

QUARTERLY REPORT

30 June 2019



**BMW
GROUP**

THE NEXT
100 YEARS 



Rolls-Royce
Motor Cars Limited

CONTENTS

1 BMW GROUP AT A GLANCE

→ Page 4 BMW Group in Figures

2 INTERIM GROUP MANAGEMENT REPORT

→ Page 9 Report on Economic Position
→ Page 9 General Economic Environment
→ Page 10 Group Overview
→ Page 12 Automotive Segment
→ Page 18 Financial Services Segment
→ Page 20 Report on Outlook, Risks and Opportunities
→ Page 20 Outlook
→ Page 22 Risks and Opportunities

3 INTERIM GROUP FINANCIAL STATEMENTS

→ Page 24 Income Statement
→ Page 24 Statement of Comprehensive Income
→ Page 28 Balance Sheet
→ Page 30 Cash Flow Statement
→ Page 32 Statement of Changes in Equity
→ Page 34 Notes to the Group Financial Statements
→ Page 34 Accounting Principles and Policies
→ Page 42 Notes to the Income Statement
→ Page 44 Notes to the Balance Sheet
→ Page 46 Other Disclosures
→ Page 52 Segment Information
→ Page 56 Responsibility Statement by the
Company's Legal Representatives
→ Page 57 Review Report

4 OTHER INFORMATION

→ Page 59 Contacts

BMW GROUP AT A GLANCE

→ Page 4 **BMW Group in Figures**

1

BMW GROUP IN FIGURES

Key performance indicators reported during the year¹

→ 01

		2nd quarter 2019	2nd quarter 2018	Change in %
GROUP				
Profit before tax ²	€ million	2,053	2,866	-28.4
AUTOMOTIVE SEGMENT				
Deliveries ³	units	647,504	637,878	1.5
EBIT margin ⁴	% (change in %pts)	6.5	8.6	-2.1
MOTORCYCLES SEGMENT				
Deliveries	units	54,582	51,117	6.8
EBIT margin ⁴	% (change in %pts)	14.0	14.9	-0.9

¹ Supplementary information which was not subject of the audit review.

² Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 136,863 units, 2018: 106,944 units).

⁴ Profit before financial result as percentage of segment revenues.

Further performance figures¹

→ 02

		2nd quarter 2019	2nd quarter 2018	Change in %
AUTOMOTIVE SEGMENT				
Deliveries				
BMW ²	units	556,652	541,849	2.7
MINI	units	89,524	95,055	-5.8
Rolls-Royce	units	1,328	974	36.3
Total²		647,504	637,878	1.5
Production volume				
Total³		622,959	652,981	-4.6
FINANCIAL SERVICES SEGMENT				
New contracts with retail customers		501,663	480,303	4.4
Free cash flow Automotive segment	€ million	869	1,642	-47.1
Group revenues⁴	€ million	25,715	24,993	2.9
Automotive	€ million	22,624	22,192	1.9
Motorcycles	€ million	727	658	10.5
Financial Services ⁴	€ million	7,364	7,027	4.8
Other Entities	€ million	2	1	100.0
Eliminations ⁴	€ million	-5,002	-4,885	-2.4
Group profit before financial result (EBIT)⁴	€ million	2,201	2,739	-19.6
Automotive	€ million	1,469	1,919	-23.4
Motorcycles	€ million	102	98	4.1
Financial Services ⁴	€ million	606	605	0.2
Other Entities	€ million	2	7	-71.4
Eliminations ⁴	€ million	22	110	-80.0
Group profit before tax (EBT)⁴	€ million	2,053	2,866	-28.4
Automotive	€ million	1,483	2,062	-28.1
Motorcycles	€ million	100	96	4.2
Financial Services ⁴	€ million	573	603	-5.0
Other Entities	€ million	-97	8	-
Eliminations ⁴	€ million	-6	97	-
Group income taxes⁴	€ million	-573	-783	26.8
Profit / loss from continuing operations⁴	€ million	1,480	2,083	-28.9
Profit / loss from discontinued operations	€ million	-	-7	-
Group net profit⁴	€ million	1,480	2,076	-28.7
Earnings per share^{4,5}	€	2.21 / 2.22	3.12 / 3.13	-29.2 / -29.1
Group pre-tax return on sales^{4,6}	% (change in %pts)	8.0	11.5	-3.5

¹ Supplementary information which was not subject of the audit review.² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 136,863 units, 2018: 106,944 units).³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 106,443 units, 2018: 103,703 units).⁴ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.⁵ 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.⁶ 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 June 2019	1 January to 30 June 2018	Change in %
GROUP				
Profit before tax ¹	€ million	2,815	6,005	-53.1
AUTOMOTIVE SEGMENT				
Deliveries ²	units	1,252,837	1,242,507	0.8
EBIT margin ³	% (change in %pts)	2.8	9.2	-6.4
MOTORCYCLES SEGMENT				
Deliveries	units	93,188	86,975	7.1
EBIT margin ³	% (change in %pts)	14.5	14.8	-0.3

¹ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements.

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 265,516 units, 2018: 215,218 units).

³ Profit before financial result as percentage of segment revenues.

Further performance figures

→ 04

		1 January to 30 June 2019	1 January to 30 June 2018	Change in %
AUTOMOTIVE SEGMENT				
Deliveries				
BMW ¹	units	1,075,959	1,059,296	1.6
MINI	units	174,344	181,430	-3.9
Rolls-Royce	units	2,534	1,781	42.3
Total¹		1,252,837	1,242,507	0.8
Production volume				
Total²		1,295,001	1,316,314	-1.6
FINANCIAL SERVICES SEGMENT				
New contracts with retail customers		971,287	932,211	4.2
Free cash flow Automotive segment	€ million	310	1,944	-84.1
Group revenues³	€ million	48,177	47,658	1.1
Automotive	€ million	41,837	41,518	0.8
Motorcycles	€ million	1,313	1,182	11.1
Financial Services ³	€ million	14,510	13,588	6.8
Other Entities	€ million	3	3	-
Eliminations ³	€ million	-9,486	-8,633	-9.9
Group profit before financial result (EBIT)³	€ million	2,790	5,446	-48.8
Automotive	€ million	1,159	3,800	-69.5
Motorcycles	€ million	191	175	9.1
Financial Services ³	€ million	1,254	1,166	7.5
Other Entities	€ million	6	16	-62.5
Eliminations ³	€ million	180	289	-37.7
Group profit before tax (EBT)³	€ million	2,815	6,005	-53.1
Automotive	€ million	1,456	4,343	-66.5
Motorcycles	€ million	187	174	7.5
Financial Services ³	€ million	1,200	1,156	3.8
Other Entities	€ million	-155	78	-
Eliminations ³	€ million	127	254	-50.0
Group income taxes³	€ million	-791	-1,640	51.8
Profit / loss from continuing operations³	€ million	2,024	4,365	-53.6
Profit / loss from discontinued operations	€ million	44	-7	-
Group net profit³	€ million	2,068	4,358	-52.5
Earnings per share^{3,4}	€	3.06 / 3.07	6.56 / 6.57	-53.4 / -53.3
Group pre-tax return on sales^{3,5}	% (change in %pts)	5.8	12.6	-6.8

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 265,516 units, 2018: 215,218 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 244,834 units, 2018: 210,974 units).

³ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

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.

INTERIM GROUP MANAGEMENT REPORT

→ Page 9 **Report on Economic Position**

→ Page 9 **General Economic Environment**

→ Page 10 **Group Overview**

→ Page 12 **Automotive Segment**

→ Page 18 **Financial Services Segment**

→ Page 20 **Report on Outlook, Risks and Opportunities**

→ Page 20 **Outlook**

→ Page 22 **Risks and Opportunities**

2

REPORT ON ECONOMIC POSITION

**Increase in automobile
deliveries of the BMW Group,
bucking market trend**

**Downturn on international
automobile markets**

GENERAL ECONOMIC ENVIRONMENT IN THE FIRST HALF OF 2019

International automobile markets

International automobile markets saw a drop in volumes during the first half of 2019, with new registrations down year-on-year for the period from January to June (41.8 million units; -4.5%). Key automobile markets performed as follows:

International automobile markets

→ 05

	Change in %
Europe	-3.1
thereof Germany	+0.5
thereof France	-2.1
thereof Italy	-3.8
thereof Spain	-5.6
thereof United Kingdom (UK)	-3.4
USA	-1.9
China	-8.7
Japan	+0.6
Total	-4.5

Group Overview

Automobile deliveries at new all-time high

The BMW Group set new records for automobile deliveries, both for a second quarter and for the first six-month period of a year. From April to June, a total of 647,504¹ BMW, MINI and Rolls-Royce brand vehicles were delivered to customers worldwide (2018: 637,878¹ units; +1.5%). Six-month deliveries of the three brands therefore increased by 0.8% to 1,252,837² units (2018: 1,242,507² units), despite tough market conditions.

A total of 501,663 new lease and credit financing contracts were concluded with retail customers during the period from April to June 2019 (2018: 480,303 contracts; +4.4%), bringing the six-month figure to 971,287 contracts (2018: 932,211 contracts; +4.2%). In total, 5,806,248 contracts (31 December 2018: 5,708,032 contracts; +1.7%) were in place with retail customers worldwide at 30 June 2019.

Group revenues up slightly

Group revenues for the first six-month period totalled €48,177 million, slightly up on the previous year (2018: €47,658³ million; +1.1%). Adjusted for currency factors, revenues were at a similar level to one year earlier (−0.2%). At €25,715 million, second-quarter revenues were also slightly higher year-on-year (2018: €24,993³ million; +2.9%; currency-adjusted +2.5%).

Group profit before financial result for the six-month period dropped sharply to €2,790 million (2018: €5,446³ million; −48.8%), mainly due to the provision recognised during the first quarter of 2019 in connection with ongoing antitrust proceedings. Further information is provided in → note 6 to the Interim Group Financial Statements. Earnings were also held down by the impact of challenging market conditions and intense competition as well as by higher manufacturing costs and scheduled depreciation and amortisation. Research and development expenses were mainly related to upcoming models in conjunction with the continuing new product initiative, the development of vehicle architectures and drivetrain systems and higher upfront expenditure for the future in connection with vehicle electrification and autonomous driving.

→ see
note 6

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 136,863 units, 2018: 106,944 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 265,516 units, 2018: 215,218 units).

³ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Research and development ratios for the period from 1 April to 30 June¹

→ 06

		2019	2018	Change in %
Research and development expenditure ²	€ million	1,477	1,484	-0.5
Research and development expenditure ratio ³	% (change in %pts)	5.7	5.9	-0.2
Capitalisation rate ⁴	% (change in %pts)	32.6	32.7	-0.1

Research and development ratios for the period from 1 January to 30 June

→ 07

		2019	2018	Change in %
Research and development expenditure ²	€ million	2,830	2,756	2.7
Research and development expenditure ratio ³	% (change in %pts)	5.9	5.8	0.1
Capitalisation rate ⁴	% (change in %pts)	29.7	29.1	0.6

¹ Supplementary information which was not subject of the audit review.² Total research and development expenditure comprises research costs, non-capitalised development costs and capitalised development costs (excluding amortisation thereon).³ Research and development expenditure as a percentage of Group revenues.⁴ Capitalised development costs as a percentage of research and development expenditure.⁵ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements.

In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

The financial result for the six-month period was €534 million lower than one year earlier. The significant decrease was mainly due to a negative fair value measurement impact of €220 million on interest rate hedges (2018: positive fair value measurement impact of €35 million). In addition, the preliminary one-off revaluation effect of €329 million in the Automotive segment arising from the pooling of mobility services with the Daimler Group was mostly offset by a loss of €171 million on equity-accounted investments in the YOUR NOW companies. Furthermore, the previous year's financial result also included a positive revaluation effect of €209 million in conjunction with the acquisition of DriveNow.

Group profit before tax was also impacted by the same set of factors and fell accordingly to €2,815 million (2018: €6,005⁵ million; -53.1%). Pre-tax profit for the second quarter amounted to €2,053 million (2018: €2,866⁵ million; -28.4%).

