

Media Information
7 May 2019

BMW Group's operational performance on course

- Recognition of provision for EU proceedings
- Volume growth achieved despite prevailing sector trend – market share increased
- Further rise in upfront expenditure for tomorrow's mobility
- Significant increase in Motorcycles segment EBIT
- Good quarter for Financial Services segment
- Electrified vehicle deliveries continue to grow
- Tomorrow's mobility requires openness to new technologies
- Krüger: "Tailwinds expected in second half of year"

Munich. Within a challenging market environment, the BMW Group has started the financial year 2019 in line with expectations in operational terms. Contrary to the prevailing trend in the sector, the Group's attractive and significantly younger model range enabled the company to set a new record in terms of deliveries to customers in the first quarter, thereby expanding its market share of the premium-segment in key regions. These positive developments were accompanied, however, by increasing downward pressure on pricing in some markets.

"The Group's new first-quarter sales record proves that we are putting the right products on the roads, thereby attracting new customers, as well as inspiring existing clients. In operational terms, we remain firmly on course and expect business to benefit from tailwinds, especially in the second half of the year, as numerous new models become available. At the same time, we are experiencing the impact of high levels of expenditure in numerous areas affecting the entire automotive sector. In addition, it has also been necessary to recognise a provision relating to ongoing proceedings of the EU Commission," stated **Harald Krüger**, Chairman of the Board of Management of BMW AG, on Tuesday in Munich. "Within this challenging environment, we will remain true to the BMW way of doing things. We are fully focused on our roadmap for future mobility and the rigorous implementation of our Strategy **NUMBER ONE > NEXT**".

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This means, the BMW Group is committed to implementing even faster processes and leaner structures in order to achieve greater efficiency. The aim is to make sure, the BMW Group has the financial strength required to influence and decisively shape the world of individual premium mobility moving into the next decade.

E-mobility continues to gather momentum

The BMW Group is already a leading provider of electric mobility and expects to have more than **half a million** of its state-of-the-art **electrified** vehicles on the roads by the end of the year. The broad range of electrified vehicles offered by the BMW Group remained highly popular throughout the first three months of 2019. Deliveries of the **BMW i3** continued their upward trend, climbing by 16.2% to 9,227 units compared to the same three-month period one year earlier. These figures represent by far the most successful first quarter for the innovative BMW i3 since its launch in 2013.

The BMW Group's plug-in hybrid vehicles are also in high demand. For instance, **more than a quarter** of all BMW 2 Series Active Tourers delivered to customers are electrified, while **almost 20%** of all MINI Countryman sold are equipped with a plug-in hybrid drivetrain. In Norway, one of the world's leading markets for electrified vehicles, all-electric and plug-in hybrid vehicles now account for around **three quarters** of all BMW and MINI deliveries.

At the beginning of March, the revised plug-in hybrid versions of the BMW 3, BMW 7 and BMW X5 Series as well as the new BMW X3 with their **extended electric range** were showcased at the Geneva Motor Show. In April, the revised plug-in hybrid version of the **BMW X1** was launched in Shanghai as an extended-wheelbase version produced locally for the Chinese market. By the end of the coming year, the BMW Group will have **more than ten** new or

revised models equipped with fourth-generation ("Gen 4") electrified technology on the market.

From the end of 2019, these will include the all-electric **MINI Electric** manufactured at the Oxford plant and, from 2020, the **BMW iX3**, which will be produced in Shenyang, China for the world market. Together with the pioneering BMW i3, the **BMW i4** and the **BMW iNEXT**, the Group will have **five all-electric models** on the market by 2021 and the number is scheduled to rise to at least twelve models by 2025. Including the rapidly growing range of plug-in hybrids, the BMW Group's product portfolio will then comprise at least 25 electrified models.

Openness to new technologies is key

"Openness in technology is a prerequisite in order to meet the various regulatory and customer requirements in different markets. This is especially true given that the introduction of alternative drivetrains is progressing at a different pace in the various regions of the world," emphasised **Krüger**. "Technological openness also means that we will continue to improve the efficiency of our combustion engines, while also pushing forward our e-mobility strategy with both all-electric vehicles and plug-in hybrids and investing in new technologies such as fuel cells," he continued.

