

Monster cartel charge puts brakes on BMW earnings

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In addition to making a provision for a possible fine, BMW also faced rising costs and a dip in revenues

German high-end carmaker BMW on Tuesday reported a plunge in

profits in the first quarter as it booked a 1.4-billion-euro (\$1.6 billion) charge related to an EU cartel probe.

Net profits at the group nosedived 74.2 percent year-on-year, to 588 million euros, the group said in a statement.

Brussels' allegation that BMW colluded with Daimler and Volkswagen to avoid competing on emission control technology means "it is probable that the EU Commission will issue a significant fine," the Munich-based manufacturer said.

BMW already warned investors when details of the probe were published last month that it would have to set aside at least a billion euros.

But the firm said competition authorities are trying "to equate the permissible coordination of industry positions regarding the regulatory framework with unlawful cartel agreements".

"If necessary (BMW) will contest the EU Commission's allegations with all the legal means at its disposal," it added.

On top of the provision, the group said growing research and development costs and investments had also sapped earnings, while revenue fell 0.9 percent to 22.5 billion euros.

Nevertheless "in operational terms, we remain firmly on course," chief executive Harald Krueger said, adding that a wave of new models arriving in the second half of the year should lift business.

Excluding the effect of the provision, BMW achieved an operating margin of 5.6 percent, lower than in 2018's first three months.

The group confirmed its targets for the remainder of the year, aiming for a "slight increase" in unit sales but pointing to continuing cost increases and protectionist threats undermining earnings.

Pre-tax profit is "expected to be well below the previous year's level," BMW said, following up an 8.1-percent fall in 2018.

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