Financing activities

Bonds amounting to €10.5 billion and ABS transactions in the US, the UK, China, Canada and Japan totalling €3.7 billion were issued during the six-month period under report. During the second quarter, a bond amounting to US dollar 2.7 billion was issued in the USA.

Impact of IFRS 16

The BMW Group began applying the new accounting requirements for leases in accordance with IFRS 16 (Leases) with effect from 1 January 2019. Explanatory information on the impact of IFRS 16 is provided in → note 4 to the Interim Group Financial Statements.

→ see
note 4**Change in the Chair of the Board of Management of BMW AG**

At the beginning of July, Mr Harald Krüger, Chairman of the Board of Management of BMW AG, informed the Chairman of the Supervisory Board of BMW AG that he would not seek a second term of office.

During its meeting on 18 July, the Supervisory Board of BMW AG appointed Oliver Zipse as the new Chairman of the Board of Management with effect from 16 August 2019. Oliver Zipse has been a member of the Board of Management since 2015 and is currently responsible for production. The current Chairman of the Board of Management, Harald Krüger, will resign as Chairman and will leave the Board of Management by mutual agreement on 15 August 2019.

Automotive Segment

Automobile deliveries at record level

The BMW Group's Automotive segment continued to buck the market trend by recording further volume growth overall. Second-quarter deliveries included 556,652¹ BMW (2018: 541,849¹ units; +2.7%) and 89,524 MINI brand vehicles (2018: 95,055 units; -5.8%). Moreover, Rolls-Royce Motor Cars delivered 1,328 units to customers during the three-month period between April and June (2018: 974 units; +36.3%).

Deliveries in the six-month period from January to June included 1,075,959² BMW (2018: 1,059,296² units; +1.6%) and 174,344 MINI (2018: 181,430 units; -3.9%) vehicles. Rolls-Royce Motor Cars recorded a significant year-on-year increase, with deliveries up by 42.3% to 2,534 units (2018: 1,781 units). These figures represented the best-ever half-year performance not only for the Group, but also for the BMW brand and the Rolls-Royce marque.

Double-digit volume growth in China

The BMW Group recorded strong growth in Asia in the second quarter of 2019, particularly in China. Business in this region grew significantly during the three-month period, with 236,155¹ BMW, MINI and Rolls-Royce brand vehicles (2018: 211,197¹ units; +11.8%) ↱

delivered in total. Six-month deliveries rose by 7.0% to 453,355² units (2018: 423,890² units). In China, the BMW Group even recorded double-digit growth rates, thereby defying the current market trend towards significantly fewer registrations. Deliveries of the Group's three brands on the Chinese mainland totalled 181,929¹ units (2018: 147,059¹ units; +23.7%) for the second quarter and 350,592² units for the six-month period (2018: 300,153² units), corresponding to a significant growth rate of 16.8%.

In Europe, deliveries remained below the previous year's level in most countries, in line with the declining market trend. Overall, the BMW Group sold a total of 279,496 automobiles in the region during the second quarter (2018: 291,377 units; -4.1%). The figure for the six-month period fell by 2.1% to 550,446 units (2018: 562,102 units). In Germany, by contrast, the BMW, MINI and Rolls-Royce brands recorded solid growth during the second quarter, with deliveries up by 9.0% to 88,716 units (2018: 81,424 units). The number of vehicles delivered in the period from January to June rose by 7.7% to 161,308 units (2018: 149,718 units). Consumer sentiment in the UK remained gloomy in the face of high Brexit-related uncertainty. Accordingly, deliveries in the period from April to June 2019 fell to 58,208 units (2018: 63,013 units; -7.6%). Figures for the first six-month period (120,576 units) were only slightly down on one year earlier (2018: 124,294 units; -3.0%).

Automotive segment at a glance

→ 08

		2nd quarter 2019 ³	2nd quarter 2018	Change in %
Deliveries ^{1,4}	units	647,504	637,878	1.5
Production ⁵	units	622,959	652,981	-4.6
Revenues	€ million	22,624	22,192	1.9
Profit before financial result (EBIT)	€ million	1,469	1,919	-23.4
EBIT margin ^{4,6}	% (change in %pts)	6.5	8.6	-2.1
Profit before tax	€ million	1,483	2,062	-28.1

		1 January to 30 June 2019	1 January to 30 June 2018	Change in %
Deliveries ^{2,4}	units	1,252,837	1,242,507	0.8
Production ⁷	units	1,295,001	1,316,314	-1.6
Revenues	€ million	41,837	41,518	0.8
Profit before financial result (EBIT)	€ million	1,159	3,800	-69.5
EBIT margin ^{4,6}	% (change in %pts)	2.8	9.2	-6.4
Profit before tax	€ million	1,456	4,343	-66.5

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 136,863 units, 2018: 106,944 units).

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 265,516 units, 2018: 215,218 units).

³ Supplementary information which was not subject of the audit review.

⁴ Key performance indicators reported on during the year.

⁵ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 106,443 units, 2018: 103,703 units).

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

⁷ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 244,834 units, 2018: 210,974 units).

Deliveries of the BMW Group's three brands in the Americas region during the second quarter of 2019 totalled 118,057 units (2018: 119,713 units; -1.4%). Between January and June, 222,272 units were delivered to customers in the region (2018: 226,061 units; -1.7%). The trend in the USA was ↱

almost identical to that recorded for the continent as a whole, with the number of vehicles delivered down year-on-year for both the second quarter (91,621 units; 2018: 91,940 units; -0.3%) and the six-month period (174,779 units; 2018: 176,570 units; -1.0%).

Automotive segment deliveries of vehicles by region and market

→ 09

in units	2nd quarter 2019 ¹	2nd quarter 2018	Change in %	1 January to 30 June 2019	1 January to 30 June 2018	Change in %
Europe	279,496	291,377	-4.1	550,446	562,102	-2.1
thereof Germany	88,716	81,424	9.0	161,308	149,718	7.7
thereof UK	58,208	63,013	-7.6	120,576	124,294	-3.0
Americas	118,057	119,713	-1.4	222,272	226,061	-1.7
thereof USA	91,621	91,940	-0.3	174,779	176,570	-1.0
Asia	236,155 ²	211,197 ²	11.8	453,355 ³	423,890 ³	7.0
thereof China	181,929 ²	147,059 ²	23.7	350,592 ³	300,153 ³	16.8
Other markets	13,796	15,591	-11.5	26,764	30,454	-12.1
Total	647,504²	637,878²	1.5	1,252,837³	1,242,507³	0.8

¹ Supplementary information which was not subject of the audit review.

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 136,863 units, 2018: 106,944 units).

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 265,516 units, 2018: 215,218 units).

BMW deliveries for six-month period at new all-time high³

The BMW brand again set new records during the first half of 2019, including its best-ever delivery figures for a six-month period. Significant contributions, in each case with double-digit growth, were made by the BMW X family and by the various BMW i models.

Due to the model change in March, BMW 3 Series deliveries were down on the previous year at 178,228 units (2018: 192,400 units; -7.4%). The new model is not yet available in some major markets. At 169,527 units, deliveries of the BMW 5 Series fell short of the previous year's very high level (2018: 191,185 units; -11.3%). The new BMW Z4 and BMW 8 Series models both got off to an excellent start, recording worldwide deliveries of 7,267 units and 5,040 units respectively during the first half of 2019.

Deliveries of BMW X-family vehicles rose by almost a quarter during the six-month period. Now comprising seven X models, a total of 467,134 units were sold worldwide during the period under report (2018: 379,400 units; +23.1%), with good contributions coming in particular from the BMW X2 (48,730 units; 2018: 22,326 units), the BMW X3 (149,618 units; 2018: 78,464 units; +90.7%) and the BMW X4 (29,742 units; 2018: 21,128 units; +40.8%). At 76,347 units, deliveries of the X5 in the first six months fell below the previous year's level (2018: 85,307 units; -10.5%), mainly due to the fact that not all motor variations are yet available in China. Over the course of the year, the complete availability of the motorisations should provide fresh momentum to the sales development of the X5. The new BMW X7 went on sale to customers in March 2019. It enjoys high demand across the globe, with 13,555 units already delivered to customers.

Automotive segment deliveries of BMW vehicles by model series¹

→ 10

in units	1 January to 30 June 2019	1 January to 30 June 2018	Change in %
BMW 1 Series	91,509	98,396	-7.0
BMW 2 Series	59,634	81,710	-27.0
BMW 3 Series	178,228	192,400	-7.4
BMW 4 Series	41,265	58,594	-29.6
BMW 5 Series	169,527	191,185	-11.3
BMW 6 Series	12,188	13,146	-7.3
BMW 7 Series	23,502	27,530	-14.6
BMW 8 Series	5,040	-	-
BMW Z4	7,267	-	-
BMW X1	135,103	152,866	-11.6
BMW X2	48,730	22,326	-
BMW X3	149,618	78,464	90.7
BMW X4	29,742	21,128	40.8
BMW X5	76,347	85,307	-10.5
BMW X6	14,039	19,309	-27.3
BMW X7	13,555	-	-
BMW i	20,665	16,935	22.0
BMW total	1,075,959	1,059,296	1.6

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 265,516 units, 2018: 215,218 units).

MINI down on previous year

With 174,344 units delivered worldwide, the MINI brand fell short of the previous year's volume record for the six-month period (2018: 181,430 units; -3.9%). Deliveries of the MINI 3- and 5-door models during this period fell slightly to 88,078 units (2018: 90,962 units; -3.2%). A total of 48,081 units of the MINI Countryman were handed over to customers ↯

² Fuel consumption and CO₂ emissions information are available on page 22.

in the first half of 2019 (2018: 48,692 units; -1.3%). The MINI Convertible remained market leader in its segment with a volume of 16,985 units during the reporting period. In addition, MINI's first fully-electric series production vehicle, the MINI Cooper SE², was unveiled at the beginning of July 2019 and is generating a great deal of customer interest.

Automotive segment deliveries of MINI vehicles by model variant

→ 11

in units	1 January to 30 June 2019	1 January to 30 June 2018	Change in %
MINI Hatch (3- and 5-door)	88,078	90,962	-3.2
MINI Convertible	16,985	18,154	-6.4
MINI Clubman	21,200	23,622	-10.3
MINI Countryman	48,081	48,692	-1.3
MINI total	174,344	181,430	-3.9

New Rolls-Royce Cullinan performs strongly

Rolls-Royce Motor Cars delivered 2,534 luxury vehicles worldwide during the first six months of the year, representing a significant increase of 42.3% (2018: 1,781 units) and marking the Rolls-Royce marque's ↗

all-time high for a six-month period. The new Cullinan* model made a significant contribution to this performance and 1,159 units of this vehicle had been delivered by the end of the reporting period.

Automotive segment deliveries of Rolls-Royce vehicles by model variant

→ 12

in units	1 January to 30 June 2019	1 January to 30 June 2018	Change in %
Phantom	287	346	-17.1
Ghost	381	494	-22.9
Wraith / Dawn	707	941	-24.9
Cullinan*	1,159	-	-
Rolls-Royce total	2,534	1,781	42.3

Electrified automobiles influenced by model changes

With strong demand, deliveries of electrified vehicles during the first half of 2019 remained stable, despite various model changes. The BMW Group currently offers ten electrified models worldwide. A total of 59,593 units were delivered to customers during the ↗

period under report (2018: 60,660 units; -1.8%). With an increase of 21.2%, the BMW i3 continued to enjoy strong demand and 19,073 units were delivered to customers between January and June (2018: 15,736 units). The MINI Countryman Plug-in Hybrid* also continued to perform well, with 8,233 units delivered (2018: 5,285 units; +55.8%) during the same period.

Automotive segment deliveries of electrified models

→ 13

in units	1 January to 30 June 2019	1 January to 30 June 2018	Change in %
BMW i	20,665	16,935	22.0
BMW e	30,695	38,440	-20.1
MINI Electric	8,233	5,285	55.8
Total	59,593	60,660	-1.8

* Fuel consumption and CO₂ emissions information are available on page 22.

