

BMW Group

Corporate and Governmental Affairs

Media Information
3 November 2009

BMW Group again achieves positive quarterly earnings

Third-quarter profit before tax of euro 126 million

Reithofer: aim is to achieve positive group earnings for 2009

Munich. Despite the continuing adverse economic climate, the BMW Group once again recorded positive earnings for the third quarter 2009. "The measures we have put in place to increase efficiency and reduce costs are taking effect", stated Norbert Reithofer, Chairman of the Board of Management of BMW AG on Tuesday in Munich. As a result, earnings for the full year 2009 are likely to be positive: "We are aiming to achieve positive group earnings for the current financial year", continued Reithofer. This prediction is made on the assumption that the global economy and conditions on the car markets do not worsen in the period up to the year-end.

Third-quarter revenues decreased to euro 11,759 million (third quarter 2008: euro 12,588 million). The Group reports a profit before financial result (EBIT) of euro 55 million (third quarter 2008: euro 387 million) and a profit before tax of euro 126 million (third quarter 2008: euro 279 million). Revenues for the nine-month period decreased to euro 36,239 million (first nine months 2008: euro 40,425 million). EBIT amounted to euro 169 million (first nine months 2008: euro 1,639 million) and the profit before tax to euro 79 million (first nine months 2008: euro 1,522 million). The profit after tax was euro 47 million (first nine months 2008: euro 1,292 million).

During the period from July to September, the automobile industry in its main sales markets was again confronted with reduced consumer spending and with intense market competition amidst unfavourable business conditions. The BMW Group was unable to avoid the effects of these developments.

The BMW Group, however, continues to benefit from having reacted quickly to the global financial and economic crisis by putting a wide range of measures into place at an early stage. As a result, the BMW Group has been able to improve its cost structures continually over the course of the year. A whole range of efficiency improvement measures are being implemented at great pace on both the cost and the revenues side to offset the impact of adverse market conditions.

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Automobiles segment aiming to achieve positive free cash flow in 2009

As a result of the stabilisation of conditions on the automobile and capital markets as well the effect of transferring the second tranche of German pension obligations to an external fund under a Contractual Trust Arrangement (CTA), liquid funds decreased to euro 9,899 million at 30 September 2009 (30 June 2009: euro 11,898 million). The BMW Group is steering towards a target of approximately euro 9 billion for the year-end. Free cash flow generated by the Automobiles segment in the third quarter 2009 was reduced by approximately euro 1.9 billion by the funding of pension obligations and investments in marketable securities. Adjusted for this effect, free cash flow would have only just been negative (minus euro 99 million) as a result of a small increase in net working capital. The adjusted free cash flow for the nine-month period was positive at euro 417 million. On the basis of this adjustment, the aim is to achieve a positive free cash flow for the full year as well.

Sales volume decrease of 10% to 15% expected for the full year 2009

Based on the sales volume growth in September 2009, the BMW Group should be able to record increases for the remaining months of the year. This will be enhanced by the new BMW X1 and 5 Series Gran Turismo models added to the model range at the end of October, which are arousing much interest amongst customers. Overall, the company expects that the sales volume decrease for the full year will be within a corridor of between 10% and 15%. "It is still too early to give the all-clear for the world's automobile markets", stressed Reithofer.

The BMW Group is cautiously optimistic about its outlook for 2010: "We expect that the markets will make a gradual recovery over the coming year", continued Reithofer. The BMW X1 and BMW 5 Series Gran Turismo should provide good momentum. This trend will be fuelled further between 2010 and 2012 when the new versions of high-selling models come onto the markets. The aim for 2012 in the Automobiles segment is still to achieve a return of sales (EBIT) of between 8% and 10% and a return on capital employed (RoCE) of more than 26%.

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Weak economy takes toll on Automobiles segment earnings

The pace of sales volume decrease continued to slow in the third quarter compared to the preceding quarter. The total number of BMW, MINI and Rolls-Royce brand vehicles delivered to customers in the period from July to September decreased by 7.2% to 324,100 units (third quarter 2008: 349,098 units). Sales of BMW brand cars dropped by 9.2% to 263,864 units (third quarter 2008: 290,661 units). The number of MINI brand cars sold increased by 3.4% to 60,104 units (third quarter 2008: 58,105 units). A total of 132 Rolls-Royce brand vehicles was sold during the third quarter 2009 (third quarter 2008: 332 units / -60.2%).

