisation process within the Chinese economy continues, growth rates for the automobile market are also likely to be lower than in the recent past. Forecasts for the current year remain at a similar level (24.7 million units; +0.1%).

The Japanese market remains volatile. As a result of weaker economic growth, demand for passenger cars is set to fall by 2.7% to 4.9 million units in 2018.

Following recessions in both countries, automobile markets in both Russia and Brazil are expected to benefit from pent-up demand and therefore grow strongly in 2018. Forecasts currently anticipate growth of 10.3% to 1.6 million units for Russia. Following the presidential election in Brazil, new registrations are expected to grow by 10.6% to 2.0 million units.

International motorcycle markets

The BMW Group's forecasts are based on the assumption that worldwide motorcycle markets in the 250 cc plus class will continue to develop as well over the remainder of the year as in the first nine months. The positive trend in registrations in the major European markets of Germany, France, Italy and Spain is likely to continue, whereas market conditions in the UK should remain largely stable compared to the previous year. Continuing the trend seen in recent years, the US motorcycle market is likely to see a further decline in registration numbers in 2018.

International interest rate environment and pre-owned vehicle prices

Within the eurozone, the ECB has resolved to reduce the monthly volume of bond purchasing from €30 billion to €15 billion with effect from October 2018. The ECB also announced its intention to discontinue bond purchases altogether as of January 2019.

In the UK, it remains the stated intention of the BoE to raise the key interest rate further in a limited and gradual manner. The central bank's monetary policy over the coming months is very much likely to be geared to managing the economic impact of the Brexit negotiations.

In the USA, the Federal Reserve seems likely to raise the key interest rate further as long as the economy continues to perform well.

In China, fiscal policies will continue to focus on safeguarding the country's financial stability. A rise in inflation rates or a general deterioration in the economic situation, for instance as a result of a worsening trade war, is likely to persuade the Chinese central bank to change its previously cautious and neutral monetary policy. In this case, the Chinese government could well intervene with measures aimed at stimulating the economy.

With the inflation rate remaining stubbornly low, Japan's central bank is likely to maintain its expansive monetary policy.

The BMW Group expects prices of pre-owned premium-segment vehicles to maintain their current trend through to the end of the year. Due to the ongoing debate on potential driving bans for diesel-powered vehicles in certain countries, pre-owned vehicle prices will probably continue to fall slightly in Europe. The situation in the UK is expected to remain stable, at a similarly low level to previous quarters. Pre-owned vehicle markets in North America and Asia are expected to remain largely stable.

Outlook for the BMW Group

The application of International Financial Reporting Standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) is mandatory for the BMW Group with effect from 1 January 2018. While the application of IFRS 15 requires adjusted comparative figures for the financial year 2017, no such adjustment is required in the case of IFRS 9. In order to ensure a transparent presentation of changes in key financial performance indicators, the outlook shows values adjusted in accordance with IFRS 15 as well as those actually reported for 2017. With regard to key financial performance indicators for 2018, the outlook is based on values for 2017 adjusted in accordance with IFRS 15. Further information on IFRS 15 and IFRS 9 is provided in → notes 5 and 6 to the Interim Group Financial Statements.

In an ad-hoc announcement issued on 25 September 2018, the BMW Group informed capital markets of its decision to revise its guidance for the financial year 2018. The reasons for the revision are given below. Due to the revision, the following key performance indicators have been changed:

- Group profit before tax is expected to show a moderate year-on-year decrease (previously: on a par with the previous year).
- In the Automotive segment, revenues are now forecast to be slightly lower than the previous year (previously: slight year-on-year increase).
- The EBIT margin in the Automotive segment is now expected to be at least 7 % (previously: 8 to 10 %).

The BMW Group remains fully committed to its goal of spearheading the transformation of the industry. The company continues to strive for sustained high profitability as the cornerstone of its Strategy NUMBER ONE > NEXT. In addition to continuing the current product roll-out, ongoing cost and efficiency measures will also be intensified.

Group

Profit before tax: moderate decrease expected

As mentioned above in the analysis of business performance for the third quarter of 2018, Group profit before tax will continue to be negatively impacted during the remaining months of the year by various factors, including unexpectedly intense competition relating to the conversion to WLTP in Europe, ongoing international trade disputes, and higher allocations to provisions for goodwill and warranty measures. At the same time, investments in important future-oriented projects remain high, such as the continued electrification of vehicles, digitalisation and autonomous driving. The BMW Group's production network is also set for further expansion during the outlook period. In light of the increasing number and intensity of challenges, the Group's pre-tax profit is expected to decrease moderately (2017 adjusted: €10,675* million).

In the Annual Report 2017, Group profit before tax was predicted to be at the previous year's level.

The BMW Group and the Daimler Group plan to merge their mobility services business units in a joint venture and strategically grow their combined business going forward. The two companies signed an agreement to that effect in March 2018. Each of the two groups will hold a 50 % stake in the joint venture.

Subject to approval by antitrust authorities during the current year, the foundation of the joint venture will give rise to a one-off positive valuation and earnings impact on the Group Financial Statements of BMW AG, which could result in a renewed adjustment to the outlook. The potential effect is not yet reflected in the adjusted outlook.

Workforce size at year-end: slight increase expected

Based on current forecasts, the size of the workforce is expected to increase only slightly (2017: 129,932 employees). Projects relating to vehicle electrification and autonomous driving, growth in the automobile and motorcycle business and the expansion of financial and mobility services remain the primary focus of recruiting efforts.

→ see
notes 5
and 6

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Automotive segment

Deliveries to customers: slight increase expected

The BMW Group expects a further year-on-year increase in total deliveries of BMW, MINI and Rolls-Royce brand vehicles and again aims to occupy a leading position in the global premium segment in 2018. The Group's international presence in the major sales regions helps to offset volatility in individual markets. Assuming political and economic conditions do not deteriorate, deliveries to customers are forecast to rise slightly to a new high (2017: 2,463,526¹ units).

The BMW 6 Series Gran Turismo, the new BMW X3 (both launched in November 2017) and the BMW X2 (available since March 2018) are just three of the vehicles expected to make key contributions to sustained growth. In China, both the extended-wheelbase version of the BMW 5 Series and the BMW X3 (the latter produced in China for the local market since the second quarter of 2018) will also provide additional momentum. Business is also likely to be boosted by the new BMW i8 Roadster, which has been available since May (BMW i8 Roadster: fuel consumption in l/100 km (combined) 2.0//CO₂ emissions in g/km (combined) 46//Electric power consumption in kWh/100 km (combined) 14.5) and by the new BMW X4, which was launched in July. The new BMW 8 Series Coupé, which was unveiled to the public during the summer, will be added in November. In the same month, the new BMW X5 will also be launched, replacing its successful predecessor.

Fleet carbon dioxide emissions²: slight decrease expected

The BMW Group is continuing its ongoing efforts to reduce both fuel consumption and CO₂ emissions. Moreover, the percentage of electrified vehicles in the total number of deliveries is predicted to increase. Accordingly, CO₂ emissions across the vehicle fleet as a whole are expected to drop slightly during the outlook period, continuing the trend seen in previous years (2017 adjusted: 128 grams CO₂/km)

The disclosures made in the Annual Report 2017 relating to carbon fleet emissions for the year 2017 are based on the NEDC-type testing cycle (New European Driving Cycle). As part of the conversion to the new WLTP-type testing cycle, automobile manufacturers are required by law to register all vehicles in their fleet by September 2018. The conversion to the new WLTP test procedure for the BMW Group's fleet went according to plan.

¹ Including the joint venture BMW Brilliance Automotive, Ltd., Shenyang (2017: 384,124 units).

² EU-28.

In order to improve comparability of fleet emission values for the 2018 financial year with those of the previous year – with effect from the quarterly report to 30 June 2018 – the BMW Group is therefore reporting a WLTP-adjusted value of 128 g CO₂/km for the new type testing cycle for the year 2017. Based on the adjusted value, the BMW Group continues to expect CO₂ emissions to decrease slightly.

Revenues: slight decrease expected

Based on the latest assessment of the outlook for the remainder of the financial year 2018, the BMW Group now expects Automotive segment revenues to decrease slightly year-on-year (2017 adjusted: €85,742³ million). The ongoing international trade disputes and the conversion to WLTP are aggravating the market situation and fuelling uncertainty. These circumstances are leading to unexpectedly large distortions in demand and unforeseen pressure on pricing in a number of European markets. Thanks to its flexible production and sales strategy, the BMW Group is responding to this increased competition and continuously adjusting its volume planning to focus on earnings quality.

In the Annual Report 2017 Automotive segment revenues were predicted to increase slightly year-on-year.

EBIT margin of at least 7% expected

An EBIT margin of at least 7% is now expected for the Automotive segment (2017 adjusted: 9.2³%). The negative factors described above will also have a corresponding effect on the EBIT margin.

In the 2017 Annual Report, an EBIT margin within the target range of 8 to 10% was predicted.

Return on capital employed⁴: significant decrease expected

Segment RoCE is forecast to be significantly below the previous year's level (2017 adjusted: 77.7³%). In addition to year-on-year earnings developments, the lower RoCE reflects increasing investments in the electrification of the vehicle fleet, in digitalisation and in the expansion and renewal of the model portfolio. However, the long-term target RoCE of at least 26% for the Automotive segment will be easily exceeded.

In view of the introduction of IFRS 16 (Leases) as of 1 January 2019, the future significance of RoCE as a performance indicator, as opposed to an operational management tool, is under review.

³ Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

⁴ RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that do not incur interest.

Motorcycles segment

Deliveries to customers: slight increase expected

The BMW Group expects business in the Motorcycles segment to develop positively in the final quarter of 2018. The renewal of the product range in the previous year, together with a variety of new models such as the recently launched R 1250 GS and R 1250 RT with their comprehensively further advanced boxer engine, should all have a positive impact.

Due to the ramp-up situation connected with various model changes in the Motorcycles segment, overall production was down for the nine-month period. With effect from the first quarter of 2018, deliveries in the Motorcycles segment have been forecast to increase slightly (2017: 164,153 units). In the Annual Report 2017, a solid increase was predicted.

EBIT margin in target range between 8 and 10 % expected

The segment EBIT margin for 2018 is expected to lie within the target range of between 8 and 10 % (2017: 9.1 %).

Return on capital employed¹: in line with last year's level expected

The Motorcycles segment RoCE in 2018 is expected to come in at a similar level to the previous year (2017: 34.0 %). In the Annual Report 2017, it had been predicted that RoCE would increase slightly. The outlook for segment RoCE was revised in the first quarter of 2018 due to the ramp-up situation described above. The long-term target RoCE of 26 % for the Motorcycles segment is still expected to be surpassed.

Financial Services segment

Return on equity²: slight decrease expected

As stated in the Annual Report 2017, the Financial Services segment will require additional equity capital going forward in view of increasing regulatory requirements worldwide. These developments will result in a slight decrease in RoCE (2017: 18.1 %). In this context, with effect from the 2018 financial year, the sustainable target return was changed from its former level of at least 18 % to its current level of at least 14 %.

² RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital attributable to the Financial Services segment balance sheet.

¹ RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that do not incur interest.

Overall assessment by Group management

The BMW Group has changed its outlook for 2018 to take account of the negative effects described above. In view of the growing challenges, Group profit before tax is now expected to show a moderate decrease. In the Automotive segment, revenues are now forecast to be slightly lower year-on-year due to volume factors. Fleet carbon dioxide emissions are expected to decrease slightly. The Group's targets are to be met with a slight increase in the size of the workforce. A full-year EBIT margin of at least 7% is being targeted for the Automotive segment, while its RoCE is forecast to drop significantly. A slight drop in RoE is also forecast for the Financial Services segment. However, both performance indicators will

be above their long-term targets of 26% (RoCE) and 14% (RoE) respectively. Deliveries to customers by the Motorcycles segment are forecast to show a slight increase, with an EBIT margin within the target range of between 8 and 10% and RoCE in line with last year's level.

Depending on the political and economic situation and the outcomes of the risks and opportunities described in the Annual Report 2017, actual business performance could differ from current expectations. Trade policy and regulatory developments in particular are being closely and continually monitored. Any new findings will be promptly taken into account in corporate planning.

BMW Group key performance indicators

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| | | 2017 reported | 2017 adjusted ¹ | 2018 Outlook ² |
|--------------------------------------|-----------------------|------------------|-------------------------------|--------------------------------|
| GROUP | | | | |
| Profit before tax | € million | 10,655 | 10,675 | moderate decrease |
| Workforce at year-end | | 129,932 | 129,932 | slight increase |
| AUTOMOTIVE SEGMENT | | | | |
| Deliveries to customers ³ | units | 2,463,526 | 2,463,526 | slight increase |
| Fleet emissions ⁴ | g CO ₂ /km | 122 | 128 ⁵ | slight decrease |
| Revenues | € million | 88,581 | 85,742 | slight decrease |
| EBIT margin | % | 8.9 | 9.2 | at least 7 |
| Return on capital employed | % | 78.6 | 77.7 | significant decrease |
| MOTORCYCLES SEGMENT | | | | |
| Deliveries to customers | units | 164,153 | 164,153 | slight increase |
| EBIT margin | % | 9.1 | 9.1 | between 8 and 10 |
| Return on capital employed | % | 34.0 | 34.0 | in line with last year's level |
| FINANCIAL SERVICES SEGMENT | | | | |
| Return on equity | % | 18.1 | 18.1 | slight decrease |

¹ Prior year financial figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

² Based on adjusted figures.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 384,124 units).

