

Creative Global Investments

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BMW: 4Q/FY12A prel. results comment

Even stronger than expected performance at Autos, as structural improvement in earnings power and booming Asia and NA counteract a negative Europe: EBIT EUR 2.08bn/10.6% in 4Q12A and EUR 7.62bn/10.9% in FY12A. Management 2013 guidance expected with presentation of full set of FY12 results on Tuesday, March 19th. FY12 EPS were up 4.3% at EUR 7.77, proposed DPS 8.7% at EUR 2.50.

Better than expected divisional mix at FY12 record group results that came in a shade below our expectation. Automotive and Financial Services exceeded our estimates by 1.2% and 4.6% respectively. Neither division benefitted from any one-off income in 4Q12. FY12 results at Motorcycles and Eliminations were below our expectations. (See pp. 3-4 and our report 'BMW - 4Q/FY12E preview' of March 12th.)

Autos reported better than expected FY12 EBIT and margin. A 10.6% increase in sales generated a 2.0% increase in EBIT to EUR 7.62bn/10.9, marginally beating our estimate of EUR 7.54bn/10.7%. We estimate that positives beside higher sales included 1) growing benefits from new models; 2) booming sales in a highly profitable Chinese market and 3) tailwinds from currency; and negatives included 1) an expected doubling in incremental costs for future projects; 2) declining share of sales in Germany and WEurope; 3) growing pricing pressures in Europe. (See pp. 5-9.)

2013E-14E estimates confirmed ahead of FY13 management guidance: At Autos, we expect for FY13E that a 5.4% sales increase (1.95m units) will result in a 2.4% increase in EBIT to EUR 7.80bn and a further dip in margin to 10.4%. For 2014E, we expect that a 9.2% sales increase (to 2.12m) will result in an 11.4% increase in EBIT to EUR 8.69bn/10.5%. Positives include considerable annual efficiency gains driven by new models and a continuing strong performance in China; negatives include a further rise in incremental upfront investment for the future and continuing pricing pressure. We expect earnings growth to slow to 3.9% and EUR 8.07/share in FY13E and accelerate again to 7.0% and EUR 8.63 in 2014E. (See p.10).

BMW shares - our view: The current BMW share price of EUR 70.00 values BMW at 8.7x 2013E prospective earnings and at 8.1x prospective 2014E earnings; the latter is a 21% discount to the 10-year average historic valuation of 10.3x. This is inconsistent with the implication that our 2014E EPS estimates (EUR 8.63) are 11% above FY12's record EUR 7.77 and 100% higher than the 10-yr average (EUR 4.31). (See pp.11-12.)

BMW – Share summary (2006-14E)

Current price (EUR)	70.00								
Market capital. ¹ (EUR bn)	44.84								
December year-end	2006	2007	2008	2009	2010	2011	2012P/E ²	2013E	2014E
EPS (EUR)	4.38	4.78	0.49	0.31	4.93	7.45	7.77	8.07	8.63
CFPS (EUR)	15.34	18.23	18.32	12.95	7.20	11.19	14.34	14.90	15.77
BVPS (EUR)	39.3	39.8	41.4	43.6	42.0	44.0	40.9	47.2	53.4
DPS (EUR)	0.70	1.06	0.30	0.30	1.30	2.30	2.50	2.70	2.90
Free CFPS (EUR)	1.43	3.22	-0.12	-1.12	3.89	2.02	4.89	4.09	4.39
P/E (x)	16.0	14.6	141.6	225.8	14.2	9.4	9.0	8.7	8.1
PCF (x)	4.6	3.8	3.8	5.4	9.7	6.3	4.9	4.7	4.4
Price/BV (x)	1.8	1.8	1.7	1.6	1.7	1.6	1.7	1.5	1.3
P/revenue (x)	0.92	0.80	0.84	0.88	0.74	0.65	0.58	0.55	0.50
Dividend yield (%)	1.0	1.5	0.4	0.4	1.9	3.3	3.6	3.9	4.1
Free CF yield (%)	2.0	4.6	-0.2	-1.6	5.6	2.9	7.0	5.8	6.3

Close 03.15.2013 (1) All classes of shares. (2) Preliminary figures are blue areas only. Source: Company data and CGI estimates.

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Timetable – 4Q/FY12 results for BMW

Company	Owned by	Sub-sector	Country	Currency	Date	Dividend, prel. Results	Results Press Conference	Analyst/Investor Meeting/CF Call
BMW	-	OEM	D	EUR	est. Thur, March 14 th	am		
BMW	-	OEM	D	EUR	Tue, March 19 th		10:00CET 10:00-12:00 CET	
BMW	-	OEM	D	EUR	Wed, March 20 th			10:00-12:00 CET Munich

Note: In BMW accounts EBIT refers to 'profit before financial results' and thus also excludes results from equity accounted investments.

Preliminary group results 4Q/FY12A

FY12A, group EBIT of EUR 8.30bn/10.8%

The BMW group reported for FY12 an 11.7% increase in revenue and a 3.5% increase in EBIT to EUR 8.30bn/10.8% vs. FY11's EUR 8.02bn/11.7%, which is marginally (1.6%) lower than our forecast of EUR 8.44bn/10.9%.

Adjusted for one-off items, FY12A group EBIT advanced

In FY11, headline group EBIT had been boosted by one-off income of EUR 524m (EUR 439m at FS (from the adjustment of residual values and credit risk provisions and a better than expected off-lease business) and EUR 85m at the Auto division); FY12 results were boosted by a one-off profit of EUR 124m from better than expected off-lease business at FS. Adjusted for these one-off items, FY12A group EBIT increased 9.1% to EUR 8.18bn/10.6%, from EUR 7.49bn/10.9% in FY11.

Earnings were 4.3% higher at EUR 5.06bn or EUR 7.77/share

Pre-tax profit advanced 5.9% to EUR 7.82bn/10.2% and included a net financial charge of EUR 0.48bn, marginally lower than our estimate of EUR 7.96bn/10.3% (including a financial charge of EUR 0.47bn). Group earnings advanced 4.3% to EUR 5.09bn/6.6% or EUR 7.77 per share and an implied 34.5% tax rate; this is 1.3% lower than our estimate of EUR 5.16bn/6.7% or EUR 7.92 per share (with an implied 34.8% tax rate.)

Divisional mix better than we expected

Although group results came in a shade below our expectations, and in line with consensus, the divisional mix was better than we expected, with Automotive and Financial Services (FS) exceeding our EBIT estimates by 1.2% and 4.6% respectively, or by a combined EUR 155m (FY12A vs. FY12E). We understand that neither division benefitted from any one-off income in 4Q12 and that the strong performance was rather operational. In 4Q12A, a 12.1% yoy increase in group revenue to EUR 20.54bn resulted in an 11.9% increase in EBIT to EUR 1.89bn and a 9.2% margin, compared to 4Q11's EUR 1.66bn/9.0%. (See p.4 for divisional split of results and estimates.)

BMW – Group results (1Q10-FY12E)

	1Q10	2Q10	3Q10	4Q10	FY10	FY10R	1Q11R	2Q11R	3Q11R	4Q11R	FY11	1Q12	2Q12	3Q12	1-3Q12	4Q12A	FY12A	4Q12E	FY12E
(EUR m)																			
Revenue	10,672	15,348	15,940	16,746	60,477	60,477	16,037	17,888	16,547	18,349	68,821	18,293	19,202	18,817	56,312	20,536	76,848	21,012	77,324
EBIT ¹	449	1,717	1,192	1,736	5,094	5,111	1,795	2,802	1,761	1,660	8,018	2,132	2,270	2,004	6,406	1,894	8,300	2,030	8,436
Financial income	59	-418	167	-66	-258	-258	-90	-152	-72	-321	-635	-56	-293	-72	-421	-115	-481	-108	-474
Pre-tax profit	508	1,299	1,359	1,670	4,836	4,853	1,705	2,650	1,689	1,339	7,383	2,076	1,977	1,932	5,985	1,779	7,819	1,922	7,962
Less tax charge	184	465	485	468	1,602	1,610	563	875	578	460	2,476	727	700	562	1,989	572	2,697	650	2,775
Profit after tax	324	834	874	1,202	3,234	3,243	1,142	1,775	1,111	879	4,907	1,349	1,277	1,370	3,996	1,207	5,122	1,273	5,188
Minorities	1	3	1	11	16	16	8	5	6	9	26	7	3	9	19	10	29	10	29
Net profit	323	831	873	1,191	3,218	3,227	1,134	1,770	1,105	870	4,881	1,342	1,274	1,361	3,977	1,197	5,093	1,263	5,159
Margin (%)																			
EBIT ¹	3.6	11.2	7.5	10.4	8.4	8.5	11.2	15.7	10.6	9.0	11.7	11.7	11.8	10.6	11.4	9.2	10.8	9.7	10.9
Pre-tax profit	4.1	8.5	8.5	10.0	8.0	8.0	10.6	14.8	10.2	7.3	10.7	11.3	10.3	10.3	10.6	8.7	10.2	9.1	10.3
Tax rate (%)	36.2	35.8	35.7	28.0	33.1	33.2	33.0	33.0	34.2	34.4	33.5	35.0	35.4	29.1	33.2	32.2	34.5	33.8	34.8
Net profit	2.6	5.4	5.5	7.2	5.3	5.3	7.1	9.9	6.7	4.7	7.1	7.3	6.6	7.2	7.1	5.8	6.6	6.0	6.7

