Creative Global Investments

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Objectivity

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BMW: 1Q13E preview (Thursday, May 2nd)

Our 1Q13E EBIT estimates: -12% decline at group level to EUR 1.87bn/9.8% and -13% at Autos to EUR 1.64bn/9.6%.

1Q13E EBIT and margin down at Auto segment. We expect that a reported 5.3% yoy increase in sales generated an EBIT of EUR 1.64bn/9.6%, implying a 12.8% decline in EBIT and a margin squeeze by 2.0%-pts from 1Q12's 1.88bn/11.6%. We base our assumption on following negative factors: 1) a further increase in upfront investment for future projects; 2) a pricing headwind mostly related to pricing pressures in European markets; 3-4) a worse country and model mix; and 5) a lower contribution from China. (See pp. 3-10.)

FY13E EPS of EUR 7.86 as Auto's profit & margin set for moderate decline. We expect that a 6.2% increase in sales will result in a 2.8% decline in EBIT to EUR 7.41bn/9.9%. We base our expectation of a decline in EBIT and margin, despite further volume growth on the same negative factors that are also expected to have affected 1Q13. However, we expect an increase in PBT contribution from China. (See pp. 4-10.)

2014E estimates fine-tuned: We expect that a 10.0% increase in sales will result in a 13.5% recovery in EBIT to EUR 8.41bn/10.2%. We expect that the positive effect from a moderate recovery in the European car markets both on sales volume and pricing should be further supported by a declining investment cycle. We also expect that a 20% increase in sales in China should lead to a 13% increase in the region's PBT contribution to EUR 2.69bn. We thus expect earnings growth to accelerate to 9.5% and EPS of EUR 8.61. (See pp.11-13 for details and 'Update: China contribution to BMW earnings 2007-14E' on pp. 15-17.)

BMW shares - our view: The current BMW share price of EUR 70.25 values BMW shares at 8.9x 2013E prospective earnings and at 8.2x prospective 2014E earnings; the latter is a 20% discount to the 10-year average historic valuation of 10.2x. This is inconsistent with the implication that our 2014E EPS estimates of EUR 8.61 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. (See pp.19-21.)

BMW – Share summary (2006-14E)

Current price (EUR)	70.25								
Market capital.[1] (EUR bn)	45.38								
December year-end	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
EPS (EUR)	4.38	4.78	0.49	0.31	4.93	7.45	7.77	7.86	8.61
CFPS (EUR)	15.34	18.23	18.32	12.95	7.20	11.19	5.07	15.32	16.37
BVPS (EUR)	39.3	39.8	41.4	43.6	42.0	44.0	46.4	51.4	57.2
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	3.56	5.42	2.88	4.49
P/E (x)	16.1	14.7	142.1	226.6	14.3	9.4	9.0	8.9	8.2
PCF (x)	4.6	3.9	3.8	5.4	9.8	6.3	13.9	4.6	4.3
Price/BV (x)	1.8	1.8	1.7	1.6	1.7	1.6	1.5	1.4	1.2
P/revenue (x)	0.93	0.81	0.85	0.90	0.75	0.66	0.59	0.56	0.51
Dividend yield (%)	1.0	1.5	0.4	0.4	1.9	3.3	3.6	3.8	4.1
Free CF yield (%)	2.0	4.6	-0.2	-1.6	5.5	5.1	7.7	4.1	6.4

Close 04.29.2013 (1) All classes of shares.Source: Company data and CGI estimates.

Contents

Timetable – 1Q13 results for BMW

Company	Owned by	Sub-sector	Country	Currency	Date	Results	Press Conference	Analyst/Investor CF Call
Daimler	-	OEM	D	EUR	Thurs, May 2nd	07.30 CEST	10:00 CEST	14:00 CEST

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

Preview 1Q13E and FY13E

Automotive segment – 1Q13E and FY13E

Decline in 1Q13E EBIT, despite sales growth…

We expect that in 1Q13 an already reported 5.3% yoy increase in retail sales to 448.2k units generated a 5.5% yoy increase in revenue to EUR 17.05bn and an EBIT of EUR 1.64bn/9.6%. Our estimate implies a 12.8% decline in EBIT and a margin squeeze by 2.0%-pts from 1Q12's 1.88bn/11.6%.

…due to several adverse factors

We base our assumption of a yoy decline in EBIT and a margin squeeze, despite sales growth on following negative factors: 1) a further increase in upfront investmens for future projects; 2) a pricing headwind mostly related to pricing pressures in European markets; 3-4) a worse country and model mix; and 5) a lower contribution from China.

BMW – Auto - results, deliveries and production (1Q11-FY13E)

	1Q11	2Q11[3]	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13E	FY13E
(EUR m)												
Revenue	14,373	16,674	15,344	16,838	63,229	16,159	17,366	17,187	19,496	70,208	17,048	74,853
% change yoy	34.7	22.0	8.0	8.0	16.8	12.4	4.2	12.0	15.8	11.0	5.5	6.6
Gross profit	2,930	3,747	3,107	3,281	13,065	3,271	3,521	3,121	3,770	13,683	3,393	14,297
Gross margin (%)	20.4	22.5	20.2	19.5	20.7	20.2	20.3	18.2	19.3	19.5	19.9	19.1
EBIT[1]	1,708	2,408	1,819	1,542	7,477	1,878	2,021	1,649	2,076	7,624	1,637	7,410
EBIT margin (%)	11.9	14.4	11.9	9.2	11.8	11.6	11.6	9.6	10.6	10.9	9.6	9.9
Net financial result	-103	-111	-74	-366	-654	-58	-270	54	-155	-429	-70	-450
Pre-tax profit	1,605	2,297	1,745	1,176	6,823	1,820	1,751	1,703	1,921	7,195	1,567	6,960
Unit revenue (%-yoy)	11.0	3.0	-1.0	-1.2	2.3	1.1	-1.2	2.8	-0.9	0.4	0.2	0.4
Units ('000)												
Deliveries[2]	382.8	450.6	399.2	436.4	1,669.0	425.5	475.0	435.0	509.7	1,845.2	448.2	1,959.9
% change yoy	21.3	18.5	9.0	9.4	14.2	11.2	5.4	9.0	16.8	10.6	5.3	6.2
Production	430.5	449.5	437.0	421.2	1,738.2	460.9	451.8	475.1	496.4	1,884.2	482.2	1,997.9
% change yoy	34.5	16.7	25.9	-1.8	17.3	7.1	0.5	8.7	17.9	8.4	4.6	6.0
Over-production	47.6	-1.1	37.7	-15.2	69.2	35.4	-23.3	40.1	-13.2	39.0	34.0	38.0

(1) In BMW accounts EBIT refers to 'profit before financial results' and thus also excludes results from equity accounted investments. (2) 1Q13 retail sales were announced on April 9th. See tables for retail sales by model and markets on pp.6-7. Source: Company data and CGI estimates

Costs for future projects

We estimate that the net incremental burden (from Strategy Number One) was in the order of EUR -0.3bn yoy.

Pricing pressures in Europe

We estimate that pricing for BMW declined by some 50-100bpts, implying a negative EBIT impact of up to EUR -0.15bn yoy. We attribute this to severe pricing pressures in a Western European passenger car market that in 1Q13 declined 10% yoy and was trading 23% below pre-crisis trend. The fact that almost all European markets, with the exception of the UK, were in sharp decline has thus also affected the pricing environment for the premium manufacturers.

Negative country mix due to weak Europe

We see a negative country mix reflected in a further decline in the share of traditionally high margin Germany and Europe in BMW divisional sales, from 14.8% and 47.3% in 1Q12 to 14.1% and 46.2% in 1Q13. (See table on p. 7.)

Slight deterioration in model mix

We also see a moderately negative model mix that is reflected in a lower sales contribution from top-end models such as the 7-Series, X5 and X6 (from a combined 13.0% in 1Q12 to 11.1% in 1Q13) which is only partly attributable to their model cycle. (See table on p. 6 and BMW's model introduction schedule on p. 21.)

Dip in China PBT contribution

We estimate that in mainland China a reported 7.3% yoy increase in sales to 86.1k units will result in a moderate decline in China's contribution to PBT to less than EUR 0.5bn, compared to estimated EUR 0.57bn in 1Q12. We attribute this expected decline to a worse model mix, tougher pricing and considerably lower import ratio of 40% in 1Q13, vs. 67% in 1Q12.

Only moderate decline in EBIT and margin in FY13E

We expect that in FY13E a 6.2% increase in sales will result in a 2.8% decline in EBIT to EUR 7.41bn and a lower margin of 9.9%, which is 5.0% below our previous forecast of March 18th. (See tables on pp. 11-14.) We base our expectation of a decline in EBIT and margin, despite further volume growth on following negative factors that are also expected to have affected 1Q13 and include 1) a further increase in upfront investment for future projects; 2) a pricing headwind mostly related to pricing pressures in European markets; 3-4) a worse country and model mix. Our estimate is compatible with management's cautious FY13 guidance of March 19th. (See table on p. 8.)

Further increase in net burden from 'Strategy Number One'

The single largest negative factor should be the fact that management plan for FY13E another increase in the incremental net burden from 'Strategy Number One' from last year's already high EUR -0.82bn. In FY12, the net impact of 'Strategy Number One' was the result of an additional burden from upfront investment for future projects that amounted 'to more than EUR 1.0bn' and efficiency gains that we estimate were in the order of EUR 0.30bn. In FY11, the net impact had been a positive EUR 52m, as efficiency gains of EUR 0.52bn exceeded the additional burden of net investments of EUR -0.49bn.

We understand that the investment cycle is expected to peak in FY13E, culminating with the launch of the new sub-brand 'i', that is planned to take place with the introduction of the innovative EV i3 late in 2013 and the i8, a PIEV sports car in 2014.

Pricing pressures

We understand, that BMW management brace themselves for another pricing decline in the order of 50-100bpts for FY13E, after a pricing decline by as much as 100-150bpts in FY12. This would imply a negative EBIT impact of some EUR -0.5-0.7bn in FY13E after an estimated FY12 impact of almost EUR -1.0bn.

Negative country mix due to weak Europe

In terms of country and model mix we see the trends reported for 1Q13 to continue in the FY13E. We expect the share of Germany and Europe to decline from 15.6% and 46.9% in FY12 to 14.7% and 44.4% in FY13E. (See table on p. 7.)

China contribution to PBT set to increase 10% to EUR 2.38bn

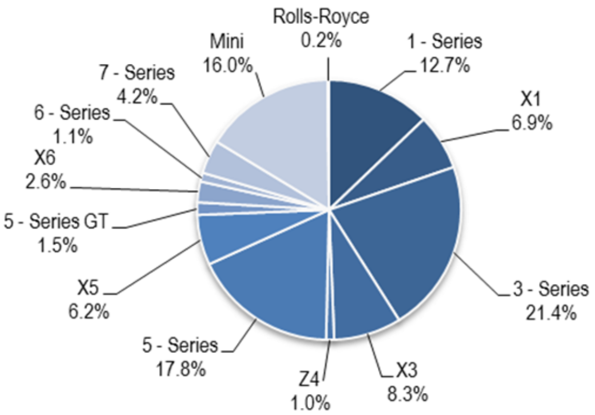
We estimate that in mainland China an 18% increase in unit sales to 386.3k should result in a lesser 8.9% increase in the region's PBT contribution to EUR 2.38bn, from a calculated EUR 2.19bn in FY12 and EUR 2.04bn in FY11. We thus expect that the unit profit in China continues to decline, from a calculated EUR 5.95k in FY12 to EUR 5.29k in FY13E. We attribute this to a combination of pricing pressures, a deteriorating model mix as the portfolio widens and most importantly, a considerably higher share of locally produced vehicles of 52% vs. 44% in FY12. (See Update: China contribution to BMW earnings on pp. 15-17.)

