

Media Information
3 August 2022

- Check against delivery –

Statement

Dr Nicolas Peter

Member of the Board of Management of BMW AG, Finance

Conference Call Half-Year Report to 30 June 2022

Munich, 3 August 2022, 10.00 a.m. CEST

Good Morning, Ladies and Gentlemen.

The BMW Group successfully managed the second quarter of 2022 and delivered good results – despite difficult business conditions.

Overall, the first half of the year was characterised by continuing semiconductor bottlenecks and supply chain disruptions. This meant the BMW Group was not fully able to meet demand. As a result, vehicle sales were down 13.4% from the previous year's all-time high.

Despite this, we sold a total of 1.16 million vehicles and were still able to expand our leading position in the global premium segment in the first half of the year.

Here, electromobility remains an important growth factor. As of 30 June, the BMW Group had delivered almost 76,000 fully-electric vehicles to customers in 2022 – more than double the figure for the same period of last year.

For the second half of this year, we expect solid growth in deliveries compared to the second half year of 2021. Deliveries declined in the first half of the year due to supply bottlenecks, the war in Ukraine and disruptions in supply chains. We therefore expect a slight decrease in deliveries for the full year.

However, we intend to at least double BEV deliveries for the full year 2022 compared to last year.

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Ladies and Gentlemen,

Let's take a look at the BMW Group's key financial figures.

Compared to the previous year, Group revenues climbed 21.6% in the second quarter and 19.1% in the first half-year – reaching around 65.9 billion euros at the end of the first six months. This significant growth primarily came from the full consolidation of our Chinese joint venture BBA in the Group Financial Statements.

Group earnings before tax for the second quarter totalled just over 3.9 billion euros. The deviation compared to the previous year (-34.3%) is due to technical effects. On the one hand, the prior-year quarter included income of one-billion-euro from the partial release of the provision in connection with the EU antitrust proceedings. On the other hand, the second quarter of 2022 was also negatively impacted by effects from the full consolidation of BBA of approx. 1.1 billion euros.

In the first half-year, Group earnings before tax climbed 65.9% to almost 16.2 billion euros. The one-time effect of around 7.7 billion euros from the revaluation of previously held equity interests in BBA at fair market value was a major driver.

Accordingly, the Group EBT margin was at 11.3% for the second quarter and 24.5% for the first half of 2022.

Our research and development expenses in accordance with IFRS rose by 14.3% year-on-year in the first six months to just over 3.1 billion euros. Our R&D activities remain focused on electrification and digitalisation of our vehicle fleet.

The R&D ratio, according to the German Commercial Code, of 4.5% at the end of June was on a par with the previous year (2021: 4.6%). We expect the figure for the full year to be within our target range of 5 to 5.5%.

We are constantly working on the future of sustainable individual mobility. To this end, we are continually investing in new products, in our production network, and in a comprehensive digitalisation of our sales network.

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With the recent plant extension in Shenyang, we have further expanded our production capacity. Our cutting-edge Plant Lydia is already setting new standards for vehicle construction with its consistent focus on e-mobility and ground-breaking digital applications.

Capital expenditure in the first half of 2022 totalled more than 2.9 billion euros – an increase of 1.2 billion euros over the same period of 2021 (2021: 1,709 million euros).

The year-on-year increase is primarily due to upfront expenditure for the ramp-up of e-mobility and investments at BBA.

The capex ratio for the year to the end of 30 June was 4.4%.

Ladies and Gentlemen,

Let's move on to the individual segments. I will begin with the Automotive Segment.

Segment revenues for the first six months climbed 18.8% year-on-year to just over 56.7 billion euros. In the second quarter, they were up 20.1%.

This increase in revenues largely stems from the full consolidation of BBA. We were able to offset volume effects from the decrease in sales through good price realisation for our premium products. Sustained momentum from the strong model mix contributed to this, as well as continuing positive conditions in the pre-owned car markets. Revenues were also lifted by currency translation effects.

The cost of sales in the Automotive Segment amounted to 48.1 billion euros in the first half-year – an increase of 23.1%.

Effects from the consolidation of BBA, amounting to around 2.3 billion euros, contributed to the increase in the cost of sales. As planned, this included depreciation from the purchase price allocation amounting to about one billion euros at the first half-year as well as an elimination of around 1.3 billion euros in intercompany profits from intragroup deliveries.

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Segment EBIT stood at just under 2.5 billion euros for the second quarter and just over 4.8 billion euros for the first six months. This is a decrease of around 1.3 billion euros, compared with the same period of last year. However, as already mentioned, this is due to some technical effects. On the one hand, the previous year had benefited from the partial release of the provision for the EU antitrust proceedings. On the other hand, the EBIT for the current year has also been impacted by the BBA consolidation effects mentioned above.

