

BMW Group confirms outlook for 2020 – significantly improved performance in third quarter

- Zipse: “Third-quarter performance underlines BMW Group’s operational strength”
- Peter: “We are in an intense cost competition”
- Profit before tax in Q3 rises to approximately € 2.5 billion
- Return on sales of 9.4% in Q3
- Free cash flow in Q3 exceeds € 3 billion
- EBIT margin for Automotive segment within 2020 target range for nine-month period
- E-autos to be manufactured at all German plants by 2022

Munich. The BMW Group increased sales volume and net profit in the third quarter of 2020 and, at the nine-month stage, is on track to meet its targets for the full year. The BMW Group was able to benefit during the third quarter from regional upturns in demand as well as from the attractive model portfolio on offer to customers. At the same time, cost efficiency and cash management remain decisive factors in coping with the ongoing impact of the corona pandemic in its varying regional forms to the best possible extent.

“The third-quarter performance underlines the BMW Group’s operational strength and ability to perform well within a challenging environment. We improved Group earnings compared to one year earlier and are therefore firmly on track towards achieving our targets for the full year. We manage our day-to-day operations closely, taking regional fluctuations in demand into account, and can respond to changing market situations at any time,” said **Oliver Zipse**, Chairman of the Board of Management of BMW AG, in Munich on Wednesday. In this way, the Group generated profit before tax in the region of € 2.5 billion in the third quarter. Free cash flow in the Automotive segment was in excess of € 3 billion. “We are shaping the transformation of our industry from a position of strength and are very well positioned for the years to come. At the same time, we are already strategically and technologically aligning the Group for the period after 2025 – including key aspects such as vehicle architectures and planning for vehicle production by plant.”

Investments in the future remain key to innovation leadership

Despite the highly challenging market environment, the BMW Group continues to invest in future-oriented technologies and develop its expertise accordingly. As previously announced, the Group intends to invest more than € 30 billion in research and development by 2025 with the aim of extending its leading edge in terms of innovation.

In the period from January to September, the BMW Group's **research and development expenses** totalled € 4,140 million and thus remained at a high level (2019: € 4,247 million; -2.5%). This includes expenses for future electrified models and modular kits for e-vehicles. **Capital expenditure** on property, plant and equipment as well as on other intangible assets continues to be undertaken on a clearly prioritised, highly focused basis. A total of € 2,375 million (2019: € 3,308 million; -28.2%) was invested during the nine-month period to September.

“Our financial management strategy focuses on high profitability and strict cost management. On this solid basis, we continue to invest in the future of our Group and are financing the transformation with our own resources,” said **Nicolas Peter**, Member of the Board of Management of BMW AG, Finance.

“Today, for example, we are benefiting from our strategic focus on the upper luxury segment, a decision we took back in 2016. With the attractive 8 Series models and the BMW X7, we have managed to grow the sales volume of highly profitable models by over 70% since 2018. On the cost side, numerous initiatives are boosting our efficiency with the aim of keeping the Group on course in this challenging environment, both short-term and long-term.”

E-autos to be made at all German plants by 2022

The BMW Group continues to accelerate its e-mobility ramp-up. All four German automotive plants will be manufacturing all-electric vehicles in the foreseeable

future. Following the BMW i3*, which has been made in Leipzig since 2013, the BMW iNEXT will be produced in Dingolfing and the BMW i4 in Munich from 2021. In a subsequent step, the production of an all-electric model will also begin at the Group's Regensburg plant in 2022. The strategy will enable the BMW Group to safeguard capacity utilisation in the long term and therefore also the high level of employment at its plants in Germany.

The Group is also ramping up the production of electric drivetrain components. From 2022, the BMW Group's plant Dingolfing will have the capacity to manufacture electric motors for up to **500,000 electrified vehicles per year**. Battery modules and high-voltage batteries will be manufactured at the Group's Leipzig and Regensburg plants to supply the growing number of electrified vehicles. At the same time, the company is working on structural efficiency improvements and further optimized utilization in production – and thus plans to save a mid-three-digit million amount by the middle of the decade.

CO2 reduction to be achieved by millions of electrified vehicles

The BMW Group's second strategic focus is on sustainability. During the corona pandemic, the Board of Management has been setting itself some ambitious long-term targets. First and foremost, the BMW Group has clear objectives for reducing its CO2 emissions up to the year 2030 – for the first time across the entire life cycle of its products – encompassing the supply chain, the production process and right up to each vehicle's end-of-life phase. Across the entire period up to 2030, CO2 emissions per vehicle are to be **significantly reduced by at least one third** compared with 2019 levels.