BMW – Automotive CF (1Q11-FY13E)

(EUR m)	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13E	FY13E
Net profit	1,083	1,570	1,181	1,157	4,991	1,181	1,132	1,112	1,312	4,737	1,018	4,594
Depreciation	867	856	887	954	3,564	853	1,013	832	981	3,679	985	4,279
Depr /chage leased prods.	-2	-5	17	19	29	1	-1	18	5	23	1	6
Gross Cash Flow	1,948	2,421	2,085	2,130	8,584	2,035	2,144	1,962	2,298	8,439	2,004	8,873
Change in provisions	216	-123	89	395	577	292	-244	-405	618	261	100	100
Other	855	897	-160	-2,086	-494	-319	-508	1,475	-1,803	100	-250	50
CF from operations	3,019	3,200	1,997	439	8,667	2,008	1,393	3,014	1,113	7,545	1,854	9,023
WCR	-943	-185	-313	-149	-1,590	285	448	-397	1,286	1,622	250	-300
CF- operating activities	2,076	3,010	1,701	290	7,077	2,293	1,840	2,635	2,399	9,167	2,104	8,723
Capital expenditure	-428	-545	-828	-1,764	-3,565	-585	-852	-1,187	-2,450	-5,074	-750	-5,974
Other	-14	-855	-895	-396	-2,160	-357	-117	36	-18	-456	-50	-820
CF - investment activities	-442	-1,400	-1,723	-2,160	-5,725	-942	-969	-1,151	-2,468	-5,530	-800	-6,794
Free CF	1,634	1,610	-22	-1,870	1,352	1,351	871	1,484	-69	3,637	1,304	1,929
Net inv. in marketable sec	-10	198	651	-58	781	284	-18	-132	38	172	0	0
Adj. FCF[1]	1,624	1,808	629	-1,928	2,133	1,635	853	1,352	-31	3,809	1,304	1,929

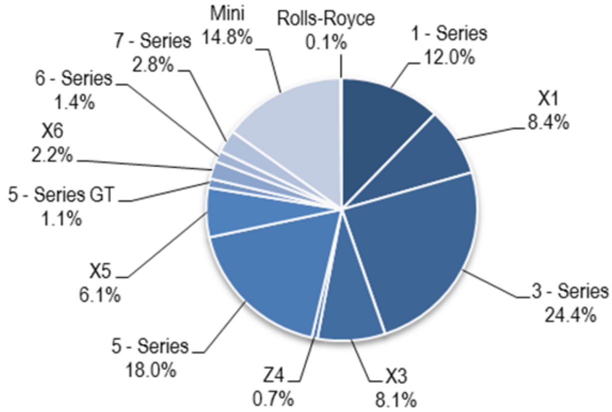
Source: Company data and CGI estimates.

BMW – Model-mix retail sales (1Q12)



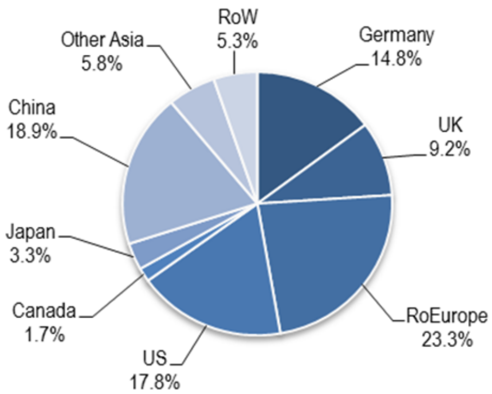
Source: Company data and CGI calculations

BMW – Model-mix retail sales (1Q13)



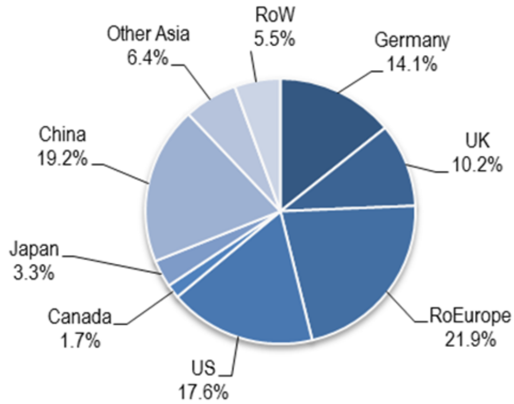
Source: Company data and CGI calculations

BMW – Geographic split retail sales (1Q12)



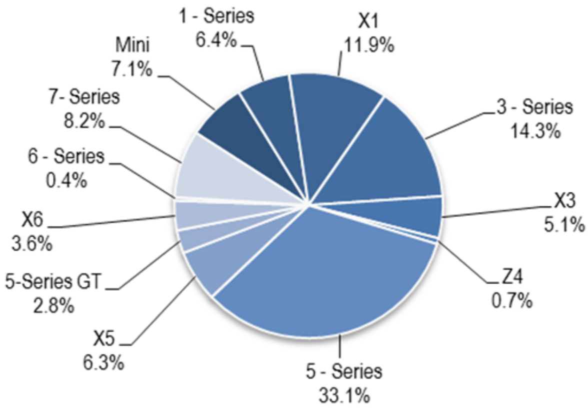
Source: Company data and CGI calculations

BMW – Geographic split retail sales (1Q13)



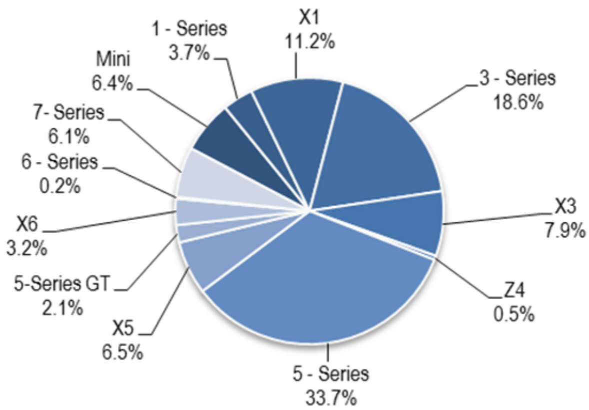
Source: Company data and CGI calculations

BMW – Model-mix mainland China (1Q12)



Source: Company data and CGI calculations

BMW – Model-mix mainland China (1Q13)



Source: Company data and CGI calculations

BMW Auto – Retail sales by model series (1Q11 – FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13A	FY13E
Units ('000)												
- 1 - Series	45.1	49.4	34.6	47.4	176.4	54.2	59.6	54.6	58.4	226.8	53.9	236.7
- X1	27.2	35.5	31.6	32.1	126.4	29.5	34.9	38.1	45.3	147.8	37.7	158.1
- 3 - Series	87.8	105.2	95.2	96.4	384.5	91.2	102.8	92.6	120.1	406.8	109.3	440.3
- X3	22.7	30.8	30.2	34.2	117.9	35.2	38.9	33.7	42.0	149.9	36.2	154.3
- Z4	4.5	6.0	5.1	3.2	18.8	4.1	4.7	3.3	3.0	15.2	3.0	14.5
- 3 - Series GT	-	-	-	-	-	-	-	-	-	-	0.0	25.0
- 5 - Series	79.2	79.4	74.5	77.0	310.1	75.7	90.4	81.6	90.2	337.9	80.8	344.7
- X5	23.1	25.6	26.3	29.8	104.8	26.6	25.8	24.3	31.8	108.5	27.3	114.0
- 5 - Series GT	6.3	5.9	5.3	5.0	22.5	6.6	5.1	4.3	5.1	21.1	5.0	19.0
- X6	9.7	11.6	10.0	9.5	40.8	11.0	9.8	10.6	12.2	43.7	9.8	40.6
- 6 - Series	0.8	2.4	2.1	4.1	9.4	4.7	5.7	6.3	6.6	23.2	6.2	36.1
- 7- Series	14.8	16.9	17.1	19.9	68.8	17.8	12.7	13.3	15.4	59.2	12.4	56.2
BMW brand	321.2	368.7	332.1	358.5	1,380.4	356.5	390.5	362.9	430.1	1,540.1	381.4	1,639.6
Mini brand	60.9	81.1	66.3	76.8	285.1	68.2	83.7	71.3	78.3	301.5	66.2	315.9
Rolls-Royce	0.7	0.9	0.8	1.1	3.5	0.8	0.8	0.7	1.2	3.6	0.6	3.4
- i3	-	-	-	-	-	-	-	-	-	-	-	0.3
Group	382.8	450.6	399.2	436.4	1,669.0	425.5	475.0	435.0	509.7	1,845.2	448.2	1,953.8
%-change yoy												
- 1 - Series	-5.9	-11.7	-27.7	6.9	-10.0	20.2	20.8	57.9	23.3	28.6	-0.5	4.4
- X1	38.6	30.1	24.5	16.0	26.4	8.4	-1.7	20.7	40.8	16.9	27.6	7.0
- 3 - Series	-4.2	-1.9	-1.7	-6.8	-3.6	3.9	-2.2	-2.6	24.6	5.8	19.8	8.2
- X3	94.1	134.6	190.2	218.0	156.4	55.3	26.0	11.6	22.9	27.1	2.7	3.0
- Z4	-30.1	-23.0	-20.0	-19.2	-23.5	-8.3	-21.2	-34.8	-4.2	-18.9	-28.0	-5.0
- 5 - Series	128.2	64.7	39.1	1.9	46.3	-4.4	13.9	9.5	17.2	9.0	6.8	2.0
- X5	1.1	8.6	-6.7	8.2	2.6	14.7	0.9	-7.5	6.9	3.5	2.7	5.0
- 5 - Series GT	39.9	-19.7	-27.6	-32.0	-15.2	4.7	-12.6	-18.6	1.6	-6.1	-24.6	-10.0
- X6	-10.3	2.3	-18.4	-20.7	-12.0	13.7	-15.3	5.8	28.8	7.0	-11.6	-7.0
- 6 - Series	-41.1	39.0	1.7	484.0	60.7	489.5	134.9	198.0	61.3	146.8	32.7	55.7
- 7- Series	4.0	2.9	2.6	7.9	4.5	20.0	-24.9	-22.2	-22.8	-13.9	-30.3	-5.0
BMW brand	20.8	15.2	8.2	8.1	12.8	11.0	5.9	9.3	20.0	11.6	7.0	6.5
Mini brand	22.9	35.6	13.4	15.7	21.7	12.1	3.2	7.6	1.9	5.8	-3.0	4.8
Rolls-Royce	159.1	25.8	12.0	11.6	30.5	6.5	-4.5	-14.5	13.9	1.0	-16.6	-5.0
Group	21.3	18.5	9.0	9.4	14.2	11.2	5.4	9.0	16.8	10.6	5.3	6.2
Share (%)												
- 1 - Series	11.8	11.0	8.7	10.9	10.6	12.7	12.6	12.6	11.5	12.3	12.0	12.1
- X1	7.1	7.9	7.9	7.4	7.6	6.9	7.3	8.8	8.9	8.0	8.4	8.1
- 3 - Series	22.9	23.3	23.8	22.1	23.0	21.4	21.6	21.3	23.6	22.0	24.4	22.5
- X3	5.9	6.8	7.6	7.8	7.1	8.3	8.2	7.8	8.2	8.1	8.1	7.9
- Z4	1.2	1.3	1.3	0.7	1.1	1.0	1.0	0.8	0.6	0.8	0.7	0.7
- 3 - Series GT	-	-	-	-	-	-	-	-	-	-	0.0	1.3
- 5 - Series	20.7	17.6	18.7	17.6	18.6	17.8	19.0	18.8	17.7	18.3	18.0	17.6
- X5	6.0	5.7	6.6	6.8	6.3	6.2	5.4	5.6	6.2	5.9	6.1	5.8
- 5 - Series GT	1.6	1.3	1.3	1.1	1.3	1.5	1.1	1.0	1.0	1.1	1.1	1.0
- X6	2.5	2.6	2.5	2.2	2.4	2.6	2.1	2.4	2.4	2.4	2.2	2.1
- 6 - Series	0.2	0.5	0.5	0.9	0.6	1.1	1.2	1.4	1.3	1.3	1.4	1.8
- 7- Series	3.9	3.8	4.3	4.6	4.1	4.2	2.7	3.1	3.0	3.2	2.8	2.9
BMW brand	83.9	81.8	83.2	82.1	82.7	83.8	82.2	83.4	84.4	83.5	85.1	83.7
Mini brand	15.9	18.0	16.6	17.6	17.1	16.0	17.6	16.4	15.4	16.3	14.8	16.1
Rolls-Royce	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2
- i3	-	-	-	-	-	-	-	-	-	-		
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

Note: 1Q13 retail sales were announced on April 9th. Source: Company data and CGI estimates