R= restated. (1) In BMW accounts EBIT refers to 'profit before financial results' and thus also excludes results from equity accounted investments. Source: Company data and CGI estimates

Eliminations

In FY12, Eliminations of EUR -0.95bn were larger than we expected and reflect a growing leasing business and higher value per vehicle.

4Q12 EBIT at Motorcycles affected by planned Husqvarna sale

At Motorbikes a 4Q12 EUR -73m loss reduced the divisional FY12 EBIT to EUR 8m/0.6%, vs. FY11's EUR 49m/3.1% and EUR 80m/5.0% in FY12E. We understand that the deeper than expected 4Q12 loss was due to restructuring charges ahead of the agreed sale of Husqvarna, acquired in 2007, to the Austrian Pierer Industrie AG.

Financial Services

At FS, a reported 11.6% decline in headline EBIT to EUR 1.56bn from EUR 1.76bn in FY11 implies an 8.3% increase in EBIT, when adjusted for the aforementioned one-off effects of EUR 439m and EUR 124m respectively.

Management guidance 2013 due on March 19th

Management are planning to give their FY13 guidance when presenting the full set of FY12 results on Tuesday, March 19th. So far, CEO Reithofer has only stated that BMW were targeting further growth in unit sales and warned that 'economic conditions were likely to remain challenging in many markets'. In the first two months of 2013, group sales increased 7.1% yoy to 257.0k units.

BMW group – P&L by division (1Q10-FY12A/E)

BMW – P&L by division (1Q10-FY12E)

(EUR m)	1Q10	2Q10	3Q10	4Q10	FY10	FY10R	1Q11R	2Q11R	3Q11R	4Q11R	FY11	1Q12	2Q12	3Q12	1-3Q12	4Q12A	FY12A	4Q12E	FY12E
Revenue																			
Automotive	10,672	13,669	14,210	15,586	54,137	54,137	14,373	16,674	15,344	16,838	63,229	16,159	17,366	17,187	50,712	19,496	70,208	19,725	70,437
Motorcycles ¹	351	439	291	223	1,304	1,304	397	450	334	255	1,436	448	410	358	1,216	274	1,490	378	1,594
Financial Services ¹	4,004	4,198	4,278	4,137	16,617	16,617	4,183	4,181	4,276	4,870	17,510	4,800	4,866	4,916	14,582	4,968	19,550	5,029	19,611
Other ¹	1	1	1	2	5	4	1	1	1	2	5	1	2	1	4	1	5	1	5
Eliminations	-2,585	-2,959	-2,840	-3,202	-11,586	-11,585	-2,917	-3,418	-3,408	-3,616	-13,359	-3,115	-3,442	-3,645	-10,202	-4,203	-14,405	-4,122	-14,324
Group	12,443	15,348	15,940	16,746	60,477	60,477	16,037	17,888	16,547	18,349	68,821	18,293	19,202	18,817	56,312	20,536	76,848	21,012	77,324
EBIT																			
Automotive	291	1,317	1,152	1,595	4,355	4,355	1,708	2,408	1,819	1,542	7,477	1,878	2,021	1,649	5,548	2,076	7,624	1,989	7,537
Motorcycles	32	54	2	-17	71	71	31	47	-16	-17	45	37	48	-3	82	-73	9	-2	80
Financial Services	213	379	308	301	1,201	1,201	403	739	364	257	1,763	426	441	424	1,291	267	1,558	199	1,490
Other	7	-81	0	33	-41	-41	17	21	-153	96	-19	13	14	17	44	14	58	-14	30
Eliminations	-94	48	-270	-176	-492	-475	-257	-359	-298	-334	-1,248	-222	-254	-83	-559	-390	-949	-141	-700
Group	449	1,717	1,192	1,736	5,094	5,111	1,902	2,856	1,716	1,544	8,018	2,132	2,270	2,004	6,406	1,894	8,300	2,030	8,436
EBIT margin (%)																			
Automotive	2.7	9.6	8.1	10.2	8.0	8.0	11.9	14.4	11.9	9.2	11.8	11.6	11.6	9.6	10.9	10.6	10.9	10.1	10.7
Motorcycles	9.1	12.3	0.7	-7.6	5.4	5.4	7.8	10.4	-4.8	-6.7	3.1	8.3	11.7	-0.8	6.7	-26.6	0.6	-0.6	5.0
Financial Services	5.3	9.0	7.2	7.3	7.2	7.2	9.6	17.7	8.5	5.3	10.1	8.9	9.1	8.6	8.9	5.4	8.0	4.0	7.6
Group	3.6	11.2	7.5	10.4	8.4	8.5	11.9	16.0	10.4	8.4	11.7	11.7	11.8	10.6	11.4	9.2	10.8	9.7	10.9
Financial Income																			
Automobiles	-71	-379	133	-151	-468	-468	-103	-111	-74	-366	-654	-58	-270	54	-274	-155	-429	-76	-350
Motorcycles	-2	-1	-2	-1	-6	-6	-1	0	-1	-2	-4	0	-1	-1	-2	-1	-3	-2	-4
Financial Services	9	0	10	-6	13	13	26	5	-10	6	27	8	-10	1	-1	4	3	1	0
Other	-10	11	40	45	86	86	-41	-80	-34	6	-149	-34	-28	-56	-118	54	-64	-32	-150
Eliminations	133	-49	-14	47	117	117	29	34	47	35	145	28	16	-15	29	-17	12	1	30
Group	59	-418	167	-66	-258	-258	-90	-152	-72	-321	-635	-56	-293	-17	-366	-115	-481	-108	-474
Pre-tax profit																			
Automotive	220	938	1,285	1,444	3,887	3,887	1,605	2,297	1,745	1,176	6,823	1,820	1,751	1,703	5,274	1,921	7,195	1,913	7,187
Motorcycles	30	53	0	-18	65	65	30	47	-17	-19	41	37	47	-4	80	-74	6	-4	76
Financial Services	222	379	318	295	1,214	1,214	429	744	354	263	1,790	434	431	425	1,290	271	1,561	200	1,490
Other	-3	-70	40	78	45	45	-24	-59	-187	102	-168	-21	-14	-39	-74	68	-6	-46	-120
Eliminations	39	-1	-284	-129	-375	-358	-228	-325	-251	-299	-1,103	-194	-238	-98	-530	-407	-937	-140	-670
Group	508	1,299	1,359	1,670	4,836	4,853	1,812	2,704	1,644	1,223	7,383	2,076	1,977	1,987	6,040	1,779	7,819	1,922	7,962
Pre-tax margin (%)																			
Automotive	2.1	6.9	9.0	9.3	7.2	7.2	11.2	13.8	11.4	7.0	10.8	11.3	10.1	9.9	10.4	9.9	10.2	9.7	10.2
Motorcycles	8.5	12.1	0.0	-8.1	5.0	5.0	7.6	10.4	-5.1	-7.5	2.9	8.3	11.5	-1.1	6.6	-27.0	0.4	-1.1	4.7
Financial S	5.5	9.0	7.4	7.1	7.3	7.3	10.3	17.8	8.3	5.4	10.2	9.0	8.9	8.6	8.8	5.5	8.0	4.0	7.6
Group	4.1	8.5	8.5	10.0	8.0	8.0	11.3	15.1	9.9	6.7	10.7	11.3	10.3	10.6	10.7	8.7	10.2	9.1	10.3
Less tax charge																			
Automotive	82	331	459	408	1,280	1,280	522	727	564	19	1,832	639	619	591	1,849	-	-	630	2,479
Motorcycles	11	19	0	-10	20	20	10	14	-5	-7	12	12	17	-1	28	-	-	-2	26
Financial services	79	133	109	125	446	446	151	272	105	525	1,053	146	157	136	439	-	-	68	507
Other	-1	-22	11	-10	-22	-22	-4	-4	-17	-12	-37	-2	-1	-4	-7	-	-	-30	-37
Eliminations	13	4	-94	-45	-122	-114	-79	-114	-85	-106	-384	-68	-92	-24	-184	-	-	-17	-201
Group	184	465	485	468	1,602	1,610	600	895	562	419	2,476	727	700	698	2,125	572	2,697	650	2,775
Profit after tax																			
Automotive	138	607	826	1,036	2,607	2,607	1,083	1,570	1,181	1,157	4,991	1,181	1,132	1,112	3,425	-	-	1,282	4,707
Motorcycles	19	34	0	-8	45	45	20	33	-12	-12	29	25	30	-3	52	-	-	-3	49
Financial services	143	246	209	170	768	768	278	472	249	-262	737	288	274	289	851	-	-	132	983
Other	-2	-48	29	88	67	67	-20	-55	-170	114	-131	-19	-13	-35	-67	-	-	-16	-83
Eliminations	26	-5	-190	-84	-253	-244	-149	-211	-166	-193	-719	-126	-146	-74	-346	-	-	-123	-469
Group	324	834	874	1,202	3,234	3,243	1,212	1,809	1,082	804	4,907	1,349	1,277	1,289	3,915	1,207	5,122	1,273	5,188
Tax rate (%)																			
Automotive	37.3	35.3	35.7	28.3	32.9	32.9	32.5	31.6	32.3	1.6	26.9	35.1	35.4	34.7	35.1	-	-	33.0	34.5
Motorcycles	36.7	35.8	NM	55.6	30.8	30.8	33.3	29.8	29.4	36.8	29.3	32.4	36.2	25.0	35.0	-	-	35.0	35.0
Financial Services	35.6	35.1	34.3	42.4	36.7	36.7	35.2	36.6	29.7	199.6	58.8	33.6	36.4	32.0	34.0	-	-	33.8	34.0
Group	36.2	35.8	35.7	28.0	33.1	33.2	33.1	33.1	34.2	34.3	33.5	35.0	35.4	35.1	35.2	32.2	34.5	33.8	34.8