On its way toward securing the mobility of the future, the BMW Group incurred substantial upfront expenditure in the first quarter 2019. As expected, expenditure in this area once again exceeded the previous year's high level. First-quarter **research and development** expenses totalled € 1,396 million, 8.4% up on the previous year. **Investments** in property, plant and equipment climbed by more than one third to € 999 million (2018: € 734 million; +36.1%). The increase mainly related to the modernisation and flexibilisation of plant structures as well as the construction of the Group's new plant in Mexico. The

high proportion of electrified vehicles also contributes to higher manufacturing costs. Unfavourable exchange rate factors and higher raw material prices also had a dampening effect on earnings in the period from January to March 2019. An expense of approximately € 1.4 billion was recognised for a provision on the basis of the Statement of Objections received from the EU Commission in connection with ongoing antitrust proceedings. This provision reduced the Automotive segment's EBIT margin by approximately seven percentage points compared to the previous year's first quarter.

BMW Group to contest EU Commission allegations

As communicated on 5 April 2019, the provision was recognised on the basis of the Statement of Objections, which leads the BMW Group to conclude that it is probable that the EU Commission will issue a significant fine. In accordance with International Financial Reporting Standards, the situation triggers a requirement to recognise a provision. The review of the Statement of Objections and the inspection of related files will take some time. As a result, it is not currently possible to fully evaluate the financial outcome. However, the BMW Group has made it clear that if necessary it will **contest the EU Commission's allegations with all the legal means at its disposal.**

The BMW Group regards these proceedings as an attempt to equate the permissible coordination of industry positions regarding the regulatory framework with unlawful cartel agreements. Based on current knowledge, the EU Commission is investigating whether German automobile manufacturers cooperated in technical working groups to restrict competition in the development and rollout of emission-reduction technologies. From the BMW Group's perspective, this situation cannot be compared with cartel investigations relating, for example, to territorial or price-fixing agreements.

Fundamentally, the participating engineers from the manufacturers' development departments were concerned with improving exhaust gas treatment technologies. Unlike cartel agreements, the whole industry was aware of these discussions, which did not involve any so-called secret agreements and did not intend any detriment to either customers or suppliers in any shape or form.

Group result influenced by provision

In the first quarter 2019, the BMW Group **delivered** 605,333 BMW, MINI and Rolls-Royce premium brand vehicles to customers, a new record for the opening quarter of a year (2018: 604,629 units; +0.1%). This positive development was influenced to a large extent by the contribution made by the BMW Brilliance Automotive joint venture in China. At € 22,462 million, **Group revenues** were at a similar level to the previous year (2018: € 22,665 million; -0.9%). Influenced by the adverse factors described above, including the provision recognised in connection with the EU proceedings, **profit before financial result** (EBIT) for the first quarter amounting to € 589 million was significantly down on the previous year (2018: € 2,707 million; -78.2%). **Group profit before tax** (EBT) amounted to € 762 million (2018: € 3,139 million; -75.7%). The Group's **EBT margin** came in at 3.4% (2018: 13.8%). **Group net profit** amounted to € 588 million (2018: € 2,282 million; -74.2%).

"Our aspirations remain high: we wish to grow both sustainably and profitably. With our Performance > NEXT programme, we are taking pro-active measures to offset numerous headwinds and have already made a number of far-reaching decisions. Discipline and a clear focus on rigorous implementation of our strategy remain the key criteria," commented **Nicolas Peter**, Member of the Board of Management of BMW AG, Finance. "We see innovation leadership and profitability as crucial to retain our leading position in the automotive industry. This is why we continue to invest in the future. The upfront expenditure we are

incurring today to further develop electric mobility and autonomous driving is a prerequisite for tomorrow's success."

One of the outcomes of Performance > NEXT, for instance, is that **development times** for new vehicle models will be reduced by as much as one third. On the product side, from 2021 onwards, up to 50% of today's **drivetrain variants** will be eliminated in the transition to flexible vehicle architectures. Moreover, the model portfolio is regularly assessed with a view to identifying additional potential for **reducing complexity**. Synergy and efficiency opportunities in both indirect purchasing and in materials and production costs are also being leveraged. By the end of 2022, the Group expects to realise potential efficiency savings in excess of € 12 billion.

Automotive segment particularly affected by provision and other high expenditure

The negative factors described above particularly affected **Automotive segment** earnings in the first quarter. At € 19,213 million, **Group revenues** for the period from January to March were similar to the previous year (2018: € 19,326 million; -0.6%). Due to the negative effects referred to above, **EBIT** finished at a loss of € 310 million (2018: profit of € 1,881 million). The **EBIT margin** therefore came in at -1.6% (2018: +9.7%). Excluding the effect of the provision, the EBIT margin was +5.6%. The **loss before tax** amounted to € 27 million (2018: profit before tax of € 2,281 million).

