

Media Information
4 November 2020

- Check against delivery –

Statement**Dr. Nicolas Peter****Member of the Board of Management of BMW AG, Finance****Conference Call Interim Report to 30 September 2020****Wednesday, 4 November 2020, 10:00 a.m. CET**

Good morning, Ladies and Gentlemen,

I hope you are all staying safe and healthy!

Over the past several months, the BMW Group has again proven its ability to act flexibly in highly volatile market environments and to adapt quickly to new circumstances.

After experiencing the full force of the coronavirus pandemic initially in the second quarter, we delivered a strong performance in the third quarter. We were able to increase sales and Group earnings. This earnings quality is also reflected in our free cash flow. Currently, however, the situation is worsening again, particularly in Europe, and again requires a great degree of flexibility.

The measures we introduced in the first half of the year to lower costs, together with our investments, are now paying off. This shows that we are safely steering the company and are making the right decisions – enabling us to limit the effects of the pandemic.

Our strict cost discipline is having a positive impact on earnings, supported by additional measures, such as focused management of our working capital.

One of the main drivers for this strong performance in the third quarter was the recovery in customer demand in many countries, including China and Korea, but also in major European markets, like Germany, the Benelux countries and Italy.

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Electromobility has proven to be a substantial growth driver. Our sales of electrified vehicles increased significantly from the previous year, both in the third quarter and in the year to date.

Performance was also bolstered by pent-up demand in many markets.

Ladies and Gentlemen,

As mentioned, the business environment has remained extremely volatile – as underlined by sales development in the past two quarters. The BMW Group delivered 675,000 vehicles to customers in the third quarter – the highest quarterly sales in the company's history. But, just before that, in the second quarter, we posted our largest-ever decrease in sales. Now the situation in Europe is worsening again. We have never recorded swings like this within such a short space of time.

Setting the right course has therefore been especially important in recent months.

The market developments and performance measures I just referred to are having a positive impact across the company and in our individual segments. Let me go into detail, beginning with the financial figures for the Group.

Group revenues for the third quarter totalled around 26.3 billion euros. Due to the suspension of sales and coronavirus restrictions, however, revenues for the first nine months were moderately lower year-on-year, at 69.5 billion euros. Group earnings before tax for the third quarter reached almost 2.5 billion euros – up 9.6% on the previous year. The figure for the first nine months was just under three billion euros, and therefore significantly under the previous year.

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The Group reported an EBT margin of 9.4% for the third quarter and 4.3% for the first nine months. I would like to point out that we achieved this in an extremely volatile and challenging environment.

Ladies and Gentlemen,

The BMW Group remains well on course, as the automotive industry undergoes a transformation. We are investing in the future and continuing to forge ahead, particularly with electrification and digitisation. A good example of this is the iNEXT, which will celebrate its world premiere in the next few days.

Research and development activities accounted for around 4.4 billion euros in the first nine months, with an R&D ratio of 6.3%, as expected.

A word about our capital expenditure, which was around 2.4 billion euros: In the year to date, we have systematically prioritised and focused our efforts without deviating from our roadmap for future mobility and innovation. We were able to reduce capital expenditure significantly from the 3.3 billion euros reported in the same period of 2019. This also had a positive effect on our free cash flow. The third-quarter financial result stood at 540 million euros.

A key driver for this was the BMW Brilliance Automotive result of 430 million euros. Thanks to effective pricing and high volumes, this figure was significantly higher than the previous year.

Ladies and Gentlemen,

Let's move on to the individual segments. I would like to start with the Automotive Segment.

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The segment's EBIT margin for the third quarter was 6.7%. Its operating result was 1.5 billion euros for the quarter and 152 million euros for the first nine months. This means, that despite losses in the first half of 2020, earnings were back in the positive range, although still lower year-on-year.

This stems from healthy third-quarter sales, a strong model mix and better pricing from our young and attractive model line-up.

Sales of our electrified vehicles are providing crucial contributions for complying with the European Union's CO₂ limits. In the first nine months of 2020, we sold over 116,000 electrified BMW and MINI models. That is 20% more than in the same period of last year.

Strict management of our fixed costs boosted earnings quality, despite expenses incurred for provisions in the mid-to high-three-digit million-euro range for restructuring measures, including for personnel costs.

I would like to give a special mention to our Performance Programme, which is making valuable contributions to BMW Group targets across the company. I'd like to highlight three initiatives briefly. First is more effective pricing due to optimized sales management. Second is on the product side – specifically in reducing manufacturing costs and product complexity. And thirdly, we are also optimising new initiatives, such as future work structures. These will enhance the performance capabilities of the entire company. The decisions made so far are already having an impact, as seen in our quarterly result.