⁴ EU-28.

⁵ Value based on planned conversion to WLTP.

RISKS AND OPPORTUNITIES

As a globally operating company, the BMW Group is exposed to a wide range of risks and opportunities. Making full use of the opportunities that present themselves is the basis for the Group's success. In order to achieve growth, profitability, efficiency and continued sustainable activity going forward, the BMW Group must consciously assume a certain amount of risk. During the period under report, risks increased slightly compared with the overall risk situation presented in the Group Management Report 2017. Current issues such as the progress of the Brexit negotiations, developments in trade policies as well as the impact of stricter legal regulations as well as goodwill and warranty measures will continue to be closely monitored and, where appropriate, factored into the Group's forecasts. Further information on risks and opportunities, as well as on the methods employed to manage them can also be found in the "Report on Risks and Opportunities" section of the Annual Report 2017 (pp. 96).

INTERIM GROUP FINANCIAL STATEMENTS

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BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

→ BMW Group
Income Statement
→ Statement of
Comprehensive
Income

Income Statements for Group and Segments for the period from 1 July to 30 September

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| in € million | Note | Group | | Automotive | | Motorcycles | |
|---|------|--------------|--------------|--------------|--------------|-------------|------------|
| | | 2018 | 2017* | 2018 | 2017* | 2018 | 2017* |
| Revenues | 7 | 24,743 | 23,633 | 21,111 | 20,433 | 476 | 512 |
| Cost of sales | 8 | -20,769 | -18,791 | -18,383 | -16,632 | -379 | -400 |
| Gross profit | | 3,974 | 4,842 | 2,728 | 3,801 | 97 | 112 |
| Selling and administrative expenses | 9 | -2,278 | -2,192 | -1,867 | -1,789 | -65 | -60 |
| Other operating income | 10 | 202 | 131 | 216 | 145 | 1 | 1 |
| Other operating expenses | 10 | -153 | -397 | -147 | -399 | - | - |
| Profit / loss before financial result | | 1,745 | 2,384 | 930 | 1,758 | 33 | 53 |
| Result from equity accounted investments | 11 | 101 | 145 | 101 | 145 | - | - |
| Interest and similar income | 12 | 39 | 36 | 84 | 69 | - | - |
| Interest and similar expenses | 12 | -102 | -119 | -140 | -156 | -2 | - |
| Other financial result | 13 | 62 | 57 | 28 | 70 | - | - |
| Financial result | | 100 | 119 | 73 | 128 | -2 | - |
| Profit / loss before tax | | 1,845 | 2,503 | 1,003 | 1,886 | 31 | 53 |
| Income taxes | 14 | -425 | -657 | -204 | -586 | -2 | -18 |
| Profit from continuing operations | | 1,420 | 1,846 | 799 | 1,300 | 29 | 35 |
| Loss from discontinued operations | 2 | -15 | - | -15 | - | - | - |
| Net profit / loss | | 1,405 | 1,846 | 784 | 1,300 | 29 | 35 |
| Attributable to minority interest | | 29 | 29 | 13 | 10 | - | - |
| Attributable to shareholders of BMW AG | | 1,376 | 1,817 | 771 | 1,290 | 29 | 35 |
| Basic earnings per share of common stock in € | 15 | 2.09 | 2.76 | | | | |
| Basic earnings per share of preferred stock in € | 15 | 2.09 | 2.76 | | | | |
| Dilutive effects | 15 | - | - | | | | |
| Diluted earnings per share of common stock in € | 15 | 2.09 | 2.76 | | | | |
| Diluted earnings per share of preferred stock in € | 15 | 2.09 | 2.76 | | | | |

Statement of Comprehensive Income for Group for the period from 1 July to 30 September

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| in € million | Note | 2018 | 2017* |
|--|------|--------------|--------------|
| Net profit | | 1,405 | 1,846 |
| Remeasurement of the net liability for defined benefit pension plans | | 22 | 190 |
| Deferred taxes | | -22 | 2 |
| Items not expected to be reclassified to the income statement in the future | | - | 192 |
| Marketable securities (at fair value through other comprehensive income) | | -8 | 90 |
| Financial instruments used for hedging purposes | | -103 | 704 |
| Costs of hedging | | -40 | - |
| Other comprehensive income from equity accounted investments | | -16 | -28 |
| Deferred taxes | | 24 | -213 |
| Currency translation foreign operations | | -144 | -346 |
| Items that can be reclassified to the income statement in the future | | -287 | 207 |
| Other comprehensive income for the period after tax | 16 | -287 | 399 |
| Total comprehensive income | | 1,118 | 2,245 |
| Total comprehensive income attributable to minority interest | | 29 | 29 |
| Total comprehensive income attributable to shareholders of BMW AG | | 1,089 | 2,216 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

| Financial Services | | Other Entities | | Eliminations | | |
|--------------------|------------|----------------|------------|--------------|------------|---|
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017* | |
| 7,333 | 6,679 | 1 | 1 | -4,178 | -3,992 | Revenues |
| -6,424 | -5,718 | - | - | 4,417 | 3,959 | Cost of sales |
| 909 | 961 | 1 | 1 | 239 | -33 | Gross profit |
| -346 | -339 | -4 | -7 | 4 | 3 | Selling and administrative expenses |
| 4 | 6 | 30 | 14 | -49 | -35 | Other operating income |
| -40 | -21 | -21 | -20 | 55 | 43 | Other operating expenses |
| 527 | 607 | 6 | -12 | 249 | -22 | Profit/loss before financial result |
| - | - | - | - | - | - | Result from equity accounted investments |
| - | 3 | 313 | 283 | -358 | -319 | Interest and similar income |
| -2 | -2 | -303 | -246 | 345 | 285 | Interest and similar expenses |
| 23 | 1 | 11 | -14 | - | - | Other financial result |
| 21 | 2 | 21 | 23 | -13 | -34 | Financial result |
| 548 | 609 | 27 | 11 | 236 | -56 | Profit/loss before tax |
| -79 | -49 | -18 | -13 | -122 | 9 | Income taxes |
| 469 | 560 | 9 | -2 | 114 | -47 | Profit from continuing operations |
| - | - | - | - | - | - | Loss from discontinued operations |
| 469 | 560 | 9 | -2 | 114 | -47 | Net profit/loss |
| 16 | 20 | - | -1 | - | - | Attributable to minority interest |
| 453 | 540 | 9 | -1 | 114 | -47 | 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 € |

BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

→ BMW Group
Income Statement
→ Statement of
Comprehensive
Income

Income Statements for Group and Segments for the period from 1 January to 30 September

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| in € million | Note | Group | | Automotive | | Motorcycles | |
|---|------|---------------|---------------|---------------|---------------|-------------|------------|
| | | 2018 | 2017* | 2018 | 2017* | 2018 | 2017* |
| Revenues | 7 | 72,460 | 73,324 | 62,629 | 62,599 | 1,658 | 1,827 |
| Cost of sales | 8 | -58,534 | -57,961 | -52,342 | -50,630 | -1,267 | -1,369 |
| Gross profit | | 13,926 | 15,363 | 10,287 | 11,969 | 391 | 458 |
| Selling and administrative expenses | 9 | -6,792 | -6,709 | -5,621 | -5,559 | -184 | -177 |
| Other operating income | 10 | 514 | 460 | 536 | 450 | 2 | 3 |
| Other operating expenses | 10 | -424 | -977 | -472 | -981 | -1 | -2 |
| Profit / loss before financial result | | 7,224 | 8,137 | 4,730 | 5,879 | 208 | 282 |
| Result from equity accounted investments | 11 | 506 | 635 | 506 | 635 | - | - |
| Interest and similar income | 12 | 113 | 143 | 247 | 235 | - | - |
| Interest and similar expenses | 12 | -276 | -305 | -380 | -390 | -3 | -1 |
| Other financial result | 13 | 316 | 131 | 243 | 203 | - | - |
| Financial result | | 659 | 604 | 616 | 683 | -3 | -1 |
| Profit / loss before tax | | 7,883 | 8,741 | 5,346 | 6,562 | 205 | 281 |
| Income taxes | 14 | -2,073 | -2,404 | -1,416 | -1,902 | -54 | -81 |
| Profit from continuing operations | | 5,810 | 6,337 | 3,930 | 4,660 | 151 | 200 |
| Loss from discontinued operations | 2 | -22 | - | -22 | - | - | - |
| Net profit / loss | | 5,788 | 6,337 | 3,908 | 4,660 | 151 | 200 |
| Attributable to minority interest | | 74 | 59 | 26 | 16 | - | - |
| Attributable to shareholders of BMW AG | | 5,714 | 6,278 | 3,882 | 4,644 | 151 | 200 |
| Basic earnings per share of common stock in € | 15 | 8.69 | 9.55 | | | | |
| Basic earnings per share of preferred stock in € | 15 | 8.70 | 9.56 | | | | |
| Dilutive effects | 15 | - | - | | | | |
| Diluted earnings per share of common stock in € | 15 | 8.69 | 9.55 | | | | |
| Diluted earnings per share of preferred stock in € | 15 | 8.70 | 9.56 | | | | |

Statement of Comprehensive Income for Group for the period from 1 January to 30 September

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| in € million | Note | 2018 | 2017* |
|--|------|--------------|--------------|
| Net profit | | 5,788 | 6,337 |
| Remeasurement of the net liability for defined benefit pension plans | | 519 | 1,101 |
| Deferred taxes | | -135 | -254 |
| Items not expected to be reclassified to the income statement in the future | | 384 | 847 |
| Marketable securities (at fair value through other comprehensive income) | | -21 | 123 |
| Financial instruments used for hedging purposes | | -731 | 2,220 |
| Costs of hedging | | -459 | - |
| Other comprehensive income from equity accounted investments | | -93 | - |
| Deferred taxes | | 384 | -697 |
| Currency translation foreign operations | | 53 | -1,042 |
| Items that can be reclassified to the income statement in the future | | -867 | 604 |
| Other comprehensive income for the period after tax | 16 | -483 | 1,451 |
| Total comprehensive income | | 5,305 | 7,788 |
| Total comprehensive income attributable to minority interest | | 74 | 59 |
| Total comprehensive income attributable to shareholders of BMW AG | | 5,231 | 7,729 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

| Financial Services | | Other Entities | | Eliminations | | |
|--------------------|--------------|----------------|-----------|--------------|------------|---|
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017* | |
| 21,148 | 20,769 | 4 | 4 | -12,979 | -11,875 | Revenues |
| -18,434 | -17,981 | - | - | 13,509 | 12,019 | Cost of sales |
| 2,714 | 2,788 | 4 | 4 | 530 | 144 | Gross profit |
| -977 | -970 | -18 | -20 | 8 | 17 | Selling and administrative expenses |
| 30 | 42 | 95 | 91 | -149 | -126 | Other operating income |
| -64 | -61 | -59 | -75 | 172 | 142 | Other operating expenses |
| 1,703 | 1,799 | 22 | - | 561 | 177 | Profit/loss before financial result |
| - | - | - | - | - | - | Result from equity accounted investments |
| 2 | 9 | 838 | 837 | -974 | -938 | Interest and similar income |
| -7 | -7 | -812 | -743 | 926 | 836 | Interest and similar expenses |
| 16 | -8 | 57 | -64 | - | - | Other financial result |
| 11 | -6 | 83 | 30 | -48 | -102 | Financial result |
| 1,714 | 1,793 | 105 | 30 | 513 | 75 | Profit/loss before tax |
| -366 | -345 | -42 | -14 | -195 | -62 | Income taxes |
| 1,348 | 1,448 | 63 | 16 | 318 | 13 | Profit from continuing operations |
| - | - | - | - | - | - | Loss from discontinued operations |
| 1,348 | 1,448 | 63 | 16 | 318 | 13 | Net profit/loss |
| 48 | 43 | - | - | - | - | Attributable to minority interest |
| 1,300 | 1,405 | 63 | 16 | 318 | 13 | 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 € |