R= restated. Source: Company data and CGI estimates

Automotive segment – prel. results 4Q/FY12A

**FY12 EBIT up 2.0% at
EUR 7.62bn**

In FY12, the Auto division generated a better result than we expected. A previously reported 10.6% increase in sales to 1.85m units generated an 11.0% increase in revenue and a 2.0% increase in EBIT to EUR 7.62bn/10.9% vs. FY11's EUR 7.48bn/11.8% and topping our EBIT estimate of EUR 7.54bn/10.7% by 1.2%. Adjusted for a one-off income of EUR 85m in 2Q11, FY12 EBIT was 3.1% higher than FY11's EUR 7.39bn/11.7%.

**BMW Auto margin in line
with Audi's**

BMW remained well positioned among its peers Audi, with a reported 0.6% increase in EBIT to EUR 35.38bn/11.0% and Mercedes-Benz, which reported a 15.5% decline in FY12 EBIT to EUR 4.39bn/7.1%. BMW Auto's margin was in line with Audi's 10.6% in 4Q12 and just a shade below Audi's 11.0% in FY12. (See table on p. 6.)

BMW – Auto - results, deliveries and production (1Q10-FY12E)

	1Q10	2Q10	3Q10	4Q10	FY10	1Q11	2Q11 ³	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	1-3Q12	4Q12A	FY12A	4Q12E	FY12E
(EUR m)																		
Revenue	10,672	13,669	14,210	15,586	54,137	14,373	16,674	15,344	16,838	63,229	16,159	17,366	17,187	50,712	19,496	70,208	19,725	70,437
% change yoy	11.1	26.2	39.6	18.7	23.8	34.7	22.0	8.0	8.0	16.8	12.4	4.2	12.0	9.3	15.8	11.0	17.1	11.4
Gross profit	1,349	2,593	2,465	3,027	9,434	2,930	3,747	3,107	3,281	13,065	3,271	3,521	3,121	9,913	-	-	3,822	13,735
Gross margin (%)	12.6	19.0	17.3	19.4	17.4	20.4	22.5	20.2	19.5	20.7	20.2	20.3	18.2	19.5	-	-	19.4	19.5
EBIT ¹	291	1,317	1,152	1,595	4,355	1,708	2,408	1,819	1,542	7,477	1,878	2,021	1,649	5,548	2,076	7,624	1,989	7,537
EBIT margin (%)	2.7	9.6	8.1	10.2	8.0	11.9	14.4	11.9	9.2	11.8	11.6	11.6	9.6	10.9	10.6	10.9	10.1	10.7
Net financial result	-71	-379	133	-161	-478	-103	-111	-74	-366	-654	-58	-270	54	-274	-155	-429	-76	-350
Pre-tax profit	220	938	1,285	1,434	3,877	1,605	2,297	1,745	1,176	6,823	1,820	1,751	1,703	5,274	1,921	7,195	1,913	7,187
Unit revenue (%-yoy)	-2.4	12.2	23.6	3.2	9.0	11.0	3.0	-1.0	-1.2	2.3	1.1	-1.2	2.8	0.9	-0.9	1.3	0.3	1.7
Units ('000)																		
Deliveries ²	315.6	380.4	366.2	399.0	1,461.2	382.8	450.6	399.2	436.4	1,669.0	425.5	475.0	435.0	1,335.5	509.7	1,845.2	509.7	1,845.2
% change yoy	13.8	12.5	13.0	15.1	13.6	21.3	18.5	9.0	9.4	14.2	11.2	5.4	9.0	8.3	16.8	10.6	16.8	10.6
Production	320.1	385.1	347.2	428.9	1,481.3	430.5	449.5	437.0	421.2	1,738.2	460.9	451.8	475.1	1,387.7	-	-	496.4	1,884.2
% change yoy	19.6	25.9	4.0	22.2	17.7	34.5	16.7	25.9	-1.8	17.3	7.1	0.5	8.7	5.4	-	-	17.9	8.4
Over-production	4.4	4.7	-19.0	29.9	20.1	47.6	-1.1	37.7	-15.2	69.2	35.4	-23.3	40.1	52.2	-	-	-13.2	39.0

(1) In BMW accounts EBIT refers to 'profit before financial results' and thus also excludes results from equity accounted investments. (2) 4Q-FY12 retail sales were announced on January 10th. See tables for retail sales by model and markets on pp.8-9. Source: Company data and CGI estimates

Management are due to give details regarding positive and negative factors affecting the 2012 performance when presenting the full set of results on Tuesday, March 19th.

FY12 margin at 10.9%

In our view, the only modest increase in EBIT and the margin squeeze in FY12A, was despite positive factors such as 1) higher sales; 2) growing benefits from new models; 3) booming sales in a highly profitable Chinese market and 4) tailwinds from currency, and was due to several negative factors that include 1) an expected doubling in costs for upfront investments for future projects; 2) declining share of sales in the domestic German and West European markets; 3) growing pricing pressures in the European car markets. (See for a more detailed discussion also our report 'BMW – 4Q/FY12E preview' of March 12th.)

**Accelerating model
momentum**

We estimate that positives include growing cost benefits from an accelerating model momentum as new models should provide ceteris paribus cost benefits in the order of 7-9% vs. their predecessor models. We thus estimate that BMW Auto was able to generate efficiency gains in the order of EUR 0.8-0.9bn in FY12E, compared to EUR 0.52bn in 2011.

**FY12 sales spear-
headed by 40% jump in
China**

In terms of regional split, the division's 10.6% increase in retail sales was spearheaded by booming sales in higher margin markets in China and Asia overall. BMW generated a 40.4% sales jump in mainland China to 328.0k units or 17.8% of divisional sales; and in Asia a 31.6% increase to 494.1k units or 26.8% of sales. There was an extraordinary boost in 4Q12, with sales jumping 90.4% yoy in China and 45.2% in Asia. Sales in the US grew 13.8% to 348.6k units and 13.2% to 386.3k units in North America. (See table for retail sales by region on p. 8.)