We are therefore on course to meet our EBIT margin guidance of 0-3% in the Automotive Segment, as planned.

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Ladies and Gentlemen,

Let's take a look at free cash flow in the Automotive Segment, which totalled almost 3.1 billion euros in the third quarter and benefited from the positive effect of pre-tax earnings.

It was also bolstered by focused working capital management, as well as strict cost and investment management. At the end of September, free cash flow stood at 552 million euros.

Group liquidity at the end of September totalled 21.8 billion euros. By the end of the year, Group liquidity will be back towards its pre-crisis level, at about 17 billion euros.

We have the liquidity reserves we need to remain flexible and able to take action at all times if the situation should deteriorate.

Let's turn now to the Financial Services Segment.

We also saw a recovery in new financing and leasing business with retail customers. Between July and September 2020, we reported a solid upward trend of 6.8%, with a total of 538,000 new contracts. This is primarily due to demand in Europe and China.

We also saw definite signs of recovery in new financing business for used cars in key sales markets in the third quarter.

The segment's third-quarter pre-tax earnings trended significantly lower year-on-year, at 458 million euros. As in the first six months, the main reason for this was higher risk provisioning compared with the previous year, in a low-three digit-million euro-range. This was necessary after adjusting expectations for credit risks, specifically, and, to a lesser extent, for residual value risks.

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The Financial Services Segment makes extensive provisions for its main business risks on an ongoing basis, as is customary in this sector. Based on current assessments, we are appropriately hedged against residual value and credit risks.

Let's move on to the Motorcycles Segment.

Here, we saw clear signs of recovery in many important markets in the third quarter.

The segment achieved an EBIT of 45 million euros in the third quarter – an increase of over 28% compared with the previous year. A total of more than 52,000 motorcycles were delivered to customers in the third quarter, and over 129,000 per September. The EBIT margin for the first nine months was 6.4%.

Ladies and Gentlemen,

Let's take a look at our guidance for the year.

As of today, we are on track to meet our targets for the year and can confirm our guidance for 2020.

However, the volatility of the environment means our forecast is clouded by considerable uncertainty. Our outlook does not factor in the possible impact of rising infection numbers and the measures to contain them. The situation is currently deteriorating, and, if this continues over the coming months, it can have a significant impact on business development. Pending political decisions like unresolved Brexit issues are also contributing to this uncertainty.

Although car markets recovered faster than predicted in the third quarter, we still expect to see a significant decrease in sales of just over 10% in the premium segment for the full year. We are therefore still assuming that the BMW Group's global sales will be significantly lower in 2020 than last year. We cannot expect the pent-up demand seen in the third quarter to continue throughout the rest of

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the year. In the Automotive Segment, we still expect the EBIT margin to be within the range of 0 and 3%.

Deliveries in the Motorcycles Segment are forecast to decrease moderately during the forecast period. Based on our assessments, the EBIT margin should be between 3 and 5%.

On the Financial Services side, we anticipate a moderate decrease in return on equity, mainly due to increased risk provisioning and a decline in new business. Group earnings before tax will remain well below last year's figure. As planned, our workforce size will be slightly lower in 2020 than last year.

Ladies and Gentlemen,

We continue to focus our financial management on high profitability and consistent cost management, while at the same time creating leeway to fund necessary future projects. We are benefiting today from our strategic focus on the high-end luxury segment. For example: Thanks to our attractive 8 Series models and the BMW X7, we have been able to grow sales of highly profitable models by more than 70% since 2018.

Over the coming months, our main focus will be on safeguarding earnings and continuing to improve our free cash flow.

We are now striving to achieve a free cash flow of at least 1.5 billion euros for the full year. Any cash outflow in connection with the antitrust allegations by the European Commission, as well as a significant intensification of the impact of the corona pandemic is not included in this assessment.

Capitalising on all business opportunities and absolute cost discipline will remain a clear focus for all areas of the company until the end of the year.

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We will continue to respond quickly and flexibly, if needed, to what remains an extremely volatile business environment. Our production, sales and purchasing networks have handled these challenges exceptionally well so far. Aligning our production closely with demand has proven successful – and we will continue to do so moving forward.

Ladies and Gentlemen,

At the BMW Group, we think long-term. High profitability is the basis to achieve our strategic objectives, such as electrification and digitisation. The same applies in these challenging and volatile times.

We are making the right decisions and setting the right course today to secure the long-term success and profitability of the company into the future.

Thank you.