Media Information
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BMW Group remains on course and reaffirms outlook for 2018

- Substantial upfront expenditure for mobility of the future
- Footprint in China to be significantly expanded
- Significant increase in deliveries of electrified vehicles
- EBT Group margin within target range above 10%
- Automotive segment EBIT margin within range of 8 to 10%
- Strong free cash flow in first half of year
- New plant in Europe underlines growth prospects
- Krüger: Resolutely following our own path

Munich. The BMW Group invested substantially in the mobility of the future during the first half of the year, while at the same time firmly continuing on its course of profitable growth. Rigorous implementation of the Group's **Strategy NUMBER ONE > NEXT** is playing a key role, as the company shapes the transformation of the automotive sector. Driving this process forward, the BMW Group always remains focused on the needs and desires of its customers and is continuing its ground-breaking work on the four **ACES** topics (**A**utonomous, **C**onnected, **E**lectrified and **S**ervices/Shared). The BMW Group has also set a decisive course for its future in China, the company's largest growth market.

"We continue to focus on following our own path and remain firmly on course. We are consistently preparing ourselves to meet the demands of tomorrow. This approach enables us to remain a reliable partner – all the more important during challenging times," stated **Harald Krüger**, Chairman of the Board of Management of BMW AG, in Munich on Thursday. "The BMW Group has more than 100 years of experience in dealing with volatility in a changing world. Our vision remains clearly on long-term prospects. It is crucial that we remain focused on the key issues of profitability, growth and innovation to ensure our competitive edge going forward."

As planned, this year the BMW Group has significantly increased its upfront expenditure on future mobility. **Research and development** expenses over the first six months of 2018 were more than € 300 million higher than in the corresponding period one year earlier and totalled € 2,610 million (+13.6%). As previously reported, full-year R&D expenses are likely to reach up to seven per cent of Group revenues in the current year (2017: 6.2%).

In addition to ramping up production to drive the new model offensive, the BMW Group is focusing on expanding its activities in the fields of electric mobility and autonomous driving. In both cases, the **BMW iNEXT** will serve as a technological spearhead that sets new standards. It will be presented to the public as a vision vehicle during the second half of 2018 and will be built at the Dingolfing plant from 2021 onwards. This underlines the significance of Germany as a key location for future technologies and a centre of competence for electric mobility.

Commitment in China taken to a new level

Over the past few weeks, the BMW Group has also taken numerous steps to expand its footprint and the scale of its commercial success in **China**. The BMW Group and Brilliance Automotive Group have agreed to further expand their joint venture BMW Brilliance Automotive (BBA) and, from 2020 onwards, to export the all-electric **BMW iX3** (which will be manufactured by BBA) to markets outside of China.

As previously stated, the BMW Group welcomes China's commitment to a further opening of its markets and initiating reforms by lifting the foreign shareholding limit for automotive joint ventures for passenger vehicles as from 2022. However, it remains the BMW Group's policy not to comment publicly on ongoing discussions with partners.

In addition to expanding the BBA joint venture, the BMW Group has signed an agreement with the Chinese manufacturer Great Wall Motor to produce electric

MINI vehicles in China through a mutual 50:50 joint venture. As well as electric MINI vehicles, the "Spotlight Automotive Limited" joint venture will also produce electric vehicles for Great Wall Motor. The establishment of the new company is subject to approval by the relevant Chinese authorities and the finalisation of business registration procedures.

The BMW Group is also investing in **Europe**, adding a new plant in Hungary to its existing production network and thereby maintaining a good balance in terms of global manufacturing between Asia, America and Europe. "The decision to construct this new plant highlights the BMW Group's prospects for growth," said **Krüger**. "This new location will also produce vehicles powered by combustion engines and electrified drivetrains on the same production line."