For instance, the CO2 emissions of BMW Group vehicles during their lifetime are to be reduced by 40% per kilometre driven. The key lever for achieving this target is a far-reaching product strategy that massively promotes the use of e-mobility. Over the next ten years, the BMW Group plans to have over **seven**

million electrified vehicles on the roads worldwide – **two thirds** of which will be **all-electric models**.

The BMW Group is already a leading manufacturer of electrified vehicles. By the end of 2021, it will be offering five all-electric, series-produced automobiles in the form of the **BMW i3***, the **MINI Cooper SE***, the **BMW iX3***, the **BMW iNEXT** and the **BMW i4**. The next generation of the **BMW 7 Series** will mark a further important milestone. The flagship model of the BMW brand will be available with four different types of drivetrain, i.e. highly efficient diesel- and petrol-driven versions, an electrified plug-in hybrid and, for the first time, an all-electric BEV model. By 2023, the BMW Group intends to have 25 electrified models on the road – 13 of them all-electric versions.

Additional all-electric models in the pipeline

In addition to the BMW 7 Series, comprehensive electrification will continue to be rolled out across the Group's model range. Further examples of the "**Power of Choice**" will be the highly popular **BMW X1** and **BMW 5 Series**, which will also be available with all four drivetrain variants going forward – all-electric, plug-in hybrid, diesel and petrol.

The BMW Group continues to work on significantly reducing the CO2 emissions of its current fleet of new vehicles and is again this year set to meet the stipulated CO2 fleet target for new vehicles registered in Europe in 2020. The figure is around 20% below the requirement stipulated for 2019. The systematic electrification of the model range is making a decisive contribution towards achieving this target.

Perceptible recovery in third quarter – earnings improved

During the period from July to September, the BMW Group's business performance recovered perceptibly from the previously massive impact of the

corona pandemic. In the **third quarter**, the Group delivered a total of 675,592 (2019: 621,981; +8.6%) BMW, MINI and Rolls-Royce brand vehicles to customers around the world – a new quarterly all-time high. **Group revenues** amounted to € 26,283 million (2019: € 26,667 million; -1.4%). A strong performance by the BMW Brilliance Automotive Ltd. joint venture in China contributed to the improved financial result. **Profit before tax** (EBT) rose accordingly by around 10% to € 2,464 million (2019: € 2,248 million; +9.6%). The Group's **pre-tax return on sales** (EBT margin) came in at 9.4% (2019: 8.4%). **Group net profit** amounted to € 1,815 million (2019: € 1,546 million; +17.4%).

A total of 1,638,167 automobiles were **delivered to customers** during the first **nine months** of the year (2019: 1,872,451 units; -12.5%). **Group revenues** decreased to € 69,508 million (2019: € 74,844 million; -7.1%). **Profit before tax** amounted to € 2,962 million (2019: € 5,063 million; -41.5%). Accordingly, the Group's **return on sales** (EBT margin) fell to 4.3% (2019: 6.8%). **Group net profit** amounted to € 2,177 million for the nine-month period (2019: € 3,614 million; -39.8%).

Automotive segment recovers strongly – EBIT margin improves

Automotive segment revenues totalled € 21,962 million in the third quarter (2019: € 23,016 million; -4.6%). **Profit before financial result** (EBIT) amounted to € 1,477 million (2019: € 1,515 million; -2.5%). The third-quarter segment **EBIT margin** improved to 6.7% year-on-year (2019: 6.6%).

Nine-month revenues of the Automotive segment fell to € 54,829 (2019: € 64,853 million; -15.5%). **EBIT** for the period finished at a positive amount of € 152 million (2019: € 2,674 million; -94.3%). Accordingly, the **EBIT margin** was 0.3% (2019: 4.1%) and thus within the range of 0 to 3% targeted for 2020.

The **BMW** brand sold a total of 1,427,392 units (-11.3%) during the first **nine months** of the year. During this period, the **MINI** brand delivered 208,124 units (-20.0%) and **Rolls-Royce Motor Cars** 2,651 units (-28.5%) to customers. Despite the overall decline in volumes, the number of **electrified vehicles** delivered to customers increased to a new record level of 116,381 units (+20.0%) for the nine-month period.

In **Europe**, 648,494 BMW, MINI and Rolls-Royce brand vehicles were delivered to customers during the first nine months of the year (-19.7%). Sales volume recorded in **Germany** fell to 203,442 units (-14.6%). **China** saw a continuation of the recovery that had already begun during the second quarter, enabling the BMW Group to increase sales in its largest market to a record level of 560,367 units (+6.4%) through September. A total of 200,286 units (-24.6%) were sold in the **USA** in the first nine months of the year.

