

Media Information

5 May 2022

- Check against delivery –

Statement

Dr Nicolas Peter

Member of the Board of Management of BMW AG, Finance

Conference Call Quarterly Statement to 31 March 2022

Munich, 5 May 2022, 10.00 a.m. CEST

Good Morning, Ladies and Gentlemen.

The BMW Group has made a strong start to 2022 – in an increasingly volatile geopolitical and global economic environment. Our business is performing in line with our expectations. The ongoing war in Ukraine is affecting the availability of vehicle components, which led to brief production disruptions at several European plants during the first quarter. Semiconductors also remain in short supply – and we expect the situation to ease at the earliest in the second half of 2022. In China, restrictions to combat the pandemic are affecting our local sales, production and logistics.

Our associates are working hard to manage our supply chains with the greatest possible flexibility so we can minimise the impact on the BMW Group. As expected, compared to the strong first quarter of 2021, vehicle sales decreased by 7.8% in Europe and 9.2% in China in the first three months of this year. However, our US sales still grew by 3.7%. This shows that the BMW Group has an excellent competitive position and is highly diversified. In the current volatile environment, we are benefiting once again from our balanced footprint across all sales regions.

Our consistent focus on emission-free mobility is also gaining further momentum. With the market launch of the BMW iX and BMW i4 last year, we released two all-electric models onto the roads that are in very high demand. In the first quarter, the BMW Group sold a total of 35,289 all-electric vehicles – an increase of nearly 150% over the previous year.

Two weeks ago, we unveiled the BMW i7* – an all-electric luxury sedan that underlines our innovation leadership in electrification, digitalisation and autonomous driving.

The BMW iX1* will also expand our BEV product range over the course of the year.

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In the second quarter, we will launch the BMW i3, the first all-electric 3 Series, tailor-made for the Chinese market.

Ladies and Gentlemen,

As you know, we extended our contract with our Chinese joint venture BBA until 2040 and increased our stake in BBA from 50 to 75%.

With the conclusion of this transaction, BBA has now been fully consolidated in the **BMW Group's Financial Statements since 11 February 2022, and therefore fully** considered in all items pertaining to the income statement, the balance sheet and the cash flow statement.

This development is reflected in higher revenues and operating result in the Automotive Segment. The increase in the cost of sales also includes depreciation from the purchase price allocation as well as consolidation effects related to intra-group deliveries.

The previously held equity interest of 50% in BBA was revalued to its current fair market value. This resulted in a positive one-time effect of 7.66 billion euros in the **Automotive Segment's first-quarter** financial result.

The net amount from consolidation of BBA's liquid funds, less the purchase price, amounted to five billion euros and increased free cash flow in the Automotive Segment in the first quarter.

Ladies and Gentlemen,

The BMW Group's financial figures for the quarter are therefore greatly impacted by the increased stake in BBA and full consideration of the joint venture in the Group Financial Statements.

Group revenues for the first three months of the year climbed 16.3% to 31.14 billion euros.

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The financial result includes the one-time effect of 7.66 billion euros from the fair market valuation of the existing 50% stake held in BBA. This boosted Group earnings before tax, which totalled 12.23 billion euros at the end of March – which resulted in an EBT margin of 39.2%. Without the revaluation of the existing stake **and consolidation effects arising from BBA's full consolidation, the Group EBT margin reached 18.4%.**

Bolstered by a good performance, we continue to invest systematically and from a position of strength in the future competitiveness of our company. As previously announced, we are focusing on the electrification of our model line-up and on digitalisation, both of our vehicles and our business processes.

Our research and development expenses according to IFRS is therefore mainly in connection with new models, electrification and digitalisation of the vehicle fleet, as well as automated driving. R&D spending for the first quarter stood at 1.57 billion euros and was therefore 9.4% higher year-on-year.

The R&D ratio, according to the German Commercial Code, for the quarter fell slightly to 4.5% (2021: 4.8%), owing to the strong increase in revenues. We expect the figure for the full year to be within our target range of 5 to 5.5%

Our capital expenditure is focused on future mobility and was significantly higher year-on-year at 1.1 billion euros (2021: 760 million euros). This represents a capex ratio of 3.5%. We expect the ratio for the full year to be close to our target figure of 5%.

Ladies and Gentlemen,

Let's move on to the individual segments.

In the Automotive Segment, the volume-related decrease in revenues was offset by a strong operating performance. Segment revenues rose by 17.4% to over 26.73 billion euros.

A share of this increase is also due to the first-time inclusion of BBA revenues as

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well as currency tailwinds. In addition, a favourable model mix and sustained good price realization due to our premium positioning are reflected in the revenue growth. Price increases in the markets helped partially to offset the increase in raw material and energy prices. Income from the resale of end-of-lease vehicles in the pre-owned car market also continued to develop positively.