BMW GROUP BALANCE SHEET

| in € million | Note | Group | | | Automotive | | Motorcycles | |
|--|------|----------------|-----------------------|-------------------------|---------------|-------------------------|--------------|--------------|
| | | 30.9.2018 | 1.1.2018 ¹ | 31.12.2017 ² | 30.9.2018 | 31.12.2017 ² | 30.9.2018 | 31.12.2017 |
| ASSETS | | | | | | | | |
| Intangible assets | 17 | 9,947 | 9,464 | 9,464 | 9,464 | 8,981 | 77 | 57 |
| Property, plant and equipment | 18 | 18,615 | 18,471 | 18,471 | 18,209 | 18,050 | 378 | 388 |
| Leased products | 19 | 37,460 | 36,257 | 36,257 | – | – | – | – |
| Investments accounted for using the equity method | 20 | 2,565 | 2,769 | 2,769 | 2,565 | 2,769 | – | – |
| Other investments | 20 | 805 | 690 | 690 | 5,072 | 4,985 | – | – |
| Receivables from sales financing | 21 | 47,166 | 48,475 | 48,321 | – | – | – | – |
| Financial assets | 22 | 1,081 | 2,369 | 2,369 | 428 | 1,302 | – | – |
| Deferred tax | | 2,017 | 1,965 | 1,993 | 3,353 | 2,857 | – | – |
| Other assets | 24 | 1,840 | 1,630 | 1,630 | 4,515 | 3,671 | 31 | 32 |
| Non-current assets | | 121,496 | 122,090 | 121,964 | 43,606 | 42,615 | 486 | 477 |
| Inventories | 25 | 15,168 | 12,707 | 12,707 | 14,551 | 12,103 | 606 | 580 |
| Trade receivables | | 3,031 | 2,663 | 2,667 | 2,682 | 2,354 | 136 | 160 |
| Receivables from sales financing | 21 | 36,352 | 32,087 | 32,113 | – | – | – | – |
| Financial assets | 22 | 7,045 | 7,949 | 7,965 | 5,129 | 5,578 | – | – |
| Current tax | 23 | 1,662 | 1,566 | 1,566 | 734 | 714 | – | – |
| Other assets | 24 | 8,389 | 7,485 | 7,485 | 23,939 | 23,124 | 3 | 5 |
| Cash and cash equivalents | | 8,975 | 9,039 | 9,039 | 6,118 | 7,157 | 14 | 8 |
| Assets held for sale | | 432 | – | – | 432 | – | – | – |
| Current assets | | 81,054 | 73,496 | 73,542 | 53,585 | 51,030 | 759 | 753 |
| Total assets | | 202,550 | 195,586 | 195,506 | 97,191 | 93,645 | 1,245 | 1,230 |
| EQUITY AND LIABILITIES | | | | | | | | |
| Subscribed capital | 26 | 658 | 658 | 658 | – | – | – | – |
| Capital reserves | 26 | 2,084 | 2,084 | 2,084 | – | – | – | – |
| Revenue reserves | 26 | 54,470 | 50,993 | 50,815 | – | – | – | – |
| Accumulated other equity | 26 | –837 | 37 | 114 | – | – | – | – |
| Equity attributable to shareholders of BMWAG | 26 | 56,375 | 53,772 | 53,671 | – | – | – | – |
| Minority interest | 26 | 501 | 436 | 436 | – | – | – | – |
| Equity | | 56,876 | 54,208 | 54,107 | 37,871 | 39,361 | – | – |
| Pension provisions | 27 | 2,574 | 3,252 | 3,252 | 2,040 | 2,405 | 57 | 69 |
| Other provisions | 28 | 5,792 | 5,632 | 5,632 | 5,396 | 5,175 | 65 | 101 |
| Deferred tax | | 2,533 | 2,166 | 2,157 | 1,591 | 1,456 | – | – |
| Financial liabilities | 30 | 61,153 | 53,521 | 53,548 | 827 | 832 | – | – |
| Other liabilities | 31 | 4,707 | 5,045 | 5,045 | 6,967 | 6,506 | 495 | 487 |
| Non-current provisions and liabilities | | 76,759 | 69,616 | 69,634 | 16,821 | 16,374 | 617 | 657 |
| Other provisions | 28 | 6,205 | 6,367 | 6,367 | 5,520 | 5,710 | 105 | 99 |
| Current tax | 29 | 973 | 1,124 | 1,124 | 741 | 874 | – | – |
| Financial liabilities | 30 | 36,931 | 41,097 | 41,100 | 730 | 947 | – | – |
| Trade payables | | 10,401 | 9,731 | 9,731 | 9,025 | 8,516 | 372 | 355 |
| Other liabilities | 31 | 14,383 | 13,443 | 13,443 | 26,461 | 21,863 | 151 | 119 |
| Liabilities in conjunction with assets held for sale | | 22 | – | – | 22 | – | – | – |
| Current provisions and liabilities | | 68,915 | 71,762 | 71,765 | 42,499 | 37,910 | 628 | 573 |
| Total equity and liabilities | | 202,550 | 195,586 | 195,506 | 97,191 | 93,645 | 1,245 | 1,230 |

¹ The figures to 1 January 2018 have been adjusted, based on the first-time application of IFRS 15 and IFRS 9, see notes 5 and 6.

² Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

| Financial Services | | Other Entities | | Eliminations | | |
|--------------------|----------------|----------------|---------------|-----------------|-------------------------|--|
| 30.9.2018 | 31.12.2017 | 30.9.2018 | 31.12.2017 | 30.9.2018 | 31.12.2017 ² | |
| | | | | | | ASSETS |
| 405 | 425 | 1 | 1 | - | - | Intangible assets |
| 28 | 33 | - | - | - | - | Property, plant and equipment |
| 45,270 | 44,285 | - | - | -7,810 | -8,028 | Leased products |
| - | - | - | - | - | - | Investments accounted for using the equity method |
| 1 | 2 | 7,244 | 7,160 | -11,512 | -11,457 | Other investments |
| 47,166 | 48,321 | - | - | - | - | Receivables from sales financing |
| 142 | 176 | 565 | 1,089 | -54 | -198 | Financial assets |
| 459 | 442 | 66 | 130 | -1,861 | -1,436 | Deferred tax |
| 3,408 | 3,082 | 33,322 | 26,628 | -39,436 | -31,783 | Other assets |
| 96,879 | 96,766 | 41,198 | 35,008 | -60,673 | -52,902 | Non-current assets |
| 11 | 24 | - | - | - | - | Inventories |
| 212 | 152 | 1 | 1 | - | - | Trade receivables |
| 36,352 | 32,113 | - | - | - | - | Receivables from sales financing |
| 1,457 | 1,531 | 589 | 1,163 | -130 | -307 | Financial assets |
| 217 | 55 | 711 | 797 | - | - | Current tax |
| 5,916 | 5,331 | 47,758 | 45,963 | -69,227 | -66,938 | Other assets |
| 1,953 | 1,856 | 890 | 18 | - | - | Cash and cash equivalents |
| - | - | - | - | - | - | Assets held for sale |
| 46,118 | 41,062 | 49,949 | 47,942 | -69,357 | -67,245 | Current assets |
| 142,997 | 137,828 | 91,147 | 82,950 | -130,030 | -120,147 | Total assets |
| | | | | | | EQUITY AND LIABILITIES |
| | | | | | | Subscribed capital |
| | | | | | | Capital reserves |
| | | | | | | Revenue reserves |
| | | | | | | Accumulated other equity |
| | | | | | | Equity attributable to shareholders of BMW AG |
| | | | | | | Minority interest |
| 14,401 | 14,740 | 22,620 | 18,102 | -18,016 | -18,096 | Equity |
| 65 | 72 | 412 | 706 | - | - | Pension provisions |
| 331 | 356 | - | - | - | - | Other provisions |
| 4,671 | 4,302 | 54 | 38 | -3,783 | -3,639 | Deferred tax |
| 17,290 | 17,819 | 43,090 | 35,095 | -54 | -198 | Financial liabilities |
| 35,017 | 28,835 | 1,045 | 198 | -38,817 | -30,981 | Other liabilities |
| 57,374 | 51,384 | 44,601 | 36,037 | -42,654 | -34,818 | Non-current provisions and liabilities |
| 571 | 549 | 9 | 9 | - | - | Other provisions |
| 221 | 233 | 11 | 17 | - | - | Current tax |
| 24,806 | 24,853 | 11,525 | 15,607 | -130 | -307 | Financial liabilities |
| 995 | 849 | 9 | 11 | - | - | Trade payables |
| 44,629 | 45,220 | 12,372 | 13,167 | -69,230 | -66,926 | Other liabilities |
| - | - | - | - | - | - | Liabilities in conjunction with assets held for sale |
| 71,222 | 71,704 | 23,926 | 28,811 | -69,360 | -67,233 | Current provisions and liabilities |
| 142,997 | 137,828 | 91,147 | 82,950 | -130,030 | -120,147 | Total equity and liabilities |

BMW GROUP

CASH FLOW STATEMENT

→ BMW Group
Cash Flow Statement

Condensed Cash Flow Statement for the period from 1 January to 30 September

→ 39

| in € million | Group | |
|---|---------------|---------------|
| | 2018 | 2017* |
| Net profit | 5,788 | 6,337 |
| Loss from discontinued operations | 22 | – |
| Depreciation and amortisation of tangible, intangible and investment assets | 3,753 | 3,536 |
| Change in provisions | –202 | 124 |
| Change in leased products and receivables from sales financing | –3,656 | –4,864 |
| Change in deferred taxes | 435 | 386 |
| Changes in working capital | –2,045 | –1,524 |
| Other | 457 | 672 |
| Cash inflow/outflow from operating activities | 4,552 | 4,667 |
| Total investment in intangible assets and property, plant and equipment | –4,681 | –4,293 |
| Net investment in marketable securities and investment funds | 153 | 61 |
| Other | 323 | 126 |
| Cash inflow/outflow from investing activities | –4,205 | –4,106 |
| Cash inflow/outflow from financing activities | –411 | –750 |
| Effect of exchange rate on cash and cash equivalents | 24 | –222 |
| Effect of changes in composition of Group on cash and cash equivalents | –24 | 65 |
| Change in cash and cash equivalents | –64 | –346 |
| Cash and cash equivalents as at 1 January | 9,039 | 7,880 |
| Cash and cash equivalents as at 30 September | 8,975 | 7,534 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

| Automotive | | Financial Services | | |
|---------------|---------------|--------------------|---------------|---|
| 2018 | 2017* | 2018 | 2017 | |
| 3,908 | 4,660 | 1,348 | 1,448 | Net profit |
| 22 | – | – | – | Loss from discontinued operations |
| 3,657 | 3,445 | 25 | 27 | Depreciation and amortisation of tangible, intangible and investment assets |
| 149 | 547 | 21 | 59 | Change in provisions |
| – | – | –3,723 | –5,244 | Change in leased products and receivables from sales financing |
| –29 | 398 | 164 | 16 | Change in deferred taxes |
| –2,193 | –1,678 | 108 | 142 | Changes in working capital |
| 776 | –240 | –992 | 25 | Other |
| 6,290 | 7,132 | –3,049 | –3,527 | Cash inflow/outflow from operating activities |
| –4,593 | –4,220 | –7 | –7 | Total investment in intangible assets and property, plant and equipment |
| 73 | 174 | 50 | –5 | Net investment in marketable securities and investment funds |
| 345 | –209 | 6 | 3 | Other |
| –4,175 | –4,255 | 49 | –9 | Cash inflow/outflow from investing activities |
| –3,103 | –2,116 | 3,110 | 2,563 | Cash inflow/outflow from financing activities |
| –26 | –76 | –13 | –146 | Effect of exchange rate on cash and cash equivalents |
| –25 | – | – | 65 | Effect of changes in composition of Group on cash and cash equivalents |
| –1,039 | 685 | 97 | –1,054 | Change in cash and cash equivalents |
| 7,157 | 4,794 | 1,856 | 3,046 | Cash and cash equivalents as at 1 January |
| 6,118 | 5,479 | 1,953 | 1,992 | Cash and cash equivalents as at 30 September |

BMW GROUP

STATEMENT OF CHANGES IN EQUITY

→ BMW Group
Statement of
Changes in Equity

| in € million | Note | Subscribed capital | Capital reserves | Revenue reserves |
|---|------|--------------------|------------------|------------------|
| 31 December 2017 (as originally reported) | 26 | 658 | 2,084 | 51,256 |
| Effect from the first-time application of IFRS 15 | | – | – | –441 |
| 31 December 2017 (adjusted according to IFRS 15) | | 658 | 2,084 | 50,815 |
| Effects from the first-time application of IFRS 9 | | – | – | 178 |
| 1 January 2018 (adjusted according to IFRS 9) | | 658 | 2,084 | 50,993 |
| Net profit | | – | – | 5,714 |
| Other comprehensive income for the period after tax | | – | – | 384 |
| Comprehensive income at 30 September 2018 | | – | – | 6,098 |
| Dividend payments | | – | – | –2,630 |
| Other changes | | – | – | 9 |
| 30 September 2018 | 26 | 658 | 2,084 | 54,470 |

| in € million | Note | Subscribed capital | Capital reserves | Revenue reserves |
|--|------|--------------------|------------------|------------------|
| 1 January 2017 (as originally reported) | 26 | 657 | 2,047 | 44,445 |
| Effects from the first-time application of IFRS 15 | | – | – | –409 |
| 1 January 2017 (adjusted according to IFRS 15) | | 657 | 2,047 | 44,036 |
| Net profit* | | – | – | 6,278 |
| Other comprehensive income for the period after tax | | – | – | 847 |
| Comprehensive income at 30 September 2017 (adjusted according to IFRS 15) | | – | – | 7,125 |
| Dividend payments | | – | – | –2,300 |
| Other changes | | – | – | 27 |
| 30 September 2017* | 26 | 657 | 2,047 | 48,888 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

| Accumulated other equity | | | | | | | |
|--------------------------|------------|----------------------------------|------------------|---|-------------------|--------|---|
| Translation differences | Securities | Derivative financial instruments | Costs of hedging | Equity attributable to shareholders of BMW AG | Minority interest | Total | |
| -1,494 | 93 | 1,515 | - | 54,112 | 436 | 54,548 | 31 December 2017 (as originally reported) |
| - | - | - | - | -441 | - | -441 | Effect from the first-time application of IFRS 15 |
| -1,494 | 93 | 1,515 | - | 53,671 | 436 | 54,107 | 31 December 2017 (adjusted according to IFRS 15) |
| - | -82 | - | 5 | 101 | - | 101 | Effects from the first-time application of IFRS 9 |
| -1,494 | 11 | 1,515 | 5 | 53,772 | 436 | 54,208 | 1 January 2018 (adjusted according to IFRS 9) |
| - | - | - | - | 5,714 | 74 | 5,788 | Net profit |
| -10 | -6 | -410 | -441 | -483 | - | -483 | Other comprehensive income for the period after tax |
| -10 | -6 | -410 | -441 | 5,231 | 74 | 5,305 | Comprehensive income at 30 September 2018 |
| - | - | - | - | -2,630 | - | -2,630 | Dividend payments |
| - | - | -7 | - | 2 | -9 | -7 | Other changes |
| -1,504 | 5 | 1,098 | -436 | 56,375 | 501 | 56,876 | 30 September 2018 |

| Accumulated other equity | | | | | | | |
|--------------------------|------------|----------------------------------|------------------|---|-------------------|--------|---|
| Translation differences | Securities | Derivative financial instruments | Costs of hedging | Equity attributable to shareholders of BMW AG | Minority interest | Total | |
| -171 | 52 | 78 | - | 47,108 | 255 | 47,363 | 1 January 2017 (as originally reported) |
| - | - | - | - | -409 | - | -409 | Effects from the first-time application of IFRS 15 |
| -171 | 52 | 78 | - | 46,699 | 255 | 46,954 | 1 January 2017 (adjusted according to IFRS 15) |
| - | - | - | - | 6,278 | 59 | 6,337 | Net profit* |
| -1,209 | 117 | 1,696 | - | 1,451 | - | 1,451 | Other comprehensive income for the period after tax |
| -1,209 | 117 | 1,696 | - | 7,729 | 59 | 7,788 | Comprehensive income at 30 September 2017 (adjusted according to IFRS 15) |
| - | - | - | - | -2,300 | - | -2,300 | Dividend payments |
| - | - | - | - | 27 | 92 | 119 | Other changes |
| -1,380 | 169 | 1,774 | - | 52,155 | 406 | 52,561 | 30 September 2017* |