China contribution to PBT set to increase 24% to EUR 2.55bn

We estimate that because of a superior model-mix and high uptake of options, mainland China's contribution to PBT increased 24% to EUR 2.55bn in FY12E, from a calculated EUR 2.06bn in FY11. Our estimates imply that in FY12E China contributed 18% to sales and 36% to PBT, after 14% and 30% respectively in FY11. We assume that the pricing pressure in the premium segment in China remained localised and restricted to some Tier 1 cities with mature car markets.

Currency tailwind

We estimate that currency was a considerable tailwind of some EUR 0.8-0.9bn.

Efficiency gains exceeded by higher R&D

However, we understand that One Future, the additional burden from upfront investment for future projects should amount 'to more than EUR 1.0bn', thus be more than double the incremental costs of EUR -0.47bn incurred in FY11. This implies that the net effect from efficiency gains and incremental costs that was marginally positive in FY11 should turn negative in the order of up to EUR 0.2bn in FY12E.

Severe pricing pressure

We expect that in FY12 BMW was affected by a pricing decline by as much as 120-150bpts, implying a negative impact of up to EUR 1bn on EBIT. This is related to growing pricing pressures in Europe that have now transcended the Southern European markets that are in recession and spread into Germany and Northern Europe. We understand that the pricing environment deteriorated throughout the year; while in 1Q12, the pricing impact (vs. the previous year) was some 50-bpts or less than EUR -0.1bn, the pricing decline accelerated to some 150-bpts in 2-3Q12, implying an EBIT impact of EUR 0.25-0.30bn per quarter, resulting in a negative impact of some EUR 0.7bn in 1-3Q12.

4Q12A EBIT at EUR 2.08bn or 10.6%

4Q12A

The FY12 results imply for 4Q12 that a 16.8% yoy previously reported increase in sales to 510k units generated a 35% yoy jump in EBIT to EUR 2.08bn/10.6%, implying a margin improvement by 1.4%-pts from 4Q12's EUR 1.54bn and 9.2%.

We believe that the implied yoy improvement, besides having been driven growing benefits from an accelerating model momentum, was helped by the absence of launch costs in the order of EUR 0.3-0.4bn related to the running out of the previous 3-Series that had burdened 4Q11 results and a positive currency effect in the order of EUR 0.3bn. This is despite our assumption that pricing remained at 3Q12 level, thus some 150bpts below 4Q11 level and a fourth instalment for One Future.

Profitability comparison - BMW, Mercedes – Benz Cars & Audi (1Q10-FY12)

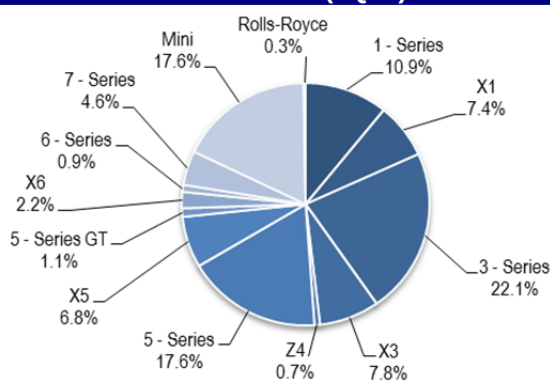
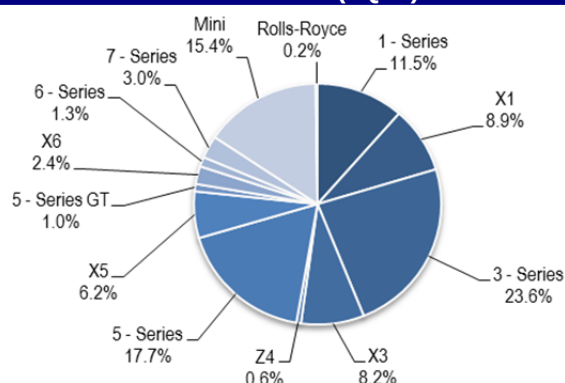
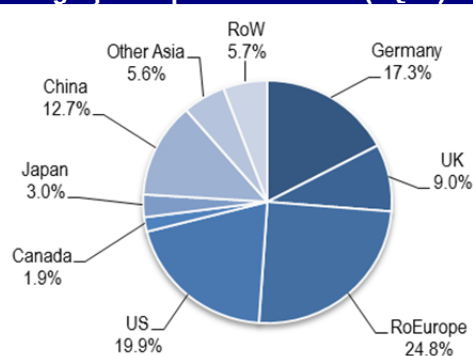
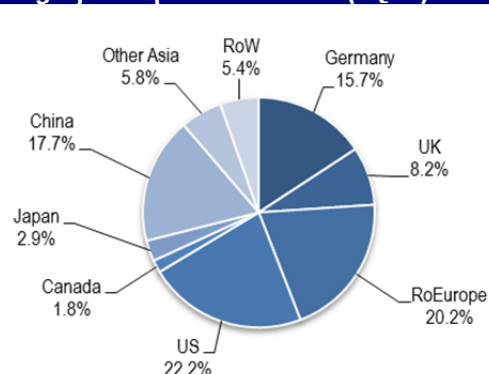
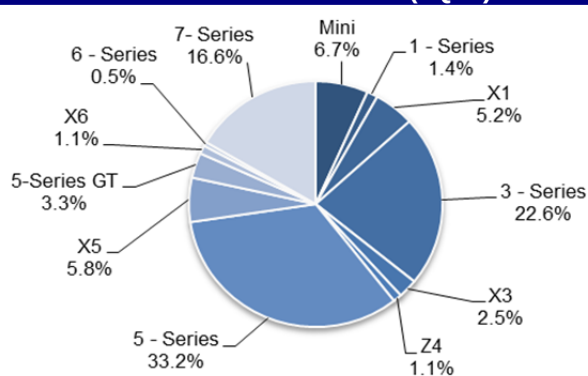
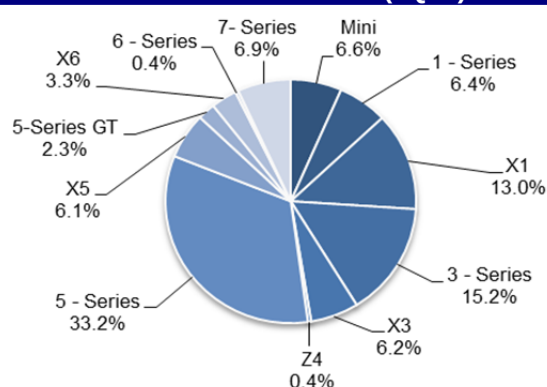
	1Q10	2Q10	3Q10	4Q10	FY10	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12
Revenue (EUR m)															
BMW	10,672	13,669	14,210	15,586	54,137	14,373	16,674	15,344	16,838	63,229	16,159	17,366	17,187	19,496	70,208
M-B Cars	11,595	14,018	13,661	14,152	53,426	13,860	14,647	13,826	15,077	57,410	14,937	15,364	15,238	16,121	61,660
Audi	8,260	9,305	8,433	9,443	35,441	10,514	11,012	10,868	11,702	44,096	12,389	12,633	12,645	11,104	48,771
OP/EBIT (EUR m)															
BMW ¹	291	1,317	1,152	1,595	4,355	1,708	2,408	1,819	1,542	7,477	1,878	2,021	1,649	2,076	7,624
M-B Cars	806	1,376	1,299	1,175	4,656	1,288	1,566	1,108	1,230	5,192	1,252	1,314	975	848	4,389
Audi ¹	478	853	940	1,069	3,340	1,115	1,425	1,420	1,388	5,348	1,412	1,464	1,327	1,177	5,380
Margin (%)															
BMW	2.7	9.6	8.1	10.2	8.0	11.9	14.4	11.9	9.2	11.8	11.6	11.6	9.6	10.6	10.9
M-B Cars	7.0	9.8	9.5	8.3	8.7	9.3	10.7	8.0	8.2	9.0	8.4	8.6	6.4	5.3	7.1
Audi	5.8	9.2	11.1	11.3	9.4	10.6	12.9	13.1	11.9	12.1	11.4	11.6	10.5	10.6	11.0
Units ('000)															
BMW	382.8	450.6	399.2	436.4	1,669.0	382.8	450.6	399.2	436.4	1,669.0	425.5	475.0	435.0	509.7	1,845.2
M-B Cars	271.7	335.7	321.5	336.4	1,265.2	305.5	359.8	331.5	366.1	1,362.9	340.9	367.6	335.4	379.9	1,423.8
Audi	264.4	291.2	274.7	263.4	1,093.7	312.8	340.7	320.7	330.0	1,304.3	346.6	387.7	364.7	358.2	1,455.8
Unit revenue (EUR k)															
BMW	27.88	30.33	35.59	35.72	32.44	37.55	37.00	38.44	38.58	37.88	37.97	36.56	39.51	38.25	38.05
M-B Cars	42.67	41.76	42.50	42.07	42.23	45.36	40.71	41.70	41.19	42.12	43.82	41.79	45.43	42.43	43.31
Audi	31.24	31.95	30.70	35.85	32.40	33.61	32.32	33.89	35.46	33.81	35.74	32.58	34.67	31.00	33.50
Unit profit (EUR)															
BMW	760	2,923	2,886	3,655	2,609	4,462	5,344	4,556	3,533	4,480	4,413	4,255	3,791	4,073	4,132
M-B Cars	2,966	4,099	4,041	3,493	3,680	4,216	4,352	3,342	3,360	3,809	3,673	3,574	2,907	2,232	3,083
Audi	1,808	2,929	3,422	4,058	3,054	3,564	4,182	4,428	4,206	4,100	4,073	3,776	3,638	3,286	3,696

