

Media Information

3 November 2022

BMW Group remains on track for success as transformation continues

- **Zipse: "Compelling products are best answer to challenging environment"**
- **E-mobility ramp-up leads to bigger CO₂ reductions**
- **Group EBT at € 20.3 billion after nine months – EBT margin 19.6%**
- **Q3 EBIT margin on target at 8.9% (excluding consolidation effects related to BBA: 10.1%)**
- **Free cash flow of € 9.9 billion for Automotive Segment in YTD September**
- **Full-year guidance confirmed**

Munich. In an uneven economic environment, the BMW Group once again delivered a strong operating performance in the third quarter. Its solid financial key figures are evidence of the company's economic success in the face of rising raw material and energy costs.

"Compelling products are the best answer to a challenging environment. They give us stability in the present and create growth prospects for the future. We are systematically investing, for this reason, in the technology clusters of the NEUE KLASSE. We firmly believe that these highly innovative products will take our offering to the next level," said **Oliver Zipse, Chairman of the Board of Management of BMW AG**, on Thursday. "Our solid third-quarter results underline that flexibility creates resilience. Especially under volatile conditions, our globally balanced footprint and technology-open approach are proving to be a key success factor. That is why, after nine months, we are on track to meet our targets for the year. The market success of our fully-electric models, in particular, means we can look forward to the coming months with confidence."

The significant growth in sales of fully-electric and electrified vehicles is also reflected in the decrease in CO₂ emissions in the EU new vehicle fleet: The BMW Group could well outperform its previous target and, based on current data, reduce its EU fleet emissions by 5-10% year-on-year. A slight reduction (up to -4.9%) had previously been planned.

Deliveries of fully-electric vehicles more than double

In the year to the end of September, bolstered by growing demand, the company delivered **over 128,000 electric vehicles** to customers – more than twice the number for the same period of 2021 (**128,195** units; YTD Sept. 2021:59,688 u./ **+114.8%**). The third quarter saw rising sales and new orders for the **BMW iX3***, **iX** and **i4** and the **MINI Cooper SE***, which resulted in a strong order book. The new **BMW i3**, the long-wheel-base version of the fully-electric BMW 3 Series Sedan that recently became available in China, is also being well received by customers.

The new **BMW X1** earned very positive feedback at its recent world premiere – as did the new **BMW 7 Series**.

Both models come with different drive train variants: as pure-electric vehicles (BEVs), hybrids (PHEVs) and with petrol and diesel engines. The first fully-electric **BMW i7s*** will be launched in November, as well as the all-wheel-drive **BMW iX1***. The **BMW i4 eDrive35***, the new entry-level model for the successful fully-electric mid-range BMW Gran Coupé, will also be available for the first time. These will be joined in 2023 by the **BMW i5** and the fully-electric **Rolls-Royce Spectre**, which was unveiled in October.

Despite the impact of global disruption to supply chains and COVID lockdowns in China, the BMW Group **delivered** a total of **1,747,838 vehicles** to customers in the first nine months. This represents a moderate decrease from the all-time high of the previous



year (YTD Q3/2021:1,932,224 u./ **-9.5%**). As a result, the BMW Group remains number one in the premium segment in Germany and worldwide. With **587,744 vehicles delivered** to customers in the third quarter, sales were on a par with last year (Q3/2021:593,177 u./ **-0.9%**). In the month of **September**, the BMW Group reported solid sales growth of **6.6%**, with **210,543 vehicles delivered** to customers. The BMW Group has confirmed its guidance for the full year 2022, targeting slightly lower sales than last year and doubling its deliveries of fully-electric vehicles.

Revenues reach new level

In the third quarter of 2022, BMW Group took revenues to a new level, reaching **€ 37,176 million** (YTD Q3/2021: € 27,471 million/ **+35.3%**; adjusted for currency translation effects: +27.4%). **Revenues** for the first nine months of the year were also significantly higher, at **€ 103,088 million** (YTD Q3/2021:€ 82,831 million/ **+24.5%**; adjusted for currency translation effects: +18.8%). Contributing to this were solid pricing for new and used cars, a **favourable product mix** and, in particular, revenues from the Chinese joint venture BMW Brilliance Automotive Ltd. (BBA), which has been fully consolidated since 11 February.