Motorcycles segment records higher sales volume and earnings in third quarter

BMW Motorrad increased deliveries of its motorcycles and maxi-scooters in the **third quarter** to 52,892 units (+20.9%), generating **revenues** of € 637 million (2019: € 558 million; +14.2%) and an **EBIT** of € 45 million (2019: € 35 million; +28.6%). The segment **EBIT margin** came in at 7.1% (2019: 6.3%).

In total, 129,599 units were delivered to customers during the **first three quarters** of the year (-5.4%), generating **revenues** totalling € 1,716 million (2019: € 1,871 million; -8.3%). **EBIT** for the nine-month period amounted to € 110 million (2019: € 226 million; -51.3%), corresponding to an **EBIT margin** of 6.4% (2019: 12.1%).

Financial Services segment increases number of new contracts

The retail customer contract portfolio under management within the **Financial Services** segment stood at 5,578,149 contracts at 30 September 2020 (31 December 2019: 5,486,319 contracts; +1.7%). A total of 538,351 **new contracts** were signed with retail customers in the **third quarter** (2019: 504,217 new contracts; +6.8%). Segment **revenues** amounted to € 7,799 million (2019: € 7,471 million; +4.4%). **Profit before tax** amounted to € 458 million (2019: € 597 million; -23.3%).

A total of 1,342,803 **new contracts** (2019: 1,475,504 contracts; -9.0%) were signed during the **first nine months** of the year. At € 22,055 million, **revenues** were at previous year's level (2019: € 21,981 million; +0.3%). **Profit before tax** amounted to € 1,039 million (2019: € 1,797 million; -42.2%).

Outlook for 2020 reaffirmed

The BMW Group sets itself ambitious targets, even in politically and economically turbulent times. For the twelve-month period as a whole, the BMW Group continues to assume that demand in all key markets will be significantly reduced in light of the coronavirus pandemic and the necessary containment measures.

As a consequence, in 2020, **Automotive segment deliveries** worldwide are likely to be **significantly lower than in the previous year**. Under the prevailing circumstances, the BMW Group expects the segment **EBIT margin** to lie within a range **between 0 and 3%** in 2020.

Mainly due to the negative economic outlook, the **Financial Services segment** is expected to generate a lower volume of new business amidst a

potentially more volatile risk environment. Accordingly, a **moderate** year-on-year drop in **return on equity** is forecast for the segment.

Motorcycles segment deliveries are expected to **decrease moderately year-on-year**. The **EBIT margin** is therefore currently forecast to lie within a range between **3 and 5%**.

Taking account of the various factors described above, **Group profit before tax** is likely to be **significantly lower** than in 2019.

The **workforce size** will be **slightly below** the level recorded one year earlier. The personnel-related measures previously communicated will be used to manage the workforce size. Under the current circumstances, all new recruitment is subject to stringent critical review.

The level of risk due to the negative impact of the pandemic is assessed as high. After a more stable phase in the economic environment in the third quarter, the pandemic is now clearly regaining momentum. In light of the containment measures required as well as the economic impact, a high level of uncertainty remains. If the corona pandemic takes an even more serious course and the global economy experiences a perceptible downturn, the risk exposure could be considerable, particularly on the demand side. The BMW Group is monitoring developments closely and remains well prepared to act swiftly and decisively.

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Deliveries to customers				
Automotive ¹	units	675,592	621,981	8.6
thereof: BMW ¹	units	585,239	533,215	9.8
MINI ¹	units	89,262	87,561	1.9
Rolls-Royce ¹	units	1,091	1,205	-9.5
Motorcycles	units	52,892	43,744	20.9
Workforce	(compared to 31.12.2019)	124,190	126,016	-1.4
Automotive segment EBIT margin	%	6.7	6.6	0.1 % pts.
Motorcycles segment EBIT margin	%	7.1	6.3	0.8 % pts.
Pre-tax return on sales	%	9.4	8.4	1.0 % pts.
Revenues	€ million	26,283	26,667	-1.4
thereof: Automotive	€ million	21,962	23,016	-4.6
Motorcycles	€ million	637	558	14.2
Financial Services	€ million	7,799	7,471	4.4
Other Entities	€ million	0	1	-
Eliminations	€ million	-4,115	-4,379	6.0
Profit before financial result (EBIT)	€ million	1,924	2,289	-15.9
thereof: Automotive	€ million	1,477	1,515	-2.5
Motorcycles	€ million	45	35	28.6
Financial Services	€ million	438	606	-27.7
Other Entities	€ million	18	1	-
Eliminations	€ million	-54	132	-
Profit before tax (EBT)	€ million	2,464	2,248	9.6
thereof: Automotive	€ million	1,860	1,533	21.3
Motorcycles	€ million	44	35	25.7
Financial Services	€ million	458	597	-23.3
Other Entities	€ million	118	-26	-
Eliminations	€ million	-16	109	-
Group income taxes	€ million	-649	-702	7.5
Group net profit	€ million	1,815	1,546	17.4
Earnings per share (common/preferred share)	€	2.71/2.71	2.31/2.31	17.3/17.3