(1) BMW and Audi 'profit before financial results' and thus also excludes results from equity accounted investments, such as JV in China. Source: Company data and CGI estimates

BMW – Automotive CF (1Q10-FY12E)

(EUR m)	1Q10	2Q10	3Q10	4Q10	FY10	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	1-3Q12	new 4Q12E	new FY12E	old 4Q12E	old FY12E
Net profit	138	607	826	1,036	2,607	1,083	1,570	1,181	1,157	4,991	1,181	1,132	1,112	3,425	1,288	4,713	1,282	2,394
Depreciation	906	990	877	989	3,762	867	856	887	954	3,564	853	1,013	832	2,698	966	3,664	966	1,798
Depr /chage leased prods.	2	2	1	1	5	-2	-5	17	19	29	1	-1	18	18	-8	10	-8	10
Gross Cash Flow	1,046	1,599	1,704	2,025	6,374	1,948	2,421	2,085	2,130	8,584	2,035	2,144	1,962	6,141	2,236	8,377	2,230	4,192
Change in provisions	-375	-42	275	1,011	869	216	-123	89	395	577	292	-244	-405	-357	257	-100	257	-148
Other	-220	591	-568	1,477	1,280	855	897	-160	-2,086	-494	-319	-508	1,475	648	-348	100	-348	1,127
CF from operations	451	2,148	2,052	4,513	8,523	3,019	3,200	1,997	439	8,667	2,008	1,393	3,014	6,432	2,145	8,577	2,139	5,171
WCR	-154	-37	353	-536	-374	-943	-185	-313	-149	-1,590	285	448	-397	336	64	400	64	-333
CF- operating activities	297	2,111	1,764	3,977	8,149	2,076	3,010	1,701	290	7,077	2,293	1,840	2,635	6,768	2,209	8,977	2,203	4,838
Capital expenditure	-577	-557	-693	-1,356	-3,183	-428	-545	-828	-1,764	-3,565	-585	-852	-1,187	-2,624	-2,151	-4,775	-2,151	-3,338
Other	-43	-442	-1,392	-481	-2,358	-14	-855	-895	-396	-2,160	-357	-117	36	-438	-482	-920	-482	-446
CF - investment activities	-620	-999	-2,085	-1,837	-5,541	-442	-1,400	-1,723	-2,160	-5,725	-942	-969	-1,151	-3,062	-2,633	-5,695	-2,633	-3,784
Free CF	-323	1,112	-321	2,140	2,608	1,634	1,610	-22	-1,870	1,352	1,351	871	1,484	3,706	-424	3,282	-430	1,054
Net inv. in marketable sec	0	410	1,253	200	1,863	-10	198	651	-58	781	284	-18	-132	134	16	150	16	-116
Adj. FCF ¹	-323	1,522	932	2,340	4,471	1,624	1,808	629	-1,928	2,133	1,635	853	1,352	3,840	-408	3,432	-414	938

Source: Company data and CGI estimates.

BMW – Model-mix retail sales (4Q11)**BMW – Model-mix retail sales (4Q12)****BMW – Geographic split retail sales (4Q11)****BMW – Geographic split retail sales (4Q12)****BMW – Model-mix mainland China (4Q11)****BMW – Model-mix mainland China (4Q12)**

Source: Company data and CGI calculations

Source: Company data and CGI calculations

BMW Auto – Retail sales by model series (1Q10 – FY12A)

