BMW Earnings Surge On Automotive Recovery

Geir Moulson, Associated Press Writer

BERLIN (AP) — Second-quarter earnings at luxury car maker BMW AG surged to €834 million ($1.1 billion) as better selling prices and robust demand in China helped drive a strong increase in revenues, the company said Tuesday.

The company's April-June profit was above market expectations and up from €121 million a year earlier, while revenues climbed 18.3 percent to €15.35 billion from €12.97 billion.

Citing a recovery in global markets and strong demand for new models, BMW already had raised its 2010 sales and earnings forecasts last month. The company underlined those expectations Tuesday.

"We are aiming to achieve significantly higher group earnings in 2010 than in 2009," CEO Norbert Reithofer said in a statement, without offering a specific figure. He also reaffirmed BMW's aim of boosting full-year sales by about 10 percent to more than 1.4 million vehicles.

Second-quarter earnings before interest and taxes, or EBIT, soared to nearly €1.72 billion from last year's €169 million.

BMW's report pleased investors and the company's shares led Frankfurt's DAX index of blue-chip stocks in morning trading — rising nearly 4.7 percent to €43.82. UniCredit analysts had expected net profit of €639 million.

The number of BMW, Mini and Rolls-Royce cars sold worldwide climbed 12.5 percent to 380,412 in the second quarter, the company said.

Car deliveries were up 3.6 percent in Europe at 212,800 units, with growth in Britain and Spain helping compensate for lower deliveries in Germany, where a government car-scrapping bonus scheme expired last year.

Second-quarter deliveries in the United States were up 5.6 percent at 66,771 but the most spectacular growth came from Asia, where quarterly sales were up 59.4 percent at 69,927 cars. China and Taiwan accounted for 45,200 of those vehicles — a 98.6 percent increase.

Reithofer credited "sharp sales volume growth on major markets and a high-value model mix" for the strong second-quarter performance.

The company also indicated that better selling prices helped make its core automobile segment more profitable — its quarterly EBIT was nearly €1.32 billion, compared with last year's €31 million loss.

Sales incentives decreased thanks to a younger product portfolio and changes in sales management processes, Chief Financial Officer Friedrich Eichiner said.

Reithofer stressed that, while China remains a market with "great potential" and BMW is building a new plant there, "it is important to emphasize that we are not solely relying on China."

The company aims for "a balanced business performance" with growth on all continents, he added.

BMW expects sales to "perform well" in the second half, with model launches putting the focus more on Europe and the U.S. than China, Eichiner said.

The company "used the economic crisis as a source of opportunity and have improved efficiency significantly in all areas of the company," Reithofer said.

The total work force stood at 95,502 at the end of the second quarter, down 2.8 percent from a year earlier. However, the company said it would recruit some 1,000 new employees this year, about half of them in Germany and mostly in research and development or purchasing and sales.

BMW posted a first-half net profit of nearly €1.16 billion, compared with a loss of €31 million in the first six months of 2010.

Its revenues for January-June were up 13.5 percent to €27.79 billion from €24.48 billion, while car deliveries rose 13.1 percent to 696,026.

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