Ladies and Gentlemen, Good morning! In the first nine months of the year, business development has so far met our expectations. In the third quarter, all segments are on course for growth, as planned. As expected, our financial figures have improved from quarter to quarter throughout the year. In a challenging and extremely volatile business environment, we are on track to meet our goals for the full year.

Group revenues for the third quarter showed solid year-on-year growth, as expected, reaching 26.67 billion euros. This reflects in particular the strong performance of our young product portfolio as well as positive currency translation effects, among other factors. Specifically, new models like the X3 and X4 are now fully available and proving very popular with customers. We have significantly expanded our line-up in the highly profitable luxury segment with the new 8 Series models, the new 7 Series and X5 as well as the X7.

Overall, our operating business continued to develop in line with our expectations in the third quarter. Thanks to the strong performance of our models in a largely declining market environment, the EBIT margin in the Automotive Segment reached 6.6% for the quarter, despite continued high upfront investments. The base effect from the high costs associated with the market turbulence resulting from the transition to the WLTP and warranty issues also had a positive impact compared to 2018. As expected, the financial result for the first nine months was significantly lower than the previous year. In the equity result, higher BBA earnings were more than offset by the planned current losses of the YourNow companies.

However, particularly in urban areas we see great potential with YourNow to
reach new customers, especially in Europe and Latin America. Positive valuation effects in connection with last year’s acquisition of DriveNow negatively impacted the year-on-year comparison. The net balance of the one-time appreciation effect from pooling our mobility services with Daimler this year and impairment losses due to adjusted business expectations at individual YourNow companies totalled +60 million euros in the year to the end of September. As in the previous quarters, valuation effects from interest rate derivatives significantly dampened the financial result.

Group earnings before tax climbed 23.4% in the third quarter to around 2.25 billion euros. Due to the effects from the previous year I already mentioned and the overall positive business development, the EBT margin increased year-on-year to 8.4% – despite significantly higher expenses for the development of new technologies. Third-quarter research and development costs according to IFRS were 14.2% higher than the previous year. In the nine months to the end of September, they were already up nearly 370 million euros on 2018. The R&D ratio for the same period was slightly below the previous year’s figure at 5.9%.

Capital expenditure also increased significantly from January to September, reaching 3.31 billion euros. At 4.4%, the capex ratio for the year to date was slightly higher than it was last year. In addition to upfront investments for new models such as the 1 Series, 3 Series and 4 Series, our main focus was on electrification topics and development activities for next-generation highly automated driving systems. The production of the MINI ELECTRIC began in Oxford this month. The fifth generation of our electric drivetrain, which we developed in-house, will also be on the market next year beginning with the iX3.

We made further upfront investments for the development of new technologies for the iNEXT and our next-generation infotainment systems. Despite headwinds from our many future projects, a lower financial result, as expected, and costs related to the European Commission’s antitrust proceedings, pre-tax earnings for the first nine months totalled 5.06 billion euros.
The EBT margin stood at 6.8%. This is still a high level in comparison with our competitors and considering the difficult conditions our business is facing. However, we aspire to more than that – because upfront investments in future technologies and e-mobility have to be paid for. That is why we continue to work systematically on those matters that lie in our own hands.

Through Performance NEXT, we have been continuously implementing measures to further improve our efficiency for the past two years. We intend to realise potential of at least 12 billion euros across the company in this way by 2022. Around half of this amount will be realised through measures on the sales side – specifically, even more systematic data-based sales management all the way to dealership level, and indirect purchasing topics, including synergies from bundling contracts more widely. Another focus area with significant leverage is the reduction of complexity in the development of new products – as I have talked about in more detail on other occasions. The full impact of these results will come into effect with the respective model launches. We are also striving to lower personnel costs, direct material costs and capital expenditure. Many of these measures are already being implemented.

We are also optimising our use of capital through targeted collaborations and partnerships. This will not only have a positive impact on our cost structures – it will also allow us to pool expertise and make us much faster. Our partnerships with Daimler on autonomous driving and mobility services are good examples of this.