BMW Auto – Retail sales by region (1Q11 – FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13P/E	FY13E
Units ('000)												
- Germany	64.1	80.3	65.4	75.5	285.3	63.0	79.1	65.1	80.1	287.4	63.4	288.8
- UK	39.3	44.3	44.8	39.1	167.5	39.0	45.9	47.8	41.8	174.5	45.7	183.3
- Other Europe	96.8	112.9	87.6	108.4	405.7	99.1	111.2	90.0	103.3	403.5	98.0	397.7
Europe	200.1	237.6	197.7	223.0	858.4	201.1	236.3	202.9	225.2	865.4	207.1	869.7
- US	65.2	78.8	76.0	87.0	306.3	75.9	83.0	76.5	113.0	348.5	79.0	371.3
- Canada	6.1	10.8	8.6	8.4	35.0	7.2	11.2	10.3	9.0	37.7	7.6	38.8
North America	71.3	89.6	85.0	95.4	341.3	83.2	94.2	86.8	122.0	386.2	86.6	410.1
- Japan	9.7	12.1	12.8	13.1	47.7	14.0	13.7	14.3	14.7	56.7	15.0	54.1
- Mainland China	58.7	63.3	56.2	55.4	233.6	*80.2*	*79.1*	*78.3*	*89.7*	*327.3*	*86.1*	*386.3*
- Other Asia	21.8	24.5	23.4	24.4	94.2	24.7	27.0	27.8	29.9	109.4	28.8	127.8
Asia	90.1	99.9	92.4	93.0	375.5	118.9	119.9	120.4	134.3	493.4	129.9	568.2
Rest of World	21.3	23.5	24.0	25.0	93.8	22.4	24.7	24.9	28.2	100.1	24.7	110.8
World	382.8	450.6	399.2	436.4	1,669.0	425.5	475.0	435.0	509.7	1,845.2	448.2	1,958.8
%-change yoy												
- Germany	9.0	9.2	10.3	-0.1	6.8	-1.6	-1.4	-0.5	6.1	0.7	0.6	0.5
- UK	21.7	8.5	1.9	3.7	8.2	-0.7	3.5	6.8	7.0	4.2	17.3	5.0
- Other Europe	12.5	14.7	3.6	8.0	9.8	2.4	-1.5	2.7	-4.7	-0.5	-1.1	-1.4
Europe	13.0	11.6	5.3	4.4	8.5	0.5	-0.5	2.6	1.0	0.8	3.0	0.5
- US	18.2	18.0	7.5	17.6	14.9	16.5	5.4	0.7	29.9	13.8	4.0	6.5
- Canada	9.0	14.2	3.3	0.5	10.3	18.9	3.4	19.9	6.9	7.7	4.8	3.0
North America	17.3	17.6	7.7	15.9	14.4	16.7	5.1	2.1	27.9	13.2	4.1	6.2
- Japan	-2.4	9.8	14.0	14.2	9.2	44.4	13.9	11.7	11.7	19.0	7.1	-4.6
- Mainland China	71.6	52.9	21.6	17.4	38.2	*36.6*	25.0	39.3	61.9	40.1	*7.3*	18.0
- Other Asia	47.1	39.9	15.9	15.6	27.8	13.4	10.0	18.6	22.4	16.1	16.8	16.9
Asia	53.0	42.9	19.0	16.5	31.1	31.9	20.0	30.2	44.4	31.4	9.2	15.2
Rest of World	12.3	9.6	10.3	7.9	9.9	5.4	5.0	3.7	12.6	6.8	10.0	10.6
World	21.3	18.5	9.0	9.4	14.2	11.2	5.4	9.0	16.8	10.6	5.3	6.2
Share (%)												
- Germany	16.7	17.8	16.4	17.3	17.1	14.8	16.7	15.0	15.7	15.6	14.1	14.7
- UK	10.3	9.8	11.2	9.0	10.0	9.2	9.7	11.0	8.2	9.5	10.2	9.4
- Other Europe	25.3	25.1	21.9	24.8	24.3	23.3	23.4	20.7	20.3	21.9	21.9	20.3
Europe	52.3	52.7	49.5	51.1	51.4	47.3	49.7	46.6	44.2	46.9	46.2	44.4
- US	17.0	17.5	19.0	19.9	18.4	17.8	17.5	17.6	22.2	18.9	17.6	19.0
- Canada	1.6	2.4	2.1	1.9	2.1	1.7	2.4	2.4	1.8	2.0	1.7	2.0
North America	18.6	19.9	21.3	21.9	20.5	19.5	19.8	20.0	23.9	20.9	19.3	20.9
- Japan	2.5	2.7	3.2	3.0	2.9	3.3	2.9	3.3	2.9	3.1	3.3	2.8
- Mainland China	15.3	14.1	14.1	12.7	14.0	18.9	16.7	18.0	*17.6*	*17.7*	19.2	*19.7*
- Other Asia	5.7	5.4	5.9	5.6	5.6	5.8	5.7	6.4	5.9	5.9	6.4	6.5
Asia	23.6	22.2	23.2	21.3	22.5	27.9	25.2	27.7	26.3	26.7	29.0	29.0
Rest of World	5.6	5.2	6.0	5.7	5.6	5.3	5.2	5.7	5.5	5.4	5.5	5.7

(1) Full geographic split available only at publication of 1Q13 results on May 2nd. Source: Company data and CGI estimates

Group results – 1Q13E and FY13E

Decline in 1Q13E group EBIT led by Auto segment.

We expect that in 1Q13E a 4.2% yoy increase in group revenue to EUR 19.06bn generated an EBIT of EUR 21.87bn and a 9.8% margin. This implies a 12.3% yoy decline in EBIT and a margin squeeze by 1.9%-points from 1Q12's group EBIT of EUR 2.13bn/11.7.

We expect for 1Q13E a group pre-tax profit of EUR 1.81bn/9.5% and a net profit of EUR 1.18bn. Our estimates include a group net financial charge of EUR -65m and a 35% tax rate. (See p. 9 for divisional split of our estimates.)

BMW – Group results (1Q11-FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13E	FY13E
(EUR m)												
Revenue	16,037	17,888	16,547	18,349	68,821	18,293	19,202	18,817	20,536	76,848	19,062	81,729
EBIT[1]	1,902	2,856	1,716	1,544	8,018	2,132	2,270	2,004	1,894	8,300	1,870	8,251
Financial income	-90	-152	-72	-321	-635	-56	-293	-72	-115	-481	-65	-443
Pre-tax profit	1,812	2,704	1,644	1,223	7,383	2,076	1,977	1,932	1,779	7,819	1,805	7,808
Less tax charge	600	895	562	419	2,476	727	700	562	572	2,697	626	2,652
Profit after tax	1,212	1,809	1,082	804	4,907	1,349	1,277	1,370	1,207	5,122	1,178	5,155
Minorities	8	5	6	9	26	7	3	9	7	26	5	30
Net profit	1,204	1,804	1,076	795	4,881	1,342	1,274	1,361	1,200	5,096	1,173	5,125
Margin (%)												
EBIT[1]	11.9	16.0	10.4	8.4	11.7	11.7	11.8	10.6	9.2	10.8	9.8	10.1
Pre-tax profit	11.3	15.1	9.9	6.7	10.7	11.3	10.3	10.3	8.7	10.2	9.5	9.6
Tax rate (%)	33.1	33.1	34.2	34.3	33.5	35.0	35.4	29.1	32.2	34.5	34.7	34.0
Net profit	7.5	10.1	6.5	4.3	7.1	7.3	6.6	7.2	5.8	6.6	6.2	6.3

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

FY13E EPS of EUR 7.86

For FY13E, we expect a 6.4% increase in revenue to EUR 81.73bn should generate a 0.6% dip in EBIT to EUR 8.25bn/10.1% and a flat PBT at EUR 7.81bn/9.6%. After a reported 4.3% increase in EPS to EUR 7.77 in FY12A, we expect earnings growth to slow to 1.2% and EUR 7.86/share in FY13E. Our forecast is compatible with management's FY13 guidance of March 19th.

BMW – Management guidance 2013 – depending on stable economic conditions
Group
Group pre-tax profit on a similar scale to that reported in 2012
Automotive segment
• Sales growth in the one-digit percentage range – higher than the overall premium segment growth. • EBIT margin within target range of 8-10%. • Return on Capital Employed of at least 26%.
Segment Financial Services
Return on equity of > 18%.
Segment Motorcycles
Further expansion of the BMW Motorrad product portfolio – sales growth should lead to increased revenues and earnings.

Source: Company data

Unlike previous years management has not given a specific EBIT target for the Automotive segment. Assuming some increase in EBIT/pre-tax at Financial Services and Motorcycles (due to the absence of one-off charges in preparation of the sale of Husqvarna) the guidance allows for a decline at the Auto segment.

BMW group – P&L by division (1Q11-FY13E)

BMW – P&L by division (1Q10-FY12E)

(EUR m)	1Q11R	2Q11R	3Q11R	4Q11R	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13E	FY13E
Revenue												
Automotive	14,373	16,674	15,344	16,838	63,229	16,159	17,366	17,187	19,496	70,208	17,048	74,853
Motorcycles[1]	397	450	334	255	1,436	448	410	358	274	1,490	426	1,341
Financial Services[1]	4,183	4,181	4,276	4,870	17,510	4,800	4,866	4,916	4,968	19,550	4,848	20,723
Other[1]	1	1	1	2	5	1	2	1	1	5	1	5
Eliminations	-2,917	-3,418	-3,408	-3,616	-13,359	-3,115	-3,442	-3,645	-4,203	-14,405	-3,281	-15,193
Group	16,037	17,888	16,547	18,349	68,821	18,293	19,202	18,817	20,536	76,848	19,062	81,729
EBIT												
Automotive	1,708	2,408	1,819	1,542	7,477	1,878	2,021	1,649	2,076	7,624	1,637	7,410
Motorcycles	31	47	-16	-17	45	37	48	-3	-73	9	25	9
Financial Services	403	739	364	257	1,763	426	441	424	267	1,558	430	1,650
Other	17	21	-153	96	-19	13	14	17	14	58	8	30
Eliminations	-257	-359	-298	-334	-1,248	-222	-254	-83	-390	-949	-230	-900
Group	1,902	2,856	1,716	1,544	8,018	2,132	2,270	2,004	1,894	8,300	1,870	8,251
EBIT margin (%)												
Automotive	11.9	14.4	11.9	9.2	11.8	11.6	11.6	9.6	10.6	10.9	9.6	9.9
Motorcycles	7.8	10.4	-4.8	-6.7	3.1	8.3	11.7	-0.8	-26.6	0.6	5.9	0.7
Financial Services	9.6	17.7	8.5	5.3	10.1	8.9	9.1	8.6	5.4	8.0	8.9	8.0
Group	11.9	16.0	10.4	8.4	11.7	11.7	11.8	10.6	9.2	10.8	9.8	10.1
Financial Income												
Automobiles	-103	-111	-74	-366	-654	-58	-270	54	-155	-429	-70	-450
Motorcycles	-1	0	-1	-2	-4	0	-1	-1	-1	-3	0	48
Financial Services	26	5	-10	6	27	8	-10	1	4	3	5	10
Other	-41	-80	-34	6	-149	-34	-28	-56	54	-64	0	0
Eliminations	29	34	47	35	145	28	16	-15	-17	12	0	0
Group	-90	-152	-72	-321	-635	-56	-293	-17	-115	-481	-65	-443
Pre-tax profit												
Automotive	1,605	2,297	1,745	1,176	6,823	1,820	1,751	1,703	1,921	7,195	1,579	6,960
Motorcycles	30	47	-17	-19	41	37	47	-4	-74	6	25	57
Financial Services	429	744	354	263	1,790	434	431	425	271	1,561	435	1,660
Other	-24	-59	-187	102	-168	-21	-14	-39	68	-6	8	30
Eliminations	-228	-325	-251	-299	-1,103	-194	-238	-98	-407	-937	-230	-900
Group	1,812	2,704	1,644	1,223	7,383	2,076	1,977	1,987	1,779	7,819	1,817	7,808
Pre-tax margin (%)												
Automotive	11.2	13.8	11.4	7.0	10.8	11.3	10.1	9.9	9.9	10.2	9.3	9.3
Motorcycles	7.6	10.4	-5.1	-7.5	2.9	8.3	11.5	-1.1	-27.0	0.4	5.9	4.3
Financial S	10.3	17.8	8.3	5.4	10.2	9.0	8.9	8.6	5.5	8.0	9.0	8.0
Group	11.3	15.1	9.9	6.7	10.7	11.3	10.3	10.6	8.7	10.2	9.5	9.6
Less tax charge												
Automotive	522	727	564	19	1,832	639	619	591	609	2,458	553	2,367
Motorcycles	10	14	-5	-7	12	12	17	-1	-6	22	9	20
Financial services	151	272	105	525	1,053	146	157	136	106	545	148	581
Other	-4	-4	-17	-12	-37	-2	-1	-4	2	-5	-2	-5
Eliminations	-79	-114	-85	-106	-384	-68	-92	-24	-139	-323	-81	-310
Group	600	895	562	419	2,476	727	700	698	572	2,697	626	2,652
Profit after tax												
Automotive	1,083	1,570	1,181	1,157	4,991	1,181	1,132	1,112	1,312	4,737	1,026	4,594
Motorcycles	20	33	-12	-12	29	25	30	-3	-68	-16	17	37
Financial services	278	472	249	-262	737	288	274	289	165	1,016	287	1,079
Other	-20	-55	-170	114	-131	-19	-13	-35	66	-1	10	35
Eliminations	-149	-211	-166	-193	-719	-126	-146	-74	-268	-614	-150	-590
Group	1,212	1,809	1,082	804	4,907	1,349	1,277	1,289	1,207	5,122	1,190	5,155
Tax rate (%)												
Automotive	32.5	31.6	32.3	1.6	26.9	35.1	35.4	34.7	31.7	34.2	35.0	34.0
Motorcycles	33.3	29.8	29.4	36.8	29.3	32.4	36.2	25.0	8.1	366.7	34.0	35.0
Financial Services	35.2	36.6	29.7	199.6	58.8	33.6	36.4	32.0	39.1	34.9	34.0	35.0
Group	33.1	33.1	34.2	34.3	33.5	35.0	35.4	35.1	32.2	34.5	34.5	34.0