	1Q10	2Q10	3Q10	4Q10	FY10	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12A	3Q12	1-3Q12	4Q12A	FY12A
Units ('000)																
- 1 - Series	47.9	55.9	47.9	44.3	196.0	45.1	49.4	34.6	47.4	176.4	54.2	59.6	54.6	168.4	58.4	226.8
- X1	19.7	27.3	25.4	27.7	100.0	27.2	35.5	31.6	32.1	126.4	29.5	34.9	38.1	102.5	45.3	147.8
- 3 - Series	91.6	107.2	96.8	103.4	399.0	87.8	105.2	95.2	96.4	384.5	91.2	102.8	92.6	286.6	120.1	406.8
- X3	11.7	13.1	10.4	10.8	46.0	22.7	30.8	30.2	34.2	117.9	35.2	38.9	33.7	107.8	42.0	149.9
- Z4	6.5	7.8	6.4	3.9	24.6	4.5	6.0	5.1	3.2	18.8	4.1	4.7	3.3	12.2	3.0	15.2
- 5 - Series	34.7	48.2	53.6	75.5	212.0	79.2	79.4	74.5	77.0	310.1	75.7	90.4	81.6	247.7	90.2	337.9
- X5	22.9	23.6	28.2	27.5	102.2	23.1	25.6	26.3	29.8	104.8	26.6	25.8	24.3	76.7	31.8	108.5
- 5 - Series GT	4.5	7.3	7.4	7.3	26.5	6.3	5.9	5.3	5.0	22.5	6.6	5.1	4.3	16.0	5.1	21.1
- X6	10.8	11.3	12.3	11.9	46.4	9.7	11.6	10.0	9.5	40.8	11.0	9.8	10.6	31.5	12.2	43.7
- 6 - Series	1.3	1.7	2.1	0.7	5.8	0.8	2.4	2.1	4.1	9.4	4.7	5.7	6.3	16.6	6.6	23.2
- 7 - Series	14.2	16.5	16.6	18.5	65.8	14.8	16.9	17.1	19.9	68.8	17.8	12.7	13.3	43.8	15.4	59.2
BMW brand	265.8	319.9	307.0	331.5	1,224.3	321.2	368.7	332.1	358.5	1,380.4	356.5	390.5	362.9	1,110.0	430.1	1,540.1
Mini brand	49.5	59.8	58.4	66.4	234.2	60.9	81.1	66.3	76.8	285.1	68.2	83.7	71.3	223.2	78.3	301.5
Rolls-Royce	0.3	0.7	0.8	1.0	2.7	0.7	0.9	0.8	1.1	3.5	0.8	0.8	0.7	2.3	1.2	3.6
Group	315.6	380.4	366.2	399.0	1,461.2	382.8	450.6	399.2	436.4	1,669.0	425.5	475.0	435.0	1,335.5	509.7	1,845.2
%-change yoy																
- 1 - Series	2.4	-10.6	-12.6	-16.1	-9.7	-5.9	-11.7	-27.7	6.9	-10.0	20.2	20.8	57.9	30.5	23.3	28.6
- X1	-	-	-	225.9	1076.5	38.6	30.1	24.5	16.0	26.4	8.4	-1.7	20.7	8.7	40.8	16.9
- 3 - Series	2.4	3.4	-2.5	-1.2	0.5	-4.2	-1.9	-1.7	-6.8	-3.6	3.9	-2.2	-2.6	-0.5	24.6	5.8
- X3	-9.3	-12.7	-22.3	-24.6	-17.3	94.1	134.6	190.2	218.0	156.4	55.3	26.0	11.6	28.7	22.9	27.1
- Z4	313.4	18.1	-27.1	-32.5	8.0	-30.1	-23.0	-20.0	-19.2	-23.5	-8.3	-21.2	-34.8	-21.9	-4.2	-18.9
- 5 - Series	-14.5	7.3	27.9	65.7	22.6	128.2	64.7	39.1	1.9	46.3	-4.4	13.9	9.5	6.3	17.2	9.0
- X5	4.8	5.3	40.7	12.0	15.0	1.1	8.6	-6.7	8.2	2.6	14.7	0.9	-7.5	2.2	6.9	3.5
- 5 - Series GT	-	-	-	139.6	767.8	39.9	-19.7	-27.6	-32.0	-15.2	4.7	-12.6	-18.6	-8.2	1.6	-6.1
- X6	21.2	3.9	15.8	6.5	11.4	-10.3	2.3	-18.4	-20.7	-12.0	13.7	-15.3	5.8	0.4	28.8	7.0
- 6 - Series	-39.1	-36.0	-4.0	-55.5	-32.4	-41.1	39.0	1.7	484.0	60.7	489.5	134.9	198.0	212.5	61.3	146.8
- 7 - Series	54.1	46.6	28.7	-4.2	24.9	4.0	2.9	2.6	7.9	4.5	20.0	-24.9	-22.2	-10.3	-22.8	-13.9
BMW brand	13.8	14.2	16.3	13.8	14.6	20.8	15.2	8.2	8.1	12.8	11.0	5.9	9.3	8.6	20.0	11.6
Mini brand	13.6	3.2	-2.8	21.0	8.1	22.9	35.6	13.4	15.7	21.7	12.1	3.2	7.6	7.2	1.9	5.8
Rolls-Royce	60.3	345.8	474.2	81.7	170.6	159.1	25.8	12.0	11.6	30.5	6.5	-4.5	-14.5	-4.7	13.9	1.0
Group	13.8	12.5	13.0	15.1	13.6	21.3	18.5	9.0	9.4	14.2	11.2	5.4	9.0	8.3	16.8	10.6
Share (%)																
- 1 - Series	15.2	14.7	13.1	11.1	13.4	11.8	11.0	8.7	10.9	10.6	12.7	12.6	12.6	12.6	11.5	12.3
- X1	6.2	7.2	6.9	6.9	6.8	7.1	7.9	7.9	7.4	7.6	6.9	7.3	8.8	7.7	8.9	8.0
- 3 - Series	29.0	28.2	26.4	25.9	27.3	22.9	23.3	23.8	22.1	23.0	21.4	21.6	21.3	21.5	23.6	22.0
- X3	3.7	3.5	2.8	2.7	3.1	5.9	6.8	7.6	7.8	7.1	8.3	8.2	7.8	8.1	8.2	8.1
- Z4	2.0	2.0	1.7	1.0	1.7	1.2	1.3	1.3	0.7	1.1	1.0	1.0	0.8	0.9	0.6	0.8
- 5 - Series	11.0	12.7	14.6	18.9	14.5	20.7	17.6	18.7	17.6	18.6	17.8	19.0	18.8	18.5	17.7	18.3
- X5	7.3	6.2	7.7	6.9	7.0	6.0	5.7	6.6	6.8	6.3	6.2	5.4	5.6	5.7	6.2	5.9
- 5 - Series GT	1.4	1.9	2.0	1.8	1.8	1.6	1.3	1.3	1.1	1.3	1.5	1.1	1.0	1.2	1.0	1.1
- X6	3.4	3.0	3.4	3.0	3.2	2.5	2.6	2.5	2.2	2.4	2.6	2.1	2.4	2.4	2.4	2.4
- 6 - Series	0.4	0.5	0.6	0.2	0.4	0.2	0.5	0.5	0.9	0.6	1.1	1.2	1.4	1.2	1.3	1.3
- 7 - Series	4.5	4.3	4.5	4.6	4.5	3.9	3.8	4.3	4.6	4.1	4.2	2.7	3.1	3.3	3.0	3.2
BMW brand	84.2	84.1	83.8	83.1	83.8	83.9	81.8	83.2	82.1	82.7	83.8	82.2	83.4	83.1	84.4	83.5
Mini brand	15.7	15.7	16.0	16.6	16.0	15.9	18.0	16.6	17.6	17.1	16.0	17.6	16.4	16.7	15.4	16.3
Rolls-Royce	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Group	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: 4Q/FY12 retail sales were announced on January 10th. Source: Company data and CGI estimates

BMW Auto – Retail sales by region (1Q10 – FY12P/E)

	1Q10	2Q10	3Q10	4Q10	FY10	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	1-3Q12	4Q12P/E	FY12P/E
Units ('000)																
- Germany	58.8	73.5	59.3	75.6	267.2	64.1	80.3	65.4	75.5	285.3	63.0	79.1	65.1	207.2	80.0	287.3
- UK	32.3	40.9	44.0	37.7	154.8	39.3	44.3	44.8	39.1	167.5	39.0	45.9	47.8	132.7	41.9	174.7
- Other Europe	86.0	98.5	84.5	100.3	369.3	96.8	112.9	87.6	108.4	405.7	99.1	111.2	90.0	300.3	103.1	403.3
Europe	177.0	212.8	187.8	213.6	791.2	200.1	237.6	197.7	223.0	858.4	201.1	236.3	202.9	640.2	225.0	865.3
- US	55.1	66.8	70.7	74.0	266.6	65.2	78.8	76.0	87.0	306.3	75.9	83.0	76.5	235.5	113.1	348.6
- Canada	5.6	9.5	8.3	8.4	31.7	6.1	10.8	8.6	8.4	35.0	7.2	11.2	10.3	28.7	9.0	37.7
North America	60.7	76.2	79.0	82.4	298.3	71.3	89.6	85.0	95.4	341.3	83.2	94.2	86.8	264.2	122.1	386.3
- Japan	9.9	11.0	11.2	11.5	43.6	9.7	12.1	12.8	13.1	47.7	14.0	13.7	14.3	42.0	14.9	57.0
- Mainland China	34.2	41.4	46.2	47.2	169.0	58.7	63.3	56.2	55.4	233.6	80.2	79.1	78.3	237.7	90.4	328.0
- Other Asia	14.8	17.5	20.2	21.1	73.7	21.8	24.5	23.4	24.4	94.2	24.7	27.0	27.8	79.4	29.7	109.1
Asia	58.9	69.9	77.6	79.8	286.3	90.1	99.9	92.4	93.0	375.5	118.9	119.9	120.4	359.1	135.0	494.1
Rest of World	18.9	21.4	21.8	23.2	85.3	21.3	23.5	24.0	25.0	93.8	22.4	24.7	24.9	72.0	27.5	99.5
World	315.6	380.4	366.2	399.0	1,461.2	382.8	450.6	399.2	436.4	1,669.0	425.5	475.0	435.0	1,335.5	509.7	1,845.2
%-change yoy																
- Germany	-3.5	-9.0	-1.0	14.6	-0.1	9.0	9.2	10.3	-0.1	6.8	-1.6	-1.4	-0.5	-1.2	6.0	0.7
- UK	6.8	34.2	12.6	0.8	12.9	21.7	8.5	1.9	3.7	8.2	-0.7	3.5	6.8	3.4	7.3	4.3
- Other Europe	9.7	4.4	-1.1	1.3	3.4	12.5	14.7	3.6	8.0	9.8	2.4	-1.5	2.7	1.0	-4.9	-0.6
Europe	4.4	3.6	1.8	5.5	3.9	13.0	11.6	5.3	4.4	8.5	0.5	-0.5	2.6	0.8	0.9	0.8
- US	7.5	5.6	9.0	18.1	10.1	18.2	18.0	7.5	17.6	14.9	16.5	5.4	0.7	7.4	30.0	13.8
- Canada	29.3	4.6	-0.3	15.1	9.5	9.0	14.2	3.3	0.5	10.3	18.9	3.4	19.9	12.6	6.9	7.7
North America	9.2	5.4	7.9	17.8	10.1	17.3	17.6	7.7	15.9	14.4	16.7	5.1	2.1	7.4	28.0	13.2
- Japan	-3.3	6.3	8.4	13.1	6.1	-2.4	9.8	14.0	14.2	9.2	44.4	13.9	11.7	21.7	13.6	19.5
- Mainland China	106.3	96.8	86.6	67.6	86.7	71.6	52.9	21.6	17.4	38.2	36.6	25.0	39.3	33.3	63.1	40.4
- Other Asia	34.4	40.4	58.8	37.8	42.9	47.1	39.9	15.9	15.6	27.8	13.4	10.0	18.6	13.9	21.5	15.9
Asia	55.7	59.4	62.3	48.8	56.3	53.0	42.9	19.0	16.5	31.1	31.9	20.0	30.2	27.1	45.2	31.6
Rest of World	32.6	29.7	17.0	11.7	21.6	12.3	9.6	10.3	7.9	9.9	5.4	5.0	3.7	4.6	10.1	6.1
World	13.8	12.5	13.0	15.1	13.6	21.3	18.5	9.0	9.4	14.2	11.2	5.4	9.0	8.3	16.8	10.6
Share (%)																
- Germany	18.6	19.3	16.2	18.9	18.3	16.7	17.8	16.4	17.3	17.1	14.8	16.7	15.0	15.5	15.7	15.6
- UK	10.2	10.7	12.0	9.4	10.6	10.3	9.8	11.2	9.0	10.0	9.2	9.7	11.0	9.9	8.2	9.5
- Other Europe	27.2	25.9	23.1	25.2	25.3	25.3	25.1	21.9	24.8	24.3	23.3	23.4	20.7	22.5	20.2	21.9
Europe	56.1	55.9	51.3	53.5	54.1	52.3	52.7	49.5	51.1	51.4	47.3	49.7	46.6	47.9	44.2	46.9
- US	17.5	17.6	19.3	18.6	18.2	17.0	17.5	19.0	19.9	18.4	17.8	17.5	17.6	17.6	22.2	18.9
- Canada	1.8	2.5	2.3	2.1	2.2	1.6	2.4	2.1	1.9	2.1	1.7	2.4	2.4	2.2	1.8	2.0
North America	19.2	20.0	21.6	20.6	20.4	18.6	19.9	21.3	21.9	20.5	19.5	19.8	20.0	19.8	24.0	20.9
- Japan	3.1	2.9	3.1	2.9	3.0	2.5	2.7	3.2	3.0	2.9	3.3	2.9	3.3	3.1	2.9	3.1
- Mainland China	10.8	10.9	12.6	11.8	11.6	15.3	14.1	14.1	12.7	14.0	18.9	16.7	18.0	17.8	17.7	17.8
- Other Asia	4.7	4.6	5.5	5.3	5.0	5.7	5.4	5.9	5.6	5.6	5.8	5.7	6.4	5.9	5.8	5.9
Asia	18.7	18.4	21.2	20.0	19.6	23.6	22.2	23.2	21.3	22.5	27.9	25.2	27.7	26.9	26.5	26.8
Rest of World	6.0	5.6	6.0	5.8	5.8	5.6	5.2	6.0	5.7	5.6	5.3	5.2	5.7	5.4	5.4	5.4