Let’s move on to the individual segments. In the Automotive Segment, revenues for the first nine months were slightly higher than the previous year at 64.85 billion euros. Third-quarter revenues – benefiting mainly from positive mix effects from new models such as the 8 Series and X7, as well as currency tailwinds – posted solid growth of 9.0%. Boosted by the dynamic development in sales, the segment’s operating earnings for the third quarter climbed to 1.52 billion euros.

The previous year’s earnings had been substantially impacted by the market
turbulence resulting from the transition to the WLTP and higher provisions for quality issues. Consequently, the EBIT margin was higher than the previous year, at 6.6%. As already mentioned, further upfront investments for our ongoing model offensive and electrification dampened earnings.

Including the provision we made in the first quarter in connection with the antitrust allegations by the European Commission, EBIT for the year to the end of September totalled 2.67 billion euros, with a margin of 4.1%. This means we are on course for our adjusted target range of 4.5 to 6.5% for 2019. Pre-tax earnings for the third quarter climbed to 1.53 billion euros, in line with the positive business development. Impacted by the planned decrease in the financial result and the provision made in the first quarter in connection with the antitrust allegations by the European Commission, earnings for January to September were significantly lower year-on-year, at 2.99 billion euros. As previously announced, currency and commodity headwinds also dampened earnings.

At the end of the first nine months, free cash flow in the Automotive Segment totalled 1.024 billion euros, mainly due to lower earnings and a higher inventory build-up than last year for the introduction of new models. Due to the factors I talked about, we expect free cash flow for the full year to come to around two billion euros.

Let's move on to the Financial Services Segment – which once again delivered a strong performance in the third quarter. In addition to healthy portfolio growth, currency tailwinds also had a positive impact. The risk situation also remained very stable. As of 30 September, the segment managed a portfolio of around 5.4 million retail contracts. More than 500,000 new contracts with retail customers were concluded in the third quarter alone. This positive business development is also reflected in segment earnings before tax – which rose by 8.7% during the same period to almost 600 million euros. In the year to the end of September, pre-tax earnings climbed 5.4% to just under 1.8 billion euros.
The Motorcycles Segment also had a successful third quarter. With sales growth of 9.9%, the operating result also increased to 35 million euros. In the year to the end of September, almost 137,000 motorcycles were delivered to customers. Segment earnings before financial result were up 8.7% to 226 million euros. Accordingly, the EBIT margin was 6.3% for the quarter and 12.1% for the first nine months.

We expect this stable business development to continue in all segments throughout the remaining months of the year. We are therefore able to confirm our guidance for 2019 – assuming that political and economic conditions do not deteriorate significantly. One risk that remains is the uncertainty surrounding the UK’s planned withdrawal from the European Union. There is also a possibility the global trade dispute could escalate further, adversely affecting business in the final quarter of the year and beyond. In the Automotive Segment, we expect a slight increase in deliveries. This development will be driven by our product momentum from new models of the X-family like the X7, the new 1 Series and the high-volume 3 Series Sedan and Touring.

In Europe, development in the first three quarters has not been as robust as forecast at the start of the year. We have therefore adjusted our volume planning on an ongoing basis over the course of the year to reflect current market developments. During the remaining months of the year, we will maintain a clear focus on earnings quality. Thanks to our flexible production network, we are able to respond quickly to changes in our business environment. China, on the other hand, is currently experiencing stronger growth than predicted. However, this is only partly reflected in our operating result, since it is mostly taking place at our BBA joint venture.

We expect the segment’s EBIT margin for the full year to be within our adjusted target range of 4.5 to 6.5%. Without the effect of the provision we recognised in connection with the antitrust allegations by the European Commission, the margin would be within our original guidance range of 6-8%.
In the Motorcycles Segment, we are planning for a solid increase in deliveries. The EBIT margin should remain within our target range of 8-10%. In the Financial Services Segment, return on equity should be on a par with last year and above our target figure of 14%. As anticipated, the financial result decreased significantly. Therefore we still expect Group earnings before tax to be significantly lower year-on-year, also as a result of the provision recognised in the first quarter. Despite all the challenges in our current business environment, we find ourselves in a strong competitive position.

We have ambitious goals: We are working hard to improve our earnings and profitability. This mindset is deeply rooted in our company. We continue to chart our own course – step by step, and with a clear strategic direction. This remains our approach – also, and especially, in a volatile environment.

Thank you.