939,554 BMW, MINI and Rolls-Royce brand cars were delivered to customers in the period from January to September 2009 (first nine months 2008: 1,113,972 units / -15.7%). Sales of BMW brand cars dropped by 16.2% to 777,455 units (first nine months 2008: 928,230 units). The number of MINI brand cars sold was 12.6% down at 161,638 units (first nine months 2008: 184,915 units). 461 Rolls-Royce brand vehicles were sold during the period (first nine months 2008: 827 units / -44.3%).

Third-quarter revenues and earnings of the Automobiles segment were adversely affected by the sales volume decline caused by the global economic crisis and by intense market competition in the automobile sector. The segment reports a negative EBIT of euro 76 million (third quarter 2008: positive EBIT of euro 141 million) and a loss before tax of euro 154 million (third quarter 2008: profit before tax of euro 18 million). Revenues declined to euro 10,178 million for the quarter (third quarter 2008: euro 11,113 million) and to euro 30,610 million for the nine-month period (first nine months 2008: euro 37,029 million). The segment reports a negative EBIT of euro 358 million (first nine months 2008: positive EBIT of euro 1,155 million) and a loss before tax of euro 783 million (first nine months 2008: profit before tax of euro 882 million).

BMW Motorrad records volume decline in third quarter

The third-quarter performance of the Motorcycles segment was also dominated by difficult market conditions worldwide. 22,741 motorcycles (third quarter 2008:

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24,818) were sold during the three month period, 8.4% fewer than one year earlier. Revenues decreased to euro 239 million (third quarter 2008: euro 271 million). The Motorcycles segment reports a negative EBIT of euro 3 million (third quarter 2008: negative EBIT of euro 5 million) and a loss before tax of euro 5 million (third quarter 2008: loss before tax of euro 7 million). The number of motorcycles sold during the first nine months of the year decreased to 69,715 units (first nine months 2008: 80,750 units / -13.7%). Segment revenues fell to euro 865 million (first nine months 2008: euro 1,008 million), while EBIT dropped to euro 51 million (first nine months 2008: euro 87 million). The profit before tax amounted to euro 45 million (first nine months 2008: euro 80 million).

Financial Services segment performs well

The Financial Services segment performed well during the reporting period in the midst of unfavourable business conditions. Third-quarter segment revenues fell to euro 3,831 million (third quarter 2008: euro 4,084 million). The profit before tax improved to euro 94 million (third quarter 2008: loss before tax of euro 17 million). Nine-month revenues totalled euro 12,058 million (first nine months 2008: euro 11,818 million) and the profit before tax was euro 247 million (first nine months 2008: euro 131 million).

Compared to 31 December 2008, the segment's business volume in balance sheet terms decreased by 2.6% to euro 59,055 million. At 30 September 2009, the Financial Services segment was managing a worldwide portfolio of 3,053,166 lease contracts, up by 2.8%. The weak state of the global economy took its toll on credit financing and leasing business volumes. The number of new contracts signed worldwide with retail customers fell by 18.3% to 752,257 units for the nine-month period. Lease contracts accounted for 28.9% of total new business, 5.4 percentage points lower than in the corresponding period last year. Credit financing contracts accounted for 71.1% of new business. The proportion of new cars of the BMW Group financed or leased by the Financial Services segment was 48.9%, 0.9 percentage points higher than the proportion recorded one year earlier.

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The total volume of all new credit and leasing contracts signed with retail customers during the nine-month period under report amounted to euro 18,334 million, 18.0% down on the corresponding period year.

The risk profile with respect to residual value and credit risks was unchanged compared to the first half of the year. As before, the positive and negative effects on the risk provision offset each other. No additional expense was required to be recognised for unforeseen risk provision.

Workforce reduced

The number of employees decreased during the period under report. The BMW Group workforce comprised 98,358 employees worldwide at the end of the third quarter (September 30, 2008: 103,850 employees). This corresponds to a reduction of 5.3%. Natural fluctuation, pre-retirement part-time working arrangements and voluntary employment contract termination agreements are used in managing the size of the workforce.

At the same time, however, the BMW Group continues to recruit specialists in a number of areas, particularly in the field of research and development. In addition, even during difficult economic times, the BMW Group is showing responsibility in the area of training: 1,118 apprentices were taken on in 2009, 1,080 of them in Germany.

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The full Quarterly Report to 30 September 2009 is available for download www.bmwgroup.com/ir.

