

# BMW Group

## Corporate and Governmental Affairs

Press Release

3 August 2010

### **BMW Group reports second-quarter jump in earnings**

Rise in second quarter EBT to euro 1,299 million

Automobiles segment increases EBIT to euro 1,317 million

EBIT margin of 9.6% for Automobiles segment in Q2

Six-month EBIT margin of 6.6% for Automobiles segment

Strong step in 2010 towards achieving profitability targets

Aiming for full-year sales volume growth of around 10%

**Munich.** The BMW Group recorded a significant increase in sales volume, revenues and earnings in the second quarter 2010. Group revenues increased by 18.3% to euro 15,348 million (2009: euro 12,971 million) while the profit before financial result (EBIT) rose to euro 1,717 million (2009: euro 169 million). This corresponds to an EBIT margin of 11.2%. The profit before tax jumped to euro 1,299 million (2009: euro 151 million), with the profit after tax improving to euro 834 million (2009: euro 121 million). The number of vehicles sold during the period from April to June increased by 12.5% to 380,412 units (2009: 338,190 units).

“Sharp sales volume growth on major markets and a high-value model mix are the main reasons for the strong second-quarter performance. We have also used the economic crisis as a source of opportunity and have improved efficiency significantly in all areas of the company“, stated Norbert Reithofer, Chairman of the Board of Management of BMW AG on Tuesday in Munich.

“We have made good progress towards achieving our profitability targets for the year 2012. But we have no intention of resting on our laurels. We are determined to remain on track to make the company sustainably fit for the future”, he continued.

Six-month revenues increased by 13.5% to euro 27,791 million (2009: euro 24,480 million). EBIT for the period amounted to euro 2,166 million (2009: euro 114 million) and the profit before tax was euro 1,807 million (2009: loss before tax of euro 47 million). The Group EBIT margin was therefore 7.8%. The profit after tax was euro 1,158 million (2009: loss of euro 31 million). The total number of BMW, MINI and Rolls-Royce brand vehicles delivered to customers

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during the first six months of the year rose by 13.1% to 696,026 units (2009: 615,454 units).

### **Targeting EBIT margin of over 5% in Automobiles segment in 2010**

The strong demand for new models such as the BMW 5 Series and BMW X1 alongside the sharp growth achieved with other models - including the BMW 7 Series - suggest that earnings will continue to rise dynamically during the remainder of the year. In view of the market success enjoyed by our products and the generally improved climate on international car markets, the BMW Group raised its full-year earnings and sales volume forecasts in mid-July.

The company now expects to achieve an even greater improvement in pre-tax earnings than originally forecast. "We are aiming to achieve significantly higher group earnings in 2010 than in 2009, thus making an important step towards achieving the targets we have set for 2012", stated Reithofer. The aim is to achieve an EBIT margin of over 5% in the Automobiles segment as well as sharply improved pre-tax earnings and a return on equity of over 18% in the Financial Services segment.

Attractive products and the worldwide economic recovery will help to boost sales volumes in 2010: "We intend, as the world's leading manufacturer of premium cars, to increase our sales volume in the current year by around 10% to over 1.4 million vehicles", commented Reithofer.

"That said, we still need to keep in mind that some economic risks could persist during the second half of the year", continued Reithofer. For this reason, the forecast is given with the proviso that the economic recovery continues and that general business conditions are not significantly dampened.

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In 2012, the BMW Group aims – as part of its Strategy Number ONE - to achieve an unchanged EBIT margin of eight to ten percent in the Automobiles segment and a return on equity of at least 18% in the Financial Services segment.

### **Sharp improvement in Automobiles segment's EBIT margin**

The Automobiles segment put in an extremely dynamic second-quarter performance. The segment's profit improved sharply on the back of higher sales volumes worldwide, a higher-value model-mix and better selling prices. Benefits are also already coming through from the increased use of modular components.

The second-quarter EBIT rose to euro 1,317 million (2009: negative EBIT of euro 31 million) on revenues of euro 13.669 million (2009: euro 10,827 million/+26.2%), giving an EBIT margin of 9.6%. The second-quarter profit before tax increased to euro 938 million (2009: loss before tax of euro 158 million). Six-month revenues of the Automobiles segment rose to euro 24,341 million (2009: euro 20,432 million/+19.1%). The segment EBIT for the six-month period turned from a loss of euro 282 million to a profit of euro 1,608 million, corresponding to an EBIT margin of 6.6%. The segment profit before tax improved to euro 1,158 million (2009: loss before tax of euro 629 million). Adjusted for the further externalisation of pension obligations (euro 410 million), free cash flow generated by the Automobiles segment amounted to euro 1,199 million (2009: euro 623 million/+92.5%) for the six-month period.

The total number of cars sold by the BMW brand during the first half of the year rose by 14.1% to 585,755 units (2009: 513,591 units). Models contributing to this growth included the BMW X1, the BMW X5 und X6, the BMW 7 Series and BMW Z4. The new BMW 5 Series Sedan has also had a good start: since the introduction to the European markets in mid-March, some 25,000 units have

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been sold. The new model has been available in the USA since June and is receiving a similar level of acclaim amongst customers there.