The BMW Group is developing worldwide into a mobility tech company and systematically expanding its expertise and capacities in the field of **software development**. To this end, during the second quarter the BMW Group signed an agreement with CRITICAL Software to form a joint venture called Critical TechWorks, subject to examination and approval by the relevant antitrust authorities. The BMW Group's stake in Critical TechWorks secures access to the know-how and skills of a highly successful European software development company, whose locations in Lisbon and Porto are witnessing dynamic growth in this sector. Meanwhile, the BMW Group continues to increase the number of people engaged in IT and software development in Germany and at its many other facilities around the world.

BMW Group underlines its leading role in electric mobility

The BMW Group has pioneered electric mobility and followed this path resolutely ever since the market launch of the BMW i3 almost five years ago. Following the launch of the new BMW i8 Roadster, the BMW Group's product range now includes ten electrified models. The number of electrified BMW and

MINI vehicles delivered since the beginning of the year has increased to 60,660 units (+42.5%), underlining the BMW Group's position among the world's leading providers of premium e-mobility. "We are delivering on our promise of more than 140,000 electrified vehicles this year," said **Krüger**. Furthermore, production of the battery-electric MINI will begin at the Oxford plant at the end of 2019, followed in 2020 by the all-electric BMW iX3, which will be manufactured in Shenyang, China. Together with the BMW iNEXT and the BMW i4, the BMW Group is set to have **25 electrified models** on the roads by 2025, half of which will be all-electric.

BMW Group on course after first half of year

A successful and sustainably profitable core business continues to form the backbone of the BMW Group. "We always see challenging conditions as an opportunity to leverage our competitive edge to the best advantage. A clear focus and high flexibility are our response to an environment characterised by dynamic change," commented **Nicolas Peter**, Member of the Board of Management of BMW AG, Finance. "We are endeavouring to ensure that the BMW Group remains profitable on a sustainable basis. The company's financial strength and its position as the world's most profitable manufacturer enable us to achieve our aims. These fundamental qualities guarantee our ability to shape tomorrow's mobility with our own resources – even in times of volatility." The Automotive segment generated free cash flow of € 1,944 million during the first six months of the year (2017: € 2,035 million; -4.5%) and continues to target a figure in excess of three billion euros for the full year.

Deliveries of BMW, MINI and Rolls-Royce premium brand vehicles increased by 1.8% to 1,242,507 units (2017: 1,220,819 units) during the **first half of the year**. **Group revenues** amounted to € 47,717 million (2017: € 49,691 million; -4.0%). Adjusted for currency effects, revenues were at a similar level to the previous year (-0.3%). In view of the significantly higher upfront expense incurred for research and development activities, **profit before financial result** (EBIT) amounted to € 5,479 million (2017: € 5,753 million; -4.8%). The financial result for the six-month period benefited from the contribution of € 444 million (2017: € 342 million) made by the BBA joint venture in China. **Profit before tax** (EBT) amounted to € 6,038 million (2017: € 6,238 million; -3.2%). The **EBT margin** for the Group came in at 12.7% (2017: 12.6%). **Group net profit** amounted to € 4,383 million (2017: € 4,491 million; -2.4%).

Second-quarter deliveries edged up by 0.7% to 637,878 units (2017: 633,582 units). **Group revenues** for the three-month period totalled € 25,023 million (2017: € 25,765 million; -2.9%, currency adjusted +0.1%). **Profit before financial result** (EBIT) finished at € 2,746 million (2017: € 2,932 million; -6.3%) due to a significant increase in upfront R&D expenditure. **Profit before tax** (EBT) amounted to € 2,873 million (2017: € 3,058 million; -6.0%). The **EBT margin** came in at 11.5% (2017: 11.9%), above the target of 10 percent set for the Group. **Group net profit** amounted to € 2,082 million (2017: € 2,217 million; -6.1%).