The cost of sales also increased significantly – owing to rising raw material and energy costs and inclusion of BBA's cost of sales, as well as expenses from full consolidation of the company amounting to € 2.7 billion.

Undeterred by macroeconomic and geopolitical challenges, the BMW Group is continuing on its path of transformation. In the past nine months, **research and development costs** (in accordance with IFRS) have increased significantly to **€ 4,885 million** (YTD Q3/2021: € 4,337 million/ **+12.6%**). The **R&D ratio**, according to the German Commercial Code, came in at **4.7%** (YTD Q3/2021: 5.3%; Q3/2022: **5.3%**;

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Q3/2021: 6.5%). The bulk of the R&D costs were attributable to new models, especially those of the NEUE KLASSE, as well as further electrification and digitalisation of the vehicle fleet. In the third quarter, the company also presented its new round battery cells, which will power the fully-electric NEUE KLASSE models even more efficiently.

The BMW Group invested a further **€ 4,680 million** (YTD Q3/2021: € 2,661 million/ **+75.9%**; Q3/2022: **€ 1,751 million**; Q3/2021: € 952 million/ **+83.9%**) in equipment and expansion of its plants during the nine-month period. This amount primarily reflects upfront investments for ramping up e-mobility and BBA capital expenditure following full consolidation. A further increase in investment activity is expected in the fourth quarter. At the end of September 2022, the **capex ratio** stood at **4.5%**.

Group EBT for the third quarter amounted to **€ 4,100 million** (Q3/2021: € 3,417 million/ **+20.0%**). After nine months, Group earnings had reached **€ 20,256 million** (YTD Q3/2021: € 13,153 million/ **+54.0%**). The **Group EBT margin** came in at **19.6%** (YTD Q3/2021: 15.9%; Q3/2022: **11.0%**; Q3/2021: 12.4%).

Group net profit for the first nine months totalled **€ 16,407 million** (YTD Q3/2021: € 10,207 million/ **+60.7%**; Q3/2022: **€ 3,175 million**; Q3/2021: € 2,584 million/ **+22.9%**).

Due to the full consolidation of BBA, **Automotive Segment revenues** increased significantly in the first nine months of the year to **€ 89,031 million** (YTD Q3/2021: € 70,373 million/ **+26.5%**). In the third quarter, the segment posted revenues of **€ 32,290 million** (Q3/2021: € 22,628 million/ **+42.7%**).

The high-value product mix, solid pricing for new vehicles and the sustained stable trend in used car prices all continued to have a positive effect.



In the first nine months of the year, and particularly the third quarter, rising costs for materials and logistics impacted the segment's EBIT. This primarily reflects the limited availability of semiconductors and supply chain disruptions, as well as higher raw material and energy prices.

The segment's **earnings before financial result (EBIT)** totalled **€ 7,703 million** for the year to the end of September (YTD Q3/2021: € 7,945 million/ **-3.0%**; Q3/2022: **€ 2,873 million**; Q3/2021: € 1,756 million/ **+63.6%**). The **EBIT margin** came in at **8.7%** for the first nine months (YTD Q3/2021: 11.3%) and **8.9%** for the period from July to September 2022 (Q3/2021: 7.8%).

Excluding the effects of the BBA full consolidation on segment EBIT, the EBIT margin for this period was **10.1%** (YTD Q3/2021: **11.7%**).

Results benefited from the earnings contribution of BMW Brilliance Automotive Ltd., which has been included since the **full consolidation of BBA** on 11 February 2022. However, this was partially offset by headwinds from the initial consolidation, such as depreciation and amortisation from the purchase price allocation and elimination of interim profits, totalling around € 2.7 billion. Depreciation and amortisation from the purchase price allocation dampened third-quarter earnings by € 0.4 billion.

Free cash flow in the **Automotive Segment** totalled **€ 9,876 million** (YTD Q3/2021: € 6,299 million) at the end of the third quarter of 2022. Of this **€ 5,011 million** come from the first consolidation of BMW Brilliance Automotive Ltd. At year end, free cash flow in the Automotive Segment should amount to at least € 10 billion.