R= restated. Source: Company data and CGI estimates

BMW – Financial Services (1Q11-FY12)

(EUR m)	1Q11	2Q11	1H11	3Q11	1-3Q11	4Q11	FY11	1Q12	2Q12	1H12	3Q12	1-3Q12	4Q12	FY12
Financial Operations[1]														
Business volume	64,667	-	65,759	-	71,982	-	75,245	74,720	-	77,929	-	79,485	-	80,974
Growth (%)	3.6	-	0.0	-	13.8	-	13.6	15.5	-	18.5	-	10.4	-	7.6
FS (total assets)	72,144	-	73,033	-	79,389	-	82,709	83,190	-	85,645	-	87,303	-	73,703
Group (total assets)	107,629	-	108,730	-	118,011	-	123,429	125,264	-	126,638	-	130,921	-	131,850
FS asset share (%)	67.0	-	67.2	-	67.3	-	67.0	66.4	-	67.6	-	66.7	-	55.9
FS asset growth (%)	1.3	-	-1.9	-	12.3	-	16.0	15.3	-	17.3	-	10.0	-	-10.9
Equity	5,341	-	6,085	-	6,610	-	7,169	7,375	-	7,132	-	7,428	-	7,631
Leverage (Assets/equity) (x)	13.5	-	12.0	-	12.0	-	11.5	11.3	-	12.0	-	11.8	-	9.7
Contract portfolio[1]														
Number of contracts outstanding	3,233,567	-	3,277,247	-	3,303,635	-	3,592,093	3,646,111	-	3,693,474	-	3,745,760	-	3,846,364
Dealer financing														
Contracts outstanding (#)	265,498	-	266,623	-	266,356	-	280,284	281,055	-	270,175	-	281,014	-	311,744
Managed business volume	10,149	-	10,275	-	10,662	-	11,417	11,317	-	11,355	-	11,776	-	12,669
Customer financing														
Retail portfolio (#)	2,968,069	-	3,010,624	-	3,037,279	-	3,311,809	3,365,056	-	3,423,299	-	3,464,746	-	3,534,620
Retail share (%)	91.8	-	91.9	-	91.9	-	92.2	92.3	-	92.7	-	92.5	-	91.9
- Est. loan share – RP (%)	70	-	70	-	69	-	67	66	-	66	-	67	-	66
- Est. leasing share - RP (%)	30	-	30	-	31	-	33	34	-	34	-	33	-	34
Alphabet Fleet	294,510	-	304,234	-	460,000	-	474,717	480,348	-	489,439	-	493,914	-	502,397
Fleet share - retail portfolio (%)	9.9	-	10.1	-	15.1	-	14.3	14.3	-	14.3	-	14.3	-	14.2
Leasing portfolio (EUR m)[1]														
Leasing portfolio (group)[2]	17,037	-	17,207	-	21,404	-	23,112	22,997	-	23,782	-	24,106	-	24,468
Growth (%)	-5.3	-	-7.8	-	23.8	-	21.1	35.0	-	38.2	-	12.6	-	5.9
Leasing portfolio (FS)[2]	20,172	-	20,583	-	25,131	-	25,900	25,889	-	27,022	-	27,391	-	28,060
Growth (%)	-2.2	-	-4.0	-	25.0	-	24.1	28.3	-	31.3	-	9.0	-	8.3
Implied margin (%)	18.4	-	19.6	-	17.4	-	12.1	12.6	-	13.6	-	13.6	-	14.7
New retail business														
New retail contracts (EUR m)	7,374	8,157	15,531	4,851	20,382	8,458	31,779	8,274	9,306	17,580	8,977	26,557	10,107	36,664
%-change	24.7	13.6	18.6	-33.4	0.0	10.4	13.3	12.2	14.1	13.2	15.2	13.9	19.5	15.4
Nr. retail contracts signed	276,856	314,495	591,351	291,610	882,961	313,649	1,196,610	305,984	346,034	652,018	327,304	979,322	361,974	1,341,296
%-change	13.8	10.9	12.2	5.8	10.0	11.8	10.5	10.5	10.0	10.3	12.2	10.9	15.4	12.1
Loan share (%)	69.7	69.4	69.5	68.2	69.1	62.6	67.4	65.7	66.7	66.3	67.6	66.7	64.7	66.2
Loan (%-change)	11.5	6.8	8.9	0.7	6.1	0.2	4.6	4.3	5.8	5.1	11.1	7.1	19.3	10.0
Leasing share (%)	30.3	30.6	30.5	31.8	30.9	37.4	32.6	34.3	33.3	33.7	32.4	33.3	35.3	33.8
Leasing (%-change)	19.3	21.4	20.4	18.6	19.8	39.0	25.0	24.9	19.5	22.1	14.6	19.5	8.9	16.3
FS penetration of retail car sales[3,4]														
Group														
Leasing & financing (%)	40.0	40.8	40.4	42.5	41.1	41.1	41.1	38.2	39.2	38.7	40.2	39.2	44.0	40.4
Leasing (%)	20.5	20.5	20.5	22.0	21.0	17.0	20.0	18.4	19.2	18.8	19.4	19.0	21.8	19.7
Financing (%)	19.5	20.3	19.9	20.5	20.1	24.1	21.1	19.8	20.0	19.9	20.8	20.2	22.2	20.7
US														
Leasing & financing (%)	77.8	69.2	73.5	65.9	70.9	60.9	68.4	68.4	64.8	66.6	-	-	-	-
Leasing (%)	41.7	40.5	41.1	42.9	41.9	39.1	41.2	39.5	39.3	39.4	-	-	-	-
Financing (%)	36.1	28.7	32.4	23.0	29.0	21.8	27.2	28.9	35.1	32.0	-	-	-	-
Cost of risk[3]														
Credit loss rate (%)	0.55	0.31	0.43	0.52	0.46	0.58	0.49	0.35	0.63	0.49	0.55	0.51	0.39	0.48
Profit (EUR m) & profitability														
EBIT (FS)	403	739	1,142	364	1,506	257	1,763	426	441	867	424	1,291	267	1,558
EBIT (group)	1,902	2,856	4,758	1,716	6,474	1,544	8,018	2,132	2,270	4,402	2,004	6,406	1,894	8,300
EBIT (FS/group) (%)	21.2	25.9	24.0	21.2	23.3	16.6	22.0	20.0	19.4	19.7	21.2	20.2	14.1	18.8
PBT (FS)	429	744	1,173	354	1,527	263	1,790	434	431	865	425	1,290	271	1,561
PBT (group)	1,812	2,704	4,516	1,644	6,160	1,223	7,383	2,076	1,977	4,053	1,987	6,040	1,779	7,819
PBT (FS/group) (%)	23.7	27.5	26.0	21.5	24.8	21.5	24.2	20.9	21.8	21.3	21.4	21.4	15.2	20.0
Earnings (FS)	278	472	750	249	999	-262	737	288	274	562	289	851	165	1,016
PBToA (%)	2.4	4.1	3.2	1.9	4.0	1.3	2.2	2.1	2.0	2.0	2.0	3.0	1.3	2.1
PBT on Equity (%)	32.5	52.1	41.5	22.3	32.1	15.3	28.9	23.9	23.8	24.2	23.4	17.7	3.6	20.5
PBT on managed portfolio (%)	2.6	4.6	3.6	2.1	4.4	1.4	2.5	2.3	2.3	2.3	2.2	3.3	1.4	1.9
Leverage (FS assets/FS equity)	13.5	-	12.0	-	12.0	-	11.5	11.3	-	12.0	-	11.8	-	9.7

(1) Period end. (2) Leasing portfolio in group accounts at production costs and at the division at list price. (3) Data is YTD; therefore 2Q, 3Q and 4Q are implied. (4) Financing ratio relates to retail sales only in countries where FS is operating, thus excluding f.i. countries such as mainland China until 4Q10. Source: Company data and CGI calculations.

Outlook 2014E fine-tuned

We expect a 9.5% recovery in EPS to EUR 8.61

After an expected 1.2% increase in EPS to EUR 7.86 in FY13E, we expect earnings growth to accelerate again to 9.5% and EPS of EUR 8.61 in 2014E; our new estimates imply cuts by 2.6% and 0.2% from our previous estimates of EUR 8.07 and EUR 8.63 respectively of March 18th. (See p.14 for divisional split of our estimates.)

Auto segment

For 2014E, we expect that a 10.0% increase in sales (to 2.16m) will result in a 13.5% increase in EBIT to EUR 8.41bn/10.2%. We expect that the positive effect from a moderate recovery in the European car markets both on sales volume and pricing should be further supported by a declining investment cycle. We expect that in 2014E the net effect from upfront investment for future projects (One Future) and efficiency gains will level out or even turn positive. We also expect that the planned steady renewal rate of existing models and the continuing model proliferation will enable BMW to keep its sales momentum positive and to continue to generate considerable annual efficiency gains going forward. We also expect that a 20% increase in sales in China should lead to a 13% increase in the region's PBT contribution to EUR 2.69bn.

BMW – Automotive profitability (2006-2014E)

	2006	2007	2008	2009	2010	2011	2012	new 2013E	new 2014E	old 2013E	old 2014E
Retail sales ('000)	1,374.0	1,500.7	1,435.9	1,286.3	1,461.2	1,669.0	1,845.2	1,959.9	2,156.0	1,945.3	2,123.6
Change (%)	3.5	9.2	-4.3	-10.4	13.6	14.2	10.6	6.2	10.0	5.4	9.2
Division (EUR m)											
Revenue	47,767	53,818	48,782	43,737	54,137	63,229	70,208	74,853	82,446	75,034	82,766
Gross profit	9,636	10,528	7,991	4,121	9,434	13,065	13,683	14,297	16,077	15,757	18,208
EBIT	3,055	3,450	690	-265	4,355	7,477	7,624	7,410	8,410	7,804	8,690
Pre-tax profit	3,012	3,232	318	-588	3,887	6,823	7,195	6,960	7,960	7,404	8,290
Margin (%)											
Gross profit	20.2	19.6	16.4	9.4	17.4	20.7	19.5	19.1	19.5	21.0	22.0
EBIT	6.4	6.4	1.4	-0.6	8.0	11.8	10.9	9.9	10.2	10.4	10.5
PBT	6.3	6.0	0.7	-1.3	7.2	10.8	10.2	9.3	9.7	9.9	10.0
Per vehicle (EUR)[1]											
Revenue/vehicle (EUR k)	34.8	35.9	34.0	34.0	37.1	37.9	38.0	38.2	38.2	38.6	39.0
EBIT/vehicle	2,223	2,299	481	-206	2,980	4,480	4,132	3,781	3,901	4,011	4,092
Change (%)											
Revenue/vehicle	0.7	3.2	-5.3	0.1	9.0	2.3	0.4	0.4	0.1	1.0	1.0
OP/vehicle	-4.1	3.4	-79.1	NM	NM	50.3	-7.8	-8.5	3.2	-1.8	2.0

Note: Old 2013E-14E estimates refer to our BMW report of March 18th. (1) Divisional revenue and EBIT vs. retail sales. Source: Company data and CGI estimates

BMW – Cash flow at industrial operations and automotive segment (2006-14E)

	Ind. Operations <=		=> Auto division								
(EUR m)	2006	2007	2007	2008	2009	2010	2011	2012	new 2013E	new 2014E	old 2013E	old 2014E
Net profit	2,449	2,963	2,721	226	-439	2,607	4,991	4,737	4,594	5,174	4,886	5,389
Depreciation	3,315	3,665	3,568	3,567	3,502	3,762	3,564	3,679	4,279	4,379	3,764	3,864
Depreciation leased products	4	4	4	6	7	5	29	23	6	6	6	6
Gross Cash Flow	5,768	6,632	6,293	3,799	3,070	6,374	8,584	8,439	8,873	9,553	8,650	9,253
Increase in provisions	236	398	236	-515	42	869	577	261	100	100	300	300
Other	-404	-257	-76	10	-332	1,280	-494	100	50	50	75	-25
CF from operations	5,600	6,773	6,453	3,294	2,780	8,523	8,667	7,545	9,023	9,703	9,025	9,528
WCR	-227	-433	-207	1,177	2,141	-374	-1,590	1,622	-300	-500	-300	-500
CF- operating activities	5,373	6,340	6,246	4,471	4,921	8,149	7,077	9,167	8,723	9,203	8,725	9,028
Capital expenditure	-4,272	-4,157	-4,103	-4,114	-3,409	-3,183	-3,565	-5,074	-5,974	-5,374	-5,014	-5,114
Other	-148	-158	4	-438	-2,266	-2,358	-2,160	-456	-820	-820	-970	-970
CF -Investment activities	-4,417	-4,050	-4,099	-4,552	-5,675	-5,541	-5,725	-5,530	-6,794	-6,194	-5,984	-6,084
Free CF	956	2,160	2,147	-81	-754	2,608	1,352	3,637	1,929	3,009	2,742	2,944
Net inv. marketable sec.					2,210	1,863	781	172	0	0	150	150
Adj. FCF			2,147	-81	1,456	4,471	2,133	3,809	1,929	3,009	2,892	3,094
Dividends	-419	-458	-458	-694	-197	-197	-852	-1,508	-1,640	-1,771	-1,704	-1,770
Other application	-1,025	-1,642	NM	741	1,070	1,718	-653	55	11	-38	-137	-274
Net debt increase/-decrease	741	-60	NM	34	-119	-4,129	153	-2,184	-300	-1,200	-900	-900
Net cash (calculated)	980	1,040	380	346	465	4,594	4,441	6,625	6,925	8,125	6,430	7,330
Intra-group net receivables	-	-	6,974	8,700	8,497	6,692	7,947	5,862	-	-	-	-
Net cash - BMW definition	-	-	7,354	9,046	8,962	11,286	12,388	13,327	-	-	-	-