NOTES TO THE GROUP FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND POLICIES

01

Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW Group Financial Statements or Group Financial Statements) at 31 December 2017 were drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 e (1) of the German Commercial Code (HGB). The Interim Group Financial Statements (Interim Report) at 30 September 2018, 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 2017 Group Financial Statements. Changes resulting from the first-time application of IFRS 15 and IFRS 9 are presented in → notes 5 and 6. 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 30 September 2018 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).

→ see
notes 5
and 6

Further information regarding the Group's accounting principles and policies is contained in the BMW Group Financial Statements at 31 December 2017.

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

The BMW Group and segment income statements are presented using the cost of sales method.

In order to provide a better insight into the net assets, financial position and performance 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 the statements of cash flows for the Automotive and Financial Services segments. Inter-segment transactions relate primarily to internal sales of products, the provision of funds for Group companies and the related interest. These items are eliminated in the relevant "Eliminations" columns. 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 BMW Group Financial Statements at 31 December 2017.

02

Group reporting entity

The BMW Group Financial Statements for the third quarter of 2018 include BMW AG and all material subsidiaries over which BMW AG – either directly or indirectly – exercises control. This also includes 55 structured entities used exclusively in conjunction with the BMW Group's asset-backed financing arrangements or as special purpose funds.

The following changes took place in the Group reporting entity during the first nine months of 2018:

| | Germany | Foreign | Total |
|--------------------------------------|-----------|------------|------------|
| Included at 31 December 2017 | 21 | 187 | 208 |
| Included for the first time in 2018 | 2 | 14 | 16 |
| No longer included in 2018 | – | 9 | 9 |
| Included at 30 September 2018 | 23 | 192 | 215 |

The BMW Group previously maintained the joint ventures DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich (DriveNow), together with Sixt SE, Pullach. DriveNow offers car-sharing services in major German cities and abroad. In January 2018, the BMW Group signed an agreement with Sixt SE for the complete acquisition of the shares in DriveNow.

Following approval by the antitrust authorities and with effect from 9 March 2018, the BMW Group acquired the remaining 50% of the shares of the DriveNow companies together with their subsidiaries – for a purchase price of €209 million. The purchase was financed by the transfer of cash funds. The acquisition expands the BMW Group's strategic options for the further development of mobility services.

DriveNow GmbH & Co. KG and DriveNow Verwaltungs GmbH and their foreign subsidiaries DriveNow Austria GmbH, Vienna, DriveNow UK Limited, London, DriveNow Sverige AB, Stockholm, DriveNow Belgium S.p.r.l., Brussels, and DriveNow Italy S.r.l., Milan, were fully consolidated for the first time in the second quarter of 2018.

DriveNow's equity prior to the acquisition stood at a negative amount of €2 million. As a result of the step acquisition, the shares already held by BMW were remeasured to their fair value, giving rise to a gain of €209 million, which was reported as part of the result on investments, based on a total fair value of €209 million.

The following table shows the provisional purchase price allocation:

| in € million | Fair values at acquisition date |
|--|---------------------------------|
| IDENTIFIED ASSETS | |
| Intangible assets | 111 |
| Trademark rights | 22 |
| Deferred tax assets | 23 |
| Trade receivables | 9 |
| Other receivables | 7 |
| Inventories | 1 |
| Cash and cash equivalents | 5 |
| IDENTIFIED LIABILITIES | |
| Provisions | 16 |
| Trade payables | 5 |
| Other liabilities | 3 |
| Total identified net assets | 154 |
| GOODWILL CALCULATION | |
| Consideration transferred (purchase price) | 418 |
| Total identified net assets | 154 |
| Goodwill | 264 |

On 28 March 2018, the BMW Group signed an agreement with the Daimler Group regarding the merger of certain business units that provide mobility services. It is planned to combine and strategically expand the existing on-demand mobility offering in the areas of car sharing, ride-hailing, parking, charging and multi-modality, with the customer able to access an holistic ecosystem of intelligent, seamlessly connected mobility services. The aim is to become the leading provider of innovative mobility services.

In future, the BMW Group and the Daimler Group will each hold a 50 % stake in the newly founded joint venture, comprising both companies' mobility services. The contract has been signed subject to examination and approval by the relevant antitrust agencies. If approved by the antitrust agencies during the current year, the foundation of the joint venture will have a one-off valuation and earnings effect on the BMW Group Financial Statements, which will be recorded primarily in the financial result of the Automotive segment. The BMW Group expects the joint venture to be established within the next twelve months.

Assets and liabilities totalling €432 million and €22 million respectively are reported as discontinued operations at 30 September 2018. These items are disclosed separately in the Group Balance Sheet and allocated to the Automotive segment. The loss after tax from discontinued operations for the period ended 30 September 2018 amounted to €22 million. This amount is also disclosed separately in the Income Statements for the Group and Segments.

In December 2017, BMW AG, Audi AG, Ingolstadt, and Daimler AG, Stuttgart, signed agreements to sell shares in THERE Holding B.V., Amsterdam, (THERE) to Robert Bosch Investment Nederland B.V., Boxtel, and to Continental Automotive Holding Netherlands B.V., Maastricht. Each of the parties acquired 5.9 % of the shares, which were sold in equal parts by BMW AG, Audi AG and Daimler AG. The transactions were completed during the first quarter of 2018. The sale did not have a significant impact on the results of operations, financial position and net assets of the BMW Group.

Together with SGL Carbon SE, Wiesbaden, companies of the BMW Group were previously party to joint operations that manufactured carbon fibres and carbon fibre cores used in vehicle production. In November 2017, an agreement was signed with SGL Carbon SE concerning that entity's step-by-step acquisition of the BMW Group's 49 % shareholding. Accordingly, between the beginning of 2018 and the end of 2020 at the latest, SGL Carbon SE will become the sole owner of the current joint operations. As a consequence of the transaction, the joint operations are no longer consolidated in the BMW Group Financial Statements on a proportionate basis with effect from the beginning of the financial year of 2018.

The other changes to the Group reporting entity do not have a material impact on the results of operations, financial position or net assets of the Group.

03

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:

| 1 Euro = | Closing rate | | Average rate | |
|--------------------|--------------|------------|--------------------------------------|--------------------------------------|
| | 30.9.2018 | 31.12.2017 | 1 January to 30 September 2018 | 1 January to 30 September 2017 |
| British Pound | 0.89 | 0.89 | 0.88 | 0.87 |
| Chinese Renminbi | 7.97 | 7.80 | 7.78 | 7.58 |
| Japanese Yen | 131.67 | 134.93 | 130.93 | 124.59 |
| Russian Rubel | 76.18 | 69.04 | 73.41 | 64.94 |
| South African Rand | 16.44 | 14.81 | 15.38 | 14.70 |
| US-Dollar | 1.16 | 1.20 | 1.19 | 1.11 |

Further information regarding foreign currency translation is provided in note 3 to the Group Financial Statements at 31 December 2017.

04

Financial reporting rules

(a) Standards and Revised Standards significant for the BMW Group and applied for the first time in the first nine months of 2018:

| Standard / Interpretation | | Date of issue by IASB | Date of mandatory application IASB | Date of mandatory application EU |
|---------------------------|---------------------------------------|-------------------------------------|---|---|
| IFRS 15 | Revenue from Contracts with Customers | 28.5.2014 11.9.2015 12.4.2016 | 1.1.2018 | 1.1.2018 |
| IFRS 9 | Financial Instruments | 24.7.2014 | 1.1.2018 | 1.1.2018 |

Changes due to the new accounting standards IFRS 15 and IFRS 9 are described in → notes 5 and 6. → see notes 5 and 6

(b) Financial reporting pronouncements issued by the IASB that are significant for the BMW Group, but have not yet been applied:

| Standard / Interpretation | | Date of issue by IASB | Date of mandatory application IASB | Date of mandatory application EU |
|---------------------------|--------|-----------------------------|---|---|
| IFRS 16 | Leases | 13.1.2016 | 1.1.2019 | 1.1.2019 |

The new Standard **IFRS 16 (Leases)** sets out a new approach to accounting for leases by lessees. Whereas under IAS 17, the accounting treatment of a lease was determined on the basis of the transfer of risks and rewards incidental to ownership of the asset, in the future, all leases will be required to be accounted for as a general rule by the lessee in a similar way to finance leases.

The BMW Group will use the grandfather clause available for existing leases and apply the available exemptions regarding the recognition of short-term leases and low-value leasing assets. The new Standard will be applied for the first time using the modified retrospective method. Intragroup leasing arrangements will not be reflected in the internal management and reporting system on a IFRS 16 basis and therefore, in accordance with IFRS 8, will not give rise to any changes in the presentation of segment information. The BMW Group does not intend to adopt IFRS 16 early.

The impact on the BMW Group's results of operations, financial position and net assets is currently being analysed as part of a groupwide implementation project. Based on contracts recognised to date, the balance sheet total is expected to increase by around €2.5 billion. Since the modified retrospective method option, as if IFRS 16 had been applied since the commencement date, will only be applied to a small number of contracts, equity will be negatively impacted on a minor scale on adoption of the Standard. In subsequent periods, the BMW Group expects a slightly positive impact on the reported profit before financial result and cash inflows/outflows from operating activities and a slightly negative impact on the reported cash inflows/outflows from financing activities.

As far as lessor accounting is concerned, the first-time application of IFRS 16 will require the BMW Group to account for finance lease arrangements in accordance with the requirements applicable to manufacturers or dealers. For this reason, in future, the BMW Group will recognise revenues and cost of sales arising on the sale of vehicles – which will be leased to customers under finance lease arrangements – at a later date. At Group level, revenues and cost of sales relating to vehicle sales will no longer be recognised at the time of sale, but rather at the commencement date of the lease. Revenues will be recognised on the basis of the leased asset's fair value, reduced by any unguaranteed residual value of vehicles that are expected to be returned to the Group. Cost of sales will also be reduced for unguaranteed residual values. In addition, initial direct costs incurred by the Financial Services segment will be recognised at Group level as cost of sales. The impact on the BMW Group is currently being determined. The adoption of these requirements will not have any impact on the accounting in the Automotive and Financial Services segments.

Other financial reporting standards issued by the IASB and not yet applied are not expected to have any significant impact on the Group Financial Statements of the BMW Group.

05

First-time application of IFRS 15

The new Standard **IFRS 15 (Revenue from Contracts with Customers)** assimilates all the various existing requirements and Interpretations relating to revenue recognition into a single Standard. It also stipulates uniform revenue recognition principles for all sectors and all categories.

In accordance with the transitional provisions contained in IFRS 15, the BMW Group is applying the new requirements for revenue from contracts with customers in the 2018 financial year using the full retrospective option. For this reason, the opening balance sheet at 1 January 2017, the figures reported for the previous year and the balance sheet at 31 December 2017 have been adjusted and made comparable. The exemption provision, allowing contracts fulfilled prior to 1 January 2017 not to be newly assessed in accordance with IFRS 15, was applied.

Revenue recognition from contracts with customers is based on a five-stage model. Revenues are required to be recognised either over time or at a specific point in time. A major difference to the previous Standard is the increased scope of discretion for estimates and the introduction of thresholds, thus influencing the amount and timing of revenue recognition.

Accounting for buyback arrangements and rights of return for vehicles sold, but which the Financial Services segment will subsequently lease to customers, results in the earlier recognition of intragroup eliminations. The adoption of IFRS 15 results in a retrospective decrease in Group equity at 1 January 2017 amounting to €498 million, net of deferred tax amounting to €239 million (31 December 2017: reduction of revenue reserves by €553 million, net of deferred tax amounting to €192 million). The lower amount of deferred tax at 31 December 2017 results from the reduction of the US federal corporate tax rate. The earlier date for consolidating intragroup transactions also results in the recognition of assets and liabilities relating to rights of return, causing other current assets and other current liabilities to increase. The changes did not have a significant impact on earnings in the first nine months of 2018.