Further attractive new models going on sale in the coming months are the new BMW 5 Series Touring, the extended-wheelbase version of the BMW 5 Series Sedan for the Chinese market, the BMW X3 and the MINI Countryman.

During the first half of the year, sales of the BMW X1 and BMW 5 Series GT totalled 46,705 units and 11,803 units respectively. The sales volume of all 5 Series models taken together rose by 10.8% to 94,699 units (2009: 85,476 units), thanks, amongst other factors, to the successful start of the new 5 Series Sedan.

Also registering good growth were the BMW 7 Series with 30,711 units sold (2009: 20,479 units /+50.0%) and the BMW X5 and X6 models with a combined total of 68,632 units sold (+7.1%/2009: 64,078 units). Sales of the BMW Z4 Roadster grew by 74.7% to 14,236 units (2009: 8,148 units) for the six-month period. As a result, the BMW 7 Series, the BMW X5 and X6 as well as the

BMW Z4 all remained market leaders in their respective segments. The traditionally best selling model also increased its sales volume during the period under report: six-month sales of the BMW 3 Series were up by 3.0% to 199,027 units (2009: 193,186 units).

MINI brand sales climbed by 7.6% in the first half of the year to 109,301 units (2009: 101,534 units). Once the MINI Countryman comes onto the market from autumn onwards, the MINI brand will then have four variants. The BMW Group is confident that the first MINI Crossover model, plus model revisions of the remainder of the model range, will generate good sales momentum over the course of the second half of the year.

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Rolls-Royce sold more cars during the first half of 2010 than it has in any six-month period since making its return to the market in 2003. With 970 units (2009: 329 units) handed over to customers, the sales volume almost tripled in the first six months of the year.

The BMW Group recorded sales volume growth in virtually all markets during the first half of the year, with China, the Americas and Europe registering the highest growth rates. In Europe, the number of cars sold rose by 4.0% to 389,831 units. The company also remained on a growth course in its largest international market during the period under report, with sales of BMW, MINI and Rolls-Royce brand cars rising in the USA by 6.4% to 121,912 units. The BMW Group therefore remained the best-selling European premium car manufacturer in the US market.

Sales in Asia during the period from January to June climbed by 57.7% to 128,845 units. The Chinese market continued to grow dynamically, with the number of cars sold during the six-month period more than doubling to 75,615 units (2009: 37,627 units/+101.0%). The sales volume including Hong Kong and Taiwan was 81,807 units (+99.5%).

### **BMW Motorrad reports sharply improved second-quarter earnings**

BMW Motorrad's earnings increased sharply in the second quarter on the back of a good sales volume performance despite otherwise unfavourable business conditions. Six-month segment revenues rose by 30.7% to euro 439 million (2009: euro 336 million). EBIT for the period rose to euro 54 million (2009: euro 26 million) and the result before tax improved to euro 53 million (2009: euro 24 million). Six-month revenues increased to euro 790 million (2009: euro 626 million/+26.2%). The segment reported an EBIT for the first half of the year of euro 86 million (2009: euro 54 million) and a profit before tax of euro 83 million (2009: euro 50 million).

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Sales of BMW brand motorcycles in the second quarter increased by 21.6% to 36,175 units (2009: 29,742 units). During the first half of the year, BMW Motorrad sold 57,015 units (2009: 46,974 units). This corresponds to an increase of 21.4%. The best-seller list was headed by the large, long-distance enduro R 1200 GS, making it the best-sold bike in the 500 cc plus motorcycles segment worldwide. Sales of the S 1000 RR - the first supersport bike manufactured by BMW Motorrad - reached a total of 6,459 units worldwide in the six-month period from January to June (of which 1,223 were sold in June).

Two new luxurious BMW Touring motorcycles, the K 1600 GT and the K 1600 GTL, will be presented to the public for the first time in autumn. For the first time in the segment's history, both of these models will be fitted with six-cylinder in-line engines.

### **Sharp rise in Financial Services segment earnings**

The Financial Services segment again performed well during the period from April to June 2010. Second-quarter segment revenues, at euro 4,198 million (2009: euro 4,224 million), were virtually identical to the previous year. The pre-tax profit improved to euro 379 million (2009: euro 81 million) thanks to the economic recovery and significantly lower refinancing costs. The second-quarter segment EBIT jumped to euro 379 million (2009: euro 75 million). The six-month segment profit before tax rose to euro 601 million (2009: euro 153 million), while the segment EBIT improved to euro 592 million (euro 145 million).

At 30 June 2010, the Financial Services segment was managing a portfolio of 3,119,340 lease and credit financing contracts, 3.0% more than in the previous year. The number of new contracts rose worldwide by 8.5% to a total of 527,044 contracts. The growth of credit financing (up 10.3% on the first half of the previous year) contributed especially to this performance. The leasing business recorded a growth of 4.3%. Lease contracts and credit financing

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accounted for 28.4% and 71.6% of new business respectively. The proportion of new cars of the BMW Group financed or leased by the Financial Services segment was 46.6%, 0.4 percentage points below the proportion recorded one year earlier.