(1) Full geographic split available only at publication of 4Q-FY12 results on March 19th. Source: Company data and CGI estimates

Overview

BMW – overview (2006-14E)

Ordinary share price (EUR)	70.00									
Market capitalisation (EUR bn) ¹	44.84									
No of shares (m) ²	654.7									
	2006	2007	2008	2009	2010	2010R	2011	2012P/E ⁴	2013E	2014E
Values per share (EUR)										
EPS	4.38	4.78	0.49	0.31	4.91	4.93	7.45	7.77	8.07	8.63
CFPS	15.34	18.23	18.32	12.95	7.20	7.20	11.19	14.34	14.90	15.77
BVPS	39.29	39.77	41.43	43.58	35.3	39.23	39.69	40.94	47.15	53.40
DPS - ordinary shares	0.70	1.06	0.30	0.30	1.30	1.30	2.30	2.50	2.70	2.90
Free CFPS	1.43	3.22	-0.12	-1.12	3.89	3.89	2.02	4.89	4.09	4.39
Stock market ratios (x)										
P/E	16.0	14.6	141.6	225.8	14.3	14.2	9.4	9.0	8.7	8.1
P/CF	4.6	3.8	3.8	5.4	9.7	9.7	6.3	4.9	4.7	4.4
P/BV	1.8	1.8	1.7	1.6	2.0	1.7	1.6	1.7	1.5	1.3
P/revenue	0.92	0.80	0.84	0.88	0.74	0.74	0.65	0.58	0.55	0.50
Dividend yield (%)	1.0	1.5	0.4	0.4	1.9	1.9	3.3	3.6	3.9	4.1
Free CF yield (%)	2.0	4.6	-0.2	-1.6	5.6	5.6	2.9	7.0	5.8	6.3
EV (EUR bn)	43.5	44.3	42.3	41.8	40.3	40.3	38.5	37.7	37.1	37.2
EV/ revenue – industrial (%)	88.7	80.5	84.5	93.3	72.7	72.7	59.5	52.6	48.5	44.1
EV/EBITDA - industrial	6.8	6.2	9.6	12.5	4.9	4.9	3.5	3.3	3.2	2.9
Group P&L (EUR m)										
Revenue ¹	48,999	56,018	53,197	50,681	60,477	60,477	68,821	76,848	81,999	89,620
Gross profit	8,795	9,266	6,049	5,325	10,915	10,915	14,545	15,370	17,220	19,716
EBIT	4,050	4,212	921	289	5,094	5,111	8,018	8,300	8,398	9,095
EBIT, full R&D	3,386	3,988	882	428	5,403	5,420	8,255	8,496	8,512	9,227
EBITDA	7,390	7,901	4,597	3,892	8,955	5,999	11,672	12,074	12,272	13,069
Profit before tax	4,124	3,873	351	413	4,836	4,853	7,383	7,819	7,992	8,689
Net profit	2,874	3,134	330	210	3,234	3,243	4,907	5,122	5,289	5,657
Less dividends	459	694	197	197	852	852	1,508	1,639	1,770	1,901
Retained profit	2,415	2,440	133	13	2,382	2,391	3,399	3,483	3,519	3,756
CF - automobiles (EUR m)³										
CF from operations	5,600	6,453	2,954	2,780	8,523	3,019	8,667	8,577	9,025	9,530
Working capital	-227	-207	1,517	2,141	-374	-943	-1,590	400	-300	-500
CF from operating activities	5,373	6,246	4,471	4,921	8,149	2,076	7,077	8,977	8,725	9,030
Capital expenditure (incl. R&D)	-4,272	-4,103	-4,114	-3,409	-3,183	-428	-3,565	-4,775	-5,014	-5,114
Other	-145	4	297	-2,266	-2,358	-14	-2,160	-920	-970	-970
Free CF after investment	956	2,147	654	-754	2,608	1,634	1,352	3,282	2,742	2,946
BS - automobiles (EUR m)³										
Net cash/-debt	980	380	346	465	4,594	4,594	4,441	5,530	6,430	7,330
Intra-group receivables	-	6,845	8,185	8,272	5,690	5,690	6,404	-	-	-
Net cash (BMW definition)	-	7,354	9,046	8,962	11,286	11,286	12,388	-	-	-
SHFs	15,315	21,583	22,481	22,101	23,993	23,993	26,154	33,717	37,732	42,008
Profitability and financial ratios (%)										
Gross profit margin	17.9	16.5	11.4	10.5	18.0	18.0	21.1	20.0	21.0	22.0
EBIT margin	8.3	7.5	1.7	0.6	8.4	8.5	11.7	10.8	10.2	10.1
Adj. EBIT margin - full R&D	6.9	7.1	1.7	0.8	8.9	9.0	12.0	11.1	10.4	10.3
Pre-tax profit margin	8.4	6.9	0.7	0.8	8.0	8.0	10.7	10.2	9.7	9.7
Tax rate	30.3	19.1	6.0	49.2	33.1	33.2	33.5	34.5	33.8	34.9
Net profit margin	5.9	5.6	0.6	0.4	5.3	5.4	7.1	6.7	6.5	6.3
Pay-out ratio	16.0	22.2	60.7	96.8	26.4	30.9	30.9	32.2	33.5	33.6
Return on equity	15.0	14.4	1.6	1.1	16.3	16.1	24.3	23.6	22.9	22.9
Automobile division										
Unit sales ('000)	1,374.0	1,500.7	1,435.9	1,286.3	1,461.2	1,461.2	1,669.0	1,845.2	1,945.3	2,124.3
% change	3.5	9.2	-4.3	-10.4	13.6	13.6	14.2	10.6	5.4	9.2
Revenue (EUR m) ³	47,767	53,818	48,782	43,737	54,137	54,137	63,229	70,208	75,034	82,794
% change	4.2	12.7	-9.4	-10.3	23.8	23.8	16.8	11.0	6.9	10.3
EBITDA (EUR m)	6,214	7,018	4,257	3,237	8,117	8,117	11,041	11,288	11,451	12,285
Margin (%)	13.0	13.0	8.7	7.4	15.0	15.0	17.5	16.1	15.3	14.8
EBIT (EUR m)	3,055	3,450	690	-265	4,355	4,355	7,477	7,624	7,804	8,693
Margin (%)	6.4	6.4	1.4	-0.6	8.0	8.0	11.8	10.9	10.4	10.5
Profit before tax (EUR m)	3,012	3,232	318	-588	3,887	3,887	6,823	7,195	7,404	8,293
Margin (%)	6.3	6.0	0.7	-1.3	7.2	7.2	10.8	10.2	9.9	10.0