Revenues at high level

At €41,837 million, Automotive segment revenues during the six-month period under report were at a similar level to the previous year (2018: €41,518 million; +0.8%). Currency and product mix effects, in particular deliveries of the X7 and the 8 Series, had an upward impact on segment revenues. These positive factors were offset in part by intense competition worldwide. Second-quarter revenues rose slightly to €22,624 million (2018: €22,192 million; +1.9%; currency-adjusted +1.1%).

The slight increase in cost of sales in the first half of 2019 was mainly due to adverse currency factors and higher raw materials prices as well as higher production costs due to stricter regulatory requirements. In addition, investments made in conjunction with the continued product offensive on the one hand and the electrification of vehicles and autonomous driving on the other are driving up research and development expenditure.

The expense for recognising the provision for the ongoing antitrust proceedings referred to above is included in other operating expenses. As a result of these various factors, segment EBIT for the first half of the year fell significantly to €1,159 million (2018: €3,800 million; -69.5%).

The EBIT margin went down accordingly to 2.8% (2018: 9.2%; -6.4 percentage points) for the six-month period and to 6.5% (2018: 8.6%; -2.1 percentage points) for the second quarter, significantly above the level of the first quarter of 2019. The segment result before taxes came in at €1,456 million for the six-month period, significantly lower than one year earlier (2018: €4,343 million; -66.5%) and at €1,483 million for the second quarter (2018: €2,062 million; -28.1%).

BMW and Daimler combine mobility services

On 28 March 2018, the BMW Group signed an agreement with Daimler regarding the merger of certain business units that provide mobility services. Following approval by the relevant antitrust authorities, the transaction was completed on 31 January 2019. As planned, the two companies are pressing ahead to realise their joint vision of fully electric and autonomous on-demand mobility, including strategic plans to expand existing offerings in the field of individual urban mobility. The new range of mobility services will be easy to access, intuitive to use, and cater to customers' needs. The cooperation comprises the joint ventures REACH NOW (on-demand mobility and multimodal services), CHARGE NOW (battery charging), FREE NOW (ride-hailing), PARK NOW (parking) and SHARE NOW (car-sharing). Under the umbrella YOUR NOW, BMW and Daimler are offering innovative solutions for cities and municipalities seeking to make mobility more efficient and sustainable.

The YOUR NOW joint ventures have been operating successfully since their establishment. Over 75 million registered customers are already using the services of the five business entities.

→ see
note 2

Further information is provided in → note 2 to the Interim Group Financial Statements.

Cooperation agreement on highly automated driving systems signed

On 4 July 2019, the BMW Group and Daimler AG signed an agreement for long-term strategic cooperation in the field of highly automated driving systems. Together, the two companies intend to develop next-generation technologies for driver assistance systems, automated driving on highways and automated parking (all to level 4). A key aim of the cooperation is the swift market launch of these newly developed technologies that are expected to feature in passenger car systems for retail customers from 2024 onwards. The two companies will each implement the technologies in their respective series products independently.

Free cash flow and net financial assets

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

→ 14

in € million	2019	2018	Change
Cash inflow (+)/outflow (-) from operating activities	3,846	4,419	-573
Cash inflow (+)/outflow (-) from investing activities	-3,616	-2,515	-1,101
Net investment in marketable securities and investment funds	80	40	40
Free cash flow Automotive segment	310	1,944	-1,634

The development of free cash flow generated by the Automotive segment in the first half of 2019 decreased year-on-year, mainly due to lower earnings and the planned increase in working capital, primarily reflecting higher inventories necessitated by the launch of new models, among other reasons. Additional contributing factors were higher investments in financial assets and property, plant and equipment, the latter mainly in connection with the BMW 1 and

↱

BMW 3 Series model changes. Following the adoption of IFRS 16, lease payments are now included in cash flows from financing activities. In the first six months of 2019, this had a positive effect of €212 million on free cash flow. If IFRS 16 had been applied similarly in the previous year, free cash flow would have been positively impacted by approximately the same amount.

Net financial assets comprised the following:

Net financial assets Automotive segment

→ 15

in € million	30.6.2019	31.12.2018	Change
Cash and cash equivalents	7,971	8,631	-660
Marketable securities and investment funds	4,497	4,321	176
Intragroup net financial assets	5,478	7,694	-2,216
Financial assets	17,946	20,646	-2,700
Less: external financial liabilities*	-3,499	-1,158	-2,341
Net financial assets Automotive segment	14,447	19,488	-5,041

* Excluding derivative financial instruments.

The increase in external financial liabilities was mainly attributable to the recognition of lease liabilities amounting to €2.3 billion, recognised in connection with the first-time application of IFRS 16. Further information is provided in → note 4 to the Interim Group Financial Statements.

→ see
note 4

Financial Services Segment

Financial Services business continues to grow

The strong performance of the Financial Services segment during the reporting period was mainly attributable to portfolio growth, the unchanged stable risk situation in the segment, reduced residual value risk expenses in individual markets and positive currency effects.

In balance sheet terms, the segment's business volume increased on the back of currency factors and growth in new business with retail customers, while a moderate reduction in receivables from dealership financing had an offsetting effect.

Growth in new business with retail customers

Financing and leasing business with retail customers grew by 4.2%, mainly in the area of credit financing in China. In total, 971,287 new contracts were signed during the first half of 2019 (2018: 932,211 contracts). New leasing business went up by 6.3%, mainly due to a strong performance on the European market. At the same time, new credit financing business grew by 3.2%. Overall, leasing accounted for 33.8% and credit financing for 66.2% of new business in the first half of 2019.

↱

Business concluded during the first six months of 2019 included 192,954 newly signed contracts relating to pre-owned BMW and MINI brand vehicles (2018: 203,352 contracts), down moderately by 5.1% year-on-year.

The total volume of all new credit financing and leasing contracts concluded with retail customers during the six-month period amounted to €29,169 million, representing a solid 7.2% increase compared to the previous year (2018: €27,205 million). Adjusted for currency factors, the increase was 4.9%.

Compared to the end of the previous financial year, the Financial Services segment's worldwide contract portfolio with retail customers had grown by 2.3% to 5,353,776 contracts at 30 June 2019 (31 December 2018: 5,235,207 contracts). These figures include significant growth (+10.8%) in the China region compared to 31 December 2018. The Europe/Middle East/Africa region (+2.7%) and the EU Bank¹ region (+2.5%) also recorded growth. The contract portfolio with retail customers remained at a similar level to the end of 2018 in the Americas region (-0.4%) and decreased by 2.2% in the Asia/Pacific region.

Financial Services segment at a glance

→ 16

		2nd quarter 2019 ²	2nd quarter 2018	Change in %
New contracts with retail customers		501,663	480,303	4.4
Revenues ³	€ million	7,364	7,027	4.8
Profit before financial result (EBIT) ³	€ million	606	605	0.2
Profit before tax ³	€ million	573	603	-5.0
		1 January to 30 June 2019	1 January to 30 June 2018	Change in %
New contracts with retail customers		971,287	932,211	4.2
Revenues ³	€ million	14,510	13,588	6.8
Profit before financial result (EBIT) ³	€ million	1,254	1,166	7.5
Profit before tax ³	€ million	1,200	1,156	3.8
		30. 6. 2019	31. 12. 2018	Change in %
Total contract portfolio		5,806,248	5,708,032	1.7
Contract portfolio with retail customers		5,353,776	5,235,207	2.3
Business volume in balance sheet terms ^{3,4}	€ million	135,122	133,210	1.4

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

² Supplementary information which was not subject of the audit review.

³ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

⁴ 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.

During the first half of the year, 50.6%* of new BMW Group vehicles were either leased or financed by the Financial Services segment (2018: 47.4%; +3.2 percentage points). The increase was largely attributable to growth in credit financing in China.

*The calculation only includes automobile markets in which the Financial Services segment is represented by a consolidated entity or a branch office.

Fleet business slightly up on previous year

In the fleet management business, the BMW Group – operating under the brand name Alphabet – 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 709,637 contracts was in place at 30 June 2019 (31 December 2018: 700,080 contracts; +1.4%).

Dealership financing down year-on-year

The total volume of dealership financing decreased moderately by 6.3% to €19,154 million during the first half of 2019 (31 December 2018: €20,438 million).

REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

**Market conditions remain
challenging**

**BMW Group confirms forecast
announced in first quarter**

OUTLOOK

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including the significant risks and opportunities, from a Group management perspective. It contains forward-looking statements based on expectations and assessments that are subject to uncertainty. As a result, actual outcomes, including those attributable to political, legal and economic developments, could differ positively or negatively from those described below. Further information on this topic is provided in the Annual Report 2018 (Outlook, pp. 84, Risks and Opportunities, pp. 90).

International automobile markets

Automobile markets worldwide are expected to continue to contract in 2019. Apart from minor momentum in a small number of European countries, the general trend is likely to be downward, particularly in the world's major markets.

Overall assessment by Group management

Business conditions are expected to remain volatile throughout the remainder of the financial year 2019. While numerous new automobile and motorcycle models as well as an expanded range of individual mobility-related services will provide additional momentum, various political and economic challenges could well have an offsetting effect. Research and development expenses will remain at a high level in view of key future-oriented projects. Manufacturing costs are also being influenced by stricter regulatory requirements. Accordingly, Group profit before tax is expected to decrease significantly. Automotive segment deliveries to customers are expected to increase slightly, contrary to the general trend, and reach a new record level. At the same time, fleet carbon dioxide emissions are forecast to drop slightly. The Group intends to achieve its targets with a workforce similar in size to the previous year. Due to the provision recognised in connection with ongoing antitrust proceedings, the Automotive segment's EBIT margin is expected to lie within a range of between 4.5 and 6.5 % in 2019 and therefore 1 to 1.5 percentage points under the original guidance of 6–8 %.

The RoCE¹ of the Automotive segment is expected to decrease significantly. The RoE² for the Financial Services segment should remain at the previous year's level. However, both performance indicators will be above their long-term targets of 26 % (RoCE) and 14 % (RoE) respectively. Deliveries to customers in the Motorcycles segment are predicted to show a solid increase, with the EBIT margin set to be within the target range of between 8 and 10 % and the RoCE also showing a solid year-on-year increase.

Depending on the political, legal and economic situation and the risks and opportunities described in the Annual Report 2018, actual business performance could differ from current expectations.

Growing uncertainty, fuelled in particular by unresolved political situations such as Brexit and international trade and customs policies, may cause economic developments in many regions to deviate from expected trends and outcomes, with a correspondingly significant impact on the business performance of the BMW Group.

BMW Group key performance indicators

→ 17

		2018 reported	2018 adjusted ³	2019 Outlook ⁴
GROUP				
Profit before tax	€ million	9,815	9,627	significant decrease
Workforce at year-end		134,682	–	in line with last year's level
AUTOMOTIVE SEGMENT				
Deliveries to customers ⁵	units	2,490,664	–	slight increase
Fleet emissions ⁶	g CO ₂ /km	128	–	slight reduction
EBIT margin	%	7.2	–	between 4.5 and 6.5
Return on capital employed ¹	%	49.8	–	significant decrease
MOTORCYCLES SEGMENT				
Deliveries to customers	units	165,566	–	solid increase
EBIT margin	%	8.1	–	between 8 and 10
Return on capital employed ¹	%	28.4	–	solid increase
FINANCIAL SERVICES SEGMENT				
Return on equity ²	%	14.8	–	in line with last year's level

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.

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.

³ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements.

⁴ Based on adjusted figures.

⁵ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 459,581 units).

⁶ EU-28.

RISKS AND OPPORTUNITIES

As a globally operating enterprise, the BMW Group is exposed to a broad range of risks and opportunities. The Group's corporate success is based on leveraging perceived opportunities as they present themselves. In order to achieve growth, profitability, efficiency and continued sustainable activity going forward, the BMW Group must consciously assume a certain amount of risk.