(1) 2006-11 CGI estimates. Source: Company data and CGI estimates

BMW Auto – Retail sales by model series (2006-14E)

	2006	2007	2008	2009	2010	2011	2012	new 2013E	new 2014E	old 2013E	old 2014E
Units ('000)											
- sub 1-Series	-	-	-	-	-	-	-	-	70.0	-	70.0
- 1 - Series	151.9	165.8	225.1	217.0	196.0	176.4	226.8	236.7	239.1	236.7	239.1
- X1	-	-	-	8.5	100.0	126.4	147.8	158.1	150.2	158.1	150.2
- 3 - Series	508.5	555.2	474.2	397.1	399.0	384.5	406.8	440.3	457.9	440.3	457.9
- X3	114.0	111.9	84.4	55.6	46.0	117.9	149.9	154.3	148.2	149.9	143.9
- Z4	31.0	28.4	18.0	22.8	24.6	18.8	15.2	14.5	14.2	14.5	14.2
- 3 – Series GT	-	-	-	-	-	-	0.0	25.0	50.0	30.0	50.0
- 5 - Series	232.2	230.8	202.3	172.9	212.0	310.1	337.9	344.7	341.2	324.4	321.2
- X5	75.3	120.6	116.5	88.9	102.2	104.8	108.5	114.0	134.5	114.0	134.5
- 5 - Series GT	-	-	-	3.1	26.5	22.5	21.1	19.0	19.5	19.0	17.1
- X6	-	-	26.6	41.7	46.4	40.8	43.7	40.6	38.2	40.6	38.2
- 6 - Series	21.9	19.6	16.3	8.6	5.8	9.4	23.2	36.1	36.5	36.1	36.5
- 7 - Series	50.2	44.4	38.8	52.7	65.8	68.8	59.2	56.2	57.9	56.2	57.9
BMW brand	1,185.1	1,276.8	1,202.2	1,068.8	1,224.3	1,380.4	1,540.1	1,639.6	1,782.4	1,619.8	1,750.6
Mini brand	188.1	222.9	232.4	216.5	234.2	285.1	301.5	316.6	335.6	316.6	335.6
Rolls-Royce	0.8	1.0	1.2	1.0	2.7	3.5	3.6	3.4	3.4	3.6	3.6
- i3	-	-	-	-	-	-	-	0.3	30.0	5.0	30.0
- i8	-	-	-	-	-	-	-	-	4.5	0.3	4.5
Group	1,374.0	1,500.7	1,435.9	1,286.3	1,461.2	1,669.0	1,845.2	1,959.9	2,156.0	1,945.3	2,124.3
% change											
- 1 - Series	1.6	9.1	35.8	-3.6	-9.7	-10.0	28.6	4.4	1.0	4.4	1.0
- X1	-	-	-	-	NM	26.4	16.9	7.0	-5.0	7.0	-5.0
- 3 - Series	17.1	9.2	-14.6	-16.3	0.5	-3.6	5.8	8.2	4.0	8.2	4.0
- X3	3.0	-1.9	-24.5	-34.1	-17.3	156.4	27.1	3.0	-4.0	0.0	-4.0
- Z4	7.3	-8.4	-36.6	26.4	8.0	-23.5	-18.9	-5.0	-2.0	-5.0	-2.0
- 3 – Series GT	-	-	-	-	-	-	-	-	NM	-	-
- 5 - Series	1.7	-0.6	-12.4	-14.5	22.6	46.3	9.0	2.0	-1.0	-4.0	-1.0
- X5	-25.8	60.1	-3.4	-23.7	15.0	2.6	3.5	5.0	18.0	5.0	18.0
- 5 - Series GT	-	-	-	-	NM	-15.2	-6.1	-10.0	3.0	-10.0	-10.0
- X6	-	-	-	56.8	11.4	-12.0	7.0	-7.0	-6.0	-7.0	-6.0
- 6 - Series	-6.0	-10.6	-17.0	-46.9	-32.4	60.7	146.8	55.7	1.0	55.7	1.0
- 7 - Series	0.3	-11.6	-12.6	35.7	24.9	4.5	-13.9	-5.0	3.0	-5.0	3.0
BMW brand	5.2	7.7	-5.8	-11.1	14.6	12.8	11.6	6.5	8.7	5.2	8.1
Mini brand	-6.2	18.5	4.3	-6.8	8.1	21.7	5.8	5.0	6.0	5.0	6.0
Rolls-Royce	1.1	25.5	20.0	-17.3	170.6	30.5	1.0	-5.0	1.0	1.0	1.0
Group	3.5	9.2	-4.3	-10.4	13.6	14.2	10.6	6.2	10.0	5.4	9.2
Share (%)											
- sub 1-Series	-	-	-	-	-	-	-	-	3.2	-	3.3
- 1 - Series	11.1	11.0	15.7	16.9	13.4	10.6	12.3	12.1	11.1	12.2	11.3
- X1	-	-	-	0.7	6.8	7.6	8.0	8.1	7.0	8.1	7.1
- 3 - Series	37.0	37.0	33.0	30.9	27.3	23.0	22.0	22.5	21.2	22.6	21.6
- X3	8.3	7.5	5.9	4.3	3.1	7.1	8.1	7.9	6.9	7.7	6.8
- Z4	2.3	1.9	1.3	1.8	1.7	1.1	0.8	0.7	0.7	0.7	0.7
- 3 - Series GT	-	-	-	-	-	-	0.0	1.3	2.3	1.5	2.4
- 5 - Series	16.9	15.4	14.1	13.4	14.5	18.6	18.3	17.6	15.8	16.7	15.1
- X5	5.5	8.0	8.1	6.9	7.0	6.3	5.9	5.8	6.2	5.9	6.3
- 5 - Series GT	-	-	-	0.2	1.8	1.3	1.1	1.0	0.9	1.0	0.8
- X6	-	-	1.9	3.2	3.2	2.4	2.4	2.1	1.8	2.1	1.8
- 6 - Series	1.6	1.3	1.1	0.7	0.4	0.6	1.3	1.8	1.7	1.9	1.7
- 7 - Series	3.7	3.0	2.7	4.1	4.5	4.1	3.2	2.9	2.7	2.9	2.7
BMW brand	86.3	85.1	83.7	83.1	83.8	82.7	83.5	83.7	82.7	83.3	82.4
Mini brand	13.7	14.9	16.2	16.8	16.0	17.1	16.3	16.2	15.6	16.3	15.8
Rolls-Royce	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
- i3	-	-	-	-	-	-	-	0.0	1.4	0.3	1.4
- i8	-	-	-	-	-	-	-	-	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

Note: Old 2013E-14E estimates refer to our BMW report of March 18th. Source: Company data and CGI estimates

BMW Automobile – Retail sales by region (2006-2014E)

	2006	2007	2008	2009	2010	2011	2012	new 2013E	new 2014E	old 2013E	old 2014E
Units ('000)											
- Germany	287.7	280.9	280.9	267.5	267.2	285.3	287.4	288.8	294.6	288.7	294.5
- UK	154.1	173.8	151.5	137.1	154.8	167.5	174.5	183.3	188.8	176.4	181.7
- Other Europe	375.0	443.6	432.2	357.3	369.3	405.7	403.5	397.7	421.2	395.8	414.9
Europe	816.8	898.3	864.6	761.9	791.2	858.4	865.4	869.7	904.5	860.9	891.1
- US	313.9	336.2	303.6	242.1	266.6	306.3	348.5	371.3	404.7	371.3	404.7
- Canada	23.4	27.7	28.2	29.0	31.7	35.0	37.7	38.8	40.4	38.8	40.4
North America	337.4	364.0	331.8	271.0	298.3	341.3	386.2	410.1	445.1	410.1	445.1
- Japan	62.1	60.5	48.8	41.1	43.6	47.7	56.7	54.1	56.3	54.1	56.3
- China	36.4	51.6	65.8	90.5	169.0	233.6	327.3	386.3	455.8	396.9	476.3
- Other Asia	43.6	47.4	51.1	51.5	73.7	94.2	109.4	127.8	158.4	117.2	137.9
Asia	142.1	159.5	165.7	183.2	286.3	375.5	493.4	568.2	670.5	568.2	670.5
Rest of World	77.7	78.9	73.8	70.2	85.3	93.8	100.1	111.8	135.8	106.1	118.0
World	1,374.0	1,500.7	1,435.9	1,286.3	1,461.2	1,669.0	1,845.2	1,959.9	2,156.0	1,945.3	2,124.6
% change											
- Germany	-2.8	-2.4	0.0	-4.8	-0.1	6.8	0.7	0.5	2.0	0.5	2.0
- UK	-1.4	12.8	-12.8	-9.5	12.9	8.2	4.2	5.0	3.0	1.0	3.0
- Other Europe	6.9	18.3	-2.6	-17.3	3.4	9.8	-0.5	-1.4	5.9	-1.9	4.8
Europe	1.7	10.0	-3.8	-11.9	3.9	8.5	0.8	0.5	4.0	-0.5	3.5
- US	2.1	7.1	-9.7	-20.3	10.1	14.9	13.8	6.5	9.0	6.5	9.0
- Canada	8.7	18.4	1.5	2.9	9.5	10.3	7.7	3.0	4.0	3.0	4.0
North America	2.6	7.9	-8.8	-18.3	10.1	14.4	13.2	6.2	8.5	6.2	8.5
- Japan	5.6	-2.6	-19.2	-15.8	6.1	9.2	19.0	-4.6	4.0	-5.0	4.0
- China	51.3	41.9	27.6	37.5	86.7	38.2	40.1	18.0	18.0	21.0	20.0
- Other Asia	1.8	8.7	7.7	0.9	42.9	27.8	16.1	16.9	23.9	7.4	17.7
Asia	13.0	12.3	3.9	10.5	56.3	31.1	31.4	15.2	18.0	15.0	18.0
Rest of World	10.3	1.5	-6.5	-4.8	21.6	9.9	6.8	11.6	21.5	6.6	11.2
World	3.5	9.2	-4.3	-10.4	13.6	14.2	10.6	6.2	10.0	5.4	9.2
Share (%)											
- Germany	20.9	18.7	19.6	20.8	18.3	17.1	15.6	14.7	13.7	14.8	13.9
- UK	11.2	11.6	10.6	10.7	10.6	10.0	9.5	9.4	8.8	9.1	8.6
- Other Europe	27.3	29.6	30.1	27.8	25.3	24.3	21.9	20.3	19.5	20.3	19.5
Europe	59.5	59.9	60.2	59.2	54.1	51.4	46.9	44.4	42.0	44.3	41.9
- US	22.8	22.4	21.1	18.8	18.2	18.4	18.9	18.9	18.8	19.1	19.0
- Canada	1.7	1.8	2.0	2.3	2.2	2.1	2.0	2.0	1.9	2.0	1.9
North America	24.6	24.3	23.1	21.1	20.4	20.5	20.9	20.9	20.6	21.1	20.9
- Japan	4.5	4.0	3.4	3.2	3.0	2.9	3.1	2.8	2.6	2.8	2.6
- China	2.6	3.4	4.6	7.0	11.6	14.0	17.7	19.7	21.1	20.4	22.4
- Other Asia	3.2	3.2	3.6	4.0	5.0	5.6	5.9	6.5	7.3	6.0	6.5
Asia	10.3	10.6	11.5	14.2	19.6	22.5	26.7	29.0	31.1	29.2	31.6
Rest of World	5.7	5.3	5.1	5.5	5.8	5.6	5.4	5.7	6.3	5.5	5.6
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Old 2013E-14E estimates refer to our BMW report of March 18th. Source: Company data and CGI estimates

BMW group – P&L by division (2006-14E)

BMW – P&L by division (2006-14E)

