

Media Information
3 August 2021

– Check against delivery –

Statement**Oliver Zipse****Chairman of the Board of Management of BMW AG****Conference Call Half-Year Report to 30 June 2021****3 August 2021, 10:00 a.m. CEST**

Good morning, Ladies and Gentlemen.

The performance of BMW is undisputed. As Nicolas Peter told us. We are on the right track. We are making the right decisions at the right time: the decisions that will keep our company profitable and successful for a long time to come.

Ladies and Gentlemen,

What is the world most concerned with right now? What is our society striving towards? What is the burning issue that unites us all? There can be no doubt that it is drastically reducing CO₂. We share the same goal: of effectively combating climate change. That is where I would like to start today. And from there, I'll go on to talk about the following points:

How are we further strengthening our digital expertise?

Where does the BMW Group stand in financial year 2021?

Let's start with the first point:

Our road to climate neutrality.

The three main regions of the world, many other countries and even cities – all want to become carbon neutral. That is also our mission and responsibility at the BMW Group. We have always taken a forward-looking perspective. It is the foundation of the long-term business model our company is built on. It requires, by definition, that all our decisions are based on sustainable thinking. Our strategic orientation towards climate neutrality benefits our customers. At the same time, it also sends a strong signal to all our stakeholders and the capital market, which is increasingly looking to invest in sustainability. Not least, it sends a signal to our team and their jobs! The currency that matters in our industry today: How big is a vehicle's carbon footprint throughout the whole of its

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lifecycle? The atmosphere – that is, the climate – doesn't care whether a manufacturer adopts a BEV-only, BEV-centric or an open-technology strategy. All that matters for the purposes of climate protection is the actual amount of CO₂ emitted – and that means across the board: from raw materials and other materials, throughout the industrial manufacturing process and active use of a vehicle, all the way to recycling the raw materials. Our impression is that it is often the case with zero emissions that the louder the proclamations, the broader the disclaimer and general terms and conditions tend to be.

Not with us!

Already in summer 2020 we unveiled concrete sustainability goals for 2030 – and geared our company towards them. We are documenting our progress in a way that is transparent and verifiable for everyone – in our Integrated Report; and, as a member of the Science-Based Targets Initiative.

Our clearly defined targets – in accordance with the Paris Climate Agreement – put us on a course that is significantly more ambitious than the two-degree goal. And without the fine print.

We are already concentrating on all three scopes where CO₂ is emitted: the supply chain, production and the use phase.

Our vision is of a value chain that produces less and less CO₂, culminating in a circular economy. Take the new BMW iX, for example: Already today, the battery cells are produced with green power, and we use 20 percent recycled plastics.

We will be presenting our circular approach at the IAA Mobility. Stay tuned!

By 2030, we aim to reduce our entire carbon footprint per vehicle by at least a third from 2019 levels – across the entire lifecycle.

Production at all our locations worldwide is already net carbon neutral as of this year. This applies to all our properties and administrative buildings as well.

We will be taking things up a notch in the near future: The use phase has a particularly strong impact on the carbon footprint. But we could imagine an even

bigger CO₂ reduction per vehicle by 2030. Already last year we overfulfilled our fleet target significantly – and we will overfulfil it again this year.

The same applies to climate neutrality as everywhere: There are different ways of getting there. So, ruling out certain approaches isn't helpful. None of these are wrong, as long as they benefit climate protection. The approach should always be pragmatic and manageable, and never ideological – in the interests of the greater vision, the global target.

The BMW Group is a global manufacturer. That is why we always focus on the big picture – the GLOBAL perspective, if you like. That doesn't make things any easy or linear; on the contrary, it makes them extremely multifaceted. Because our world is, and will remain, diverse – especially when it comes to people's mobility and the necessary conditions needed to ensure it.

We solve the biggest challenges for the world through innovation and technological progress.

To do this, we use our ability to integrate highly complex technical systems into a product in order to tailor it optimally to the requirements of certain markets. In this way, we offer markets the right technologies for their individual circumstances and pace of change. We see this as a clear competitive advantage for BMW – one we will continue to leverage to gain market share. Because, going forward, regulations and what customers want will vary from region to region and from country to country.