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### **Workforce of 95,502 employees at the end of second quarter**

The BMW Group had a workforce of 95,502 employees at the end of the second quarter (2009: 98,261 employees), 2.8% fewer than one year earlier. Compared to the beginning of the year, the number of employees remained more or less stable (-0.7%). As part of a forward-looking approach to skills management, the BMW Group will recruit approximately 1,000 new employees over the course of 2010, of which roughly one half will be based in Germany. Most of the new staff are being taken on to work in the areas of research and development as well as purchasing and sales. In addition, some 1,080 apprentices will be joining BMW AG in autumn 2010.



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### The BMW Group – an Overview

		2nd Quarter 2010	2nd Quarter 2009	Change in %
<b>Vehicle production</b>				
Automobiles	units	385,140	306,009	25.9
Motorcycles <sup>1</sup>	units	31,893	21,152	50.8
<b>Deliveries to customers</b>				
Automobiles	units	380,412	338,190	12.5
Thereof:				
BMW	units	319,946	280,093	14.2
MINI	units	59,775	57,942	3.2
Rolls-Royce	units	691	155	-
Motorcycles <sup>2</sup>	units	36,175	29,742	21.6
<b>Workforce at end of quarter</b>				
		95,502	98,261	-2.8
<b>Operating cash flow<sup>3</sup></b>				
	euro million	2,111	987	-
<b>Revenues</b>				
	euro million	15,348	12,971	18.3
<b>Profit before financial result (EBIT)</b>				
	euro million	1,717	169	-
Thereof:				
Automobiles	euro million	1,317	-31	-
Motorcycles	euro million	54	26	-
Financial Services	euro million	379	75	-
Other Entities	euro			
million		-81	26	-
Eliminations	euro million	48	73	-34.2
<b>Profit before tax</b>				
	euro million	1,299	151	-
Thereof:				
Automobiles	euro million	938	-158	-
Motorcycles	euro million	53	24	-
Financial Services	euro million	379	81	-
Other Entities	euro			
million		-70	18	-
Eliminations	euro million	-1	186	-
<b>Income taxes</b>				
	euro million	-465	-30	-
<b>Net profit</b>				
	euro million	834	121	-

<sup>1</sup> excluding Husqvarna Motorcycles (3,468 units).

<sup>2</sup> excluding Husqvarna Motorcycles (3,020 units).

<sup>3</sup> Automobiles segment

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<b>Earnings per share<sup>4</sup></b>		euro	1.27/1.28	-0.18/-0.19	-
			<b>January- June 2010</b>	<b>January- June 2009</b>	<b>Change in %</b>
<b>Vehicle production</b>					
Automobiles	units		705,201	573,646	22.9
Motorcycles <sup>5</sup>	units		62,115	50,263	23.6
<b>Deliveries to customers</b>					
Automobiles	units		696,026	615,454	13.1
Thereof:					
BMW	units		585,755	513,591	14.1
MINI	units		109,301	101,534	7.6
Rolls-Royce	units		970	329	-
Motorcycles <sup>6</sup>	units		57,015	46,974	21.4
<b>Workforce at end of quarter</b>					
			95,502	98,261	-2.8
<b>Operating cash flow<sup>7</sup></b>					
	euro million		2,408	2,109	14.2
<b>Revenues</b>					
	euro million		27,791	24,480	13.5
<b>Profit before financial result (EBIT)</b>					
	euro million		2,166	114	-
Thereof:					
Automobiles	euro million		1,608	-282	-
Motorcycles	euro million		86	54	59.3
Financial Services	euro million		592	145	-
Other Entities	euro million		-74	38	-
Eliminations	euro million		-46	159	-
<b>Profit before tax</b>					
	euro million		1,807	-47	-
Thereof:					
Automobiles	euro million		1,158	-629	-
Motorcycles	euro million		83	50	66.0
Financial Services	euro million		601	153	-
Other Entities	euro million		-73	42	-
Eliminations	euro million		38	337	-

<sup>4</sup> for common/preferred stock in accordance with IAS 33

<sup>5</sup> excluding Husqvarna Motorcycles (5,387 units).

<sup>6</sup> excluding Husqvarna Motorcycles (4,659 units).

<sup>7</sup> Automobiles segment

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<b>Income taxes</b>	euro million	-649	16	-
<b>Net profit</b>	euro million	1,158	-31	-
<b>Earnings per share<sup>8</sup></b>	euro	1.76/1.77	-0.05/-0.04	-

\* \* \*

The full Quarterly Report to 30 June 2010 is available for download at [www.bmwgroup.com/ir](http://www.bmwgroup.com/ir). As the world's most sustainable car company, the BMW Group has decided not to publish its quarterly reports in paper form.

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### The BMW Group

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 approximately 1.29 million automobiles and over 87,000 motorcycles for the 2009 financial year. Revenues totalled euro 50.68 billion. At 31 December 2009, the company employed a global workforce of approximately 96,000 associates.

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

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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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<sup>8</sup> for common/preferred stock in accordance with IAS 33