R=restated. (1) All classes of shares. (2) 602.0m ordinary and 53.6m preferred. (3) Automobile division since 2007, industrial operations (Auto+motorcycles+other) 2006. (4) Preliminary figures are blue areas only. Source: Company data and CGI estimates

BMW Shares - our view

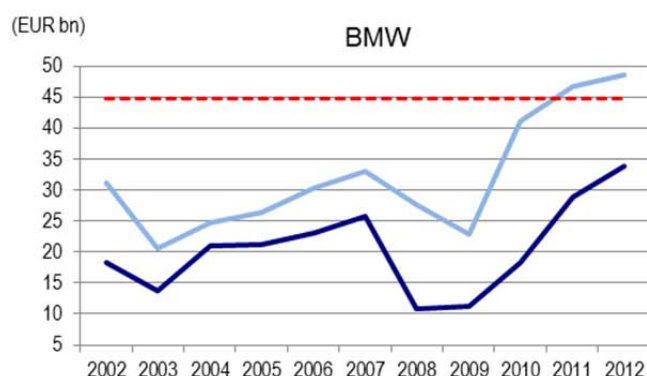
The current share price of EUR 70.00 is 8.1% below all-time high

The current BMW share price of EUR 70.00 is just 8.1% below the all-time high of EUR 76.16 of January 28th, about 5% below highs in 2011 and 2012, and 38% higher than the pre-crisis high of EUR 50.73 in May 2007. BMW is besides VW the only OEM based in a mature economy that has been re-rated and is currently trading at a sharp premium to pre-crisis levels and is as such in uncharted territory

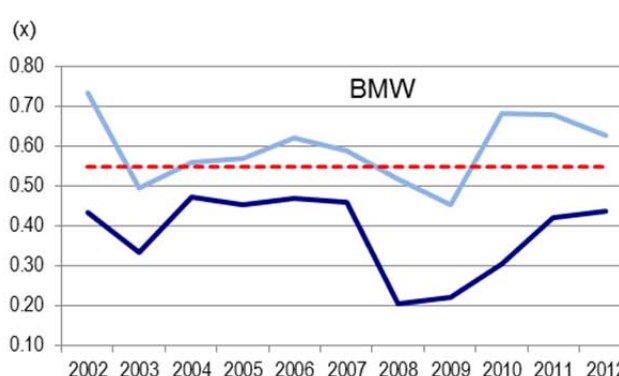
...and at a 21% discount to 10-yr average historic valuation

The current BMW share price of EUR 70.00 values BMW shares at 8.7x 2013E prospective earnings and at 8.1x prospective 2014E earnings; the latter is a 21% discount to the 10-year average historic valuation of 10.3x. This is inconsistent with the implication that our 2014E EPS estimates of EUR 8.63 are 11% above 2012's record EUR 7.77, 47% higher than the 5-year average of EUR 5.86 and 100% higher than the 10-year average of EUR 4.31.

BMW – Market capitalisation – historic range (2002-12) vs. current valuation



BMW – Price/revenue – historic range (2002-12) vs. current valuation (2013E)



BMW – Current valuation (price/revenue) put in context

	Historic average price/revenue (x)	Historic average price/revenue	Current valuation p/revenue 2013E (0.55x) vs. historic highs/lows (%)		Current valuation p/revenue 2014E (0.50x) vs. historic highs/lows (%)	
	10 years ¹	5 years ²	10-yr average	5-yr average	10-yr average	5-yr average
High	0.57	0.58	-12.5	-25.6	-12.5	-25.6
Low	0.34	0.29	64.8	83.7	64.8	83.7

(1) 2003-2012; (2) 2008-12. Source: Company data and CGI estimates

BMW – Historic valuation (1999-2012)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	5-yr average 2006-12	10-yr average 2000-12
EPS (EUR)	1.01	1.80	2.78	3.00	2.89	3.33	3.33	4.38	4.78	0.49	0.31	4.93	7.45	7.77	5.86	4.31
P/E -high	31.3	22.8	15.0	15.8	10.6	11.3	12.0	10.6	10.6	86.4	115.9	13.2	9.9	9.8	10.7	12.1
P/E-low	22.7	12.9	8.6	9.3	7.3	9.6	9.6	8.1	8.3	34.5	56.8	5.8	6.0	6.8	6.9	7.9
P/E-average	26.5	18.5	13.4	13.1	9.1	10.4	10.8	9.4	9.5	60.4	86.4	9.5	8.0	8.3	8.9	10.3

(1) Excl. 2008 & 09. Source: Company data and CGI estimates

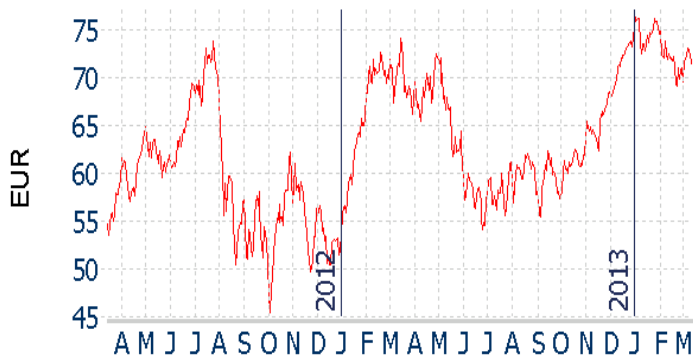
BMW – Current valuation (2004-2014E)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
BMW EPS (EUR)	3.33	3.33	4.38	4.78	0.49	0.31	4.93	7.45	7.77	8.07	8.63
Current BMW PE (x)	11.3	12.0	10.6	10.6	86.4	115.9	13.2	9.9	9.8	8.7	8.1
% vs. 5-yr high	(10.7x)	9.6	9.6	8.1	8.3	NM	NM	5.8	6.0	6.8	-19
% vs. 5-yr low	(6.9x)	10.4	10.8	9.4	9.5	NM	NM	9.5	8.0	8.3	26
% vs. 5-yr average	(8.9x)	97	96	50	37	NM	NM	33	-12	-16	-2
% vs. 10-yr high	(12.1x)	206	205	133	113	NM	NM	107	37	31	-28
% vs. 10-yr low	(7.9x)	137	137	80	65	NM	NM	60	6	2	10
% vs. 10-yr average	(10.3x)	73	73	32	21	NM	NM	17	-23	-26	-15

Source: Company data and CGI estimates

BMW – share price (- 2 years)

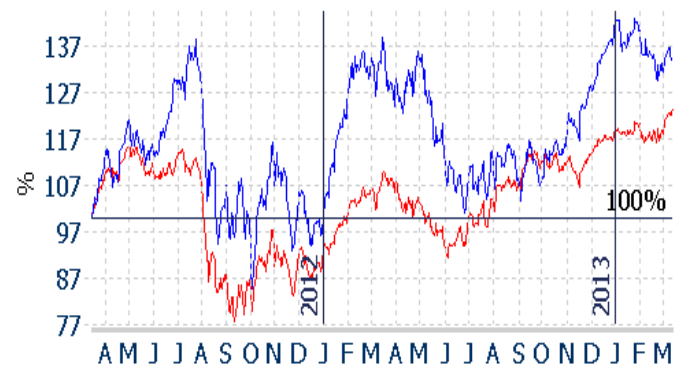
— BMW St. (XETRA)



BMW vs. DAX 30 Index (- 2 years)

— DAX

— BMW St. (XETRA)



BMW – share price (- 5 years)

— BMW St. (XETRA)



BMW vs. DAX 30 Index (- 5 years)

— DAX

— BMW St. (XETRA)



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