(EUR m)	2006	2007	2008	2009	2010	2010R	2011	2012	new 2013E	new 2014E	old 2013E	old 2014E
Revenue												
Automotive	47,767	53,818	48,782	43,737	*54,137*	54,137	63,229	70,208	74,853	82,446	75,034	82,806
Motorcycles	1,265	1,228	1,230	1,069	*1,304*	1,304	1,436	1,490	1,341	1,475	1,394	1,533
Financial Services	11,079	13,940	15,725	15,798	*16,617*	16,617	17,510	19,550	20,723	21,759	20,592	21,621
Other	-	290	191	3	*5*	4	5	5	5	5	5	5
Eliminations	-11,112	-13,258	-12,731	-9,926	*-11,586*	-11,585	-13,359	-14,405	-15,193	-16,322	-15,026	-16,336
Group	48,999	56,018	53,197	50,681	*60,477*	60,477	68,821	76,848	81,729	89,364	81,999	89,630
EBIT												
Automotive	3,055	3,450	690	-265	*4,355*	4,355	7,477	7,624	7,410	8,410	7,804	8,695
Motorcycles	75	80	60	19	*71*	71	45	9	60	69	64	72
Financial Services	689	717	-216	355	*1,201*	1,201	1,763	1,558	1,650	1,500	1,300	1,200
Other	-	49	273	30	*-41*	-41	-19	58	30	30	30	30
Eliminations	231	-84	114	150	*-492*	-475	-1,248	-949	-900	-900	-800	-900
Group	4,050	4,212	921	289	*5,094*	5,111	8,018	8,300	8,251	9,109	8,398	9,097
EBIT margin (%)												
Automobiles	6.4	6.4	1.4	-0.6	*8.0*	8.0	11.8	10.9	9.9	10.2	10.4	10.5
Motorcycles	5.9	6.5	4.9	1.8	*5.4*	5.4	3.1	0.6	4.5	4.7	4.6	4.7
Financial Services	6.2	5.1	-1.4	2.2	*7.2*	7.2	10.1	8.0	8.0	6.9	6.3	5.6
Group	8.3	7.5	1.7	0.6	*8.4*	8.5	11.7	10.8	10.1	10.2	10.2	10.1
Financial Income												
Automotive	-43	-218	-372	-323	*-468*	-468	-654	-429	-450	-450	-400	-400
Motorcycles	-9	-9	-9	-8	*-6*	-6	-4	-3	-3	-3	-9	-9
Financial Services	-4	26	-76	10	*13*	13	27	3	10	10	0	0
Other	-	119	22	21	*86*	86	-149	-64	0	0	0	0
Eliminations	130	-257	-135	424	*117*	117	145	12	0	0	0	0
Group	74	-339	-570	124	*-258*	-258	-635	-481	-443	-443	-409	-409
Pre-tax profit												
Automotive	3,012	3,232	318	-588	*3,887*	3,887	6,823	7,195	6,960	7,960	7,404	8,295
Motorcycles	66	71	51	11	*65*	65	41	6	57	66	55	63
Financial Services	685	743	-292	365	*1,214*	1,214	1,790	1,561	1,660	1,510	1,300	1,200
Other	-	168	295	51	*45*	45	-168	-6	30	30	30	30
Eliminations[1]	361	-341	-21	574	*-375*	-358	-1,103	-937	-900	-900	-800	-900
Group	4,124	3,873	351	413	*4,836*	4,853	7,383	7,819	7,808	8,666	7,989	8,688
Pre-tax margin (%)												
Automobiles	6.3	6.0	0.7	-1.3	*7.2*	7.2	10.8	10.2	9.3	9.7	9.9	10.0
Motorcycles	5.2	5.8	4.1	1.0	*5.0*	5.0	2.9	0.4	4.3	4.5	4.0	4.1
Financial Services	6.2	5.3	-1.9	2.3	*7.3*	7.3	10.2	8.0	8.0	6.9	6.3	5.6
Group	8.4	6.9	0.7	0.8	*8.0*	8.0	10.7	10.2	9.6	9.7	9.7	9.7
Less tax charge												
Automotive	-	511	92	-149	*1,280*	1,280	1,832	2,458	2,367	2,786	2,517	2,903
Motorcycles	-	11	14	3	*20*	20	12	22	20	23	19	22
Financial Services	-	269	-131	147	*446*	446	1,053	545	581	529	442	414
Other	-	5	16	-13	*-22*	-22	-37	-5	-5	-5	-37	-37
Eliminations	-	-57	30	215	*-122*	-114	-384	-323	-310	-310	-240	-270
Group	1,250	739	21	203	*1,602*	1,610	2,476	2,697	2,652	3,022	2,702	3,032
Profit after tax												
Automotive	-	2,721	226	-439	*2,607*	2,607	4,991	4,737	4,594	5,174	4,886	5,391
Motorcycles	-	60	37	8	*45*	45	29	-16	37	43	36	41
Financial Services	-	474	-161	218	*768*	768	737	1,016	1,079	982	858	786
Other	-	163	279	64	*67*	67	-131	-1	35	35	67	67
Eliminations	-	-284	-51	359	*-253*	-244	-719	-614	-590	-590	-560	-630
Group	2,874	3,134	330	210	*3,234*	3,243	4,907	5,122	5,155	5,644	5,287	5,655
Tax rate (%)												
Automotive	-	15.8	28.9	25.3	*32.9*	32.9	26.9	34.2	34.0	35.0	34.0	35.0
Motorcycles	-	15.5	27.5	27.3	*30.8*	30.8	29.3	366.7	35.0	35.0	35.0	35.0
Financial Services	-	36.2	44.9	40.3	*36.7*	36.7	58.8	34.9	35.0	35.0	34.0	34.5
Group	-	19.1	6.0	49.2	*33.1*	33.2	33.5	34.5	34.0	34.9	33.8	34.9

Note: Old 2013E-14E estimates refer to our BMW report of March 18th. R= restated. (1) Other & eliminations in 2006. Source: Company data and CGI estimates

Update: China contribution to BMW earnings

In FY12E, a 40% jump in sales led to a calc. 6% in PBT

We calculate that in FY12E, BMW Auto generated a pre-tax profit of EUR 2.19bn in China, implying a 6.2% increase from FY11E's EUR 2.06bn. In FY12, mainland China group sales jumped 40.4% to 328.0k units, raising their share in global sales to 17.8%, from 14.0% in FY11, whereas China's contribution to PBT remained a stable 30%.

China remains considerably more profitable

Operations in China remained thus considerably more profitable than the global average, but the measured profitability declined considerably from a calculated EUR 8.2k PBT/vehicle in FY11 to EUR 6.0k in FY12. We attribute this trend of declining unit profit to two factors: 1) A sharp decline in unit profit for imported vehicles; and 2) a growing share of locally produced vehicles. In addition, we estimate that BMW also generated a pre-tax profit of more than EUR 0.2bn from the sale of goods and services to the equity accounted production JV with Brilliance. (See for tables on p. 16 for methodology and details.)

In FY12E, imports accounted for 87% of sales and 76% of PBT in China

We calculate that in FY12E imports accounted for 56.9% of Chinese car sales and generated the lion's share of 73% of the China PBT, with an implied pre-tax profit per vehicle of EUR 8.5k, compared to a calculated EUR 12.4k in 2011. We understand that one contributing factor to the decline in calc. profit per vehicle was BMW increasing the factory prices for imported vehicles thus allocating the profits rather at the operations in Europe and the US. BMW as a company does not publish a regional split/allocation of its profits which hampers external estimates such as ours; put differently, we now assume that our calculation of PBT per imported vehicle overstates their profitability until FY11.

Mix and pricing down

As contributing factors (to the declining PBT per imported vehicle) we also identify a worsening model mix and lower equipment levelx as sales volumes grow and the portfolio widens. And last but not least there is also a certain deterioration in pricing and an increase in marketing costs, as the Tier 1 region is maturing and the strong growth in the Chinese pc market is slowing somewhat.

Local production up

In FY12, sale of locally sourced cars increased 50% to 141k, raising their share to 45%, from 40% in FY11; this resulted in a calculated 65% increase in corresponding PBT to EUR 0.36bn, or EUR 2.56k per vehicle.

BMW Auto – Estimated profit contribution – mainland China (2007E-14E)

	2007E	2008E	2009E	2010E	2011E	2012E	new 2013E	new 2014E	old 2013E	old 2014E
PBT[1] (EUR m)										
Auto division	3,232	318	-588	3,887	6,823	7,195	6,960	7,960	7,404	8,293
China contribution to PBT	162	227	657	1,455	2,059	2,186	2,380	2,689	2,802	3,081
Division PBT w/o China	3,070	91	-1,245	2,432	4,764	5,009	4,580	5,271	4,602	5,212
Share (%)										
PBT China	5.0	71.3	-111.7	37.4	30.2	30.4	34.2	33.8	37.8	37.2
Margin (%)										
Divisional pre-tax profit	6.0	0.7	-1.3	7.2	10.8	10.2	9.3	9.7	9.9	10.0
Divisional PBT w/o China	5.9	0.2	-3.1	5.3	9.2	8.5	7.2	7.4	7.6	7.9

Note: Old 2013E-14E estimates refer to our BMW report of March 18th. Source: Company data and CGI estimates

We expect PBT to grow…

…to EUR 2.38bn in FY13E and EUR 3.69bn in 2014E

We expect that in 2013E-14E, BMW's car sales in China will slow from a reported 40% in FY12, to 21% and 20% respectively. We expect China's PBT contribution will increase 8.9% to EUR 2.38bn in FY13E and 13% to EUR 2.69bn in 2014E. Our estimates are based on the assumption that profit per vehicle will continue to decline, due to a worsening product mix as BMW's market penetration increases and product offering widens, tougher pricing, and a declining import share. Indeed, we expect local production will grow from 150k in FY12 to 200k in FY13E and 267k in 2014E.

Methodology:

There are three categories of profit contribution from China: 1) profit from importing cars through the China Trading comp (Beijing) that is a fully consolidated subsidiary; 2) BMW's share in the production JV with Brilliance; and 3) profit from the sale of goods and services to the JV. Revenue and profits of 1) and 3) are thus included in consolidated revenue and 'EBIT' (operating results), whereas 2) BMW's share in the JV's net profit is included in financial income and thus only in PBT, and neither in divisional revenue nor 'EBIT' because in BMW accounts 'EBIT' refers to 'profit before financial results'.

BMW Auto – Methodology - estimated profit contribution – mainland China (2007A/E-14E)

		2007A/E	2008A/E	2009A/E	2010A/E	2011A/E	2012A/E	new 2013E	new 2014E	old 2013E	old 2014E
Revenue (EUR m)											
Divisional revenue		53,818	48,782	43,737	54,137	63,229	70,208	74,853	82,446	77,424	84,805
China revenue (imports, sales to JVs)		1,795	2,693	4,039	8,444	11,591	11,486	11,336	11,365	13,379	13,536
o/w revenue from sales to JV		*293*	*406*	*532*	*1,046*	*1,729*	*2,962*	*4,212*	*5,623*	*3,532*	*4,906*
Divisional revenue w/o China		52,023	46,089	39,698	45,693	51,638	58,722	63,517	71,082	64,045	71,269
Pre-tax profit (EUR m)											
Divisional PBT		3,232	318	-588	3,887	6,823	7,195	6,960	7,960	8,531	8,531
China contribution to PBT		162	227	657	1,455	2,043	2,186	2,380	2,689	2,794	2,972
- Profit from sales to JVs	ass. 8% margin	23	32	43	84	138	237	337	450	283	392
- Profit from imports and JV	ass. 25% tax rate	139	194	614	1,371	1,904	1,949	2,043	2,239	2,511	2,579
Divisional PBT w/o China		3,070	91	-1,245	2,432	4,780	5,009	4,580	5,271	5,737	5,559
Margin (%)											
Divisional PBT		6.0	0.7	-1.3	7.2	10.8	10.2	9.3	9.7	11.0	10.1
Divisional PBT w/o china		5.9	0.2	-3.1	5.3	9.3	8.5	7.2	7.4	9.0	7.8
Net profit (EUR m)											
Divisional net profit		2,721	226	-439	2,607	4,991	4,737	4,594	5,174	5,801	6,268
China contribution to net profit		110	166	461	1,073	1,485	1,549	1,644	1,827	1,977	2,064
- Profit from sales to JVs	ass. 33% tax rate	8	11	14	28	46	78	111	148	93	130
- Profit from imports and JV	stated	102	155	447	1,045	1,439	1,471	1,532	1,679	1,883	1,935
Divisional net profit w/o China		2,611	60	-900	1,534	3,506	3,188	2,950	3,346	3,825	4,204

Note: 2007E-12A/E: Blue highlights reported by BMW or calculated on reported items in BMW accounts. Old 2013E-14E estimates refer to our BMW report of March 18th. Source: Company data and CGI estimates

BMW Auto – Assumptions and calculation of profit from car sales in China (imports and JV) (2007A/E-14E)

