Ladies and Gentlemen,

Our sights are set firmly on the future. At our company, we do not make empty promises. We develop; we produce; and we deliver. This applies to both new technologies and further development of existing technologies.

We want to be able to finance all of this on our own. To secure this, we set up a performance programme early-on, in 2017. Most measures are already being implemented.

Already in the current year we are seeing significant earnings contributions. That is why we remain optimistic and clearly committed to our long-term profitability benchmark of 8-10% for our core business.

For me, three topics will be the focus of our attention today:

1. The balance between products with high margins and new technologies,
2. the value of strategic partnerships
3. and how we achieve systematic performance enhancement in all areas of the company.

Let's start with the first item.

As part of our corporate strategy, we have significantly expanded our footprint in high-margin segments.
The X family’s share of our fleet has steadily increased in recent years, in line with demand. We now build X vehicles at six locations in five countries.

Despite some comments from the media and politicians in Europe, customer demand for our SAV models is rising in all sales regions worldwide. The share of X models in our retail sales now amounts to 44% – trending upward. These products have a high contribution margin and sell on a high stable level over the whole life-cycle.

Demand for the new X7 is already exceeding expectations and Plant Spartanburg is now operating at capacity.

- We sold more than 100,000 M models in the year to the end of October. This figure exceeds the whole of 2018 – even though many models are not yet fully available.

- Next year we aim to double our sales volume of luxury models compared to 2018.

Ladies and Gentlemen,

There is no contradiction between off-road and luxury vehicles and focusing on the future. On the contrary – they go hand in hand. Thanks to this comprehensive strategy, we were able to roll out our offensive in the luxury segment at the same time as our model offensive with plug-in hybrids.

As Oliver just said, we are fully committed to fulfilling European CO2-regulation in 2020 and 2021. Why do we have every reason to be optimistic?

1. We have just launched two new volume models, the 1 Series and the 3 Series.
The new 118i for example emits 15% less CO2 than its predecessor. And keep in mind: Next year we will sell almost 147,000 units of the 1 series in Europe. The 48 volt technology is already available in the 5 Series. It will be rolled out step by step in all model series, starting with high volume models in 2020.

2. At the end of 2019, we will have eleven electrified models (12 worldwide) available for our customers in Europe. Among those are the X3, X5 as well as the 3 and 5 Series.

These plugin-hybrid models will significantly contribute to reaching the CO2 targets. In Europe, we will increase xEV sales by more than 80% in 2020.

The new 330e for example has up to 50% more range while emitting 10% less CO2 than its predecessor.

In 2020 we will add Touring variants and the X1 will be available as plugin-hybrid worldwide.

This means, we will have an offer for our customers in all types of vehicles.

3. The MINI Electric will be available by the end of this year. This model is extremely relevant for the European market, and we expect it to do very well with customers.

And that brings me to my second point.

When it comes to strategic future projects, the benefits of strategic partnerships are clear. With strong partners, we can

- respond faster to changes in the business environment,
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- speed up time to market for innovations and introduce them into standard production

- and, at the same time, keep our cost structures competitive.

Our partnerships with Daimler on autonomous driving and mobility services are good examples for this approach. With our Joint Venture Ionity we have already built up 160 charging stations in Europe. Our HERE Joint Venture ensures our independence from US companies with regards to map material for autonomous driving.

As you can see, we are thinking very carefully about what we want to do ourselves and where we want to bring partners on board.

Ladies and Gentlemen,

In addition to our product offensive and increased focus on collaboration, we also launched a comprehensive performance programme more than two years ago. It is this third aspect I would like to talk about in a little more detail today.

Thanks to the initiatives and measures introduced as part of Performance > NEXT in 2017, we are on the right track. Most of these measures are now being implemented.

We are already seeing significant earning benefits in the mid-to high three-digit-million-euro area in the current year. The cost side as well as the sales side have contributed to this. We are taking a systematic and consistent approach to structural topics across the entire company. We aim to leverage more than 12 billion euros in this way by 2022.

Around half of this amount will be realised through measures on the sales side as well as in indirect purchasing areas.
Reducing complexity and the number of variants, while maintaining our focus on the customer, is another important lever – which also lowers manufacturing costs, one-off expenses and capital expenditure.

We don't build everything we think is important. Instead, we build what our customers ask for the most.

Analyses show a clear overall shift in demand within vehicle segments – from convertible, coupé and also sedan concepts towards SAVs, in particular. For this reason, we are consolidating our line-up. There will be no successor to the 3 Series GT or certain convertibles, for instance.