In Europe, for example, new vehicle registrations in Norway and the Netherlands are already dominated by battery-electric drivetrains; while other countries in the EU don't even have a rudimentary charging infrastructure.

In the US, California continues to lead the way on e-mobility, but demand for vehicles with combustion engines remains strong in many other states.

In Asia, countries like Japan and Korea have the potential for fuel cell drive trains. China is driving the pace on e-mobility.

E-fuels could also be an option for certain regions.

Going forward, hydrogen technology will become more important, alongside electric power – and not, as is often rumoured, just for utility vehicles. This is another area where we are delivering: Our small series of the BMW i Hydrogen NEXT will be released next year.

We are often asked whether the BMW Group has a date for its full transition to pure electric drive trains. The answer, to put it clearly and precisely, is: We are 100 percent committed to BEVs – wherever the use of battery-electric drive trains makes sense, and it is possible because the conditions are right.

Our MINI brand is the best proof of this.

From the early 2030s, it will be our first all-electric brand – without any disclaimers. Because MINI fans are mainly active in urban spaces.

This is the exact same direction targeted by the new electric scooter from BMW Motorrad. Our CE 04 is the perfect companion for the urban commuter. We recently unveiled the production model, which we will begin delivering early next year.

All of this underlines that:

Achieving market penetration with e-mobility hasn't been a vehicle supply issue for quite a while now. It depends, to a greater degree, on how quickly charging infrastructure is being expanded.

We have been committed to this for a long time: We have already installed more than 15,000 charging points worldwide. In Germany alone, we operate one of the biggest company charging networks in conjunction with E.ON. We currently have a total of 4,350 charging points in service – by the end of the year, it will be 5,000. All of them run on green power and some are open to the public.

We will provide an update on our progress in the autumn, as part of IONITY's European High-Power Charging Network. IONITY is open to anyone who wants to join. Expansion is important to us. We must not allow charging infrastructure to be the bottleneck that decides whether customers buy an electric vehicle or

not. As the current ACEA president, I am fighting for this, so we can move forward faster in all 27 EU member states. We need a stronger commitment to this.

With the Fit for 55 package it unveiled in July, the European Commission has once again tightened its reduction targets for CO₂ emissions. Every additional percentage point the targets are tightened means we need at least 200,000 more public charging points – in addition to the three million already needed by 2030.

Companies are now expected to reduce CO₂ emissions from their new vehicle fleets by 55 percent from current levels by 2030. That is the Commission's proposal, which forms the starting point for the legislative process. It is equivalent to tightening the target by around 18 percentage points from the previous target of minus 37.5 percent. As you would expect from BMW, we are taking a reliable and consistent approach to this additional challenge.

By 2023, we will offer our customers at least one BEV option in nearly all our vehicle segments. Over the next ten years or so, the BMW Group aims to release a total of about ten million fully-electric vehicles onto the market.

For the targets up to 2035, a review by the Commission in 2028 will determine whether credit should be awarded for other zero-emission technologies, such as e-fuels, in addition to BEVs and FCEVs.

In 2025 – just four years from now – we will launch the NEUE KLASSE. This all-new product offering is our response to the highly complex requirements of the coming decades. In many respects, the NEUE KLASSE is a real quantum leap – for future model generations, toolkits, technologies, cooperation and our mindset across the BMW Group. Our new vehicle architecture is uncompromisingly electric, whether with battery power or hydrogen.

It also comes with an entirely new IT and software architecture, as well as a newly-developed high-performance electric drive train and battery generation. Systems integration is another one of the BMW Group's core competences that we will be demonstrating in the NEUE KLASSE.

For me, all of this underlines our forward-looking approach.

This brings me to my second topic:

We are further strengthening our digital expertise.

In today's cars, software, hardware and services work together in an integral way. This is how we are laying the technological foundation that will enable us to offer our customers new functions on an ongoing basis. Our vehicles are always up to date with the very latest technology. For the past few years, we have been able to update every single line of code in the vehicle over the air via Remote Software Upgrade. There are only two firms capable of this: One of them is in California, the other in Munich.