"In our core segment, we are making tremendous progress in the transformation towards e-mobility and digitalisation. The BMW Group's financial strength is a crucial requirement for extensive further development of the company. The company is ideally positioned to accomplish this feat," said **Nicolas Peter, member of the Board of Management responsible for Finance**, in Munich on Thursday.

Motorcycles Segment continues to increase deliveries

The Motorcycles Segment once again benefited from strong demand in the third quarter, posting solid growth in **sales volumes** and delivering **51,778** motorcycles and scooters to customers (Q3/2021: 48,999 u./ **+5.7%**; YTD Q3/2022: **159,333 u.**; YTD Q3/2021: 156,609 u./ **+1.7%**). The popular BMW GS models and the new, fully-electric BMW CE 04 were among the main sales drivers. **Revenues** showed a solid increase to **€ 2,485 million** in the nine-month period (YTD Q3/2021: € 2,262 million/ **+9.9%**) and rose significantly in the third quarter (Q3/2022: **€ 822 million**; Q3/2021: € 641 million/ **+28.2%**).

BMW Motorrad significantly increased its third-quarter **earnings before financial result (EBIT)** to **€ 87 million** (Q3/2021: € 39 million/ **+123.1%**; YTD Q3/2022: **€ 322 million**; YTD Q3/2021: € 323 million/ **-0.3%**). The **EBIT margin** rose accordingly to **10.6%** (Q3/2021: 6.1%; YTD Q3/2022: **13.0%**; Q3/2021: 14.3%/ **-9.1%**).

Financial Services Segment continues to benefit from stable used car markets

Financing and leasing business with retail customers trended lower during the reporting period, with a total of **1,178,286 new contracts concluded** (YTD Q3/2021: 1,509,195 contracts/ **-21.9%**).



The main reasons for this decrease were higher interest rates overall, and the associated price increases for customers, as well as intense competition in the financial services sector. An additional factor was the limited availability of new vehicles, due to continued difficulties with the supply of semiconductor components.

Higher prices in the automotive sector and an improved product mix resulted in a higher average financing volume per vehicle for the financial services business during the reporting period, which partly offset the decline in new contracts. Currency tailwinds continued to have a positive impact.

The percentage of BMW Group new vehicles leased or financed by the Financial Services Segment stood at **42.4%** at the end of the third quarter (YTD Q3/2021: 50.7%/ -8.3%-points).

During the reporting period, the Financial Services Segment generated earnings before tax of **€ 2,672 million** – a moderate decrease from the all-time high for the same period of last year (YTD Q3/2021: € 2,924 million/ **-8.6%**). The segment benefited from sustained high income from the resale of end-of-lease vehicles, particularly in the US, Germany and the UK. In view of the geopolitical uncertainties and weaker macroeconomic outlook, the company recognised higher credit risk provisions in the third quarter – although the actual credit loss rate remained at a historically low level.

BMW Group confirms adjusted guidance in volatile environment

Despite the deteriorating macroeconomic conditions and volatile geopolitical situation caused largely by the war in Ukraine and related sanctions, the BMW Group confirmed its adjusted guidance for the year in its quarterly business update at the end of the second quarter.



The company does not currently expect energy supply shortages to disrupt production this year. It assumes that energy and material costs will remain on a high level in the fourth quarter.

High inflation rates and interest rate hikes are causing conditions for consumers to deteriorate, which will impact their purchasing behaviour in the coming months. Our higher-than-average order books are therefore also expected to normalise, especially in Europe.

The number of deliveries is forecast to increase significantly in the fourth quarter, compared to the third quarter of 2022.

The BMW Group expects deliveries for the full year to be slightly lower than in 2021, although sales of fully-electric vehicles should still double.

A moderate reduction in CO₂ emissions in the EU new car fleet can now be assumed.

This is largely due to the higher than planned increase in the percentage of BMW Group deliveries from electrified vehicles.