Compared with the overall risk situation presented in the Group Management Report 2018, the assessment of legal risks in conjunction with antitrust allegations made against five German car manufacturers has become more concrete following receipt of the Statement of Objections from the EU Commission. ↗

The EU Commission is alleging that German automobile manufacturers cooperated in technical working groups to restrict competition related to exhaust gas emissions systems for diesel and petrol passenger vehicles. The Statement of Objections leads the BMW Group to believe that it is probable ("more likely than not") that the Commission will impose a significant fine. If necessary, the BMW Group will contest the Commission's allegations with all the legal means at its disposal. A provision of approximately €1.4 billion was recognised in the first quarter of 2019 in accordance with International Financial Reporting Standards for financial impacts that cannot yet be definitively assessed. Furthermore, the progress of the Brexit negotiations and developments in international trade policies will continue to be closely monitored and factored into the Group's forecasts as deemed appropriate. Further information on risks and opportunities as well as on the methods employed to manage them is also available in the "Report on Risks and Opportunities" section of the Annual Report 2018 (pp.90).

Fuel consumption and CO₂ emissions information

→ 18

Model	Fuel consumption in l/100 km (combined)	CO ₂ emissions in g/km (combined)	Electric power consumption in kWh/100 km (combined)
MINI			
MINI Cooper SE Countryman ALL4	2.1–1.9	47–43	13.6–13.5
MINI Cooper SE	–	–	16.8–14.8
ROLLS-ROYCE			
Cullinan	15	341	–

INTERIM GROUP FINANCIAL STATEMENTS

- Page 24 **Income Statement**
- Page 24 **Statement of Comprehensive Income**
- Page 28 **Balance Sheet**
- Page 30 **Cash Flow Statement**
- Page 32 **Statement of Changes in Equity**
- Page 34 **Notes to the Group Financial Statements**
- Page 34 **Accounting Principles and Policies**
- Page 42 **Notes to the Income Statement**
- Page 44 **Notes to the Balance Sheet**
- Page 46 **Other Disclosures**
- Page 52 **Segment Information**
- Page 56 **Responsibility Statement by the
Company's Legal Representatives**
- Page 57 **Review Report**

3

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 June

→ 19

in € million	Note	Group		Automotive ¹		Motorcycles ¹	
		2019	2018 ²	2019	2018	2019	2018
Revenues	5	48,177	47,658	41,837	41,518	1,313	1,182
Cost of sales		-39,576	-37,734	-35,562	-33,959	-999	-888
Gross profit		8,601	9,924	6,275	7,559	314	294
Selling and administrative expenses		-4,423 ³	-4,519	-3,676	-3,754	-123	-119
Other operating income	6	315	312	308	320	-	1
Other operating expenses	6	-1,703	-271	-1,748	-325	-	-1
Profit / loss before financial result		2,790	5,446	1,159	3,800	191	175
Result from equity accounted investments		188	405	188	405	-	-
Interest and similar income		77	74	191	163	1	-
Interest and similar expenses		-191	-174	-307	-240	-5	-1
Other financial result	7	-49	254	225	215	-	-
Financial result		25	559	297	543	-4	-1
Profit / loss before tax		2,815	6,005	1,456	4,343	187	174
Income taxes	8	-791	-1,640	-405	-1,212	-55	-52
Profit / loss from continuing operations		2,024	4,365	1,051	3,131	132	122
Profit / loss from discontinued operations		44	-7	44	-7	-	-
Net profit / loss		2,068	4,358	1,095	3,124	132	122
Attributable to minority interest		53	45	13	13	-	-
Attributable to shareholders of BMW AG		2,015	4,313	1,082	3,111	132	122
Basic earnings per share of common stock in €		3.06	6.56				
Basic earnings per share of preferred stock in €		3.07	6.57				
Dilutive effects		-	-				
Diluted earnings per share of common stock in €		3.06	6.56				
Diluted earnings per share of preferred stock in €		3.07	6.57				

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

→ 20

in € million	Note	2019	2018 ⁴
Net profit		2,068	4,358
Remeasurement of the net liability for defined benefit pension plans		-448	384
Items not expected to be reclassified to the income statement in the future		-448	384
Marketable securities (at fair value through other comprehensive income)		41	-
Financial instruments used for hedging purposes		-120	-429
Costs of hedging		-18	-298
Other comprehensive income from equity accounted investments		-4	-50
Currency translation foreign operations		62	197
Items that can be reclassified to the income statement in the future		-39	-580
Other comprehensive income for the period after tax		-487	-196
Total comprehensive income		1,581	4,162
Total comprehensive income attributable to minority interest		53	45
Total comprehensive income attributable to shareholders of BMW AG		1,528	4,117

¹ Supplementary information which was not subject of the audit review.

² Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements.

In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

³ Includes administrative expenses amounting to €1,799 million (2018: €1,736 million).

⁴ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements.

Financial Services ¹		Other Entities ¹		Eliminations ¹		
2019	2018 ²	2019	2018	2019	2018 ²	
14,510	13,588	3	3	-9,486	-8,633	Revenues
-12,658	-11,788	-	-	9,643	8,901	Cost of sales
1,852	1,800	3	3	157	268	Gross profit
-618	-636	-10	-14	4	4	Selling and administrative expenses
40	26	49	65	-82	-100	Other operating income
-20	-24	-36	-38	101	117	Other operating expenses
1,254	1,166	6	16	180	289	Profit/loss before financial result
-	-	-	-	-	-	Result from equity accounted investments
1	2	759	525	-875	-616	Interest and similar income
-3	-5	-698	-509	822	581	Interest and similar expenses
-52	-7	-222	46	-	-	Other financial result
-54	-10	-161	62	-53	-35	Financial result
1,200	1,156	-155	78	127	254	Profit/loss before tax
-339	-284	48	-24	-40	-68	Income taxes
861	872	-107	54	87	186	Profit/loss from continuing operations
-	-	-	-	-	-	Profit/loss from discontinued operations
861	872	-107	54	87	186	Net profit/loss
40	32	-	-	-	-	Attributable to minority interest
821	840	-107	54	87	186	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 April to 30 June¹

→ 21

in € million	Note	Group		Automotive		Motorcycles	
		2019	2018 ²	2019	2018	2019	2018
Revenues	5	25,715	24,993	22,624	22,192	727	658
Cost of sales		-21,170	-19,909	-19,169	-18,300	-561	-496
Gross profit		4,545	5,084	3,455	3,892	166	162
Selling and administrative expenses		-2,301 ³	-2,342	-1,907	-1,944	-64	-63
Other operating income	6	151	115	137	120	-	-
Other operating expenses	6	-194	-118	-216	-149	-	-1
Profit / loss before financial result		2,201	2,739	1,469	1,919	102	98
Result from equity accounted investments		31	182	31	182	-	-
Interest and similar income		42	36	104	82	-	-
Interest and similar expenses		-98	-71	-156	-107	-3	-1
Other financial result	7	-123	-20	35	-14	1	-1
Financial result		-148	127	14	143	-2	-2
Profit / loss before tax		2,053	2,866	1,483	2,062	100	96
Income taxes	8	-573	-783	-412	-567	-30	-29
Profit / loss from continuing operations		1,480	2,083	1,071	1,495	70	67
Profit / loss from discontinued operations		-	-7	-	-7	-	-
Net profit / loss		1,480	2,076	1,071	1,488	70	67
Attributable to minority interest		26	25	4	7	-	-
Attributable to shareholders of BMW AG		1,454	2,051	1,067	1,481	70	67
Basic earnings per share of common stock in €		2.21	3.12				
Basic earnings per share of preferred stock in €		2.22	3.13				
Dilutive effects		-	-				
Diluted earnings per share of common stock in €		2.21	3.12				
Diluted earnings per share of preferred stock in €		2.22	3.13				

Condensed Statement of Comprehensive Income for Group for the period from 1 April to 30 June¹

→ 22

in € million	Note	2019	2018 ⁴
Net profit		1,480	2,076
Remeasurement of the net liability for defined benefit pension plans		-88	125
Items not expected to be reclassified to the income statement in the future		-88	125
Marketable securities (at fair value through other comprehensive income)		12	-21
Financial instruments used for hedging purposes		267	-428
Costs of hedging		15	-120
Other comprehensive income from equity accounted investments		-5	-25
Currency translation foreign operations		-408	304
Items that can be reclassified to the income statement in the future		-119	-290
Other comprehensive income for the period after tax		-207	-165
Total comprehensive income		1,273	1,911
Total comprehensive income attributable to minority interest		26	25
Total comprehensive income attributable to shareholders of BMW AG		1,247	1,886

¹ Supplementary information which was not subject of the audit review.

² Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

³ Includes administrative expenses amounting to €938 million (2018: €928 million).

⁴ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements.

Financial Services		Other Entities		Eliminations		
2019	2018 ²	2019	2018	2019	2018 ²	
7,364	7,027	2	1	-5,002	-4,885	Revenues
-6,460	-6,102	-	-	5,020	4,989	Cost of sales
904	925	2	1	18	104	Gross profit
-324	-330	-6	-7	-	2	Selling and administrative expenses
37	23	24	32	-47	-60	Other operating income
-11	-13	-18	-19	51	64	Other operating expenses
606	605	2	7	22	110	Profit/loss before financial result
-	-	-	-	-	-	Result from equity accounted investments
1	1	381	276	-444	-323	Interest and similar income
-2	-3	-353	-270	416	310	Interest and similar expenses
-32	-	-127	-5	-	-	Other financial result
-33	-2	-99	1	-28	-13	Financial result
573	603	-97	8	-6	97	Profit/loss before tax
-162	-129	29	-2	2	-56	Income taxes
411	474	-68	6	-4	41	Profit/loss from continuing operations
-	-	-	-	-	-	Profit/loss from discontinued operations
411	474	-68	6	-4	41	Net profit/loss
22	18	-	-	-	-	Attributable to minority interest
389	456	-68	6	-4	41	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 ¹		Motorcycles ¹	
		30.6.2019	1.1.2019 ²	31.12.2018 ³	30.6.2019	31.12.2018	30.6.2019	31.12.2018
ASSETS								
Intangible assets	9	11,171	10,971	10,971	10,667	10,472	109	95
Property, plant and equipment	10	22,085	22,163	19,801	21,606	19,372	382	399
Leased products		39,649	38,259	38,259	–	–	–	–
Investments accounted for using the equity method		3,987	2,624	2,624	3,987	2,624	–	–
Other investments		737	739	739	4,927	4,843	–	–
Receivables from sales financing		47,955	48,313	48,313	–	–	–	–
Financial assets	11	1,656	1,010	1,010	194	216	–	–
Deferred tax		2,294	1,640	1,638	3,183	3,043	–	–
Other assets		1,845	1,299	1,299	3,053	5,085	34	33
Non-current assets		131,379	127,018	124,654	47,617	45,655	525	527
Inventories		16,850	13,639	13,639	15,599	12,462	578	568
Trade receivables		2,980	2,546	2,546	2,678	2,287	169	167
Receivables from sales financing		39,639	38,700	38,700	–	–	–	–
Financial assets	11	6,519	6,675	6,675	5,035	4,988	–	–
Current tax	12	1,510	1,378	1,378	641	618	–	–
Other assets		9,557	9,906	9,906	26,200	22,016	1	2
Cash and cash equivalents		10,576	10,979	10,979	7,971	8,631	9	12
Assets held for sale		–	463	461	–	461	–	–
Current assets		87,631	84,286	84,284	58,124	51,463	757	749
Total assets		219,010	211,304	208,938	105,741	97,118	1,282	1,276
EQUITY AND LIABILITIES								
Subscribed capital	13	658	658	658	–	–	–	–
Capital reserves		2,118	2,118	2,118	–	–	–	–
Revenue reserves	13	55,043	55,830	55,862	–	–	–	–
Accumulated other equity		–1,379	–1,338	–1,338	–	–	–	–
Equity attributable to shareholders of BMWAG	13	56,440	57,268	57,300	–	–	–	–
Minority interest		528	529	529	–	–	–	–
Equity		56,968	57,797	57,829	37,696	39,778	–	–
Pension provisions		3,030	2,330	2,330	2,637	2,089	87	64
Other provisions		5,363	5,530	5,530	5,176	5,354	68	70
Deferred tax		1,740	1,762	1,773	654	1,016	–	–
Financial liabilities	15	70,865	66,744	64,772	2,235	1,017	–	–
Other liabilities	16	4,936	5,293	5,293	7,881	7,558	507	506
Non-current provisions and liabilities		85,934	81,659	79,698	18,583	17,034	662	640
Other provisions		7,220	5,871	5,871	6,775	5,433	109	101
Current tax	14	887	1,158	1,158	677	933	–	–
Financial liabilities	15	40,291	39,260	38,825	2,071	879	–	–
Trade payables		9,886	9,669	9,669	8,607	8,360	356	348
Other liabilities	16	17,824	15,826	15,826	31,332	24,639	155	187
Liabilities in conjunction with assets held for sale		–	64	62	–	62	–	–
Current provisions and liabilities		76,108	71,848	71,411	49,462	40,306	620	636
Total equity and liabilities		219,010	211,304	208,938	105,741	97,118	1,282	1,276

¹ Supplementary information which was not subject of the audit review.