Worldwide, the **BMW** brand delivered 519,307 units (2018: 517,447; +0.4% units) to customers, its best first-quarter result to date. The BMW X models were particularly popular, above all the BMW X3 which has also been produced locally in China since the summer of 2018. The number of deliveries of this vehicle more than doubled in the first quarter.

The **MINI** brand delivered 84,820 units (-1.8%) to customers worldwide during the three-month period under report. The revised version of the MINI Clubman had its world debut at the Shanghai Auto Show in April. Preparations are also continuing for the launch of the new all-electric MINI in the course of the current year. Production is scheduled to start at the Group's Oxford plant at the end of the year.

Following the best sales result in its 115-year history in 2018, the **Rolls-Royce** brand remained firmly on growth course in the first quarter 2019. Worldwide, 1,206 Rolls-Royce brand vehicles were delivered to customers (+49.4%), with growth recorded across all regions. Demand for all Rolls-Royce models remains high, driven in particular by the highly popular Phantom. Customer interest in the Cullinan is also exceptionally strong. Accordingly, the order books are full to the brim well into the fourth quarter of the current year.

BMW Group strives for evenly balanced deliveries worldwide

The BMW Group remains committed to its strategy of achieving a well-balanced distribution of deliveries worldwide, leveraging its highly flexible production, sales and marketing structures to even out fluctuating demand between individual regions.

In **Europe**, first-quarter deliveries of 270,950 units were at a similar level to one year earlier (2018: 270,725; +0.1%). In Germany, the BMW Group recorded solid growth, with deliveries up to 72,592 units (2018: 68,294 units: +6.3%).

First-quarter deliveries of BMW, MINI and Rolls-Royce brand vehicles in **Asia** rose slightly to 217,200 units (2018: 212,693 units; + 2.1%). China contributed significantly to this performance, with deliveries of the Group's three brands up by 10.2% to a total of 168,663 units (2018: 153,094 units).

In the **Americas** region, deliveries were slightly down to 104,215 units (2018: 106,348 units; -2.0%) between January and March. The figure for the USA also declined slightly to 83,158 units (2018: 84,630 units; -1.7%).

Motorcycles segment increases revenues and earnings significantly

BMW Motorrad increased **deliveries** of its motorcycles and maxi-scooters by 7.7% to 38,606 units (2018: 35,858 units), setting a new first-quarter record for the eighth year in succession. **Revenues** grew by 11.8% to € 586 million (2018: € 524 million). **EBIT** also improved significantly, rising to € 89 million for the three-month period under report (2018: € 77 million; +15.6%). The first-quarter **EBIT margin** came in at 15.2% (2018: 14.7%).

Successful start to year for Financial Services segment

The **contract portfolio under management** within the **Financial Services segment** edged up by 0.5% to 5,735,975 contracts at the end of the reporting period (31 December 2018: 5,708,032 contracts). During the first quarter, 469,624 (2018: 451,908 contracts; +3.9%) **new credit financing and lease contracts** were signed with retail customers. **Revenues** grew by 8.9% to € 7,146 million (2018: € 6,561 million). **Profit before tax** improved significantly, rising by 13.4% to € 627 million (2018: € 553 million).

Workforce at previous year's level

The BMW Group's workforce comprised 134,849 employees at the end of the first quarter, similar to the level at 31 December 2018 (134,682; +0.1%). The Group continues to recruit skilled workers and IT specialists on a selective basis to work on future-focussed topics including digitalisation, autonomous driving and electric mobility. Nevertheless, the target for 2019 is to keep the workforce at the previous year's level.

BMW Group reaffirms targets for current financial year

The BMW Group sets itself ambitious targets, even in politically and economically turbulent times. With its **young product portfolio**, further rejuvenated by new models, the Group aims to remain the world's leading automotive manufacturer in the premium segment, underpinned by growth in all major sales regions. In view of the various model changes currently in progress, business is expected to see a strong upturn in the second half of the current financial year.

The BMW Group will continue to invest substantial amounts in new technologies and the mobility of the future in 2019. Costs are also being driven up in other areas, including the significantly higher cost of complying with stricter carbon emission legislation. Against this background, **rising manufacturing costs** are likely to have a dampening effect on earnings. Moreover, unfavourable currency factors and higher raw materials prices are expected to have a medium to high three-digit million negative impact. At the same time, the ongoing issue of international trade conflicts remains a source of uncertainty.