The cost of sales in the Automotive Segment increased by 20.9% to 22.63 billion euros. This reflects costs for energy and raw materials, increased research and development spending and the higher percentage of electrified vehicles. Effects from the initial consolidation of BBA, amounting to around 1.2 billion euros, also contributed to the increase in the cost of sales.

In addition to consolidation effects of approximately 500 million euros in depreciation of the purchase price allocation, eliminations of intercompany profits amounting to approximately 700 million euros were recorded.

The segment achieved an EBIT of 2.37 billion euros for the first quarter – an increase of 5.9% over the same period of last year. The EBIT margin came in at 8.9%.

Excluding the consolidation effects mentioned above, the operating segment result would be around 3.5 billion euros and the EBIT margin would be 13.2%. This reflects the strength of our core segment in the first quarter, particularly given the difficult business conditions.

The financial result for the segment climbed to around eight billion euros in the first quarter of 2022 – compared to just over 500 million euros for the prior-year quarter. This includes the one-time effect of 7.66 billion euros from the revaluation of the existing 50% stake held in BBA I referred to before. At the same time, due to the full consolidation, the at-equity result decreased by 170 million euros in the first quarter.

The segment's free cash flow also reflects the full consolidation of BBA. As expected, the acquisition of BBA's liquid funds, less the purchase price, resulted in a net inflow of five billion euros. This was partially offset by changes in working capital, since temporary suspensions of production resulted in a decrease in trade

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payables. The closure of dealerships in China, due to lockdowns, also led to a decrease in advance payments received from the dealer network. Free cash flow for the segment totalled 4.82 billion euros. On this basis, we confirm our target for the year of at least 12 billion euros.

In the Financial Services Segment, a total of 433,000 financing and leasing contracts were concluded with retail customers in the first three months of the year. The number of new contracts was down 11.4%, compared to the very strong prior-year quarter. In addition to the limited availability of new vehicles, due to supply issues, this also reflects more intense competition in the financial services sector, particularly in China and the US.

The strong product mix and pricing led to a higher average financing volume compared to the previous year. As a result, new business volume decreased by only 3.1%.

Segment earnings before tax reached just over one billion euros – a new all-time high in a first quarter. The situation in pre-owned car markets around the world remains exceptionally positive and continues to contribute to high income from the resale of end-of-lease vehicles.

Thanks to an attractive model line-up, the Motorcycles Segment was able to maintain its sales growth. With more than 47,000 units sold, we once again reported double-digit growth (+11.3%) and posted our best-ever first-quarter sales. **The segment's operating earnings for the quarter totalled 108 million euros, with an EBIT margin of 13.5%.**

Ladies and Gentlemen,

With lower economic expectations, rising inflation and high energy and raw material prices, we face growing uncertainties in our business environment.

Despite these challenging conditions, the BMW Group made a strong start to 2022. Based on current information, we are able to confirm our guidance for the full year.

Driven by the full consolidation of BBA, we expect to see a significant year-on-year

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increase in both Group pre-tax earnings and employee numbers.

In the Automotive Segment, despite supply bottlenecks and production downtimes in the first quarter, we forecast that vehicle sales for the full year will be on par with last year. The percentage of electrified vehicles should also increase significantly and the number of fully-electric vehicles should more than double. We expect that the BEV share will be at least 10% of total sales volume.

We are targeting a slight reduction in CO₂ emissions in the new vehicle fleet and CO₂ emissions per vehicle produced.

We still expect the EBIT margin in the Automotive Segment to be within the range of 7 to 9%.

In the Financial Services Segment, we can confirm our target range of 14 to 17% for return on equity.

In the Motorcycles Segment, we anticipate a slight increase in deliveries, with an EBIT margin within our target range of 8 to 10%.

Our guidance assumes that the semiconductor supply situation will ease at the earliest in the second half of 2022.

At the same time, we do not expect the limited availability of vehicle components due to the war in Ukraine to have a significant impact beyond the first quarter.

It is impossible to foresee how the geopolitical situation will evolve. That is why the possibility of the conflict expanding beyond Ukraine or stricter sanctions or countermeasures from Russia are not factored into our guidance. Further restrictions related to the corona pandemic in China are also not included.

Ladies and Gentlemen,

Despite geopolitical and global economic uncertainties, the BMW Group remains on track to meet its goals for the year. We are managing our supply chains proactively

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and are able to respond flexibly to changing circumstances.

Demand for our products remains strong – with especially high new orders for our all-electric vehicles.

We are investing in e-mobility and digitalisation to secure the future sustainability of our company, while maintaining our strong operating performance.

That is how we are continuing to navigate the company carefully through turbulent waters and are in an excellent position for 2022.

Thank you!

*Consumption/emissions data:

BMW i7: Power consumption in kWh/100 km combined: 19.6-18.4 WLTP

BMW iX1: Power consumption in kWh/100 km combined: 18.4-17.3 WLTP (forecast value based on **vehicle's prior development status**).