² The figures to 1 January 2019 have been adjusted, based on the first-time application of IFRS 16; see note 4 to the Interim Group Financial Statements.

³ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Financial Services ¹		Other Entities ¹		Eliminations ¹		
30.6.2019	31.12.2018 ²	30.6.2019	31.12.2018	30.6.2019	31.12.2018 ²	
						ASSETS
394	403	1	1	-	-	Intangible assets
97	30	-	-	-	-	Property, plant and equipment
47,484	46,114	-	-	-7,835	-7,855	Leased products
-	-	-	-	-	-	Investments accounted for using the equity method
1	1	6,661	6,660	-10,852	-10,765	Other investments
47,999	48,333	-	-	-44	-20	Receivables from sales financing
114	138	1,441	695	-93	-39	Financial assets
499	485	61	28	-1,449	-1,918	Deferred tax
3,355	2,835	35,754	33,956	-40,351	-40,610	Other assets
99,943	98,339	43,918	41,340	-60,624	-61,207	Non-current assets
673	609	-	-	-	-	Inventories
131	91	2	1	-	-	Trade receivables
39,639	38,700	-	-	-	-	Receivables from sales financing
997	1,325	546	460	-59	-98	Financial assets
136	91	733	669	-	-	Current tax
5,219	5,081	55,658	48,775	-77,521	-65,968	Other assets
2,470	1,985	126	351	-	-	Cash and cash equivalents
-	-	-	-	-	-	Assets held for sale
49,265	47,882	57,065	50,256	-77,580	-66,066	Current assets
149,208	146,221	100,983	91,596	-138,204	-127,273	Total assets
						EQUITY AND LIABILITIES
						Subscribed capital
						Capital reserves
						Revenue reserves
						Accumulated other equity
						Equity attributable to shareholders of BMW AG
						Minority interest
14,674	14,806	21,798	20,683	-17,200	-17,438	Equity
33	49	273	128	-	-	Pension provisions
119	106	-	-	-	-	Other provisions
4,679	4,576	13	22	-3,606	-3,841	Deferred tax
18,645	19,170	50,078	44,624	-93	-39	Financial liabilities
36,098	36,333	584	1,168	-40,134	-40,272	Other liabilities
59,574	60,234	50,948	45,942	-43,833	-44,152	Non-current provisions and liabilities
327	328	9	9	-	-	Other provisions
200	208	10	17	-	-	Current tax
25,696	25,705	12,583	12,339	-59	-98	Financial liabilities
913	950	10	11	-	-	Trade payables
47,824	43,990	15,625	12,595	-77,112	-65,585	Other liabilities
-	-	-	-	-	-	Liabilities in conjunction with assets held for sale
74,960	71,181	28,237	24,971	-77,171	-65,683	Current provisions and liabilities
149,208	146,221	100,983	91,596	-138,204	-127,273	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 June

→ 23

in € million	Group	
	2019	2018 ²
Net profit	2,068	4,358
Profit / loss from discontinued operations	-44	7
Depreciation and amortisation of tangible, intangible and investment assets	2,905	2,504
Change in provisions	614	-259
Change in leased products and receivables from sales financing	-1,350	-1,968
Change in deferred taxes	-290	1,313
Changes in working capital	-3,195	-2,558
Other	589	-725
Cash inflow/outflow from operating activities	1,297	2,672
Total investment in intangible assets and property, plant and equipment	-3,132	-2,561
Net investment in marketable securities and investment funds	53	128
Other	-520	26
Cash inflow/outflow from investing activities	-3,599	-2,407
Cash inflow/outflow from financing activities	1,860	-707
Effect of exchange rate on cash and cash equivalents	39	25
Effect of changes in composition of Group on cash and cash equivalents	-	-25
Change in cash and cash equivalents	-403	-442
Cash and cash equivalents as at 1 January	10,979	9,039
Cash and cash equivalents as at 30 June	10,576	8,597

¹ Supplementary information which was not subject of the audit review.

² Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 to the Interim Group Financial Statements. In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

	Automotive ¹		Financial Services ¹		
	2019	2018	2019	2018 ²	
	1,095	3,124	861	872	Net profit
	-44	7	-	-	Profit/loss from discontinued operations
	2,830	2,440	25	17	Depreciation and amortisation of tangible, intangible and investment assets
	990	-212	-48	-2	Change in provisions
	-	-	-1,311	-2,126	Change in leased products and receivables from sales financing
	49	210	88	668	Change in deferred taxes
	-3,047	-2,509	-141	-77	Changes in working capital
	1,973	1,359	-987	-1,969	Other
	3,846	4,419	-1,513	-2,617	Cash inflow/outflow from operating activities
	-3,083	-2,522	-4	-4	Total investment in intangible assets and property, plant and equipment
	-80	-40	133	138	Net investment in marketable securities and investment funds
	-453	47	1	6	Other
	-3,616	-2,515	130	140	Cash inflow/outflow from investing activities
	-903	-2,600	1,849	2,697	Cash inflow/outflow from financing activities
	13	-1	19	26	Effect of exchange rate on cash and cash equivalents
	-	-25	-	-	Effect of changes in composition of Group on cash and cash equivalents
	-660	-722	485	246	Change in cash and cash equivalents
	8,631	7,157	1,985	1,856	Cash and cash equivalents as at 1 January
	7,971	6,435	2,470	2,102	Cash and cash equivalents as at 30 June

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 2018 (as originally reported)	13	658	2,118	56,121
Impact of accounting policy change*		–	–	–259
31 December 2018 (As amended due to accounting policy change)		658	2,118	55,862
Effects from the first-time application of IFRS 16		–	–	–32
1 January 2019 (adjusted according to IFRS 16)		658	2,118	55,830
Net profit		–	–	2,015
Other comprehensive income for the period after tax		–	–	–448
Comprehensive income at 30 June 2019		–	–	1,567
Dividend payments		–	–	–2,303
Other changes		–	–	–51
30 June 2019	13	658	2,118	55,043

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2018 (as originally reported)	13	658	2,084	50,993
Impact of accounting policy change*		–	–	–116
1 January 2018 (As amended due to accounting policy change)		658	2,084	50,877
Net profit*		–	–	4,313
Other comprehensive income for the period after tax		–	–	384
Comprehensive income at 30 June 2018*		–	–	4,697
Dividend payments		–	–	–2,630
Other changes		–	–	8
30 June 2018*	13	658	2,084	52,952

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4 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		
-1,326	-1	558	-569	57,559	529	58,088	31 December 2018 (as originally reported)	
-	-	-	-	-259	-	-259	Impact of accounting policy change*	
-1,326	-1	558	-569	57,300	529	57,829	31 December 2018 (As amended due to accounting policy change)	
-	-	-	-	-32	-	-32	Effects from the first-time application of IFRS 16	
-1,326	-1	558	-569	57,268	529	57,797	1 January 2019 (adjusted according to IFRS 16)	
-	-	-	-	2,015	53	2,068	Net profit	
80	41	-164	4	-487	-	-487	Other comprehensive income for the period after tax	
80	41	-164	4	1,528	53	1,581	Comprehensive income at 30 June 2019	
-	-	-	-	-2,303	-61	-2,364	Dividend payments	
-	-	-	-2	-53	7	-46	Other changes	
-1,246	40	394	-567	56,440	528	56,968	30 June 2019	

Accumulated other equity								
Translation differences	Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total		
-1,494	11	1,515	5	53,772	436	54,208	1 January 2018 (as originally reported)	
-	-	-	-	-116	-	-116	Impact of accounting policy change*	
-1,494	11	1,515	5	53,656	436	54,092	1 January 2018 (As amended due to accounting policy change)	
-	-	-	-	4,313	45	4,358	Net profit*	
227	-	-403	-404	-196	-	-196	Other comprehensive income for the period after tax	
227	-	-403	-404	4,117	45	4,162	Comprehensive income at 30 June 2018*	
-	-	-	-	-2,630	-	-2,630	Dividend payments	
-	-	-12	-	-4	7	3	Other changes	
-1,267	11	1,100	-399	55,139	488	55,627	30 June 2018*	

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 2018 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 June 2019, 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 2018 Group Financial Statements. Changes resulting from the first-time application of IFRS 16 are presented in → note 4. 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 June 2019 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
note 4

The reporting period for these Interim Group Financial Statements in accordance with IAS 34 is the six-month period from 1 January 2019 to 30 June 2019. In addition, the income statement and statement of comprehensive income and notes for the period from 1 April to 30 June 2019 are presented for informational purposes, which were not subject of the audit review.

With effect from the financial year 2019, the presentation of selected items for Group and Financial Services segment reporting purposes has been changed and the corresponding figures for 2018 have been made comparable. In particular, vehicles coming out of leases were reclassified from leased products to inventories (amount reclassified at 31 December 2018: €592 million) and residual value risks on finance leases and vehicle financing receivables were reclassified from other provisions to receivables from sales financing (amount reclassified at 31 December 2018: €441 million). Furthermore, the effect of amortising initial direct costs and transaction costs relating to finance leases and new loans was reclassified from cost of sales to revenues (amount reclassified for the period January to June 2018: €227 million). The relevant tables and disclosures have been marked accordingly. The changes in presentation are not material for the results of operations, financial position and net assets of the BMW Group.

Further information regarding the Group's accounting principles and policies is contained in the BMW Group Financial Statements at 31 December 2018.

The Group currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise. Information regarding foreign currency translation is provided in note 3 to the Group Financial Statements at 31 December 2018.

The income statement for the BMW Group and segments is presented using the cost of sales method.

In order to provide a better insight into the results of operations, financial position and net assets of the BMW Group, and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include an income statement and a balance sheet for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by a statement 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 2018.

The notes have been condensed in accordance with IAS 34 in order to provide a better overview of information useful for decision-making. The presentation of condensed notes has not resulted in the omission of relevant information. The Interim Group Financial Statements continue to provide a true and fair view of the results of operations, financial position and net assets.

The Interim Group Financial Statements at 30 June 2019 have been reviewed by the Group auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich office.

02

Group reporting entity

The BMW Group Financial Statements to 30 June 2019 include BMW AG and all material subsidiaries over which BMW AG – either directly or indirectly – exercises control. This also includes 54 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 six months of 2019:

	Germany	Foreign	Total
Included at 31 December 2018	23	194	217
Included for the first time in 2019	–	5	5
No longer included in 2019	2	16	18
Included at 30 June 2019	21	183	204

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. Following approval by the relevant antitrust authorities, the transaction was completed on 31 January 2019. Existing on-demand mobility offerings in the areas of car sharing, ride-hailing, parking, charging and multi-modality have already been combined with future strategic expansion in mind. As a result of the merger, the BMW Group and the Daimler Group each hold equal shares in Car2Go Deutschland GmbH, Berlin (ShareNow), Blitz 18-353 GmbH, Munich (FreeNow), Parkmobile Group Holding B.V., Amsterdam (ParkNow), Digital Charging Solutions GmbH, Berlin (ChargeNow) and Moovel Group GmbH, Berlin (ReachNow). The joint ventures are combined under the name YOUR NOW.