The company expects **Group pre-tax earnings to be significantly higher**, due to the full consolidation of BBA – and despite the slight decrease in deliveries compared to the previous year.

The **EBIT margin for the Automotive Segment** is still forecast to be within the range of **7-9%**. Positive price and mix effects, combined with continued robust development in the used car markets, should partially offset the expected slight decrease in deliveries and rising raw material and energy prices. RoCE for the automotive business is also likely to remain within the range of 14-19%.



A **slight increase** in deliveries is projected for the full year for the **Motorcycles Segment**. The EBIT margin is likely to be within our target range of **8-10%** and RoCE for the segment should be between 19-24%.

The forecast for the **Financial Services Segment** takes advantage of continuing positive development in the used car markets – although higher provisions for credit risks will have a dampening effect. **Return on equity (RoE)** should be within the range of **17-20%**, adjusted in line with the second quarter announcement. From the current perspective, the Financial Services Segment is adequately prepared for credit and residual value risks.

The targets outlined above will be reached with significantly higher employee numbers, as a result of the full consolidation. The percentage of women in management positions at the BMW Group is forecast to increase slightly, independently of the increased stake in BMW Brilliance.

Nicolas Peter: "As a global premium manufacturer, we are benefiting now more than ever from our balanced positioning in the three major regions of the world: Europe, the Americas and Asia. Overall, we expect the positive momentum for our company to continue in 2023. Our attractive products and growing demand for e-mobility make us optimistic about the future."

* * *

The BMW Group – an overview		Jan. - Sept. 2022	Jan. - Sept. 2021	Change in %
Deliveries to customers				
Automotive	units	1,747,838	1,932,224	-9.5
thereof: BMW	units	1,533,866	1,703,068	-9.9
MINI	units	209,271	224,838	-6.9
Rolls-Royce	units	4,701	4,318	8.9
Motorcycles	units	159,333	156,609	1.7
<u>Automotive</u> Segment EBIT margin	percent	8.7	11.3	-23.0
<u>Motorcycles</u> Segment EBIT margin	percent	13.0	14.3	-9.1
EBT margin BMW Group¹	percent	19.6	15.9	23.3
Revenues				
	€ million	103,088	82,831	24.5
thereof: Automotive	€ million	89,031	70,373	26.5
Motorcycles	€ million	2,485	2,262	9.9
Financial Services	€ million	26,036	24,179	7.7
Other Entities	€ million	6	3	-
Eliminations	€ million	-14,470	-13,986	3.5
Profit before financial result (EBIT)				
	€ million	10,499	10,913	-3.8
thereof: Automotive	€ million	7,703	7,945	-3.0
Motorcycles	€ million	322	323	-0.3
Financial Services	€ million	2,627	2,869	-8.4
Other Entities	€ million	-187	-3	-
Eliminations	€ million	34	-221	-
Profit before tax (EBT)				
	€ million	20,256	13,153	54.0
thereof: Automotive	€ million	15,909	9,656	64.8
Motorcycles	€ million	326	324	0.6
Financial Services	€ million	2,672	2,924	-8.6
Other Entities	€ million	1,258	378	-
Eliminations	€ million	91	-129	-
Income taxes				
	€ million	-3,849	-2,946	30.7
Net profit				
	€ million	16,407	10,207	60.7
Earnings per share^{(common/preferred share)²}				
	€	23.88/23.89	15.38/15.39	55.3/55.2

¹ Ratio of Group earnings before taxes to Group revenues

² Common/preferred shares. Earnings per share of preferred stock are calculated by distributing the earnings required to cover the additional dividend of € 0.02 per preferred share proportionally over the quarters of the corresponding financial year.