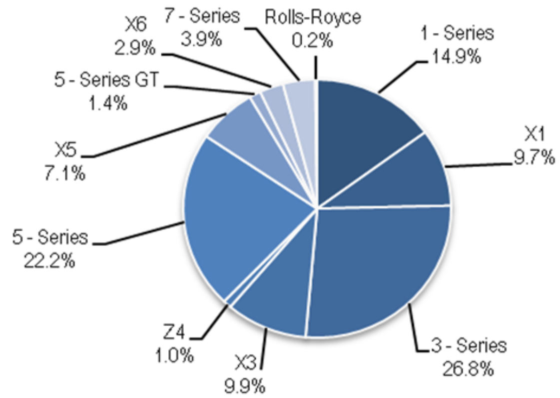
		2007A/E	2008A/E	2009A/E	2010A/E	2011A/E	2012A/E	new 2013E	new 2014E	old 2013E	old 2014E
Units ('000)											
Retail sales - mainland		51.6	65.8	90.5	169.0	233.6	327.3	386.3	455.8	396.9	476.3
Sourced at Shenyang		31.0	35.0	44.0	54.0	94.0	141.0	200.5	267.7	191.5	231.5
Implied imports		20.6	30.8	46.5	115.0	139.6	186.3	185.8	188.1	205.4	244.8
Import share (%)		39.9	46.8	51.4	68.0	59.8	56.9	48.1	41.3	51.8	51.4
China in division (%)		3.4	4.6	7.0	11.6	14.0	17.7	19.7	21.1	20.4	22.4
Net profit (EUR m)											
Division		2,721	226	-439	2,607	4,991	4,737	4,594	5,174	4,886	5,391
China Trading comp (Beijing)[1]	100% subsidiary	93	121	419	930	1,264	1,191	1,128	1,085	1,553	1,666
JV net profit	50% of total JV profit	11	25	42	98	164	280	405	594	316	365
Net profit contr. China sales		102	155	447	1,045	1,428	1,471	1,532	1,679	1,869	2,030
Share (%)											
Net profit China car sales		3.7	68.6	-101.8	40.1	28.6	31.0	33.4	31.0	38.3	37.7
PBT (EUR m)											
Division (rep.)		3,232	318	-588	3,887	6,823	7,195	6,960	7,195	7,404	8,293
Trading company (calc)	ass. 25% tax rate	124	161	558	1,240	1,686	1,588	1,504	1,588	2,071	2,221
JV (calc.)	ass. 25% tax rate	15	33	56	131	219	361	539	361	421	486
PTP contribution China sales		139	194	614	1,371	1,904	1,949	2,043	1,949	2,492	2,707
Share (%)											
PBT China car sales (calc.)		4.3	61.1	-104.4	35.3	27.9	27.1	29.4	28.1	33.7	32.6
PBT per vehicle (EUR)											
Division		2,154	221	-457	2,660	4,088	3,899	3,551	3,692	3,806	3,904
Mainland imports		6,936	4,904	11,992	10,937	12,447	8,520	8,094	7,689	10,082	9,074
Mainland JV		435	1,010	1,273	2,350	2,227	2,563	2,691	2,960	2,200	2,100
Mainland combined		2,689	2,952	6,782	8,112	8,151	5,954	5,289	4,912	6,279	5,684

Note: 2007E-12A/E: Blue highlights reported by BMW or calculated on reported items in BMW accounts. Old 2013E-14E estimates refer to our BMW report of March 18th (1) Recalculated on average exchange rate. Source: Company data and CGI estimates

Strong model mix

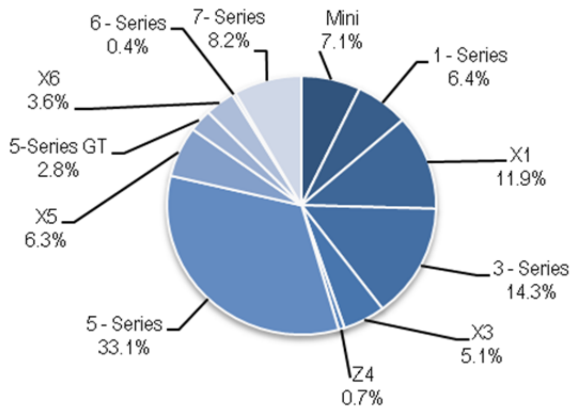
BMW's model mix is extraordinarily strong in China, which is now the largest market for the 7-Series, the 5-Series, the 5-Series GT and the X6; and the second largest market for the X5 and X3. In FY12A, just under 50% sales of global sales of the 7-Series and the 5-Series GT went to mainland China, about a third of 5-Series and a quarter of X1 and X6 sales. In addition, BMW reports an extraordinarily strong engine mix and high option uptake.

BMW Auto – model-mix globally (2012)



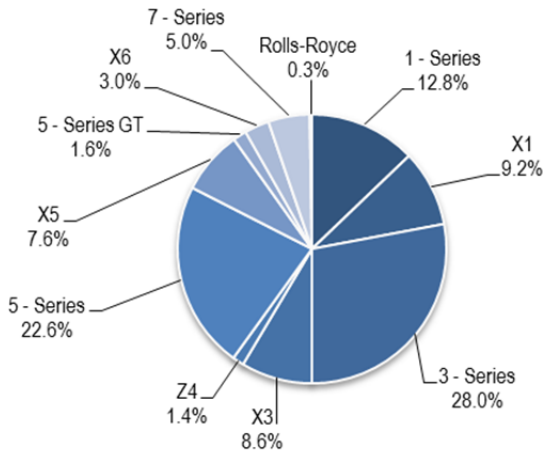
Source: Company data and CGI calculations

BMW Auto – model-mix in mainland China (2012)



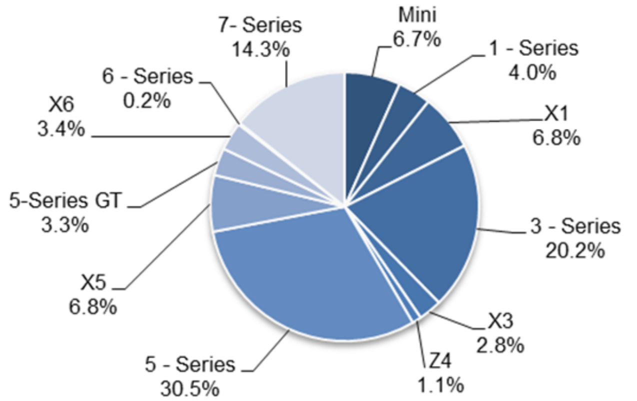
Source: Company data and CGI calculations

BMW Auto – model-mix globally (2011)



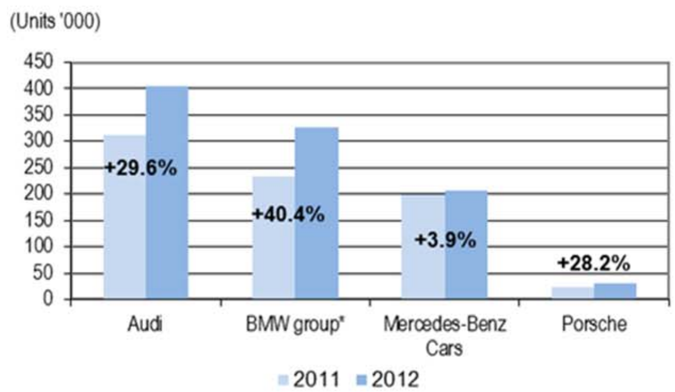
Source: Company data and CGI calculations

BMW Auto – Model-mix in mainland China (2011)m



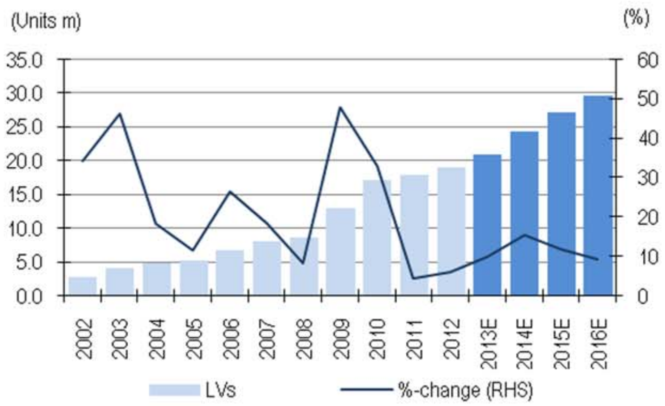
Source: Company data and CGI calculations

German premium brands (Jan-Dec 2011 & 2012)



Source: Company data and CGI calculations

China – LV sales* (2002-16E)



(*) Premium and non-premium LV sales. See also our monthly publication Global Automotive Demand Atlas for details on the Chinese LV market. Source: LMC Automotive and CGI estimates

Overview

BMW – overview (2006-14E)

Ordinary share price (EUR)	70.25									
Market capitalisation (EUR bn)[1]	45.38									
No of shares (m)[2]	654.7									
	2006	2007	2008	2009	2010	2010R	2011	2012	2013E	2014E
Values per share (EUR)										
EPS	4.38	4.78	0.49	0.31	4.91	4.93	7.45	7.77	7.86	8.61
CFPS	15.34	18.23	18.32	12.95	7.20	7.20	11.19	5.07	15.32	16.37
BVPS	39.29	39.77	41.43	43.58	35.3	39.23	39.69	46.38	51.37	57.22
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	5.42	2.88	4.49
Stock market ratios (x)										
P/E	16.1	14.7	142.1	226.6	14.3	14.3	9.4	9.0	8.9	8.2
P/CF	4.6	3.9	3.8	5.4	9.8	9.8	6.3	13.9	4.6	4.3
P/BV	1.8	1.8	1.7	1.6	2.0	1.7	1.6	1.5	1.4	1.2
P/revenue	0.93	0.81	0.85	0.90	0.75	0.75	0.66	0.59	0.56	0.51
Dividend yield (%)	1.0	1.5	0.4	0.4	1.9	1.9	3.3	3.6	3.8	4.1
Free CF yield (%)	2.0	4.6	-0.2	-1.6	5.5	5.5	5.1	7.7	4.1	6.4
EV (EUR bn)	44.0	44.9	42.8	42.3	40.9	40.9	39.0	37.8	36.9	37.1
EV/ revenue – industrial (%)	89.8	81.5	85.6	94.5	73.7	73.7	60.3	52.7	48.4	44.2
EV/EBITDA - industrial	6.9	6.3	9.8	12.7	4.9	4.9	3.5	3.3	3.1	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	81,729	89,364
Gross profit	8,795	9,266	6,049	5,325	10,915	10,915	14,545	15,494	17,163	19,660
EBIT	4,050	4,212	921	289	5,094	5,111	8,018	8,300	8,251	9,109
EBIT, full R&D	3,386	3,988	882	428	5,403	5,420	8,255	8,341	8,365	9,240
EBITDA	7,390	7,901	4,597	3,892	8,955	5,999	11,672	12,016	12,640	13,598
Profit before tax	4,124	3,873	351	413	4,836	4,853	7,383	7,819	7,808	8,666
Net profit	2,874	3,134	330	210	3,234	3,243	4,907	5,122	5,155	5,644
Less dividends	459	694	197	197	852	852	1,508	1,640	1,771	1,902
Retained profit	2,415	2,440	133	13	2,382	2,391	3,399	3,482	3,384	3,741
CF - automobiles (EUR m)[3]										
CF from operations	5,600	6,453	2,954	2,780	8,523	3,019	8,667	7,545	9,023	9,703
Working capital	-227	-207	1,517	2,141	-374	-943	-1,590	1,622	-300	-500
CF from operating activities	5,373	6,246	4,471	4,921	8,149	2,076	7,077	9,167	8,723	9,203
Capital expenditure (incl. R&D)	-4,272	-4,103	-4,114	-3,409	-3,183	-428	-3,565	-5,074	-5,974	-5,374
Other	-145	4	297	-2,266	-2,358	-14	-2,160	-456	-820	-820
Free CF after investment	956	2,147	654	-754	2,608	1,634	1,352	3,637	1,929	3,009
BS - automobiles (EUR m)[3]										
Net cash/-debt	980	380	346	465	4,594	4,594	4,441	6,625	6,925	8,125
Intra-group receivables	-	6,845	8,185	8,272	5,690	5,690	6,404	5,862	-	-
Net cash (BMW definition)	-	7,354	9,046	8,962	11,286	11,286	12,388	13,327	-	-
SHFs	15,315	21,583	22,481	22,101	23,993	23,993	26,154	28,105	37,191	41,451
Profitability and financial ratios (%)										
Gross profit margin	17.9	16.5	11.4	10.5	18.0	18.0	21.1	20.2	21.0	22.0
EBIT margin	8.3	7.5	1.7	0.6	8.4	8.5	11.7	10.8	10.1	10.2
Adj. EBIT margin - full R&D	6.9	7.1	1.7	0.8	8.9	9.0	12.0	10.9	10.2	10.3
Pre-tax profit margin	8.4	6.9	0.7	0.8	8.0	8.0	10.7	10.2	9.6	9.7
Tax rate	30.3	19.1	6.0	49.2	33.1	33.2	33.5	34.5	34.0	34.9
Net profit margin	5.9	5.6	0.6	0.4	5.3	5.4	7.1	6.7	6.3	6.3
Pay-out ratio	16.0	22.2	60.7	96.8	26.4	30.9	30.9	32.2	34.3	33.7
Return on equity	15.0	14.4	1.6	1.1	16.3	16.1	24.3	23.6	22.3	22.8
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	1,959.9	2,156.0
% change	3.5	9.2	-4.3	-10.4	13.6	13.6	14.2	10.6	6.2	10.0
Revenue (EUR m)[3]	47,767	53,818	48,782	43,737	54,137	54,137	63,229	70,208	74,853	82,446
% change	4.2	12.7	-9.4	-10.3	23.8	23.8	16.8	11.0	6.6	10.1
EBITDA (EUR m)	6,214	7,018	4,257	3,237	8,117	8,117	11,041	11,303	11,057	12,002
Margin (%)	13.0	13.0	8.7	7.4	15.0	15.0	17.5	16.1	14.8	14.6
EBIT (EUR m)	3,055	3,450	690	-265	4,355	4,355	7,477	7,624	7,410	8,410
Margin (%)	6.4	6.4	1.4	-0.6	8.0	8.0	11.8	10.9	9.9	10.2
Profit before tax (EUR m)	3,012	3,232	318	-588	3,887	3,887	6,823	7,195	6,960	7,960
Margin (%)	6.3	6.0	0.7	-1.3	7.2	7.2	10.8	10.2	9.3	9.7