Automotive segment: EBIT margin within target range

Six-month revenues for the **Automotive segment** totalled € 41,518 million (2017: € 42,166 million; -1.5%; currency adjusted +2.4%). Segment **EBIT** amounted to € 3,800 million (2017: € 4,121 million; -7.8%), resulting in an **EBIT margin** of 9.2% (2017: 9.8%). **Profit before tax** for the six-month period amounted to € 4,343 million (2017: € 4,676 million; -7.1%).

At € 22,192 million, **second-quarter Automotive segment revenues** were at a similarly high level to the previous year (€ 22,165 million; +0.1%, currency adjusted +3.2%). In addition to considerably higher R&D expenses, second-quarter **EBIT** was also negatively impacted on a low- to mid-three-digit million-euro scale by exchange-rate effects and higher raw materials prices. To a large extent additional costs were offset by efficiency improvements. Overall, **EBIT** for the three-month period amounted to € 1,919 million (2017: € 2,244 million; -14.5%), resulting in an **EBIT margin** for the Automotive segment of 8.6% (2017: 10.1%), which lies within the unchanged target range of between 8 and 10%. **Profit before tax** reached € 2,062 million (2017: € 2,391 million; -13.8%).

The excellent second-quarter sales performance means that the BMW Group has now recorded growth in 35 consecutive quarters. The ramp-up of production of the **BMW X3** in China and South Africa will enable the BMW Group to meet the high market demand for its coveted X models. This increased availability means the company expects sales growth to accelerate during the second half of the year.

The conversion of BMW models to the new **WLTP** test procedure is proceeding according to plan and has been largely completed. In addition, around 190 models currently already comply with the Euro 6d-TEMP emissions standard, which does not become mandatory for all new registrations until 1 September 2019. The range of these models extends from conventional petrol and diesel vehicles to BMW i and BMW iPerformance as well as BMW M GmbH.

A total of 1,059,296 **BMW** brand vehicles were delivered to customers worldwide (2017: 1,038,030 units; +2.0%) during the first half of the year. The **BMW 1 Series** (98,396 units; +7.2%), the **BMW X1** (152,866 units; +11.8%) and the **BMW 5 Series** (191,185 units; +14.9%) were among the numerous models that have contributed to sales volume growth since the beginning of the year. The BMW 5 Series Sedan took first place in the business sedan segment over the six-month period. Improved availability resulted in a 24.6% jump in monthly deliveries of the **BMW X3** to 17,584 units in June.

At 181,430 units (+0.1%) worldwide deliveries of **MINI** brand vehicles during the first six months of the year matched the high level recorded one year earlier. The MINI Countryman was particularly popular, with 48,692 units (+39.8%) delivered to customers during the first half of the year.

Six-month deliveries of **Rolls-Royce** brand vehicles rose by 13.1% (1,781 units) year-on-year. Rolls-Royce models remain in high demand in most regions, including a positive upward trend in China. Market conditions in the Middle East, however, remain volatile. In addition to excellent sales figures for the new Phantom, demand for the Black Badge versions of the Dawn, Ghost and Wraith models is surpassing expectations. The new Rolls-Royce Cullinan was presented in May to great acclaim and has generated a sizeable order book stretching well into next year.

All three **major sales regions** contributed to volume growth in the first half of the year. In **Europe**, the number of vehicles delivered increased slightly year-on-year (562,102 units; +1.2%). Deliveries of BMW Group vehicles were also up in the **Americas** region (226,061 units; +3.9%), with all markets in the region recording volume growth in the first half of 2018 , including the USA (176,570 units; +2.8%). Sales figures for **Asia** were also higher for the six-month period (423,890 units; +1.9%). The BMW Group's largest market, China, saw a slight increase in deliveries (300,153 units; +2.2%).

Motorcycles segment revamps model range

BMW Motorrad is revamping its model range on a massive scale in 2018, with nine new models being launched. However, production adjustments necessary during the ramp-up phase are having a negative impact on delivery numbers. During the first **six months** of the year, the **Motorcycles segment** delivered a total of 86,975 motorcycles and maxi-scooters to customers (2017: 88,389 units; -1.6%). **Revenues** totalled € 1,182 million (2017: € 1,315 million; -10.1%).