In accordance with IFRS 15, costs incurred for sales promotion measures in the Automotive segment, such as sales support or residual value subsidies, are required to be treated as variable components of consideration and therefore have the effect of reducing revenue. Variable consideration is measured on the basis of the amount of consideration to which the BMW Group expects to be entitled. Some of these costs were previously reported as cost of sales. The change in classification in the income statement results in a decrease in both revenues and cost of sales.

For the financial year 2017, the retrospective reclassification recorded by the Automotive segment amounted to €2.9 billion, which did not, however, have a significant impact at Group level.

If the sale of products includes a determinable amount for services ("multiple-component contracts"), the related revenues are deferred and recognised as income over time. Variable consideration to be received for multi-component contracts is allocated across all service obligations unless it is directly attributable to the sale of the vehicle. As a result of the change in accounting policy for multi-component contracts with variable consideration components, changes in the allocation of transaction prices result for the Automotive segment in higher amounts being recognised for vehicle sales and a lower level of amounts deferred for service contracts. The shift in the timing of revenue recognition resulted in a retrospective increase in Group revenue reserves at 1 January 2017 of €89 million, net of deferred taxes of €38 million (31 December 2017: increase in Group revenue reserves of €112 million, net of deferred taxes of €42 million). The changes did not have a significant impact on earnings in the first nine months of 2018.

As a result of the retrospective adjustments described above, the Automotive segment EBIT margin increased by 0.3 percentage points to 9.4% for the nine-month period ended 30 September 2017 and by 0.3 percentage points to 9.2% for the full year 2017.

A different accounting treatment may be required if buyback arrangements are in place with customers, resulting in a shift in the timing of revenue recognition. The resulting impact is not considered significant.

Buyback arrangements between the Automotive and Financial Services segments are not reflected in the internal management system or reporting and therefore, in accordance with IFRS 8, do not result in any changes in the presentation of segment information.

The following tables show the impact on the balance sheets at 1 January 2017 and 31 December 2017, as well as on the income statement, the statement of comprehensive income and the cashflow statement for the financial year 2017:

BMW Group change in presentation of balance sheet at 1 January 2017

→ 40

| in € million | As originally reported | Adjustment IFRS 15 | Adjusted according to IFRS 15 |
|---|---------------------------|-----------------------|-------------------------------------|
| ASSETS | | | |
| Total non-current assets | 121,671 | 222 | 121,893 |
| thereof investments accounted for using the equity method | 2,546 | 2 | 2,548 |
| thereof deferred tax | 2,327 | 226 | 2,553 |
| thereof other non-current assets | 1,595 | -6 | 1,589 |
| Total current assets | 66,864 | 1,509 | 68,373 |
| thereof other current assets | 5,087 | 1,509 | 6,596 |
| Total assets | 188,535 | 1,731 | 190,266 |
| EQUITY AND LIABILITIES | | | |
| Total equity | 47,363 | -409 | 46,954 |
| thereof equity attributable to shareholders of BMW AG | 47,108 | -409 | 46,699 |
| thereof revenue reserves | 44,445 | -409 | 44,036 |
| Total non-current provisions and liabilities | 73,183 | -100 | 73,083 |
| thereof other non-current provisions | 5,039 | 155 | 5,194 |
| thereof deferred tax | 2,795 | 26 | 2,821 |
| thereof other liabilities | 5,357 | -281 | 5,076 |
| Total current provisions and liabilities | 67,989 | 2,240 | 70,229 |
| thereof other current provisions | 5,879 | 37 | 5,916 |
| thereof other liabilities | 10,198 | 2,203 | 12,401 |
| Total equity and liabilities | 188,535 | 1,731 | 190,266 |

BMW Group change in presentation of balance sheet at 31 December 2017

→ 41

| in € million | As originally reported | Adjustment IFRS 15 | Adjusted according to IFRS 15 |
|---|---------------------------|-----------------------|-------------------------------------|
| ASSETS | | | |
| Total non-current assets | 121,901 | 63 | 121,964 |
| thereof investments accounted for using the equity method | 2,767 | 2 | 2,769 |
| thereof deferred tax | 1,927 | 66 | 1,993 |
| thereof other non-current assets | 1,635 | -5 | 1,630 |
| Total current assets | 71,582 | 1,960 | 73,542 |
| thereof other current assets | 5,525 | 1,960 | 7,485 |
| Total assets | 193,483 | 2,023 | 195,506 |
| EQUITY AND LIABILITIES | | | |
| Total equity | 54,548 | -441 | 54,107 |
| thereof equity attributable to shareholders of BMW AG | 54,112 | -441 | 53,671 |
| thereof revenue reserves | 51,256 | -441 | 50,815 |
| Total non-current provisions and liabilities | 69,888 | -254 | 69,634 |
| thereof other non-current provisions | 5,437 | 195 | 5,632 |
| thereof deferred tax | 2,241 | -84 | 2,157 |
| thereof other liabilities | 5,410 | -365 | 5,045 |
| Total current provisions and liabilities | 69,047 | 2,718 | 71,765 |
| thereof other current provisions | 6,313 | 54 | 6,367 |
| thereof other liabilities | 10,779 | 2,664 | 13,443 |
| Total equity and liabilities | 193,483 | 2,023 | 195,506 |

→

**BMW Group change in presentation of income statement
for the period from 1 January to 30 September 2017**

→ 42

| in € million | As originally reported | Adjustment IFRS 15 | Adjusted according to IFRS 15 |
|--|------------------------|--------------------|-------------------------------|
| Revenues | 72,671 | 653 | 73,324 |
| Cost of sales | -57,566 | -395 | -57,961 |
| Gross profit | 15,105 | 258 | 15,363 |
| Profit / loss before financial result | 7,879 | 258 | 8,137 |
| Profit / loss before tax | 8,482 | 259 | 8,741 |
| Income taxes | -2,330 | -74 | -2,404 |
| Net profit / loss | 6,152 | 185 | 6,337 |
| Attributable to shareholders of BMW AG | 6,093 | 185 | 6,278 |
| Basic earnings per share of common stock in € | 9.27 | 0.28 | 9.55 |
| Basic earnings per share of preferred stock in € | 9.28 | 0.28 | 9.56 |
| Diluted earnings per share of common stock in € | 9.27 | 0.28 | 9.55 |
| Diluted earnings per share of preferred stock in € | 9.28 | 0.28 | 9.56 |

**BMW Group change in presentation of statement of comprehensive income
for the period from 1 January to 30 September 2017**

→ 43

| in € million | As originally reported | Adjustment IFRS 15 | Adjusted according to IFRS 15 |
|---|------------------------|--------------------|-------------------------------|
| Net profit | 6,152 | 185 | 6,337 |
| Total comprehensive income | 7,603 | 185 | 7,788 |
| Total comprehensive income attributable to shareholders of BMW AG | 7,544 | 185 | 7,729 |

**BMW Group change in presentation of cash flow statement
for the period from 1 January to 30 September 2017**

→ 44

| in € million | As originally reported | Adjustment IFRS 15 | Adjusted according to IFRS 15 |
|--|------------------------|--------------------|-------------------------------|
| Net profit | 6,152 | 185 | 6,337 |
| Change in provisions | -132 | 256 | 124 |
| Change in deferred taxes | 513 | -127 | 386 |
| Other | 986 | -314 | 672 |
| Cash inflow/outflow from operating activities | 4,667 | - | 4,667 |

The effects of the first-time application of IFRS 15 on equity are shown in the Statement of Changes in Equity.

06

First-time application of IFRS 9

The new requirements contained in **IFRS 9 (Financial Instruments)** relating to the classification and measurement of financial instruments are being applied retrospectively by the BMW Group in the financial year 2018. The available exemption not to adjust comparative information for previous periods has been applied. Accordingly, only the opening balance sheet at 1 January 2018 has been adjusted. Apart from a small number of exceptions, the requirements for hedge accounting are being applied prospectively in the financial year 2018. One exception to this is hedge accounting for the fair value of a portfolio against interest rate risk, for which the requirements of IAS 39 continue to be applied.

In accordance with the new requirements of IFRS 9, the BMW Group classifies financial instruments into the following categories: “at amortised cost”, “at fair value through other comprehensive income” and “at fair value through profit or loss”. All equity instruments held at the date of the adoption of the Standard were classified at fair value through profit or loss.

IFRS 9 introduces a new model for determining impairment based on expected credit losses. In accordance with this model, valuation allowances for expected credit losses are recognised on financial assets classified at amortised cost or at fair value through other comprehensive income. Expected credit losses are updated at each balance sheet date on the basis of available information.

Valuation allowances on receivables from sales financing are determined primarily on the basis of past experience with credit losses, current data on overdue receivables, rating classes and scoring information. Forward-looking information (e.g. forecasts of economic performance indicators) is also taken into account if, based on past experience, such indicators show a substantive correlation with actual credit losses.

The BMW Group applies the general approach described in IFRS 9 to receivables from sales financing that do not result from operating leases. Impairment allowances on these receivables are measured on initial recognition on the basis of the expected 12-month credit loss. If, at subsequent balance sheet dates, the credit loss risk has increased significantly since the date of initial recognition, the impairment allowance is measured on the basis of lifetime expected credit losses. In line with the general approach, an impairment allowance is also recognised for receivables with impaired creditworthiness, measured on the basis of lifetime expected credit losses. The BMW Group generally assumes creditworthiness is impaired if a receivable is more than 90 days overdue.

The BMW Group applies the simplified approach described in IFRS 9 to operating lease receivables and trade receivables, whereby the amount of the impairment allowance of a receivable is measured subsequent to initial recognition on the basis of lifetime expected credit losses.

Cross currency basis spreads are not designated as part of the hedging relationship in the case of interest rate hedges accounted for as fair value hedges. Accordingly, changes in the market value of such instruments are recorded as costs of hedging within accumulated other equity. Amounts recorded in equity are reclassified to the income statement over the term of the hedging relationship.

The time value of option transactions and the interest component of the forward currency contracts are not designated as part of the hedging relationship in the case of currency and commodity hedges accounted for as cash flow hedges. Changes in the market value of such components are recorded as costs of hedging within accumulated other equity. As a result of the application of IFRS 9, most commodity hedging contracts are recognised directly in equity in accordance with hedge accounting rules. Amounts recorded in accumulated other equity are included on initial recognition in the carrying amounts of inventories of raw materials, supplies and goods for resale. In the case of currency hedges, amounts recorded in accumulated other equity are reclassified within profit/loss before financial result at the same time that the hedged item has an earnings impact.

The following table shows the reconciliation of the categories and carrying amounts of financial instruments as well as the impact on Group equity of the first-time application of IFRS 9.

BMW Group reclassification of financial instruments at 1 January 2018

→ 45

| in € million | Category | | Carrying amount | |
|---|-----------------------|------------------------------------|-----------------|----------------|
| | IAS 39 | IFRS 9 | IAS 39 | IFRS 9 |
| FINANCIAL ASSETS | | | | |
| Other investments | Available-for-sale | Fair value through profit or loss | 366 | |
| | Fair value option | | 29 | 395 |
| Receivables from sales financing | Loans and receivables | At amortised cost | 80,434 | 80,562 |
| Financial assets | | | | |
| Derivative instruments | | | | |
| Cash flow hedges | Hedge accounting | Hedge accounting | 2,187 | 2,187 |
| Fair value hedges | Hedge accounting | Hedge accounting | 814 | 814 |
| Other derivative instruments | Held for trading | Fair value through profit or loss | 1,340 | 1,340 |
| Marketable securities and investment funds | Available-for-sale | Fair value through profit or loss | | 790 |
| | | Fair value directly through equity | 5,447 | 3,919 |
| | | At amortised cost | | 730 |
| Loans to third parties | Loans and receivables | At amortised cost | 112 | 112 |
| | Fair value option | Fair value through profit or loss | 2 | 2 |
| Credit card receivables | Loans and receivables | At amortised cost | 248 | 240 |
| Other | Loans and receivables | At amortised cost | 184 | 184 |
| Cash and cash equivalents | Cash | At amortised cost | | 8,407 |
| | | Fair value through profit or loss | 9,039 | 632 |
| Trade receivables | Loans and receivables | At amortised cost | 2,667 | 2,663 |
| Other assets | | | | |
| Receivables from subsidiaries | Loans and receivables | At amortised cost | 276 | 276 |
| Receivables from companies in which an investment is held | Loans and receivables | At amortised cost | 1,334 | 1,334 |
| Collateral assets | Cash | At amortised cost | 219 | 219 |
| | Available-for-sale | Fair value directly through equity | 97 | 97 |
| Other assets | Loans and receivables | At amortised cost | 1,108 | 1,108 |
| Total financial assets | | | 105,903 | 106,011 |
| FINANCIAL LIABILITIES | | | | |
| Financial liabilities | Other liabilities | At amortised cost | 94,648 | 94,618 |
| Trade payables | Other liabilities | At amortised cost | 9,731 | 9,731 |
| Other liabilities | Other liabilities | At amortised cost | 6,822 | 6,822 |
| Total financial liabilities | | | 111,201 | 111,171 |
| Total impact on equity | | | | |