Or, if we look at drive train variants: Analysis of the data has shown that 50% of our market-drivetrain-variants generate 99% of our volume. We have therefore decided to analyse the relevance of all variants market by market and to systematically cancel non-profitable variants.

Why are these decisions important? Because a great deal of work and expense is involved. For vehicle homologation in Europe last year, we needed about ten cubic metres’ worth of paper: that’s more than 1.5 million pages.

The full impact of these measures will be felt when the first models with new vehicle architectures are launched in 2021 and 2022.

We are also looking at current production models: Let's not forget that we will build several million current production vehicles before the new architectures ramp up. Naturally, these will not benefit directly from the measures for future models. That is why we have also introduced an efficiency programme with our top suppliers – focused on the supply chain, quality and strategic and innovation topics.

This initiative is showing significant results already in 2019. We have already reached agreements with 18 of our top suppliers.
We have also scrutinised our development process. We have managed to shorten it by up to 30% and, at the same time, made it even more flexible – despite a stricter regulatory framework and the technological diversity in drivetrains.

For validation activities we operate virtually wherever possible. This not only saves time – it also saves hardware. In this way, despite the additional validation effort required for electrified variants, we are able to do without almost 200 prototypes just for the future 5 Series.

The new development process is much faster – and, thanks to its modular nature, also a lot more flexible. Whether an electrified variant is added or a different production location is chosen for a product – we are now able to generate a customised timetable at the push of a button.

This puts us in an ideal position to cope with constantly changing conditions – and insure the „Power of Choice“ for our customers.

Ladies and Gentlemen,

Naturally, we also assess all our activities from a Free Cashflow point of view. In addition to boosting earnings quality, we are therefore closely monitoring capital expenditure and the development of inventories.

We are reviewing all elements of our upcoming capital expenditure – short-term and long-term alike. We are prioritizing capex systematically along our focus topics. A third of our capex reduction target has already been accounted for. This generates positive effects in Free Cashflow as well as a positive earnings impact in the following years through less depreciation.

Working capital is a clear focus for us, despite a mix effect with many high-end cars in the pipeline. We are continuously working on optimizing stocks and plan to reduce inventories by about 70,000 to 80,000 units in Q4.
To enhance earnings quality, we have also tapped potential in indirect purchasing. With a total annual volume of around 20 billion euros, this is an important lever. We are already lowering costs by over a billion euros a year. For example, we have improved efficiency by up to 20% in contracted services.

We are currently bundling all indirect purchasing activities in Asia – with the exception of China – to gain efficiencies and lower costs.

We have also looked at the human resources side. This year, after several years of continuous workforce growth, we plan to keep employee numbers at about the same level as 2018. Despite ramping-up our Mexico plant and continuing to hire specialists for key future projects, we are well on our way to meeting this goal in 2019.

We are currently discussing additional measures with the Works Council. All parties are working very constructively to make the company even stronger and more efficient.

We are optimistic we will soon have a satisfactory outcome for all sides. The results will be presented next Wednesday at our employee meeting. One thing is clear: We will have to achieve significant savings each year with these measures.

We are paying special attention to the task of optimising our sales management. Data analytics opens up totally new possibilities in this area. In the context of so-called “Granular Performance Management”, we are systematically analysing everything down to dealership level, on the basis of 18 defined KPIs – like segment share, contribution margin or aftersales. From this, we then develop specific measures.

Within just over a year, we have launched Granular Performance Management at more than 1,000 dealerships in eight of our biggest markets. Further outlets and markets are planned.

Already in 2019, we are seeing increases in retail sales.
Similarly, we have taken a systematic approach to leverage synergies between sales and financial services in markets over the past two years. We have combined purchasing, IT and facility management – to the extent permitted by local law, of course. At the same time, we have noticeably improved cooperation between Sales and Marketing and Financial Services.

Ladies and Gentlemen,

I think these examples show very clearly where we are headed. We develop products with a strong emotional appeal – but the route we are taking to get there is very rational, based on data-driven decisions.

We are therefore focusing on creating a company-wide data lake which is provided to all business divisions. We are mobilising all levers in a structured and systematic way to safeguard our ambitious profitability targets.

Profitability is essential for us, so that we can continue to invest independently in new technologies and opportunities. At the same time, our company stands by its social and environmental responsibility.

The BMW Group is still clearly on course for growth. We have taken comprehensive measures early on to counter growing headwinds. These efforts are now bearing fruit.

Continuing to enhance the value of our company remains firmly established in our corporate strategy.

Thank you.