As a result of the merger, the investments in the companies previously held by BMW were remeasured to their fair value. DriveNow GmbH & Co. KG, Munich, including its subsidiaries and DriveNow Verwaltungs GmbH, Munich (DriveNow), are part of the agreement and, on a fully realised profit basis, were contributed in kind to Car2Go Deutschland GmbH, Berlin, in return for shares in the company. Up to 31 January 2019, DriveNow was accounted for as a discontinued operation. Profit after taxes amounted to €44 million and resulted primarily from the contribution in kind of DriveNow to Car2Go Deutschland GmbH. This amount is reported in the income statement as part of the result from discontinued operations. The remaining BMW companies included in the agreement were not previously fully consolidated on the grounds of immateriality. In conjunction with the transaction, this resulted in a preliminary positive impact of €329 million in the result from investments (see → note 7). This amount comprises sale proceeds of €232 million and revaluation gains of €97 million arising on the remaining shares. The transaction resulted in a total cash outflow of €890 million, comprising an inflow of €295 million and an outflow of €1,185 million. The items described above relating to YOUR NOW impacted in particular the Group's Cash flows from investing activities.

→ see
note 7

With effect from 1 February 2019, the joint ventures are accounted for in the BMW Group Financial Statements using the equity method. The BMW Group's share of the loss recorded for the YOUR NOW companies in the first half of 2019 amounted to €171 million. The carrying amount of the BMW Group's interest in the relevant entities at 30 June 2019 is approximately €1.5 billion. The work on opening balance sheets at the merger date and the calculation of the

final purchase prices have not yet been finalised. For this reason, the final purchase prices cannot yet be determined definitively. Similarly, purchase price allocations have not yet been finalised.

None of the other changes to the Group reporting entity have a material impact on the results of operations, financial position and net assets of the Group.

03

Financial reporting rules

(a) Standards and Revised Standards significant for the BMW Group and applied for the first time in the first six months of 2019:

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

Changes due to the new accounting standard IFRS 16 are described in → note 4.

→ see
note 4

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

04

Changes in accounting policy for leases

First-time application of IFRS 16

The new Standard **IFRS 16 (Leases)** requires a new approach to accounting for leases by lessees. While 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, all leases are now required, as a general rule, to be accounted for at the level of the lessee as a financing transaction.

In accordance with IFRS 16, leases are recognised as right-of-use assets and lease liabilities with effect from the date on which the leased asset becomes available for use by the BMW Group.

The cost of a right-of-use asset is calculated as the sum of the present value of future lease payments, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee and the estimated costs of dismantling, removing or restoring the leased asset. Lease incentives received from the lessor are deducted. Right-of-use assets are depreciated on a straight-line basis over the shorter of the underlying asset's useful life and the expected

lease term. The depreciation expense is allocated to costs by function.

Lease liabilities are measured on initial recognition on the basis of the present value of the future lease payments. Each lease payment is allocated to principal repayment and finance expense. Subsequent to initial recognition, the carrying amount of the lease liability is increased to reflect interest on the lease liability and reduced, without income statement impact, by the lease payments made. Lease liabilities are included in financial liabilities, while the financing expense is included in net interest result.

Lease payments comprise fixed payments, variable lease payments that depend on an index or an (interest) rate and amounts expected to be payable under residual value guarantees. The exercise price of purchase, contract extension and termination options is taken into account in the lease liability if their exercise is reasonably certain.

The BMW Group makes use of the application exemptions available for short-term leases and leases of low-value assets. In addition, the BMW Group

generally makes use of the option not to separate the non-lease and lease components within a lease contract. This does not apply, however, to leased assets allocated to the real estate and IT asset classes.

The new Standard has been applied with effect from 1 January 2019 using the modified retrospective method. On transition to the new Standard, the BMW Group applied the following practical expedients permitted for lessees by IFRS 16:

- No reassessment was made at the date of initial application as to whether or not existing contracts constituted a lease based on IFRS 16. Instead, the previous assessment made under IAS 17 and IFRIC 4 was retained.
- An impairment review of individual right-of-use assets was not performed. Instead, for simplification reasons, right-of-use assets were reduced by the amount previously recognised as a provision for onerous leases at 31 December 2018.
- Leases expiring no later than 31 December 2019 are accounted for as short-term leases regardless of the original lease term.
- Initial direct costs were not taken into account when measuring right-of-use assets at the time of initial application.

↱

- Current information is taken into account when determining the lease term if the contract contains options to extend or terminate the lease.

At the date of initial application, the balance sheet total increased by approximately €2.4 billion as a result of leases previously classified as operating leases. The reclassification resulted in a slight decline in the equity ratio. For a small number of real estate contracts, the carrying amount of right-of-use assets has been determined as if IFRS 16 had been applied from the commencement of the lease. After offsetting deferred tax effects amounting to €13 million, this resulted in a reduction of approximately €32 million in Group revenue reserves at 1 January 2019. In the current reporting period, there was a slightly positive impact on profit before financial result. Furthermore, there was a positive effect on cash inflows/outflows from operating activities and, conversely, a negative impact on cash inflows/outflows from financing activities.

Information on the impact on the BMW Group's segments is provided in → note 22 (Explanatory notes to segment information).

→ see
note 22

Starting with financial obligations for operating leases at 31 December 2018, lease liabilities can be reconciled to the opening balance at 1 January 2019 as follows:

Reconciliation of opening balance

→ 24

in € million

Financial obligations for operating leases at 31 December 2018	2,694
Application exemption for short-term leases	-15
Application exemption for leases of low-value assets	-87
Change in assessment of leases	69
Other	4
Gross lease liabilities for former operating leases at 1 January 2019	2,665
Discounting impact	-258
Lease liabilities for former operating leases at 1 January 2019	2,407
Present value of finance lease liabilities at 31 December 2018	105
Total lease liabilities at 1 January 2019	2,512

Lease liabilities were discounted using a weighted average incremental interest rate of 1.94 % at 1 January 2019.

Amounts are presented in the balance sheet as follows:

Right-of-use assets reported in the balance sheet

→ 25

in € million	1.1.2019	30.6.2019
ASSETS		
Non-current assets		
Right-of-use assets – land and operational buildings	2,387	2,274
Right-of-use assets – plant and machinery	1	1
Right-of-use assets – other facilities, factory, office and IT equipment	71	71
Total	2,459	2,346

Changes in methods used to account for leases as a lessor

In conjunction with the adoption of IFRS 16, the methods used to account for leases as a **lessor** have also been reviewed, resulting in a change of accounting policy as described below with effect from the financial year 2019. The change in accounting policy has been applied retrospectively in accordance with IAS 8, with comparative figures restated. In this context, the opening balance sheet at 1 January 2018 and figures for the financial year 2018 have been amended.

As a result of the revised definition of initial direct costs contained in IFRS 16, the BMW Group has changed the timing of income statement recognition for volume-dependent bonuses relating to Financial Services segment sales promotions. Rather than being spread over the term of the underlying lease, these costs are now recognised as an expense in full in the period in which the entitlement to the bonus arises. This resulted in a retrospective decrease in Group revenue reserves at 1 January 2018 of €101 million, after offset of deferred tax amounting to €44 million (31 December 2018: reduction of revenue reserves of €113 million, after offset of deferred tax amounting to €49 million).

Moreover, the BMW Group was required to account for finance leases concluded with retail customers via the Financial Services segment in accordance with the

requirements applicable to manufacturers or dealers. For this reason, at Group level revenues and cost of sales arising on the sale of vehicles which will subsequently be leased to customers under finance lease arrangements are now recognised at a later date. Revenues and cost of sales relating to vehicle sales are no longer recognised at the time of sale, but rather at the commencement of the lease. Revenues are 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. Similarly, cost of sales is reduced for unguaranteed residual values. In addition, initial direct costs incurred by the Financial Services segment are recognised at Group level as cost of sales. Overall, this resulted in a retrospective decrease in Group revenue reserves at 1 January 2018 of €15 million, after offset of deferred tax amounting to €4 million (31 December 2018: decrease of revenue reserves of €146 million, after offset of deferred tax amounting to €44 million). The adoption of these requirements did not have any significant impact on the accounting in the Automotive and Financial Services segments.

The following tables show the impact of accounting policy changes on the balance sheets at 1 January 2018 and 31 December 2018, as well as on the income statement, statement of comprehensive income and cash flow statement for the financial year 2018:

**BMW Group change in presentation of income statement
for the period from 1 January to 30 June 2018**

→ 26

in € million	As originally reported	Impact of accounting policy changes ¹	As amended
Revenues	47,717	168	47,885
Cost of sales	-37,765	-196	-37,961
Gross profit	9,952	-28	9,924
Selling and administrative expenses	-4,514	-5	-4,519
Profit / loss before financial result	5,479	-33	5,446
Profit / loss before tax	6,038	-33	6,005
Income taxes	-1,648	8	-1,640
Net profit / loss	4,383	-25	4,358
Attributable to shareholders of BMW AG	4,338	-25	4,313
Basic earnings per share of common stock in €	6.60	-0.04	6.56
Basic earnings per share of preferred stock in €	6.61	-0.04	6.57
Diluted earnings per share of common stock in €	6.60	-0.04	6.56
Diluted earnings per share of preferred stock in €	6.61	-0.04	6.57

**BMW Group change in presentation of income statement
for the period from 1 April to 30 June 2018²**

→ 27

in € million	As originally reported	Impact of accounting policy changes ¹	As amended
Revenues	25,023	84	25,107
Cost of sales	-19,935	-88	-20,023
Gross profit	5,088	-4	5,084
Selling and administrative expenses	-2,339	-3	-2,342
Profit / loss before financial result	2,746	-7	2,739
Profit / loss before tax	2,873	-7	2,866
Income taxes	-784	1	-783
Net profit / loss	2,082	-6	2,076
Attributable to shareholders of BMW AG	2,057	-6	2,051
Basic earnings per share of common stock in €	3.13	-0.01	3.12
Basic earnings per share of preferred stock in €	3.14	-0.01	3.13
Diluted earnings per share of common stock in €	3.13	-0.01	3.12
Diluted earnings per share of preferred stock in €	3.14	-0.01	3.13

¹ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16.² Supplementary information which was not subject of the audit review.

BMW Group change in presentation of balance sheet at 31 December 2018

→ 28

in € million	As originally reported	Impact of accounting policy changes*	As amended
ASSETS			
Total non-current assets	125,442	-80	125,362
thereof receivables from sales financing	48,109	-20	48,089
thereof deferred tax	1,590	48	1,638
thereof other assets	2,026	-108	1,918
Total current assets	83,538	479	84,017
thereof current tax	1,366	12	1,378
thereof other assets	9,790	467	10,257
Total assets	208,980	399	209,379
EQUITY AND LIABILITIES			
Total equity	58,088	-259	57,829
thereof equity attributable to shareholders of BMW AG	57,559	-259	57,300
thereof revenue reserves	56,121	-259	55,862
Total non-current provisions and liabilities	79,983	-48	79,935
thereof other provisions	5,776	-9	5,767
thereof deferred tax	1,806	-33	1,773
thereof other liabilities	5,299	-6	5,293
Total current provisions and liabilities	70,909	706	71,615
thereof other provisions	6,078	-3	6,075
thereof other liabilities	15,117	709	15,826
Total equity and liabilities	208,980	399	209,379

BMW Group change in presentation of balance sheet at 1 January 2018

→ 29

in € million	As originally reported	Impact of accounting policy changes*	As amended
ASSETS			
Total non-current assets	122,090	-105	121,985
thereof receivables from sales financing	48,475	-18	48,457
thereof deferred tax	1,965	6	1,971
thereof other assets	1,630	-93	1,537
Total current assets	73,496	-34	73,462
thereof current tax	1,566	11	1,577
thereof other assets	7,485	-45	7,440
Total assets	195,586	-139	195,447
EQUITY AND LIABILITIES			
Total equity	54,208	-116	54,092
thereof equity attributable to shareholders of BMW AG	53,772	-116	53,656
thereof revenue reserves	50,993	-116	50,877
Total non-current provisions and liabilities	69,616	-31	69,585
thereof other provisions	5,632	-	5,632
thereof deferred tax	2,166	-31	2,135
thereof other liabilities	5,045	-	5,045
Total current provisions and liabilities	71,762	8	71,770
thereof other liabilities	13,443	8	13,451
Total equity and liabilities	195,586	-139	195,447

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16.