| | Differences through | | Equity effects | | | | Note | |
|--|--------------------------|----------------------------------|----------------|--------------------------|------------------|----|------|---|
| | new measurement category | change of evaluation measurement | Deferred taxes | Accumulated other equity | Revenue reserves | | | |
| | | | | | | | | FINANCIAL ASSETS |
| | - | - | - | -76 | 76 | a) | | Other investments |
| | - | - | - | - | - | b) | | |
| | - | 128 | -35 | - | 93 | c) | | Receivables from sales financing |
| | | | | | | | | Financial assets |
| | | | | | | | | Derivative instruments |
| | - | - | - | - | - | | | Cash flow hedges |
| | - | - | - | 5 | -5 | d) | | Fair value hedges |
| | - | - | - | - | - | | | Other derivative instruments |
| | - | - | - | -2 | 2 | e) | | Marketable securities and investment funds |
| | - | - | - | 2 | -2 | f) | | |
| | -8 | - | 2 | -6 | - | g) | | |
| | - | - | - | - | - | | | Loans to third parties |
| | - | - | - | - | - | b) | | |
| | - | -8 | 2 | - | -6 | c) | | Credit card receivables |
| | - | - | - | - | - | | | Other |
| | - | - | - | - | - | | | Cash and cash equivalents |
| | - | - | - | - | - | h) | | |
| | - | -4 | 1 | - | -3 | c) | | Trade receivables |
| | | | | | | | | Other assets |
| | - | - | - | - | - | | | Receivables from subsidiaries |
| | - | - | - | - | - | | | Receivables from companies in which an investment is held |
| | - | - | - | - | - | | | Collateral assets |
| | - | - | - | - | - | | | Other assets |
| | -8 | 116 | -30 | -77 | 155 | | | Total financial assets |
| | | | | | | | | FINANCIAL LIABILITIES |
| | - | -30 | 7 | - | 23 | d) | | Financial liabilities |
| | - | - | - | - | - | | | Trade payables |
| | - | - | - | - | - | | | Other liabilities |
| | - | -30 | 7 | - | 23 | | | Total financial liabilities |
| | | | | -77 | 178 | | | Total impact on equity |

The impact of the various changes arising in conjunction with the first-time application of IFRS 9 is explained below:

- (a) Financial investments in equity instruments were reclassified to the category “at fair value through profit or loss”. There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.
- (b) Selected non-current marketable securities and non-current loans receivable from third parties, for which the fair value option available under IAS 39 was previously used, were reclassified to the category “at fair value through profit or loss” because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.
- (c) Adjustment of impairment allowances in accordance with the new requirements of IFRS 9.
- (d) The new accounting requirements for interest rate hedges reduce the carrying amount of financial liabilities designated as hedged items within a hedge relationship by €30 million and increase accumulated other equity by €5 million. At the date of adoption of the new requirements, revenue reserves increased by €18 million, net of deferred taxes.
- (e) Specific investments in debt instruments were reclassified to the category “at fair value through profit or loss” because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. ↱

- (f) Adjustment of the amount and presentation of impairment allowances in accordance with the new requirements of IFRS 9.
- (g) Specific listed bonds were reclassified to the category “at amortised cost”. At the date of first-time application of IFRS 9, the BMW Group uses a business model for these bonds, the objective of which is to collect contractual cash flows that solely represent payments of principal and interest on the principal amount outstanding. The market value of these instruments at 30 September 2018 amounted to €730 million (31 December 2017: €738 million). If the reclassification to other comprehensive income had not taken place in the period under report, a fair value loss of €2 million would have been recognised through profit or loss.
- (h) Some of the money market funds with a fixed net asset value were reclassified from cash to the category measured at fair value through profit or loss. They do not meet the criteria for measurement at amortised cost in accordance with IFRS 9 because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.

The following table shows the adjustments made to impairment allowances in the Group Balance Sheet as a result of the first-time application of IFRS 9.

BMW Group reconciliation of impairment allowances

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| in € million | Impairment allowance 31.12.2017 IAS 39 | Adjustment to impairment allowance due to IFRS 9 | Impairment allowances 1.1.2018 IFRS 9 |
|--|---|---|--|
| Receivables from sales financing | -1,147 | 128 | -1,019 |
| Credit card receivables | -10 | -8 | -18 |
| Trade receivables | -56 | -4 | -60 |
| Marketable securities and investment funds | - | -2 | -2 |
| Total | -1,213 | 114 | -1,099 |

NOTES TO THE INCOME STATEMENT

07

Revenues

Revenues by activity comprise the following:

| in € million | 3rd quarter 2018 | 3rd quarter 2017* | 1 January to 30 September 2018 | 1 January to 30 September 2017* |
|--|------------------|-------------------|--------------------------------------|---------------------------------------|
| Sales of products and related goods | 17,516 | 17,067 | 51,584 | 52,819 |
| Sales of products previously leased to customers | 2,702 | 2,403 | 7,833 | 7,806 |
| Income from lease instalments | 2,621 | 2,399 | 7,412 | 7,366 |
| Interest income on loan financing | 941 | 922 | 2,778 | 2,798 |
| Other income | 963 | 842 | 2,853 | 2,535 |
| Revenues | 24,743 | 23,633 | 72,460 | 73,324 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

An analysis of revenues by segment is shown in the segment information in → note 36. Revenues from the sale of products and related goods are generated primarily in the Automotive segment and, to a lesser extent, in the Motorcycles segment. Revenues from

→ see
note 36

↱

the sale of products previously leased to customers, income from lease instalments and interest income on loan financing are allocated to the Financial Services segment. Other income relates mainly to the Automotive segment and the Financial Services segment.

08

Cost of sales

Cost of sales relate to the following items:

| in € million | 3rd quarter 2018 | 3rd quarter 2017* | 1 January to 30 September 2018 | 1 January to 30 September 2017* |
|---|------------------|-------------------|--------------------------------------|---------------------------------------|
| Manufacturing costs | 11,218 | 10,352 | 31,711 | 31,944 |
| Cost of sales relating to financial services business | 6,158 | 5,539 | 17,538 | 17,297 |
| Research and development expenses | 1,271 | 1,187 | 3,881 | 3,485 |
| thereof amortisation of capitalised development costs | 362 | 312 | 1,018 | 903 |
| Other cost of sales | 2,122 | 1,713 | 5,404 | 5,235 |
| Cost of sales | 20,769 | 18,791 | 58,534 | 57,961 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

Other cost of sales comprises mainly warranty expenses, service contracts, telematics and road-side assistance.

09 Selling and administrative expenses

| in € million | 3rd quarter 2018 | 3rd quarter 2017 | 1 January to 30 September 2018 | 1 January to 30 September 2017 |
|--|------------------|------------------|--------------------------------------|--------------------------------------|
| Selling expenses | 1,400 | 1,424 | 4,178 | 4,352 |
| Administrative expenses | 878 | 768 | 2,614 | 2,357 |
| Selling and administrative expenses | 2,278 | 2,192 | 6,792 | 6,709 |

Selling expenses comprise mainly marketing, advertising and sales personnel costs. Administrative expenses comprise mainly personnel and IT costs.

10 Other operating income and expenses

These items principally include exchange gains and losses, gains and losses on the disposal of assets, impairment losses, as well as income/expense from the reversal of and allocation to provisions, including provisions for legal risks and other litigation. ↗

11 Result from equity accounted investments

Result from equity accounted investments includes results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, (up to and including 9 March 2018), the joint venture IONITY Holding GmbH & Co. KG, Munich, and the associated company THERE Holding B.V., Amsterdam.

12 Net interest result

| in € million | 3rd quarter 2018 | 3rd quarter 2017 | 1 January to 30 September 2018 | 1 January to 30 September 2017 |
|-------------------------------|------------------|------------------|--------------------------------------|--------------------------------------|
| Interest and similar income | 39 | 36 | 113 | 143 |
| Interest and similar expenses | -102 | -119 | -276 | -305 |
| Net interest result | -63 | -83 | -163 | -162 |

13 Other financial result

| in € million | 3rd quarter 2018 | 3rd quarter 2017 | 1 January to 30 September 2018 | 1 January to 30 September 2017 |
|-------------------------------|------------------|------------------|--------------------------------------|--------------------------------------|
| Result on investments | 18 | – | 221 | 14 |
| Sundry other financial result | 44 | 57 | 95 | 117 |
| Other financial result | 62 | 57 | 316 | 131 |

The result on investments for the first nine months of 2018 comprises mainly fair value measurement gains arising on the acquisition of DriveNow shares. Further information is provided in → note 2. ↗

→ see
note 2

14

Income taxes

Taxes on income comprise the following:

| in € million | 3rd quarter 2018 | 3rd quarter 2017* | 1 January to 30 September 2018 | 1 January to 30 September 2017* |
|----------------------|------------------|-------------------|--------------------------------------|---------------------------------------|
| Current tax expense | 1,311 | 676 | 1,638 | 1,817 |
| Deferred tax expense | -886 | -19 | 435 | 587 |
| Income taxes | 425 | 657 | 2,073 | 2,404 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

The effective tax rate for the nine-month period to 30 September 2018 was 26.3% (2017: 27.5%) 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 period under report.

15

Earnings per share

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

| | | 3rd quarter 2018 | 3rd quarter 2017* | 1 January to 30 September 2018 | 1 January to 30 September 2017* |
|---|-----------|------------------|-------------------|--------------------------------------|---------------------------------------|
| Profit attributable to shareholders of BMW AG | € million | 1,376.2 | 1,816.9 | 5,714.1 | 6,277.9 |
| Profit attributable to common stock | € million | 1,259.8 | 1,664.5 | 5,230.4 | 5,750.8 |
| Profit attributable to preferred stock | € million | 116.4 | 152.4 | 483.7 | 527.1 |
| Average number of common stock shares in circulation | number | 601,995,196 | 601,995,196 | 601,995,196 | 601,995,196 |
| Average number of preferred stock shares in circulation | number | 55,605,404 | 55,114,404 | 55,605,404 | 55,114,404 |
| Basic earnings per share of common stock | € | 2.09 | 2.76 | 8.69 | 9.55 |
| Basic earnings per share of preferred stock | € | 2.09 | 2.76 | 8.70 | 9.56 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

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.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

16

Disclosures relating to the statement of total comprehensive income

Other comprehensive income for the period after tax
comprises the following:

| in € million | 3rd quarter 2018 | 3rd quarter 2017 | 1 January to 30 September 2018 | 1 January to 30 September 2017 |
|--|------------------|------------------|--------------------------------------|--------------------------------------|
| Remeasurement of the net defined benefit liability for pension plans | 22 | 190 | 519 | 1,101 |
| Deferred taxes | -22 | 2 | -135 | -254 |
| Items not expected to be reclassified to the income statement in the future | - | 192 | 384 | 847 |
| Marketable securities (at fair value through other comprehensive income) | -8 | 90 | -21 | 123 |
| thereof gains / losses arising in the period under report | -5 | 78 | 10 | 114 |
| thereof reclassifications to the income statement | -3 | 12 | -31 | 9 |
| Financial instruments used for hedging purposes | -103 | 704 | -731 | 2,220 |
| thereof gains / losses arising in the period under report | 91 | 743 | -217 | 2,177 |
| thereof reclassifications to the income statement | -194 | -39 | -514 | 43 |
| Costs of hedging | -40 | - | -459 | - |
| thereof gains / losses arising in the period under report | -110 | - | -609 | - |
| thereof reclassifications to the income statement | 70 | - | 150 | - |
| Other comprehensive income from equity accounted investments | -16 | -28 | -93 | - |
| Deferred taxes | 24 | -213 | 384 | -697 |
| Currency translation foreign operations | -144 | -346 | 53 | -1,042 |
| Items that can be reclassified to the income statement in the future | -287 | 207 | -867 | 604 |
| Other comprehensive income for the period after tax | -287 | 399 | -483 | 1,451 |

Deferred taxes on components of other comprehensive income for the third quarter were as follows:

| in € million | 3rd quarter 2018 | | | 3rd quarter 2017 | | |
|--|------------------|----------------|-------------|------------------|----------------|------------|
| | Before tax | Deferred taxes | After tax | Before tax | Deferred taxes | After tax |
| Remeasurement of the net defined benefit liability for pension plans | 22 | -22 | - | 190 | 2 | 192 |
| Marketable securities (at fair value through other comprehensive income) | -8 | 2 | -6 | 90 | -4 | 86 |
| Financial instruments used for hedging purposes | -103 | 27 | -76 | 704 | -208 | 496 |
| Costs of hedging | -40 | 14 | -26 | - | - | - |
| Other comprehensive income from equity accounted investments | -16 | -19 | -35 | -28 | -1 | -29 |
| Currency translation foreign operations | -144 | - | -144 | -346 | - | -346 |
| Other comprehensive income | -289 | 2 | -287 | 610 | -211 | 399 |

Deferred taxes on components of other comprehensive income in the first nine months of the year were as follows:

| in € million | 1 January to 30 September 2018 | | | 1 January to 30 September 2017 | | |
|--|--------------------------------|----------------|-------------|--------------------------------|----------------|--------------|
| | Before tax | Deferred taxes | After tax | Before tax | Deferred taxes | After tax |
| Remeasurement of the net defined benefit liability for pension plans | 519 | -135 | 384 | 1,101 | -254 | 847 |
| Marketable securities (at fair value through other comprehensive income) | -21 | 15 | -6 | 123 | -6 | 117 |
| Financial instruments used for hedging purposes | -731 | 226 | -505 | 2,220 | -649 | 1,571 |
| Costs of hedging | -459 | 135 | -324 | - | - | - |
| Other comprehensive income from equity accounted investments | -93 | 8 | -85 | - | -42 | -42 |
| Currency translation foreign operations | 53 | - | 53 | -1,042 | - | -1,042 |
| Other comprehensive income | -732 | 249 | -483 | 2,402 | -951 | 1,451 |

Other comprehensive income relating to equity accounted investments is reported in the Group Statement of Changes in Equity in the columns "Translation differences" with a negative amount of €63 million (2017: negative amount of €167 million), "Derivative financial instruments" with a positive amount of €95 million (2017: positive amount of €125 million) and "Costs of hedging" with a negative amount of €117 million (2017: € - million).

