

## **BMW Group reports eighth successive record year despite high upfront expenditure**

- Sales volume, earnings and revenues reach new record levels in 2017
- Pre-tax profit above € 10 billion for first time
- Additional € 1 billion euros allocated on R&D
- EBIT margin within target range
- Dividend at record level

**Munich.** The BMW Group once again demonstrated its ability to generate sustained profitability in 2017, posting its eighth successive record year. Despite a significant increase in upfront expenditure for future mobility the company reported its best ever figures to date for sales volume, revenues and earnings. In addition, the BMW Group delivered more than 100,000 electrified vehicles to customers for the first time in a single year, firmly underpinning the Group's role as a pioneer and key driver of electric mobility. In line with its Strategy **NUMBER ONE > NEXT**, the BMW Group continues to play a leading role in transforming the mobility sector with its future-oriented ACES programme: **A**utomated, **C**onnected, **E**lectrified and **S**ervices.

“We can look back on the most successful year in our corporate history and have achieved record levels for revenues and earnings for the eighth year in succession,” stated **Harald Krüger**, Chairman of the Board of Management of BMW AG in Munich on Thursday. “Since 2016, we have taken numerous strategic decisions to further grow our business on a sustainable basis in the years ahead.”

### **New sales volume, revenues and earnings records in 2017**

Automotive **sales volume** increased by 4.1% to a new record level of 2,463,526 units in 2017 (2016: 2,367,603 units). With its three premium automotive brands, BMW, MINI and Rolls-Royce, the BMW Group asserted its position as the world's leading manufacturer of premium vehicles. Deliveries of

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**electrified vehicles** jumped by 65.6% to 103,080 units, driven by the all-electric BMW i3 sales which have risen every year since the model's market launch in 2013. The BMW Group intends to increase the sales volume of electrified vehicles to at least 140,000 units in 2018 and bring more than half a million electrified vehicles onto the roads by the end of 2019.

**Group revenues** rose to a new record level of € 98,678 million in 2017 (2016: € 94,163 million; +4.8%), with currency effects slightly restraining growth. **Profit before financial result** (EBIT) rose by 5.3% to € 9,880 million (2016: € 9,386 million). **Group profit before tax** (EBT) went up significantly year-on-year, partly helped by favourable valuation effects, and – thanks to a 10.2% rise to € 10,655 million (2016: € 9,665 million) – finished the year for the first time above the ten-billion-euro mark. As in the previous year, all three operating segments – Automotive, Motorcycles and Financial Services – reported record pre-tax earnings, each making a contribution to earnings growth in 2017. The **pre-tax return on sales (EBT margin)** for the Group improved to 10.8% (2016: 10.3%), ensuring that the BMW Group remains one of the automobile industry's leaders when it comes to profitability.

**Income tax expense** amounted to € 1,949 million in the year under report (2016: € 2,755 million). The significantly lower tax expense in 2017 was mainly due to the reduction in the US federal corporate income tax rate from 35% to 21% with effect from 1 January 2018, which was taken into account in the measurement of deferred taxes at 31 December 2017. The revaluation gave rise to a positive impact of € 977 million on deferred taxes recognised through the income statement. **Group net profit** benefitted accordingly and rose to € 8,706 million (2016: € 6,910 million; +26.0%).

**Nicolas Peter**, Member of the Board of Management of BMW AG responsible for Finance, stated: "Last year we allocated around one billion euros more on research and development than in 2016 – and nevertheless increased our

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operating profit. This is what we mean by sustained profitability.” In 2017, the BMW Group raised research and development expenditure by 18.3% to € 6,108 million (2016: € 5,164 million). Expressed as a percentage of revenues, the research and development expenditure ratio at Group level rose to 6.2% (2016: 5.5%).

“In 2018, we expect the ratio to reach its highest level to date, with expenditure again rising by a further high three-digit million euro amount year-on-year. We need to earn these additional outlays by working with the utmost efficiency on the performance side while also maintaining a keen focus on the expenses side,” commented **Peter**.

### **Dividend of € 4.00 per share of common stock proposed**

“A company is only as good as its workforce. With their exemplary dedication, our employees are the driving force behind our success story,” stated **Harald Krüger**. “That is why, we pay our permanent staff in Germany the highest profit share in the sector.” At the Annual General Meeting on 17 May 2018, the Board of Management and the Supervisory Board will propose to shareholders that the **dividend** be increased to a new high of € 4.00 (2016: € 3.50) per share of common stock and € 4.02 (2016: € 3.52) per share of preferred stock. The **distribution rate** of 30.2% (2016: 33.3%) will be within the BMW Group's target range of between 30 and 40%. “The proposal to raise the dividend by a significant amount is a clear sign of the BMW Group's confidence that it is ideally placed to perform well in the future on a sustainable basis,” said **Krüger**.