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

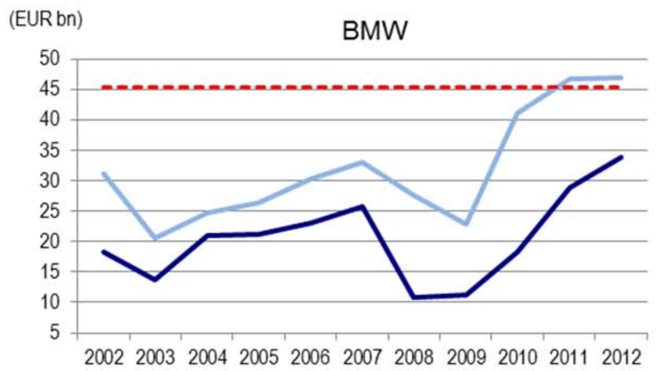
The current share price of EUR 70.25 is 7.8% below all-time high

The current BMW share price of EUR 70.25 is just 7.8% below the all-time high of EUR 76.16 of January 28th, less than 5% below highs in 2011 and 2012, and 38.5% 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

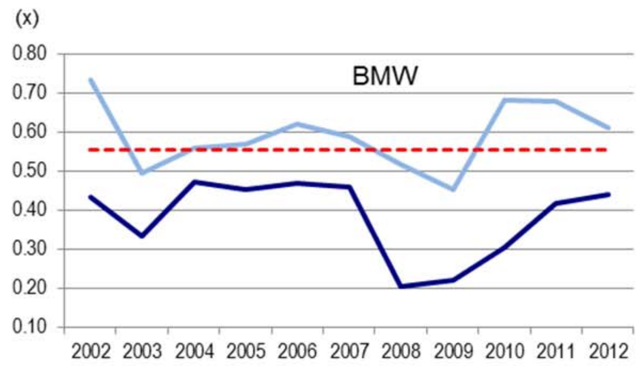
…and at a 20% discount to 10-yr average historic valuation

The current BMW share price of EUR 70.25 values BMW shares at 8.9x 2013E prospective earnings and at 8.2x prospective 2014E earnings; the latter is a 20% discount to the 10-year average historic valuation of 10.2x. This is inconsistent with the implication that our 2014E EPS estimates of EUR 8.61 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 (0.56x) vs. historic highs/lows (%)		Current valuation p/revenue 2014E (0.51x) vs. historic highs/lows (%)	
	10 years¹	5 years²	10-yr average	5-yr average	10-yr average	5-yr average
High	0.57	0.58	-2.3	-3.2	-2.3	-3.2
Low	0.34	0.29	60.9	92.7	60.9	92.7

(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

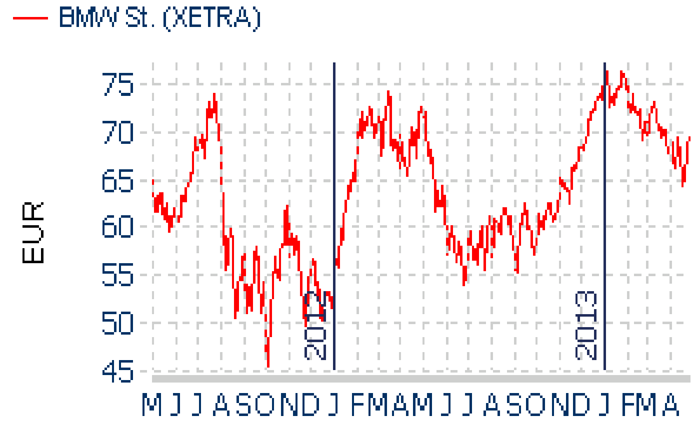
(1) Excl. 2008 & 09. Source: Company data and CGI estimates

BMW – Current valuation (2004-2014E)

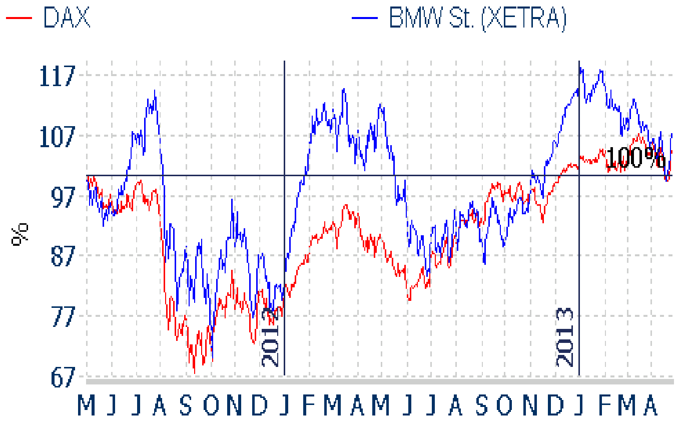
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
BMW EPS (EUR)		3.33	3.33	4.38	4.78	0.49	0.31	4.93	7.45	7.77	7.86	8.61
Current BMW PE (x)		21.1	21.1	16.1	14.7	142.1	226.6	14.3	9.4	9.0	8.9	8.2
% vs. 5-yr high	(10.6x)	99	99	51	38	NM	NM	34	-11	-15	-16	-23
% vs. 5-yr low	(6.9x)	207	206	133	114	NM	NM	107	37	31	30	19
% vs. 5-yr average	(8.8x)	139	139	82	66	NM	NM	61	7	2	1	-8
% vs. 10-yr high	(12.1x)	75	74	33	22	NM	NM	18	-22	-25	-26	-32
% vs. 10-yr low	(7.9x)	168	167	104	86	NM	NM	81	20	15	13	4
% vs. 10-yr average	(10.2x)	106	106	57	44	NM	NM	39	-8	-12	-13	-20

Source: Company data and CGI estimates

BMW – share price (- 2 years)

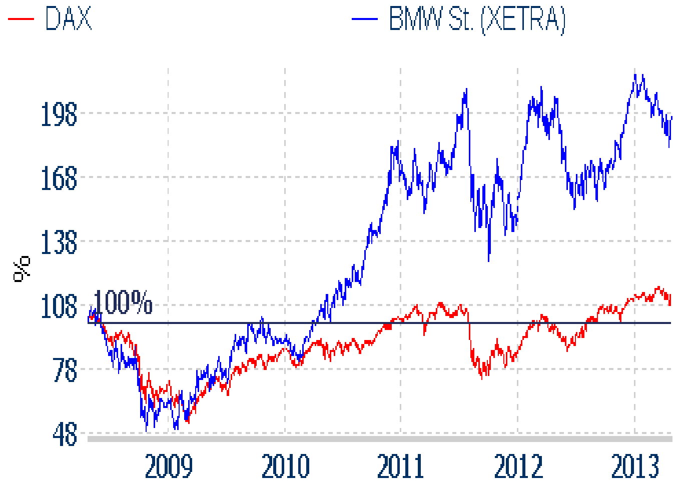


BMW vs. DAX 30 Index (- 2 years)



BMW – share price (- 5 years)

BMW vs. DAX 30 Index (- 5 years)



Appendix: BMW – model introduction schedule

BMW – Model introductions and segmentation (2008-15E)

BMW

		Model	Version	Segmentation[1]
March	2008	1-Series	Convertible	C+
May		M3	Saloon	D+
May		M3	Convertible	D+
April and May		X6	Sports-activity coupé	SUV+
September		3-Series	Saloon/Touring F/L	D+
November		7-Series	Saloon*	L+
April	2009	X6M	Sports-activity coupé	SUV+
April		X5M	SAV	SUV+
May		Z4	Roadster	C-S+
October		X1	Compact SAV*	C-SUV+
October		5-Series GT	Space-functional concept*	E-MPV+
March	2010	3-Series	Coupé/Convertible F/L	D+
March		5-Series	Saloon*	E+
May		X5	SAV F/L	SUV+
September		5-Series	Touring	E+
September		5-Series	LWB (China only)	E+
November		X3	mid-size SAV*	D-SUV+
March	2011	1-Series	Coupé/Convertible F/L	C+
March		6-Series	Convertible*	E-S+
May		1-Series	M Coupé	C+
September		6-Series	Coupé	S-E+
September		1-Series	5-door hatchback*	C+
November		M5	Saloon	E+
February	2012	3-Series	Saloon*	D+
March		5-Series	Active Hybrid 5	E+
March		M6	Convertible	E-S+
June		6 Gran Coupé	4-door coupé on 6-Series	E+
June		X6	Sports-activity coupé F/L	SUV+
July		7-Series	Saloon F/L	L+
July		X1	Compact SAV F/L	C-SUV+
August		3-Series	LWB (China only)	D+
August		M6	Coupé	E-S+
September		3-Series	Active Hybrid 3	D+
September		3-Series	Touring	D+
September		1-Series	3-door hatchback	C+
September		M6	Coupé/Convertible	E-S+
	2013	Z4	Roadster F/L	D-S+
		M6 Gran Coupé	4-door coupé on 6-Series	E+
June		3-Series GT	Space-functional concept*	D-MPV+
		X3	mid-size SAV* F/L	D-SUV+
		5-Series	Saloon/Touring F/L	E+
late summer		4-Series	Coupé on 3-Series	D+
autumn		X5	SAV*	SUV+
late		i3	Megacity (BEV)	C-MPV+
		i8	Vision EfficientDynamics (PIEV)	E-S+
	2014	M3	Saloon	D+
late		4-Series	Convertible on 3-Series	D+
		M4	Coupé	D+
spring		X4	Sports-activity coupé*	D-SUV+
Summer		2-Series	Coupé on 1-Series	C+
		Activity Tourer	FWD MPV	C-MPV+
		2-Series	Convertible on 1-Series	C+
		4 Gran Coupé	4-door coupé on 3-Series	D+
	2015	1-Series GT	Space-functional concept FWD	C-MPV+
		X6	Sports-activity coupé*	SUV+
		X1	Compact SAV*	C-SUV+
		7-Series	Saloon*	L+

Mini

		Model	Version	Segmentation[1]
July	2001	One*	Hatchback	B+
		Cooper*	Hatchback	B+
March	2002	Cooper S	Hatchback	B+
June	2003	One Diesel	Hatchback	B+
	2004	One/Cooper	Convertible	B+
		Cooper S	Convertible	B+
Nov/March	2006	Cooper/Cooper S	Hatchback	B+
April	2007	One/Diesel	Hatchback	B+
November		Clubman	Estate	B+
March	2009	One/Cooper/S	Convertible	B+
September	2010	One/Cooper/S F/L	Hatchback	B+
September		Countryman	Small SUV	B-SV+
October	2011	Coupé	Coupé	B+
February	2012	Speedster	Roadster	B+
March		Cargo	Estate/van	B+
Spring	2013	Paceman	B-SUV coupé	B+
Autumn		next generation	Hatchback/conv/clubman	B+

Rolls-Royce

		Model	Version	Segmentation[1]
	2003	Phantom	Saloon	L++
	2005	Phantom	Long-wheelbase	L++
	2007	Drophead Coupé	Convertible	L-S++
	2008	Phantom Coupé	Coupé	L-S++
	2009	Ghost	Smaller model Series	L++
	2011	Ghost	Extended Wheelbase	L++
	2013	Wraith	Ghost based coupé	LS++

(*) New generation. F/L=facelift; (1) Segmentation – a) size related: B = small, subcompact; C = lower-medium, compact; D = upper-medium, midsize, E= executive; L=large, full-size; b) body-style related: S=sporty, MPV, SUV; c) market status related: '+' - premium; ++ - 'super-premium'. Source: Company data and CGI estimates

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