Profit before financial result amounted to € 175 million (2017: € 229 million; -23.6%), leading to an EBIT margin of 14.8% (2017: 17.4%). **Profit before tax** for the six-month period amounted to € 174 million (2017: € 228 million; -23.7%).

A total of 51,117 units (2017: 52,753 units; -3.1%) were delivered to customers during the **second quarter**, generating **revenues** of € 658 million (2017: € 695 million; -5.3%). **Profit before financial result** fell to € 98 million (2017: € 104 million; -5.8%), corresponding to an EBIT margin in the segment of 14.9% for the quarter (2017: 15.0%). **Profit before tax** for the three-month period amounted to € 96 million (2017: € 103 million; -6.8%).

Financial Services segment remains firmly on course

The **Financial Services segment** continued to perform well during the **first six months** of 2018. In total, 932,211 (2017: 934,237; -0.2%) **new credit financing and lease contracts** were signed during the first half of 2018. The **contract portfolio** with retail customers comprised 5,506,901 contracts at 30 June 2018 (31 December 2017: 5,380,785 contracts; +2.3%). **Segment revenues** totalled € 13,815 million (2017: € 14,090 million; -2.0%). **Profit before tax** amounted to € 1,166 million (2017: € 1,184 million; -1.5%) for the six-month period.

A total of 480,303 (2017: 468,603 / +2.5%) **new credit financing and lease contracts** were signed during the **second quarter**. **Segment revenues** amounted to € 7,141 million (2017: € 7,044 million; +1.4%). **Profit before tax** amounted to € 605 million (2017: € 589 million; +2.7%).

Increase in workforce size

The BMW Group's **workforce** comprised 131,636 employees at 30 June 2018, 1.3% more than at 31 December 2017. The Group continues to recruit skilled workers and IT specialists in future-oriented areas including digitalisation, autonomous driving and electric mobility.

BMW Group reaffirms targets for the financial year 2018

The BMW Group is confident of achieving its projected targets for the current financial year – largely driven by its strong brands, its attractive product portfolio and the expectation that international automobile markets will continue their generally upward trend. These favourable factors are offset by extremely high levels of upfront expenditure for new technologies, intense competition and rising personnel expenses. The global political and economic environment is expected to remain volatile.

The BMW Group reaffirms its targets for the full year. **Deliveries** and **revenues** for the **Automotive segment** are both forecast to grow slightly to achieve new highs in 2018. **Group profit before tax** is being targeted at the previous year's level. The **EBIT margin** for the Automotive segment is expected to remain within the target range of between 8 and 10%.

In connection with the planned bundling of its mobility services, the BMW Group has announced that – subject to approval by antitrust authorities in the current year – the establishment of the joint venture will have a one-off valuation and earnings effect and result in an adjustment to the outlook. Under these circumstances, the **Group profit before tax** for 2018 would be slightly higher than in the previous year. The effect described above has no impact on the EBIT margin of the Automotive segment.

Forecasts for the current financial year are based on the assumption that worldwide economic and political conditions will not change significantly.