The EBIT margin of 8.2% for the second quarter was within our target range. At the end of June, it stood at 8.5%.

Excluding the consolidation effects mentioned above, the EBIT margin would be 12% for the second quarter and 12.6% for half year.

This reflects the strength of our core segment in the second quarter, particularly given the difficult business conditions.

The financial result for the segment totalled around 8.1 billion euros at the end of June, compared to a figure of approx. 1.3 billion euros for the previous year.

On the one hand, this reflects the one-time effect of around 7.7 billion euros from the revaluation of the previously-held BBA shares. On the other hand, with BBA's contribution no longer included, the at-equity result decreased significantly, by 800 million euros.

Thanks to a strong operating performance, the segment's free cash flow for the second quarter totalled almost three billion euros. At the end of June, it had reached around 7.8 billion euros. This figure includes an inflow of five billion euros from the acquisition of BBA's liquid funds, less the purchase price paid in the first quarter.

Temporary closures of Chinese dealerships, due to the coronavirus pandemic, dampened the cash inflow from operating activities in the first half of the year.

As a result, liabilities for advance payments from retailers and bonus payments to dealers decreased significantly.

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Due to strong demand for all-electric vehicles, the BMW Group will increase its investments in electromobility from the second half of the year. In addition, we expect a slight decline in deliveries for the full year. This will only partially be offset in our results by positive price and mix effects and the development of the pre-owned car markets. For this reason, we are now aiming for a free cashflow of at least 10 billion euros in the Automotive segment for the full year.

In the first half of 2022, the Financial Services Segment concluded just over 815,000 new contracts with retail customers – down 20.8% from the previous year. The decrease in vehicle sales is also reflected in the number of financing and leasing contracts concluded. In addition, the financial services sector continues to be highly competitive.

With a strong product mix, we were able to partially offset the reduction in volume of new contracts. The volume of new business from all financing and leasing contracts with retail customers was therefore only 12.3% lower than for the same period of last year.

Our Financial Services portfolio generates consistently robust and stable income. Combined with continued high income from the resale of end-of-lease vehicles, this lifted segment earnings before tax to almost two billion euros for the first half-year. This represents an increase of 2.3% compared to the strong prior year (2021: 1,936 million euros).

Despite difficult external conditions, sales in the Motorcycles Segment were on a par with the previous year. In the first half of the year, we sold just under 108,000 motorcycles from our attractive model line-up (107,555/-0.1% YOY).

The segment's operating earnings for the first six months of the year totalled 235 million euros, with an EBIT margin of 14.1%.

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Ladies and Gentlemen,

Let's move on now to the guidance for our key performance indicators.

Despite the challenges in its business environment, the BMW Group is on track to bring the financial year 2022 to a successful conclusion.

Thanks to the full consolidation of BBA, we expect Group pre-tax earnings to be significantly higher.

In the Automotive Segment, we expect solid sales growth in the second half of the year compared to the same period of the previous year. In the first half of the year, the ongoing supply bottlenecks, the war in Ukraine and interruptions in supply chains have led to a decline in deliveries. As a result, we no longer expect vehicle sales to reach the same level as in 2021 for the full year. We are therefore currently forecasting a slight decrease in vehicle sales.

Regardless of this, we still expect the EBIT margin in the Automotive Segment to be within the range of 7 to 9%.

The percentage of electrified vehicles should also increase significantly, and the number of all-electric vehicles should more than double.

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

For the Financial Services segment, the consistently good development on pre-owned car markets led to a rising segment result. For this reason, we are raising our target range for return on equity by three percentage points. It should now be within the range of 17 to 20%.

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

Ongoing Inflation and interest rate hikes will continue to shape the macroeconomic

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environment in the coming months, and impact demand. Accordingly, the above-average order bank — particularly in Europe — is expected to normalize towards the end of the year.

Our guidance assumes that political and economic conditions will not deteriorate significantly: It does not include any significant tightening of sanctions against Russia or countermeasures by Russia, including an interruption in gas deliveries.

An expansion of the conflict situation spreading outside of Ukraine as well as further significant and prolonged lockdowns in response to the pandemic are also not factored into our guidance assumptions.

Ladies and Gentlemen,

The BMW Group is capable of delivering consistently good results, even under challenging conditions.

Our robust operating performance gives us a high degree of financial strength and earning power.

Our priority is the long-term growth of the BMW Group. To achieve this, we are investing in the transformation of our company in a targeted and sustainable manner.

The BMW Group is ideally positioned for the future. Despite the increasing challenges, we are looking ahead with confidence.

Thank you!