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The BMW Group – an Overview

		3rd quarter 2009	3rd quarter 2008	Change in %
Vehicle production				
Automobiles	units	333,783	334,976	-0.4
Motorcycles ¹	units	15,646	23,284	-32.8
Deliveries to customers				
Automobiles	units	324,100	349,098	-7.2
Thereof:				
BMW	units	263,864	290,661	-9.2
MINI	units	60,104	58,105	3.4
Rolls-Royce	units	132	332	-60.2
Motorcycles ²	units	22,741	24,818	-8.4
Workforce at end of quarter				
		98,358	103,850	-5.3
Operating cash flow³				
	euro million	654	1,387	-52.8
Revenues				
	euro million	11,759	12,588	-6.6
Profit before financial result (EBIT)				
	euro million	55	387	-85.8
Thereof:				
Automobiles	euro million	-76	141	-
Motorcycles	euro million	-3	-5	40.0
Financial Services	euro million	89	-26	-
Other Entities	euro million	8	180	-95.6
Eliminations	euro million	37	97	-61.9
Profit before tax				
	euro million	126	279	-54.8
Thereof:				
Automobiles	euro million	-154	18	-
Motorcycles	euro million	-5	-7	28.6
Financial Services	euro million	94	-17	-
Other Entities	euro million	40	205	-80.5
Eliminations	euro million	151	80	88.8
Income taxes				
	euro million	-48	19	-
Net profit				
	euro million	78	298	-73.8
Earnings per share⁴				
	euro	0.12/0.12	0.45/0.45	-73.3/-73.3

¹ including G 650X assembly by Piaggio S.p.A., Noale, Italy, excluding Husqvarna Motorcycles (2,981 units).

² excluding Husqvarna motorcycles (2,926 units)

³ Automobiles Segment.

⁴ for common/preferred stock in accordance with IAS 33

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		1 January to 30 September 2009	1 January to 30 September 2008	Change in %
Vehicle production				
Automobiles	units	907,429	1,154,282	-21.4
Motorcycles ¹	units	65,909	83,845	-21.4
Deliveries to customers				
Automobiles	units	939,554	1,113,972	-15.7
Thereof:				
BMW	units	777,455	928,230	-16.2
MINI	units	161,638	184,915	-12.6
Rolls-Royce	units	461	827	-44.3
Motorcycles ²	units	69,715	80,750	-13.7
Workforce at end of quarter				
		98,358	103,850	-5.3
Operating cash flow³				
	Mio. Euro	2,763	3,770	-26.7
Revenues				
	euro million	36,239	40,425	-10.4
Profit before financial result (EBIT)				
	euro million	169	1,639	-89.7
Thereof:				
Automobiles	euro million	-358	1,155	-
Motorcycles	euro million	51	87	-41.4
Financial Services	euro million	234	92	-
Other Entities	euro million	46	304	-84.9
Eliminations	euro million	196	1	-
Profit before tax				
	euro million	79	1,522	-94.8
Thereof:				
Automobiles	euro million	-783	882	-
Motorcycles	euro million	45	80	-43.8
Financial Services	euro million	247	131	88.5
Other Entities	euro million	82	542	-84.9
Eliminations	euro million	488	-113	-
Income taxes				
	euro million	-32	-230	86.1
Net profit				
	euro million	47	1,292	-96.4
Earnings per share⁴				
	euro	0.06/0.07	1.97/1.98	-97.0/-96.5

¹excluding Husqvarna motorcycles (7,098 units)

²excluding Husqvarna motorcycles (7,793 units)

³Automobiles Segment

⁴For common/preferred stock in accordance with IAS 33.

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The BMW Group is one of the most successful manufacturers of automobiles and motorcycles in the world with its BMW, MINI and Rolls-Royce brands. As a global company, the BMW Group operates 24 production facilities in 13 countries and has a global sales network in more than 140 countries.

The BMW Group achieved a global sales volume of more than 1.43 million automobiles and over 101,000 motorcycles for the 2008 financial year. Revenues for 2008 totalled EUR 53.2 billion, with earnings before interest and taxes (EBIT) of EUR 921 million. The company employed a global workforce of approximately 98,000 associates on 30 June 2009.

The success of the BMW Group has always been built 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. As a result of its efforts, the BMW Group has been ranked industry leader in the Dow Jones Sustainability Indexes for the last five years.

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