**BMW Group change in presentation of statement of comprehensive income
for the period from 1 January to 30 June 2018**

→ 30

in € million	As originally reported	Impact of accounting policy changes ¹	As amended
Net profit	4,383	–25	4,358
Total comprehensive income	4,187	–25	4,162
Total comprehensive income attributable to shareholders of BMW AG	4,142	–25	4,117

**BMW Group change in presentation of statement of comprehensive income
for the period from 1 April to 30 June 2018²**

→ 31

in € million	As originally reported	Impact of accounting policy changes ¹	As amended
Net profit	2,082	–6	2,076
Total comprehensive income	1,917	–6	1,911
Total comprehensive income attributable to shareholders of BMW AG	1,892	–6	1,886

**BMW Group change in presentation of cash flow statement
for the period from 1 January to 30 June 2018**

→ 32

in € million	As originally reported	Impact of accounting policy changes ¹	As amended
Cash inflow/outflow from operating activities	2,672	–	2,672
thereof net profit	4,383	–25	4,358
thereof change in deferred taxes	1,322	–45	1,277
thereof change in receivables from sales financing	–1,789	20	–1,769
thereof change in provisions	–246	–1	–247
thereof change in other operating assets and liabilities	–400	51	–349

¹ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16.² Supplementary information which was not subject of the audit review.

NOTES TO THE INCOME STATEMENT

05

Revenues

Revenues by activity comprise the following:

in € million	2nd quarter 2019 ¹	2nd quarter 2018 ²	1 January to 30 June 2019	1 January to 30 June 2018 ²
Sales of products and related goods	18,075	17,563	33,211	33,530
Sales of products previously leased to customers	2,824	2,751	5,483	5,131
Income from lease instalments	2,551	2,410	5,064	4,791
Interest income on loan financing and finance leases	898	818	1,789	1,610
Revenues from service contracts, telematics and roadside assistance	760	640	1,461	1,358
Other income	607	811	1,169	1,238
Revenues	25,715	24,993	48,177	47,658

¹ Supplementary information which was not subject of the audit review.

² Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4.
In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Revenues recognised from contracts with customers in accordance with IFRS 15 totalled €40,325 million (2018: €40,247 million).

An analysis of revenues by segment is shown in the segment information in → note 22. 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 sales of products previously leased to customers, income from lease instalments and interest income on loan financing and finance leases are allocated to the Financial Services segment. Other income relates mainly to the Automotive segment and the Financial Services segment.

→ see
note 22

→ see
note 4

Interest income on loan financing and finance leases includes interest calculated on the basis of the effective interest method amounting to €1,723 million (2018: €1,552 million). This interest income is not reported separately in the income statement as it is not significant compared to total Group revenues. The prior year's figures were adjusted due to a change in accounting policy for manufacturer leases (see → note 4), as well as due to the change in presentation of amortisation of initial direct costs.

06**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 ongoing legal disputes, legal disputes that have been concluded and other legal risks.

In an ad hoc announcement dated 5 April 2019, the BMW Group reported that the EU Commission had informed it of a "Statement of Objections" in conjunction with ongoing antitrust proceedings. The EU Commission is alleging that German automobile manufacturers cooperated in technical working groups to restrict competition related to exhaust gas emissions systems for diesel and petrol passenger vehicles. The allegations relate to Selective Catalytic Reduction (SCR) systems as well as the use ↗

of petrol particulate filters (PPF). According to the EU Commission, such behaviour would violate the prohibition anchored in EU rules regarding cartel agreements to limit or control technical developments. The Statement of Objections leads the BMW Group to believe that it is probable ("more likely than not") that the EU Commission will issue a significant fine. The resulting requirement to recognise a provision increased other operating expenses by approximately €1.4 billion in the first half of 2019.

The Statement of Objections and related files are currently being examined. During the second half of 2019, the BMW Group will provide a detailed response to the EU Commission regarding the Statement of Objections. The EU Commission will subsequently examine the response and determine the next steps on this basis.

07**Other financial result**

Other financial result developed as follows:

in € million	2nd quarter 2019*	2nd quarter 2018	1 January to 30 June 2019	1 January to 30 June 2018
Result on investments	4	-25	179	203
Sundry other financial result	-127	5	-228	51
Other financial result	-123	-20	-49	254

* Supplementary information which was not subject of the audit review.

The sundry other financial result reflects mainly the interest rate development in the USA.

08**Income taxes**

The effective tax rate for the six-month period to 30 June 2019 was 28.1% (2018: 27.3%) 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.

The increase in the effective tax rate results, among other things, from the non-deductibility of risk allocations for tax purposes in connection with the ongoing anti-trust proceedings instigated by the EU Commission (see → note 6).

→ see
note 6

NOTES TO THE BALANCE SHEET

09

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. 6. 2019	31. 12. 2018
Capitalised development costs	10,010	9,976
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	781	615
Intangible assets	11,171	10,971

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

in € million	2019	2018
Capitalised development costs		
Additions	840	802
Amortisation	806	656
Other intangible assets		
Additions	232	33
Amortisation	67	97

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

10

Property, plant and equipment

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

in € million	2019	2018
Additions	1,943	1,547
Depreciation	2,032	1,701
Disposals	33	9

Purchase commitments for property, plant and equipment totalled €3,437 million (31 December 2018: €3,486 million).

11

Financial assets

Financial assets comprise:

in € million	30. 6. 2019	31. 12. 2018
Marketable securities and investment funds	5,367	5,316
Derivative instruments	2,305	1,977
Loans to third parties	22	20
Credit card receivables	2	244
Other	479	128
Financial assets	8,175	7,685

In June 2019, the Financial Services segment sold a credit card portfolio in the USA amounting to €216 million for strategic reasons.

12

Income tax assets

Current income taxes amounting to €1,510 million (31 December 2018: €1,378 million) include €199 million (31 December 2018: €222 million), which is expected to be settled after more than twelve months. Claims may be settled earlier than this depending on the timing of the underlying proceedings. The prior year's figures were adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see → note 4.

→ see
note 4

13**Equity**

The Group Statement of Changes in Equity is shown on → pages 32 and 33.

→ see
pages 32
and 33

Subscribed capital

The number of shares of common stock issued by BMW AG at 30 June 2019 was 601,995,196 shares, each with a par value of €1, unchanged from 31 December 2018. The number of shares of preferred stock at that date was 56,126,904 shares, each with a par value of €1, unchanged from 31 December 2018. Unlike the common stock, no voting rights are attached to the preferred stock. Subscribed capital therefore stood at €658 million, unchanged from 31 December 2018. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

The shareholders passed a resolution at the 2019 Annual General Meeting authorising the Board of Management, with the approval of the Supervisory Board, to increase the Company's share capital by up to €5 million prior to 15 May 2024 by the issuance of new shares of non-voting preferred stock, carrying the same rights as existing non-voting preferred stock, in return for cash contributions. This authorisation has not been utilised up to the end of the reporting period. The number of authorised shares and amount of authorised capital at the level of BMW AG therefore remain at 5.0 million shares and €5.0 million respectively. The BMW Group did not hold any treasury shares at 30 June 2019.

Revenue reserves

In the second quarter of 2019, BMW AG paid the dividend for the financial year 2018 amounting to €2,107 million for common stock and €196 million for preferred stock.

Further information regarding the transition effects recognised directly in equity on the initial application of IFRS 16 is provided in → note 4.

→ see
note 4

14**Income tax liabilities**

Current income taxes amounting to €887 million (31 December 2018: €1,158 million) include liabilities of €53 million (31 December 2018: €96 million), which are expected to be settled after more than twelve months. Liabilities may be settled earlier than this depending on the timing of the underlying proceedings.

Current income tax liabilities comprise €217 million (31 December 2018: €216 million) for taxes payable and €670 million (31 December 2018: €942 million) for tax provisions.

15**Financial liabilities**

Financial liabilities of the BMW Group comprise the following:

in € million	30.6.2019	31.12.2018
Bonds	59,250	53,346
Asset backed financing transactions	17,707	17,335
Liabilities from customer deposits (banking)	14,721	14,359
Liabilities to banks	12,867	13,196
Lease liabilities	2,414	105
Derivative instruments	1,862	1,675
Commercial paper	1,143	2,480
Other	1,192	1,101
Financial liabilities	111,156	103,597

The changes in financial liabilities affect cash flows from financing activities.

16**Other liabilities**

Other liabilities include contract liabilities relating to contracts with customers amounting to €5,077 million (31 December 2018: €4,976 million). These mainly comprise service and repair work as well as telematics services and roadside assistance agreed to be part of the sale of a vehicle (in some cases multi-component arrangements). The prior year's figures were adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see → note 4.

→ see
note 4

OTHER DISCLOSURES

17

Research and development expenditure

Research and development expenditure was as follows:

in € million	2nd quarter 2019*	2nd quarter 2018	1 January to 30 June 2019	1 January to 30 June 2018
Research and development expenses	1,400	1,322	2,796	2,610
Expenditure for capitalised development costs	481	486	840	802
Amortisation	-404	-324	-806	-656
Total research and development expenditure	1,477	1,484	2,830	2,756

* Supplementary information which was not subject of the audit review.

18

Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	30.6.2019	31.12.2018
Investment subsidies	286	275
Litigation	136	125
Performance guarantees	13	14
Other	581	351
Contingent liabilities	1,016	765

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 reporting date. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. A part of the risks is covered by insurance.

The European Commission is currently conducting an investigation in connection with antitrust allegations against five German car manufacturers. The BMW Group has provided for the potential outcome of the investigation in the form of a provision measured, on the basis of the Statement of Objections, at the best possible estimate (see also → note 6). In connection with these allegations, numerous class action lawsuits have been brought in the USA and Canada as well as several private lawsuits in South Korea. The class action lawsuits in the USA were initially dismissed on the basis of the lack of conclusiveness.

→ see
note 6

However, the applicants may remedy the deficiencies of their lawsuits within a period expiring in August 2019. Class action lawsuits in Canada and private lawsuits in South Korea are at an early stage. Further civil lawsuits based on the allegations are possible. At present, the risk exposure for the BMW Group can neither be foreseen in detail nor quantified. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

Regulatory authorities have ordered the BMW Group to recall various vehicle models in conjunction 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.

19

Financial instruments

A description of the accounting treatment and measurement of derivative financial instruments and allocation of recognised financial instruments to different valuation levels is provided in notes 4 and 39 of the Group Financial Statements of BMW AG for the year ended 31 December 2018.

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

↯

Financial instruments measured at fair value using input factors not based on observable market prices are allocated to Level 3. Fair values are determined in accordance with the following table:

in € million	Fair value 30. 6. 2019	Fair value 31. 12. 2018	Valuation method	Input Parameter
Unquoted equity instruments	323	265	Last financing round	Price per share
			Milestone analysis (quantitative and qualitative factors)	Company performance
				Contractual rights by share class
Convertible bonds	–	3	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	4	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

Unquoted equity instruments relate mainly to investments in a private equity fund. For valuation purposes, the investment advisor provides the external fund manager with relevant, investment-specific information on an ongoing basis (at least quarterly). The external fund manager subsequently assesses the underlying individual companies in accordance with the guidelines for international private equity and venture capital valuations (IPEV).