¹In connection with a review of its sales practices and related reporting practices, the BMW Group has reviewed prior-period vehicle delivery data and determined that certain vehicle deliveries were not reported in the correct periods. Further information is available on page 54 of the BMW Group's Annual Report 2019. To update the information provided there, the BMW Group has revised the data on vehicle deliveries in its sixteen most important markets retrospectively back to 2015.

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The BMW Group – an overview		Jan. – Sept. 2020	Jan. – Sept. 2019	Change in %
Deliveries to customers				
Automotive ¹	units	1,638,167	1,872,451	-12.5
thereof: BMW ¹	units	1,427,392	1,608,701	-11.3
MINI ¹	units	208,124	260,043	-20.0
Rolls-Royce ¹	units	2,651	3,707	-28.5
Motorcycles	units	129,599	136,932	-5.4
Workforce	(compared to 31.12.2019)	124,190	126,016	-1.4
Automotive segment EBIT margin	%	0.3	4.1	-3.8 % pts.
Motorcycles segment EBIT margin	%	6.4	12.1	-5.7 % pts.
Pre-tax return on sales	%	4.3	6.8	-2.5 % pts.
Revenues	€ million	69,508	74,844	-7.1
thereof: Automotive	€ million	54,829	64,853	-15.5
Motorcycles	€ million	1,716	1,871	-8.3
Financial Services	€ million	22,055	21,981	0.3
Other Entities	€ million	1	4	-75.0
Eliminations	€ million	-9,093	-13,865	34.4
Profit before financial result (EBIT)	€ million	2,633	5,079	-48.2
thereof: Automotive	€ million	152	2,674	-94.3
Motorcycles	€ million	110	226	-51.3
Financial Services	€ million	1,057	1,860	-43.2
Other Entities	€ million	43	7	-
Eliminations	€ million	1,271	312	-
Profit/loss before tax (EBT)	€ million	2,962	5,063	-41.5
thereof: Automotive	€ million	767	2,989	-74.3
Motorcycles	€ million	108	222	-51.4
Financial Services	€ million	1,039	1,797	-42.2
Other Entities	€ million	-290	-181	60.2
Eliminations	€ million	1,338	236	-
Group income taxes	€ million	-785	-1,493	47.4
Group net profit ²	€ million	2,177	3,614	-39.8
Earnings per share (common/preferred share)	€	3.20/3.21	5.37/5.38	-40.4/-40.3

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² Figure for Q1-Q3 2019 includes a profit of € 44 million from discontinued operations.

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***Consumption/emission data:**

BMW i3 (120 Ah): fuel consumption combined: 0.0 l/100 km, power consumption combined: 13.1 kWh/100 km, CO₂ emissions combined: 0 g/km

BMW i3s (120 Ah): fuel consumption combined: 0.0 l/100 km, power consumption combined: 14.6 -14.0 kWh/100 km, CO₂ emissions combined: 0 g/km

MINI Cooper SE: fuel consumption combined: 0.0 l/100 km, power consumption combined: 16.8 -14.8 kWh/100 km, CO₂ emissions combined: 0 g/km

BMW iX3: fuel consumption combined: 0.0 l/100 km, power consumption combined: 17.8 -17.5 kWh/100 km, CO₂ emissions combined: 0 g/km.

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The BMW Group

With its four brands BMW, MINI, Rolls-Royce and BMW Motorrad, the BMW Group is the world's leading premium manufacturer of automobiles and motorcycles and also provides premium financial and mobility services. The BMW Group production network comprises 31 production and assembly facilities in 15 countries; the company has a global sales network in more than 140 countries.

In 2019, the BMW Group sold over 2.5 million passenger vehicles and more than 175,000 motorcycles worldwide. The profit before tax in the financial year 2019 was € 7.118 billion on revenues amounting to € 104.210 billion. As of 31 December 2019, the BMW Group had a workforce of 126,016 employees.

The success of the BMW Group has always been based on long-term thinking and responsible action. The company has therefore established ecological and social sustainability throughout the value chain, comprehensive product responsibility and a clear commitment to conserving resources as an integral part of its strategy.

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