### **Consistently high profitability in Automotive segment**

Automotive segment **revenues** grew by 2.5% to € 88,581 million (2016: € 86,424 million) on the back of positive sales volume figures. **EBIT** improved slightly by 2.2% to € 7,863 million (2016: € 7,695 million). The

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**EBIT margin** came in at 8.9%, unchanged from the previous year, thus finishing within the target range of between 8 and 10% or higher for the eighth financial year in a row since 2010. **Segment profit before tax** increased by 9.8% to set a new record of € 8,691 million (2016: € 7,916 million).

In 2017, the Group again delivered over two million **BMW** brand vehicles to customers. Sales volume rose by 4.2% to 2,088,283 units year-on-year (2016: 2,003,359 units). The **BMW X family** remained a significant growth driver, with 9.6% more vehicles delivered to customers – an excellent performance considering the **BMW X3** model change has been in progress since the second half of the year. Following the completion of the **BMW 5 Series Sedan** model change, December sales of the world's leading premium business sedan were more than 55% up on the previous year, while sales volume for the year as a whole grew by 6.3% to 291,856 units. Other models contributing to growth in 2017 included the **BMW 1 Series** (201,968 units; +14.7%) and the brand's flagship **BMW 7 Series** (64,311 units; +4.5%).

The **MINI** brand set a new sales volume record in 2017 with 371,881 deliveries worldwide and 3.2% year-on-year growth. Sales of the new **MINI Countryman** jumped by 30.0% (84,441 units). The **MINI Convertible** also made an important contribution to the brand's successful performance, recording sales volume growth of 12.0% (33,317 units).

**Rolls-Royce Motor Cars** delivered 3,362 units (-16.2%) to customers in almost 50 countries around the globe. The figure was achieved despite volatility in key Middle East markets and the Phantom being unavailable throughout the year due to model change. The new Phantom was unveiled to the acclaim of an international public in London in July and has already received a large number of pre-orders. First customer deliveries commenced at the beginning of this year.

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The BMW Group remains committed to its strategy of achieving a balanced distribution of sales worldwide.

The BMW Group again recorded high growth in **Asia**, where a total of 848,826 BMW, MINI and Rolls-Royce brand vehicles were sold, representing double-digit growth of 13.6% (2016: 747,291 units). The Chinese market made a key contribution to this performance with 595,020 units delivered to customers (2016: 516,785 units; +15.1%).

In **Europe**, the BMW Group sold a total of 1,101,760 units across its three brands, thus remaining at the previous year's high level (2016: 1,092,155 units; +0.9%). The sales volume figure of 241,674 units for Great Britain was down on the previous year (2016: 252,205 units; -4.2%). Deliveries to customers in France increased to 89,957 units (2016: 84,305 / +6.7%). The sales volume also increased in Italy with 86,663 deliveries (2016: 83,765 / +3.5%).

The **Americas** region saw a slight decrease in the number of deliveries over the year as a whole (451,136 units; -2.0%), with the limited availability of BMW X models having an impact on volumes. In a highly competitive market environment, deliveries in the USA dipped slightly to 353,819 units (2016: 366,493 units; -3.5%). In the fourth quarter of 2017, however, a turnaround was perceptible in both the USA (98,137 units; 2016: 96,609 units; +1.6%) and in the Americas as a whole (124,547 units; 2016: 122,393 units; +1.8%).

**Motorcycles segment deliveries surpass 150,000 units for the first time**

2017 was also a record-breaking year for the **Motorcycles segment**.

Motorcycle and maxi-scooter deliveries rose by 13.2% to 164,153 units (2016: 145,032 units), making it the seventh consecutive record-breaking year and the first in which more than 150,000 units were sold. Segment **revenues** also rose significantly to € 2,283 million (2016: € 2,069 million; +10.3%). Similarly, **EBIT**

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improved to € 207 million (2016: € 187 million; +10.7%). As in the Automotive segment, the BMW Group is also targeting an **EBIT margin** within a range of 8 to 10% in the Motorcycles segment. In the financial year 2017, the margin came in at 9.1% (2016: 9.0%). **Profit before tax** increased by 10.8% to € 205 million (2016: € 185 million).

**Financial Services segment continues to break records**

The Financial Services segment also continued to perform well in 2017. The number of **new contracts** concluded with retail customers rose slightly to 1,828,604 contracts (2016: 1,811,157 contracts; +1.0%) during the twelve-month period. At 31 December 2017, the **contract portfolio** comprised 5,380,785 contracts, thus growing by 5.2% year-on-year (2016: 5,114,906 contracts). **Segment revenues** were 7.3% higher at € 27,567 million (2016: € 25,681 million). **Profit before tax** increased slightly to € 2,207 million (2016: € 2,166 million; +1.9%).