As part of the process of analysing valuations, the external fund manager reviews the investment-specific milestones, including an analysis of financial, technical and liquidity figures. Based on this analysis, it is considered whether the price set at the most recent financing round can be accepted as an appropriate market valuation.

A detailed listing and quantification of potential sensitivities is not considered meaningful in view of the valuation methodology applied. An increase in input parameters (e.g. share price) would normally also lead to a similar increase in valuation. Similarly, a significant reduction in growth rates or financial ratio margins could result in impairment and therefore to a lower valuation of an investment.

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 2019	265	3	4	272
Additions	42	–	–	42
Disposals	–1	–3	–	–4
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	–
Gains (+)/losses (–) recognised in the income statement	16	–	1	17
Currency translation differences	1	–	–	1
30 June 2019	323	–	5	328

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Financial Instruments Level 3
1. January 2018	111	2	2	115
Additions	103	3	–	106
Disposals	–4	–2	–	–6
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	–
Gains (+)/losses (–) recognised in the income statement	45	–	2	47
Currency translation differences	10	–	–	10
31 December 2018	265	3	4	272

In the case of financial instruments held by BMW Group which are not measured at fair value, the carrying amounts and market values of such instruments generally coincide due to their generally short-term nature.

The following items are the exceptions to this general rule:

in € million	30. 6. 2019		31. 12. 2018	
	Fair value	Carrying amount	Fair value	Carrying amount*
Receivables from sales financing	70,584	67,542	90,445	87,013
Bonds	60,418	59,250	53,831	53,346

* Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4.
In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

With effect from the financial year 2019, the market and carrying amounts of receivables from financial services do not include receivables from finance and operating leases.

Differences between the fair values and carrying amounts of other financial liabilities are at a similar level to 31 December 2018.

20

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.

in € million	Supplies and services performed		Supplies and services received		Receivables		Payables	
	1 January to 30 June 2019	1 January to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
BMW Brilliance Automotive Ltd.	4,113	3,471	48	41	1,680	1,829	786	772

in € million	Supplies and services performed		Supplies and services received		Receivables		Payables	
	2nd quarter 2019*	2nd quarter 2018	2nd quarter 2019*	2nd quarter 2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
BMW Brilliance Automotive Ltd.	2,197	1,892	26	22	1,680	1,829	786	772

* Supplementary information which was not subject of the audit review.

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 Boards of DELTON Health AG, Bad Homburg v.d.H., and DELTON Technology SE, Bad Homburg v.d.H., as well as the sole shareholder of DELTON Logistics S.à r.l., Grevenmacher. Via its subsidiaries, DELTON Logistics S.à r.l., provided logistics services to the BMW Group during the first half of the financial year 2019. In addition, DELTON companies held by Stefan Quandt 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 six months of 2019.

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 six months of 2019 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 six months of 2019, 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 six months of 2019.

Seen from the perspective of BMW Group entities, transactions with the above-mentioned entities were as follows:

in € thousand	Supplies and services performed		Supplies and services received		Receivables		Payables	
	1 January to 30 June 2019	1 January to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
DELTON Health AG (formerly DELTON AG)	1,032	1,774	–	11,546	25	34	–	–
DELTON Logistics S.à r.l.	754	–	10,752	–	17	–	2,051	2,235
DELTON Technology SE	3	–	–	–	1	–	–	–
SOLARWATT GMBH	59	13	–	1	–	1	–	–
ALTANA AG	1,029	1,019	–	–	207	401	–	5
UnternehmerTUM GmbH	82	54	710	558	–	–	295	367
Entrust Datacard Corp.	76	60	–	–	8	2	–	–

in € thousand	Supplies and services performed		Supplies and services received		Receivables		Payables	
	2nd quarter 2019*	2nd quarter 2018	2nd quarter 2019*	2nd quarter 2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
DELTON Health AG (formerly DELTON AG)	520	881	–	5,751	25	34	–	–
DELTON Logistics S.à r.l.	361	–	5,193	–	17	–	2,051	2,235
DELTON Technology SE	3	–	–	–	1	–	–	–
SOLARWATT GMBH	54	7	–	–	–	1	–	–
ALTANA AG	520	512	–	–	207	401	–	5
UnternehmerTUM GmbH	82	54	470	440	–	–	295	367
Entrust Datacard Corp.	39	35	–	–	8	2	–	–

* Supplementary information which was not subject of the audit review.

Apart from vehicle sales, vehicle leasing and financing contracts at usual conditions, companies of the BMW Group concluded no further transactions with members of the Board of Management or Supervisory Board of BMW AG. This also applies to close members of the families of those persons.

BMW Trust e.V., Munich, manages fund assets on a trustee basis to secure pension obligations 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.

21

Events after the end of the reporting period

No 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

22

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 2018. Due to the management system, reported segment results and asset values are based on different performance measures. Details are provided in note 45 of the Group Financial Statements of BMW AG at 31 December 2018.

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. Intragroup leasing arrangements are not reflected in the internal management and reporting system on a IFRS 16 basis and therefore, in accordance with IFRS 8, do not give rise to any changes in the presentation of segment information.

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

in € million	Automotive		Motorcycles		Financial Services	
	2019	2018 ¹	2019	2018	2019	2018 ¹
SEGMENT INFORMATION BY OPERATING SEGMENT						
External revenues	33,025	33,466	1,316	1,183	13,835	13,008
Inter-segment revenues	8,812	8,052	-3	-1	675	580
Total revenues	41,837	41,518	1,313	1,182	14,510	13,588
Segment result	1,159	3,800	191	175	1,200	1,156
Result from equity accounted investments	188	405	-	-	-	-
Capital expenditure on non-current assets	2,958	2,344	46	34	12,442	11,726
Depreciation and amortisation on non-current assets	2,830	2,390	50	46	5,375	5,066

Segment information by operating segment for the second quarter² is as follows:

in € million	Automotive		Motorcycles		Financial Services	
	2019	2018 ¹	2019	2018	2019	2018 ¹
SEGMENT INFORMATION BY OPERATING SEGMENT						
External revenues	17,949	17,605	729	659	7,036	6,729
Inter-segment revenues	4,675	4,587	-2	-1	328	298
Total revenues	22,624	22,192	727	658	7,364	7,027
Segment result	1,469	1,919	102	98	573	603
Result from equity accounted investments	31	182	-	-	-	-
Capital expenditure on non-current assets	1,618	1,046	30	20	6,915	6,223
Depreciation and amortisation on non-current assets	1,427	1,190	25	22	2,790	2,585

in € million	Automotive		Motorcycles		Financial Services	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018 ¹
Segment assets	15,970	13,836	632	618	14,674	14,806
Investments accounted for using the equity method	3,987	2,624	-	-	-	-

¹ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4.

In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

² Supplementary information which was not subject of the audit review.

Other Entities		Reconciliation to Group figures		Group		
2019	2018	2019	2018 ¹	2019	2018 ¹	
						SEGMENT INFORMATION BY OPERATING SEGMENT
1	1	–	–	48,177	47,658	External revenues
2	2	–9,486	–8,633	–	–	Inter-segment revenues
3	3	–9,486	–8,633	48,177	47,658	Total revenues
–155	78	420	796	2,815	6,005	Segment result
–	–	–	–	188	405	Result from equity accounted investments
–	–	–3,398	–3,186	12,048	10,918	Capital expenditure on non-current assets
–	–	–3,055	–3,211	5,200	4,291	Depreciation and amortisation on non-current assets

Other Entities		Reconciliation to Group figures		Group		
2019	2018	2019	2018 ¹	2019	2018 ¹	
						SEGMENT INFORMATION BY OPERATING SEGMENT
1	–	–	–	25,715	24,993	External revenues
1	1	–5,002	–4,885	–	–	Inter-segment revenues
2	1	–5,002	–4,885	25,715	24,993	Total revenues
–97	8	6	238	2,053	2,866	Segment result
–	–	–	–	31	182	Result from equity accounted investments
–	–	–1,908	–1,713	6,655	5,576	Capital expenditure on non-current assets
–	–	–1,528	–1,669	2,714	2,128	Depreciation and amortisation on non-current assets

Other Entities		Reconciliation to Group figures		Group		
30.6.2019	31.12.2018	30.6.2019	31.12.2018 ¹	30.6.2019	31.12.2018 ¹	
93,714	84,512	94,020	95,166	219,010	208,938	Segment assets
–	–	–	–	3,987	2,624	Investments accounted for using the equity method

Segment figures for the first half-year can be reconciled to the corresponding Group figures as follows:

in € million	2019	2018 ¹
Reconciliation of segment result		
Total for reportable segments	2,395	5,209
Financial result of Automotive segment	297	543
Financial result of Motorcycles segment	-4	-1
Elimination of inter-segment items	127	254
Group profit before tax from continuing operations	2,815	6,005
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	15,446	14,104
Elimination of inter-segment items	-3,398	-3,186
Total Group capital expenditure on non-current assets	12,048	10,918
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	8,255	7,502
Elimination of inter-segment items	-3,055	-3,211
Total Group depreciation and amortisation on non-current assets	5,200	4,291

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

in € million	2019 ²	2018 ¹
Reconciliation of segment result		
Total for reportable segments	2,047	2,628
Financial result of Automotive segment	14	143
Financial result of Motorcycles segment	-2	-2
Elimination of inter-segment items	-6	97
Group profit before tax from continuing operations	2,053	2,866
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	8,563	7,289
Elimination of inter-segment items	-1,908	-1,713
Total Group capital expenditure on non-current assets	6,655	5,576
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	4,242	3,797
Elimination of inter-segment items	-1,528	-1,669
Total Group depreciation and amortisation on non-current assets	2,714	2,128

¹ Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4.

In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

² Supplementary information which was not subject of the audit review.

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

in € million	30. 6. 2019	31.12. 2018*
Reconciliation of segment assets		
Total for reportable segments	124,990	113,772
Non-operating assets – Automotive	51,465	48,639
Liabilities of Automotive segment not subject to interest	38,306	34,643
Non-operating assets – Motorcycles	43	45
Liabilities of Motorcycles segment not subject to interest	607	613
Total liabilities – Financial Services segment	134,534	131,415
Non-operating assets – Other Entities segment	7,269	7,084
Elimination of inter-segment items	-138,204	-127,273
Total Group assets	219,010	208,938

*Prior year's figures adjusted due to a change in accounting policy in connection with the adoption of IFRS 16; see note 4.
In addition, figures for the prior year have been adjusted due to changes in presentation of selected items, which are not material overall.

Munich, 23 July 2019

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree Klaus Fröhlich

Pieter Nota Dr. Nicolas Peter

Peter Schwarzenbauer Dr.-Ing. Andreas Wendt

Oliver Zipse

BMW GROUP RESPONSIBILITY STATE- MENT BY THE COMPANY'S LEGAL REPRESENTATIVES

“To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the Interim Group Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Interim Group Management Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.”

Munich, 23 July 2019

Bayerische Motoren Werke
Aktiengesellschaft

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BMW GROUP REVIEW REPORT

To Bayerische Motoren Werke Aktiengesellschaft, München

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, condensed statement of comprehensive income, balance sheet, condensed cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of Bayerische Motoren Werke Aktiengesellschaft, München, for the period from 1 January 2019 to 30 June 2019, which are part of the half-year financial report pursuant to § (Article) 115 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Munich, 31 July 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Petra Justenhoven
Wirtschaftsprüferin
(German Public Auditor)

Andreas Fell
Wirtschaftsprüfer
(German Public Auditor)

OTHER INFORMATION

→ Page 59 **Contacts**

4

CONTACTS

Business and Finance Press

Telephone +49 89 382-2 45 44
+49 89 382-2 41 18
Fax +49 89 382-2 44 18
E-mail presse@bmwgroup.com

Investor Relations

Telephone +49 89 382-2 53 87
Fax +49 89 382-1 46 61
E-mail ir@bmwgroup.com

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

Bayerische Motoren Werke

Aktiengesellschaft

80788 Munich

Germany

Telephone +49 89 382-0