NOTES TO THE BALANCE SHEET

17

Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle, module and architecture projects as well as subsidies for tool costs, licences, purchased development projects, software and purchased customer lists.

| in € million | 30.9.2018 | 31.12.2017 |
|--|--------------|--------------|
| Capitalised development costs | 8,982 | 8,409 |
| Goodwill | 380 | 380 |
| thereof allocated to the Automotive cash-generating unit | 33 | 33 |
| thereof allocated to the Financial Services cash-generating unit | 347 | 347 |
| Other intangible assets | 585 | 675 |
| Intangible assets | 9,947 | 9,464 |

Other intangible assets include a brand-name right amounting to €40 million (31 December 2017: €41 million), which is allocated to the Automotive segment and is not subject to scheduled amortisation since its useful life is deemed to be indefinite. The change is entirely due to currency factors.

Intangible assets amounting to €40 million (31 December 2017: €41 million) are subject to restrictions on title.

Intangible assets developed during the first nine months of the year as follows:

| in € million | 2018 | 2017 |
|-------------------------------|-------|-------|
| Capitalised development costs | | |
| Additions | 1,591 | 1,476 |
| Amortisation | 1,018 | 903 |
| Other intangible assets | | |
| Additions | 74 | 161 |
| Amortisation | 145 | 142 |

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on intangible assets.

18

Property, plant and equipment

Property, plant and equipment developed during the first nine months as follows:

| in € million | 2018 | 2017 |
|--------------|-------|-------|
| Additions | 2,815 | 2,656 |
| Depreciation | 2,590 | 2,491 |
| Disposals | 14 | 13 |

No impairment losses were recognised during the first nine months of 2018.

Purchase commitments for property, plant and equipment totalled €4,597 million (31 December 2017: €4,137 million).

19**Leased products**

Leased products developed during the first nine months of the year as follows:

| in € million | 2018 | 2017 |
|--------------|--------|--------|
| Additions | 13,200 | 12,904 |
| Depreciation | 2,518 | 2,041 |
| Disposals | 9,966 | 10,582 |

20**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, and IONITY Holding GmbH & Co. KG, Munich, as well as the BMW Group's interests in 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.

21**Receivables from sales financing**

Receivables from sales financing totalling €83,518 million (31 December 2017: €80,434 million) include credit financing for retail customers and dealerships and finance leases.

22**Financial assets**

Financial assets comprise:

| in € million | 30.9.2018 | 31.12.2017 |
|--|--------------|---------------|
| Marketable securities and investment funds | 5,267 | 5,447 |
| Derivative instruments | 2,355 | 4,341 |
| Credit card receivables | 235 | 248 |
| Loans to third parties | 19 | 114 |
| Other | 250 | 184 |
| Financial assets | 8,126 | 10,334 |

23**Income tax assets**

Income tax assets totalling €1,662 million (31 December 2017: €1,566 million) include €359 million (31 December 2017: €364 million), which is expected to be settled after more than twelve months. Depending on the timing of proceedings, such claims may also be settled at an earlier date.

24**Other assets**

Other assets comprise:

| in € million | 30.9.2018 | 31.12.2017* |
|---|---------------|--------------|
| Return right assets for future leased products | 2,439 | 1,962 |
| Prepayments | 2,205 | 2,018 |
| Receivables from companies in which an investment is held | 1,712 | 1,334 |
| Other taxes | 1,485 | 1,537 |
| Expected reimbursement claims | 879 | 847 |
| Collateral assets | 252 | 316 |
| Receivables from subsidiaries | 273 | 276 |
| Sundry other assets | 984 | 825 |
| Other assets | 10,229 | 9,115 |

*Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

25**Inventories**

Inventories comprise the following:

| in € million | 30.9.2018 | 31.12.2017 |
|--------------------------------------|---------------|---------------|
| Finished goods and goods for resale | 12,389 | 10,436 |
| Work in progress, unbilled contracts | 1,289 | 1,125 |
| Raw materials and supplies | 1,490 | 1,146 |
| Inventories | 15,168 | 12,707 |

26**Equity**

The Group Statement of Changes in Equity is shown on → pages 50 and 51.

→ see
pages 50
and 51

Subscribed capital

The number of shares of common stock issued by BMW AG at 30 September 2018 was 601,995,196 shares, each with a par value of €1, unchanged from 31 December 2017. The number of shares of preferred stock at that date was 55,605,404 shares, each with a par value of €1, unchanged from 31 December 2017. Unlike the common stock, no voting rights are attached to the preferred stock. Subscribed capital therefore stood at €658 million, unchanged from 31 December 2017. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

To date, 1,345,617 shares of preferred stock have been issued to employees. BMW AG is authorised to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million prior to 14 May 2019. As a result, 3.7 million authorised shares and Authorised Capital amounting to €3.7 million remained available for issue at the end of the reporting period. No treasury shares were held at 30 September 2018.

Capital reserves

Capital reserves include premiums arising from the issue of shares and were unchanged from 31 December 2017 at €2,084 million.

Revenue reserves

Revenue reserves comprise the post-acquisition and non-distributed earnings of consolidated companies. In addition, remeasurements of the net defined benefit obligation for pension plans are also presented in revenue reserves.

During the first nine months of 2018, BMW AG paid the dividend for the financial year 2017 amounting to €2,408 million for common stock and €222 million for preferred stock.

Accumulated other equity

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

Further information regarding the transition effects recognised in equity on the first-time application of IFRS 9 and IFRS 15 is provided in → notes 5 and 6.

→ see
notes 5
and 6

27**Pension provisions**

Pension provisions stood at €2,574 million (31 December 2017: €3,252 million). The remeasurement of the net liability reduced pension provisions in the first nine months of 2018 by €519 million.

28**Other provisions**

Other provisions consist of the following:

| in € million | 30.9.2018 | 31.12.2017* |
|--|---------------|---------------|
| Statutory and non-statutory warranty obligations, product guarantees | 5,271 | 5,074 |
| Obligations for personnel and social expenses | 2,443 | 2,782 |
| Other obligations for ongoing operational expenses | 1,799 | 1,620 |
| Other obligations | 2,484 | 2,523 |
| Other provisions | 11,997 | 11,999 |

*Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

Provisions for other obligations for ongoing operational expenses included other provisions for expected payment for bonuses and other price deductions.

29**Income tax liabilities**

Income tax liabilities totalling €973 million (31 December 2017: €1,124 million) include €53 million (31 December 2017: €68 million), which is expected to be settled after more than twelve months. Depending on the timing of proceedings, some liabilities may be settled earlier than this.

Current income tax liabilities comprise €172 million (31 December 2017: €332 million) for taxes payable and €801 million (31 December 2017: €792 million) for tax provisions.

30**Financial liabilities**

Financial liabilities of the BMW Group comprise the following:

| in € million | 30. 9. 2018 | 31. 12. 2017 |
|--|---------------|---------------|
| Bonds | 52,892 | 44,880 |
| Asset backed financing transactions | 15,842 | 16,855 |
| Liabilities from customer deposits (banking) | 13,916 | 13,572 |
| Liabilities to banks | 12,127 | 12,658 |
| Derivative instruments | 1,383 | 1,090 |
| Commercial paper | 763 | 4,461 |
| Other | 1,161 | 1,132 |
| Financial liabilities | 98,084 | 94,648 |

31**Other liabilities**

Other liabilities comprise the following items:

| in € million | 30. 9. 2018 | 31. 12. 2017* |
|--|---------------|---------------|
| Deferred income | 7,011 | 6,665 |
| Refund liabilities for future leased products | 3,375 | 2,807 |
| Other taxes | 1,028 | 935 |
| Deposits received | 853 | 856 |
| Advance payments from customers | 783 | 1,056 |
| Payables to other companies in which an investment is held | 766 | 744 |
| Payables to subsidiaries | 97 | 129 |
| Social security | 93 | 98 |
| Sundry | 5,084 | 5,198 |
| Other liabilities | 19,090 | 18,488 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

Sundry other liabilities include mainly bonuses for services already performed as well as sales promotions, commission payables and credit balances on customers' accounts.

Deferred income includes liabilities for service contracts amounting to €3,578 million (31 December 2017: €3,658 million).

OTHER DISCLOSURES

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Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

| in € million | 30. 9. 2018 | 31. 12. 2017 |
|-------------------------------|-------------|--------------|
| Investment subsidies | 282 | 399 |
| Litigation | 118 | 204 |
| Performance guarantees | 13 | 10 |
| Other | 456 | 203 |
| Contingent liabilities | 869 | 816 |

Other contingent liabilities comprise mainly risks relating to taxes and customs duties.

The BMW Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of the Group Financial Statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. Some of the risks are insured.

In June 2016, Germany's competition authority conducted searches at various carmakers and suppliers, including BMW AG, as part of an investigation into ↱

the purchase of steel. The investigations have not yet been completed. More extensive disclosures pursuant to IAS 37.86 cannot be provided at present.

In July 2017, cartel allegations against five German car manufacturers appeared in the press. Internal investigations were initiated by the BMW Group and have not yet been completed. In October 2017, the European Commission began an inspection at the BMW Group, which led to the opening of a formal proceeding in relation to a limited number of issues in September 2018. A number of class action law suits were brought in the USA and Canada. It is not possible at present to quantify any risks for the BMW Group. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

Regulatory authorities have ordered the BMW Group to recall various vehicle models that are fitted with airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within warranty provisions. In addition to the risks already covered by warranty provisions, it cannot be ruled out that further BMW Group vehicles will be affected by future recall actions. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

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Financial instruments

A description of the accounting treatment and measurement of derivative financial instruments and the allocation of recognised financial instruments to different measurement levels is provided in → note 6 of the Interim Group Financial Statements at 30 September 2018 and in notes 4 and 37 of the Group Financial Statements at 31 December 2017. ↱

→ see
note 6

Amounts are discounted at 30 September 2018 on the basis of the following interest rates:

| in % | ISO Code | | | | |
|------------------------------|----------|------|------|-------|------|
| | EUR | USD | GBP | JPY | CNY |
| Interest rate for six months | -0.32 | 2.56 | 0.98 | -0.11 | 3.74 |
| Interest rate for one year | -0.24 | 2.76 | 0.99 | 0.04 | 3.32 |
| Interest rate for five years | 0.39 | 3.04 | 1.45 | 0.15 | 3.78 |
| Interest rate for ten years | 1.01 | 3.09 | 1.67 | 0.37 | 3.95 |

Interest rates taken from interest rate curves were adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument.

Where the fair value was required for a financial instrument for disclosure purposes, the discounted cash flow method was used, taking account of the BMW Group's own default risk; for this reason, the fair values calculated can be allocated to Level 2.

→

Financial instruments recognised at fair value for which no market price is available are allocated to Level 3. Fair values are determined in accordance with the following table:

| in € million | Fair value 30.9.2018 | Valuation method | Input Parameter |
|--|-------------------------|---|-----------------------------------|
| Unquoted equity instruments | 241 | Last financing round | Price per share |
| | | Milestone analysis (quantitative and qualitative factors) | Company performance |
| | | | Contractual rights by share class |
| Convertible bonds | – | Last financing round | Price per share |
| | | Milestone analysis (quantitative and qualitative factors) | Company performance |
| | | | Contractual rights by share class |
| Options on unquoted equity instruments | 5 | Last financing round | Price per share |
| | | Milestone analysis (quantitative and qualitative factors) | Company performance |
| | | Consideration of exercise price | Contractual rights by share class |
| | | | Exercise price |

Level 3 financial assets relate mainly to investments in a private equity fund. The private equity companies are valued on the basis of their net asset value which is determined using relevant information that is not available in the public domain. The fund manager assesses the underlying individual companies in accordance with the guidelines for international private equity and venture capital valuations (IPEV). A detailed listing and quantification of potential sensitivities of the input parameters is not considered meaningful in view of the valuation methodology applied. An increase in input parameters would normally also lead to a similar increase in valuation.