Taking all these factors into account, the BMW Group is confident of its ability to achieve volume growth in the **Automotive segment**, where it is targeting a slight increase in the number of deliveries to customers in 2019. Within a stable business environment, an EBIT margin in the range of 8 to 10% remains the ambition for the BMW Group. However, its ability to influence underlying conditions is limited. Without the effect of the provision for the ongoing antitrust proceedings amounting to € 1.4 billion, the target range for the EBIT margin of 6-8% has not changed. However, since the provision has a negative impact of 1.5 percentage points on the EBIT margin, the BMW Group is expecting a margin in the Automotive segment for 2019 between 4.5 and 6.5%.

With its rejuvenated model range, the **Motorcycles segment** is forecast to achieve a solid increase in deliveries to customers. As in 2018, the segment EBIT margin is expected to be within the target range of 8 to 10%.

In addition to the negative earnings effects referred to above, the fact that some positive valuation effects recorded in 2018 will not be repeated in 2019 will result in a significant decline in the Group's financial result. **Group profit before tax** is therefore also expected to be well below the previous year's level.

Forecasts for the current year are based on the assumption that worldwide economic and political **conditions** will not change significantly. Any deterioration in conditions could have a negative impact on the outlook. The BMW Group will vigorously continue to implement key measures to drive growth on the one hand and improve performance and efficiency on the other, thereby creating the headroom to enable it to help **shape the future** and secure its own competitiveness going forward. Its operational and financial strength place the BMW Group in an excellent position to play a key role in shaping the current transformation of the automotive sector and enhance its **leading role** in the automotive industry.

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The BMW Group – an Overview		1st quarter 2019	1st quarter 2018	Change in %
Deliveries to customers				
Automotive	units	605,333	604,629	0.1
thereof: BMW	units	519,307	517,447	0.4
MINI	units	84,820	86,375	-1.8
Rolls-Royce	units	1,206	807	49.4
Motorcycles	units	38,606	35,858	7.7
Workforce¹ (compared to 31.12.2018)		134,849	134,682	0.1
EBIT margin Automotive segment ³	%	-1,6	9,7	-11.3 % pts.
EBIT margin Motorcycles segment ³	%	15,2	14,7	+0.5 % pts.
Pre-tax return on sales³	%	3,4	13,8	-10.4 % pts.
Revenues³ € million		22,462	22,665	-0.9
thereof: Automotive	€ million	19,213	19,326	-0.6
Motorcycles	€ million	586	524	11.8
Financial Services ³	€ million	7,146	6,561	8.9
Other Entities	€ million	1	2	-50.0
Eliminations ³	€ million	-4,484	-3,748	-19.6
Profit before financial result (EBIT)³ € million		589	2,707	-78.2
thereof: Automotive	€ million	-310	1,881	-
Motorcycles	€ million	89	77	15.6
Financial Services ³	€ million	648	561	15.5
Other Entities	€ million	4	9	-55.6
Eliminations ³	€ million	158	179	-11.7
Profit before tax (EBT)³ € million		762	3,139	-75.7
thereof: Automotive	€ million	-27	2,281	-
Motorcycles	€ million	87	78	11.5
Financial Services ³	€ million	627	553	13.4
Other Entities	€ million	-58	70	-
Eliminations ³	€ million	133	157	-15.3
Income taxes³ € million		-218	-857	74.6
Net profit for the year^{3,4} € million		588	2,282	-74.2
Earnings per share^{2,3} €		0.85/0.85	3.44/3.44	-75.3/-75.3

¹ Excluding dormant employment contracts, employees in the work and non-work phases of pre-retirement part-time working arrangements and low wage earners

² Earnings per share of common stock/preferred stock

³ Prior year figures adjusted due to first-time application of revised IFRS 16, see note [5] to the Group Financial Statements as of 31 December 2018.

⁴ Value for Q1 2019 including € 44 million from discontinued operations

Corporate Communications**Media Information**

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The BMW Group

With its four brands BMW, MINI, Rolls-Royce and BMW Motorrad, the BMW Group is the world's leading premium manufacturer of automobiles and motorcycles and also provides premium financial and mobility services. The BMW Group production network comprises 30 production and assembly facilities in 14 countries; the company has a global sales network in more than 140 countries.

In 2018, the BMW Group sold over 2,490,000 passenger vehicles and more than 165,000 motorcycles worldwide. The profit before tax in the financial year 2018 was € 9.815 billion on revenues amounting to € 97.480 billion. As of 31 December 2018, the BMW Group had a workforce of 134,682 employees.

The success of the BMW Group has always been based on long-term thinking and responsible action. The company has therefore established ecological and social sustainability throughout the value chain, comprehensive product responsibility and a clear commitment to conserving resources as an integral part of its strategy.

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