**Increase in workforce and number of apprentices**

The size of the **workforce** grew by 4.2% in 2017. At 31 December, the BMW Group employed 129,932 people worldwide (2016: 124,729 employees). Projects relating to vehicle electrification and autonomous driving played a major role in the additional recruitment. Growth in automotive and motorcycle business on the one hand and the expansion of financial and mobility services on the other also contributed to the rise. The BMW Group continues to place great emphasis on its trainee programme and has again invested some € 350 million in basic and further training. Overall, more than 4,750 young people worldwide were employed in **vocational training** and training programmes for young talent at 31 December 2017.

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## **BMW Group targets further volume growth in 2018**

With its highly attractive model range, the BMW Group expects worldwide **deliveries** of its vehicles to rise in 2018. The increasing availability of the new BMW X3 and the launch of appealing new products such as the BMW Z4 or the BMW 8 Series are likely to provide additional momentum. “This year we are targeting another new sales record, with deliveries slightly up on the previous year”, **Krüger** stated. At the same time, the BMW Group expects the political and economic environment to remain volatile.

## **Supervisory Board**

At the Annual General Meeting to be held on 17 May 2018, the Supervisory Board will propose that Prof. Dr. Reinhard Hüttli, Chairman of the Executive Board of Helmholtz-Centre Potsdam – GFZ German Research Centre for Geosciences, Dr. Karl-Ludwig Kley, Chairman of the Supervisory Board of E.ON SE and Deutsche Lufthansa AG and Prof. Dr. Renate Köcher, Director of Institut für Demoskopie Allensbach Gesellschaft zum Studium der öffentlichen Meinung mbH, be re-elected to the BMW AG Supervisory Board.

Furthermore, the Supervisory Board will propose to the shareholders that Dr. Kurt Bock, Chairman of the Board of Executive Directors of BASF SE, be elected to the Supervisory Board of BMW AG. In agreement with the Supervisory Board, Dr. h.c. Robert Lane will resign effective the end of the Annual General Meeting. The Supervisory Board would like to thank Dr. h.c. Lane for several years of invaluable and trusted cooperation.

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Further information on the Group Financial Statements 2017 and the outlook for the current year will be available at the BMW Group's Annual Accounts Press Conference to be held in Munich on 21 March 2018.



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<b>The BMW Group – an Overview</b>		<b>2017</b>	<b>2016</b>	<b>Change in %</b>
<b>Deliveries to customers</b>				
<b>Automotive</b>	units	<b>2,463,526</b>	<b>2,367,603</b>	<b>4.1</b>
thereof: BMW	units	2,088,283	2,003,359	4.2
MINI	units	371,881	360,233	3.2
Rolls-Royce	units	3,362	4,011	-16.2
<b>Motorcycles</b>	units	<b>164,153</b>	<b>145,032</b>	<b>13.2</b>
<b>Workforce<sup>1</sup></b>				
		<b>129,932</b>	<b>124,729</b>	<b>4.2</b>
Automotive segment EBIT margin	%	8.9	8.9	-
Motorcycles segment EBIT margin	%	9.1	9.0	+0.1 % points
<b>EBT margin BMW Group</b>	%	<b>10.8</b>	<b>10.3</b>	<b>+0.5 % points</b>
<b>Revenues</b>				
	€ million	<b>98,678</b>	<b>94,163</b>	<b>4.8</b>
thereof: Automotive	€ million	88,581	86,424	2.5
Motorcycles	€ million	2,283	2,069	10.3
Financial Services	€ million	27,567	25,681	7.3
Other Entities	€ million	7	6	16.7
Eliminations	€ million	-19,760	-20,017	1.3
<b>Profit before financial result (EBIT)</b>	€ million	<b>9,880</b>	<b>9,386</b>	<b>5.3</b>
thereof: Automotive	€ million	7,863	7,695	2.2
Motorcycles	€ million	207	187	10.7
Financial Services	€ million	2,194	2,184	0.5
Other Entities	€ million	14	-17	-
Eliminations	€ million	-398	-663	40.0
<b>Profit before tax (EBT)</b>	€ million	<b>10,655</b>	<b>9,665</b>	<b>10.2</b>
thereof: Automotive	€ million	8,691	7,916	9.8
Motorcycles	€ million	205	185	10.8
Financial Services	€ million	2,207	2,166	1.9
Other Entities	€ million	80	170	-52.9
Eliminations	€ million	-528	-772	31.6
<b>Income taxes</b>	€ million	<b>-1,949</b>	<b>-2,755</b>	<b>29.3</b>
<b>Net profit</b>	€ million	<b>8,706</b>	<b>6,910</b>	<b>26.0</b>
<b>Earnings per share<sup>2</sup></b>	€	<b>13.12/13.14</b>	<b>10.45/10.47</b>	<b>25.6/25.5</b>

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

<sup>2</sup> Earnings per share of common stock/preferred stock



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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 2017, the BMW Group sold over 2,463,500 passenger vehicles and more than 164,000 motorcycles worldwide. The profit before tax in the financial year 2017 was € 10.655 billion on revenues amounting to € 98.678 billion. As of 31 December 2017, the BMW Group had a workforce of 129,932 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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