The balance sheet carrying amount of Level 3 financial instruments developed as follows:

| in € million | Unquoted equity instruments | Convertible bonds | Options on unquoted equity instruments | Financial Instruments Level 3 |
|---|-----------------------------|-------------------|--|-------------------------------|
| 1. January 2018* | 111 | 2 | 2 | 115 |
| Additions | 91 | – | – | 91 |
| Disposals | –4 | –2 | – | –6 |
| Gains (+)/losses (–) recognised in accumulated other equity | – | – | – | – |
| Gains (+)/losses (–) recognised in the income statement | 35 | – | 3 | 38 |
| Currency translation differences | 8 | – | – | 8 |
| 30 September 2018 | 241 | – | 5 | 246 |

* Opening balance adjusted due to first-time application of IFRS 9.

| in € million | Unquoted equity instruments | Convertible bonds | Options on unquoted equity instruments | Financial Instruments Level 3 |
|---|-----------------------------|-------------------|--|-------------------------------|
| 1. January 2017 | – | – | – | – |
| Additions | 103 | 2 | – | 105 |
| Disposals | – | – | – | – |
| Gains (+)/losses (–) recognised in accumulated other equity | 8 | – | – | 8 |
| Gains (+)/losses (–) recognised in the income statement | – | – | 3 | 3 |
| Currency translation differences | –6 | – | –1 | –7 |
| 31 December 2017 | 105 | 2 | 2 | 109 |

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 ¹

as a general rule to fair values. The following items are the main exceptions to this general rule:

| in € million | 30.9.2018 | | 31.12.2017 | |
|----------------------------------|------------|-----------------|------------|-----------------|
| | Fair value | Carrying amount | Fair value | Carrying amount |
| Receivables from sales financing | 87,103 | 83,518 | 83,853 | 80,434 |
| Bonds | 53,365 | 52,892 | 45,566 | 44,880 |

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Related party relationships

Transactions of Group entities with related parties arise exclusively in the normal course of business of each of the parties concerned and are conducted at normal market conditions.

A significant proportion of the BMW Group's transactions with related parties relates to the joint venture BMW Brilliance Automotive Ltd., Shenyang.

| in € million | Supplies and services performed | | Supplies and services received | | Receivables | | Payables | |
|--------------------------------|---------------------------------|------------------|--------------------------------|------------------|-------------|------------|-----------|------------|
| | 3rd quarter 2018 | 3rd quarter 2017 | 3rd quarter 2018 | 3rd quarter 2017 | 30.9.2018 | 31.12.2017 | 30.9.2018 | 31.12.2017 |
| BMW Brilliance Automotive Ltd. | 2,000 | 1,521 | 30 | 16 | 1,579 | 1,333 | 761 | 739 |

| in € million | Supplies and services performed | | Supplies and services received | | Receivables | | Payables | |
|--------------------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------|------------|-----------|------------|
| | 1 January to 30 September 2018 | 1 January to 30 September 2017 | 1 January to 30 September 2018 | 1 January to 30 September 2017 | 30.9.2018 | 31.12.2017 | 30.9.2018 | 31.12.2017 |
| BMW Brilliance Automotive Ltd. | 5,471 | 4,290 | 71 | 48 | 1,579 | 1,333 | 761 | 739 |

Business relationships of the BMW Group with other associated companies and joint ventures as well as with non-consolidated subsidiaries are small in scale.

Stefan Quandt, Germany, 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 logistics-related services for the BMW Group during the first nine months of 2018. In addition, companies of the DELTON Group acquired vehicles from the BMW Group by way of leasing.

Stefan Quandt, Germany, 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 nine months of 2018.

Susanne Klatten, Germany, is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairwoman of the Supervisory Board of ALTANA AG, Wesel. ALTANA AG, Wesel, acquired vehicles from the BMW Group during the first nine months of 2018 by way of leasing.

Susanne Klatten, Germany, is also the sole shareholder and Chairwoman of the Supervisory Board of UnternehmerTUM GmbH, Garching. During the first nine months of 2018, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, primarily in the form of consultancy and workshop services.

In addition, Susanne Klatten, Germany, and Stefan Quandt, Germany, are indirectly sole shareholders of Entrust Datacard Corp., Shakopee, Minnesota. Stefan Quandt is also a member of the supervisory board of this entity. Entrust Datacard Corp., Shakopee, Minnesota, leased vehicles from the BMW Group during the first nine months of 2018.

Apart from vehicle leasing and credit financing contracts concluded at normal market conditions, 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, manages fund assets relating to pension obligations on a trustee basis and manages the accrued entitlements relating to 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 has no assets of its own. It had no 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.

Events after the end of the reporting period

The BMW Group intends to increase its stake in the joint venture BMW Brilliance Automotive Ltd, Shenyang, (BBA) from 50 % to 75 %. On 11 October 2018, the BMW Group signed an agreement with its joint venture partner, a wholly owned subsidiary of Brilliance China Automotive Holdings Ltd. (CBA), to acquire an additional 25 % shareholding in BBA. The two partners agreed on a purchase price of an equivalent of 3.6 billion euros. The contractual term of the joint venture, which would currently expire in 2028, is to be extended to 2040 as part of the agreement. The prerequisite for the extension is the acquisition of the additional shares as agreed. This transaction, which is subject to the approval of the relevant authorities and the consent of the CBA Shareholders' Meeting, is scheduled to close in 2022. The closing will result in BBA being fully consolidated in the BMW Group Financial Statements and is expected to result in the recognition of a significant valuation gain in the financial year in which the transaction closes.

No other events have occurred after the balance sheet date with a particular significance for the results of operations, financial position or net assets of the BMW Group.

SEGMENT INFORMATION

36

Explanatory notes to segment information

For information on the basis used for identifying and managing reportable segments, please refer to the Group Financial Statements at 31 December 2017. Due to the management system, reported segment results and assets are based on different performance measures. Details are provided in note 43 of the Group Financial Statements of BMW AG at 31 December 2017.

Segment information is prepared in conformity with the accounting policies used to prepare and present the Interim Group Financial Statements. Exceptions to this general principle include the treatment of inter-segment warranties, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business. In addition, intragroup repurchase agreements between the Automotive and Financial Services segments pursuant to IFRS 15, impairment allowances on intragroup receivables and changes in the value of consolidated other investments pursuant to IFRS 9 are also excluded.

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

| in € million | Automotive | | Motorcycles | | Financial Services | |
|---|---------------|---------------|-------------|------------|--------------------|--------------|
| | 2018 | 2017* | 2018 | 2017* | 2018 | 2017 |
| SEGMENT INFORMATION BY OPERATING SEGMENT | | | | | | |
| External revenues | 17,394 | 16,882 | 478 | 510 | 6,871 | 6,241 |
| Inter-segment revenues | 3,717 | 3,551 | -2 | 2 | 462 | 438 |
| Total revenues | 21,111 | 20,433 | 476 | 512 | 7,333 | 6,679 |
| Segment result | 930 | 1,758 | 33 | 53 | 548 | 609 |
| Result from equity accounted investments | 101 | 145 | - | - | - | - |
| Capital expenditure on non-current assets | 2,047 | 1,857 | 48 | 31 | 6,168 | 5,603 |
| Depreciation and amortisation on non-current assets | 1,267 | 1,155 | 25 | 23 | 2,377 | 1,874 |

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

| in € million | Automotive | | Motorcycles | | Financial Services | |
|---|---------------|---------------|--------------|--------------|--------------------|---------------|
| | 2018 | 2017* | 2018 | 2017* | 2018 | 2017 |
| SEGMENT INFORMATION BY OPERATING SEGMENT | | | | | | |
| External revenues | 50,974 | 51,974 | 1,661 | 1,824 | 19,824 | 19,525 |
| Inter-segment revenues | 11,655 | 10,625 | -3 | 3 | 1,324 | 1,244 |
| Total revenues | 62,629 | 62,599 | 1,658 | 1,827 | 21,148 | 20,769 |
| Segment result | 4,730 | 5,879 | 208 | 282 | 1,714 | 1,793 |
| Result from equity accounted investments | 506 | 635 | - | - | - | - |
| Capital expenditure on non-current assets | 4,391 | 4,220 | 82 | 67 | 17,817 | 17,667 |
| Depreciation and amortisation on non-current assets | 3,657 | 3,445 | 71 | 64 | 7,362 | 6,658 |

| in € million | Automotive | | Motorcycles | | Financial Services | |
|---|------------|-------------|-------------|------------|--------------------|------------|
| | 30.9.2018 | 31.12.2017* | 30.9.2018 | 31.12.2017 | 30.9.2018 | 31.12.2017 |
| Segment assets | 12,952 | 11,223 | 595 | 618 | 14,401 | 14,740 |
| Investments accounted for using the equity method | 2,565 | 2,769 | - | - | - | - |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

| Other Entities | | Reconciliation to Group figures | | Group | | |
|----------------|------|---------------------------------|--------|--------|--------|---|
| 2018 | 2017 | 2018 | 2017* | 2018 | 2017* | |
| | | | | | | SEGMENT INFORMATION BY OPERATING SEGMENT |
| - | - | - | - | 24,743 | 23,633 | External revenues |
| 1 | 1 | -4,178 | -3,992 | - | - | Inter-segment revenues |
| 1 | 1 | -4,178 | -3,992 | 24,743 | 23,633 | Total revenues |
| 27 | 11 | 307 | 72 | 1,845 | 2,503 | Segment result |
| - | - | - | - | 101 | 145 | Result from equity accounted investments |
| - | - | -1,424 | -1,605 | 6,839 | 5,886 | Capital expenditure on non-current assets |
| - | - | -1,608 | -1,525 | 2,061 | 1,527 | Depreciation and amortisation on non-current assets |

| Other Entities | | Reconciliation to Group figures | | Group | | |
|----------------|------|---------------------------------|---------|--------|--------|---|
| 2018 | 2017 | 2018 | 2017* | 2018 | 2017* | |
| | | | | | | SEGMENT INFORMATION BY OPERATING SEGMENT |
| 1 | 1 | - | - | 72,460 | 73,324 | External revenues |
| 3 | 3 | -12,979 | -11,875 | - | - | Inter-segment revenues |
| 4 | 4 | -12,979 | -11,875 | 72,460 | 73,324 | Total revenues |
| 105 | 30 | 1,126 | 757 | 7,883 | 8,741 | Segment result |
| - | - | - | - | 506 | 635 | Result from equity accounted investments |
| - | - | -4,610 | -4,757 | 17,680 | 17,197 | Capital expenditure on non-current assets |
| - | - | -4,819 | -4,590 | 6,271 | 5,577 | Depreciation and amortisation on non-current assets |

| Other Entities | | Reconciliation to Group figures | | Group | | |
|----------------|------------|---------------------------------|-------------|-----------|-------------|---|
| 30.9.2018 | 31.12.2017 | 30.9.2018 | 31.12.2017* | 30.9.2018 | 31.12.2017* | |
| 83,413 | 75,121 | 91,189 | 93,804 | 202,550 | 195,506 | Segment assets |
| - | - | - | - | 2,565 | 2,769 | Investments accounted for using the equity method |

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

| in € million | 2018 | 2017* |
|--|--------------|--------------|
| Reconciliation of segment result | | |
| Total for reportable segments | 1,538 | 2,431 |
| Financial result of Automotive segment and Motorcycles segment | 71 | 128 |
| Elimination of inter-segment items | 236 | -56 |
| Group profit before tax | 1,845 | 2,503 |
| Reconciliation of capital expenditure on non-current assets | | |
| Total for reportable segments | 8,263 | 7,491 |
| Elimination of inter-segment items | -1,424 | -1,605 |
| Total Group capital expenditure on non-current assets | 6,839 | 5,886 |
| Reconciliation of depreciation and amortisation on non-current assets | | |
| Total for reportable segments | 3,669 | 3,052 |
| Elimination of inter-segment items | -1,608 | -1,525 |
| Total Group depreciation and amortisation on non-current assets | 2,061 | 1,527 |

Segment figures for the first nine months of the year can be reconciled to the corresponding Group figures as follows:

| in € million | 2018 | 2017* |
|--|---------------|---------------|
| Reconciliation of segment result | | |
| Total for reportable segments | 6,757 | 7,984 |
| Financial result of Automotive segment and Motorcycles segment | 613 | 682 |
| Elimination of inter-segment items | 513 | 75 |
| Group profit before tax | 7,883 | 8,741 |
| Reconciliation of capital expenditure on non-current assets | | |
| Total for reportable segments | 22,290 | 21,954 |
| Elimination of inter-segment items | -4,610 | -4,757 |
| Total Group capital expenditure on non-current assets | 17,680 | 17,197 |
| Reconciliation of depreciation and amortisation on non-current assets | | |
| Total for reportable segments | 11,090 | 10,167 |
| Elimination of inter-segment items | -4,819 | -4,590 |
| Total Group depreciation and amortisation on non-current assets | 6,271 | 5,577 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

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

| in € million | 30. 9. 2018 | 31.12. 2017* |
|--|----------------|----------------|
| Reconciliation of segment assets | | |
| Total for reportable segments | 111,361 | 101,702 |
| Non-operating assets – Other Entities segment | 7,734 | 7,829 |
| Total liabilities – Financial Services segment | 128,596 | 123,088 |
| Non-operating assets – Automotive and Motorcycles segments | 46,254 | 47,973 |
| Liabilities of Automotive and Motorcycles segments not subject to interest | 38,635 | 35,061 |
| Elimination of inter-segment items | -130,030 | -120,147 |
| Total Group assets | 202,550 | 195,506 |

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

OTHER INFORMATION

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FINANCIAL CALENDAR

2019

20 March 2019

Annual Report 2018

20 March 2019

Annual Accounts Press Conference

21 March 2019

Analyst and Investor Conference

7 May 2019

Quarterly Report to 31 March 2019

16 May 2019

Annual General Meeting

1 August 2019

Quarterly Report to 30 June 2019

6 November 2019

Quarterly Report to 30 September 2019

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The BMW Group on the Internet

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.

This version of the Quarterly Report is a translation from the German version. Only the original German version is binding.

PUBLISHED BY

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