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The BMW Group – an overview		1st half year 2018	1st half year 2017	Change in %
Deliveries to customers				
Automotive	units	**1,242,507**	**1,220,819**	**1.8**
Thereof: BMW	units	1,059,296	1,038,030	2.0
MINI	units	181,430	181,214	0.1
Rolls-Royce	units	1,781	1,575	13.1
Motorcycles	units	**86,975**	**88,389**	**-1.6**
Workforce[1]	(compared to 31.12.2017)	**131,636**	**129,932**	**1.3**
Automotive segment EBIT margin[3]	%	9.2	9.8	-0.6 %points
Motorcycles segment EBIT margin[3]	%	14.8	17.4	-2.6 %points
EBT margin BMW Group[3]	%	**12.7**	**12.6**	**+0.1 %points**
Revenues[3]	€ million	**47,717**	**49,691**	**-4.0**
Thereof: Automotive[3]	€ million	41,518	42,166	-1.5
Motorcycles[3]	€ million	1,182	1,315	-10.1
Financial Services	€ million	13,815	14,090	-2.0
Other Entities	€ million	3	3	-
Eliminations[3]	€ million	-8,801	-7,883	-11.6
Profit before financial result (EBIT) [3]	€ million	**5,479**	**5,753**	**-4.8**
Thereof: Automotive[3]	€ million	3,800	4,121	-7.8
Motorcycles	€ million	175	229	-23.6
Financial Services	€ million	1,176	1,192	-1.3
Other Entities	€ million	16	12	33.3
Eliminations[3]	€ million	312	199	56.8
Profit before tax (EBT) [3]	€ million	**6,038**	**6,238**	**-3.2**
Thereof: Automotive[3]	€ million	4,343	4,676	-7.1
Motorcycles	€ million	174	228	-23.7
Financial Services	€ million	1,166	1,184	-1.5
Other Entities	€ million	78	19	-
Eliminations[3]	€ million	277	131	-
Income taxes[3]	€ million	**-1,648**	**-1,747**	**5.7**
Net profit[3,4]	€ million	**4,383**	**4,491**	**-2.4**
Earnings per share[2,3]	€	**6.60/6.61**	**6.79/6.80**	**-2.8/-2.8**

[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] 2017 figures were adjusted according to IFRS 15 – see note [5] in quarterly report.
[4] 2018 figure incl. -7 Mio. € from discontinued operations

The BMW Group – an overview		2nd quarter 2018	2nd quarter 2017	Change in %
Deliveries to customers				
Automotive	units	**637,878**	**633,582**	**0.7**
Thereof: BMW	units	541,849	534,585	1.4
MINI	units	95,055	98,155	-3.2
Rolls-Royce	units	974	842	15.7
Motorcycles	units	**51,117**	**52,753**	**-3.1**
Workforce[1]	(compared to 31.12.2017)	**131,636**	**129,932**	**1.3**
Automotive segment EBIT margin[3]	%	8.6	10.1	-1.5 %points
Motorcycles segment EBIT margin[3]	%	14.9	15.0	-0.1 %points
EBT margin BMW Group[3]	%	**11.5**	**11.9**	**-0.4 %points**
Revenues[3]	€ million	**25,023**	**25,765**	**-2.9**
Thereof: Automotive[3]	€ million	22,192	22,165	0.1
Motorcycles[3]	€ million	658	695	-5.3
Financial Services	€ million	7,141	7,044	1.4
Other Entities	€ million	1	1	-
Eliminations[3]	€ million	-4,969	-4,140	-20.0
Profit before financial result (EBIT)[3]	€ million	**2,746**	**2,932**	**-6.3**
Thereof: Automotive[3]	€ million	1,919	2,244	-14.5
Motorcycles	€ million	98	104	-5.8
Financial Services	€ million	607	588	3.2
Other Entities	€ million	7	8	-12.5
Eliminations[3]	€ million	115	-12	-
Profit before tax (EBT)[3]	€ million	**2,873**	**3,058**	**-6.0**
Thereof: Automotive[3]	€ million	2,062	2,391	-13.8
Motorcycles	€ million	96	103	-6.8
Financial Services	€ million	605	589	2.7
Other Entities	€ million	8	23	-65.2
Eliminations[3]	€ million	102	-48	-
Income taxes[3]	€ million	**-784**	**-841**	**6.8**
Net profit[3,4]	€ million	**2,082**	**2,217**	**-6.1**
Earnings per share[2,3]	€	**3.13/3.14**	**3.34/3.35**	**-6.3/-6.3**

[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] 2017 figures were adjusted according to IFRS 15 – see note [5] in quarterly report.
[4] 2018 figure incl. -7 Mio. € from discontinued operations

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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