The BMW Group – an overview		3rd Quarter 2022	3rd Quarter 2021	Change in %
Deliveries to customers				
Automotive	units	587,744	593,177	-0.9
thereof: BMW	units	517,638	524,858	-1.4
MINI	units	68,596	66,990	2.4
Rolls-Royce	units	1,510	1,329	13.6
Motorcycles	units	51,778	48,999	5.7
<u>Automotive</u> Segment EBIT margin	percent	8.9	7.8	14.1
<u>Motorcycles</u> Segment EBIT margin	percent	10.6	6.1	73.8
EBT margin BMW Group¹	percent	11.0	12.4	-11.3
Revenues				
	€ million	37,176	27,471	35.3
thereof: Automotive	€ million	32,290	22,628	42.7
Motorcycles	€ million	822	641	28.2
Financial Services	€ million	8,785	8,073	8.8
Other Entities	€ million	3	1	-
Eliminations	€ million	-4,724	-3,872	22.0
Profit before financial result (EBIT)				
	€ million	3,682	2,883	27.7
thereof: Automotive	€ million	2,873	1,756	63.6
Motorcycles	€ million	87	39	-
Financial Services	€ million	679	974	-30.3
Other Entities	€ million	-13	2	-
Eliminations	€ million	56	112	-50.0
Profit before tax (EBT)				
	€ million	4,100	3,417	20.0
thereof: Automotive	€ million	2,963	2,130	39.1
Motorcycles	€ million	89	40	-
Financial Services	€ million	691	988	-30.1
Other Entities	€ million	296	113	-
Eliminations	€ million	61	146	-58.2
Income taxes				
	€ million	-925	-833	11.0
Net profit				
	€ million	3,175	2,584	22.9
Earnings per share^{(common/preferred share)²}				
	€	4.25/4.25	3.89/3.89	9.3/9.3

¹ Ratio of Group earnings before taxes to Group revenues

² Common/preferred shares. Earnings per share of preferred stock are calculated by distributing the earnings required to cover the additional dividend of € 0.02 per preferred share proportionally over the quarters of the corresponding financial year.

: Consumption/emissions data:*BMW iX3:** Power consumption in kWh/100 km combined: 18.9-18.5 WLTP.**MINI Cooper SE:** Power consumption in kWh/100 km combined: 17.6-15.3 WLTP, 16.9-14.9 NEDC.**BMW i7 xDrive60:** Power consumption in kWh/100 km combined: 19.6-18.4 WLTP.**BMW iX1 xDrive30:** Power consumption in kWh/100 km combined: 18.1-16.8 WLTP.**BMW i4 eDrive35:** Power consumption in kWh/100 km combined: 18.7-15.8 WLTP.**GLOSSARY – explanatory comments on key performance indicators****Deliveries to customers**

A new or used vehicle is recorded as a delivery once its handed over to the end user (which also includes leaseholders under lease contracts with BMW Financial Services). In the US and Canada, end users also include (1) dealers when they designate a vehicle as a service loaner or demonstrator vehicle and (2) dealers and other third parties when they purchase a company vehicle at auction and dealers when they purchase company vehicles directly from the BMW Group. Deliveries may be made by BMW AG, one of its international subsidiaries, a BMW Group retail outlet, or independent third-party dealers. The vast majority of deliveries – and hence the reporting of deliveries to the BMW Group – is made by independent third-party dealers. Retail vehicle deliveries during a given reporting period do not correlate directly to the revenues that the BMW Group recognises in respect of that particular reporting period.

EBIT

Profit before financial result. Profit before financial result comprises revenues less cost of sales, less selling and administrative expenses and plus/minus net other operating income and expenses.

EBIT margin

Profit/loss before financial result as a percentage of revenues.

EBT

EBIT plus financial result.

RoCE

Return on capital employed (RoCE). RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed – at the end of the last five quarters – in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that generally do not incur interest.

RoE

Return on equity (RoE). RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital – at the end of the last five quarters – attributable to the Financial Services segment.

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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 over 30 production sites around the world; the company has a global sales network in more than 140 countries.

In 2021, the BMW Group sold over 2.5 million passenger vehicles and more than 194,000 motorcycles worldwide. The profit before tax in the financial year 2021 was € 16.1 billion on revenues amounting to € 111.2 billion. As of 31 December 2021, the BMW Group had a workforce of 118,909 employees.

The success of the BMW Group has always been based on long-term thinking and responsible action. The company set its course for the future early on and is making sustainability and resource efficiency the focus of the company's strategic direction – from the supply chain, through production, to the end of the use phase, for all its products.

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