By the end of this year, the BMW Group will have over 2.5 million vehicles with upgrade capabilities on the roads – the largest fleet of this kind worldwide.

Our new generation BMW iDrive leads the interaction between driver and vehicle into the digital future. We lay the foundation for this with the new BMW Operating System 8: A new generation of displays, controls and software, as well as extremely powerful data processing designed for 5G. We are introducing it for the first time in the BMW iX and subsequently rolling it out broadly across all other models. We are also integrating the digital services for navigation, parking and charging into the BMW Maps cloud-based system. With the iX, customers also have the flexibility to book “functions on demand” at any time.

For the digital ecosystem in the vehicle, as well as digitalised production and digitalised processes across the company, we are building up the necessary skills and competencies. Here, we are concentrating on specific areas:

- Smart production and logistics, including robotics.
- Big data and data analysis.
- Software architecture and agile software development.
- Artificial intelligence and autonomous driving; and
- E-mobility as well as innovative drive and lightweight technologies.

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At the BMW Group, around 10,000 employees are working in the IT and software development. In the last few years alone, we have brought in 2,400 new experts in our development division. Our 14 tech offices span the world – from California to the new FIZ Nord in Munich to Shanghai and Tokyo. In addition, we have joint ventures such as Critical TechWorks in Portugal.

When it comes to in-car IT applications, in particular, customers in different regions of the world, specifically in China, Europe and the USA, use different services and providers – that is the diverse markets I mentioned earlier. For every region, we provide seamless integration of third-party services, such as Apple, Google, Tencent or Spotify.

Let's wrap up with my third point:

To sum up in just a few words: Yes, we had a strong first half of the year.

Our broad range of fresh new models and various drive technologies met with lively demand. This applies to all our brands, BMW, MINI and Rolls-Royce, as well as to M GmbH, BMW Motorrad and all regions of the world. Around 1.34 million vehicles represents growth of almost 40 percent, compared to the first half of 2020. Sales for the first six months of the year were the highest in our history.

But we all know that, in many regions of the world, the first half of 2020 was hit especially hard by the restrictions due to the coronavirus pandemic. That is why a comparison with the first half of the pre-crisis year 2019 is more meaningful: Compared to that period, our sales increased by 7.1 percent. In July this year as well, our figure was above July 2019.

As expected, our customers are buying significantly more electrified vehicles right now. In the first half of the year our sales grew by almost 150 percent. In our domestic market of Germany, nearly one in four BMWs and around 30 percent of MINIs sold already have an electric drive train.

By the end of the year, we aim to have a total of one million fully-electric and plug-in hybrid vehicles on the roads and, by 2025, two million pure electric

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vehicles. By then, we aim to deliver ten times the number of BEVs we sold in 2020.

The fully-electric BMW iX3* has been available since the start of this year. It was not designed specifically for e-mobility. Despite that, it is winning comparative tests with its rivals. The BMW iX and i4 will both be launched in the autumn. Both are extraordinary vehicles that offer a fantastic driving experience. High orders for both are already exceeding our expectations. The planned annual volume of the BMW iX, for example, is already largely sold out in Europe. This underlines the high level of interest in this technologically unique vehicle. We are naturally very pleased with the positive feedback in the media and on social media.

New models will be coming in rapid succession from here on: In the next two years, we will launch all-electric versions of the BMW 7 Series, X1 and 5 Series.

Ladies and Gentlemen,

2021 is proving to be a unique financial year for us, with both tailwinds and headwinds.

On 20 May, we re-evaluated our provision of 1.4 billion euros in connection with antitrust proceedings by the European Commission. The Commission completely withdrew its allegations against the BMW Group. The Commission confirmed once again in this connection that: There is and was never any allegation of illegal manipulation of exhaust gas treatment by the BMW Group. The proceedings were concluded on 8 July with a settlement and a fine of 372.8 million euros.

The revaluation of the provision has led to a positive earnings effect of around one billion euros in the second quarter of 2021. As a result, our target corridor for the EBIT margin in the Automotive segment increased by one percentage point.

There are, however – on top of the impact of the coronavirus pandemic – additional risks for our ongoing business performance that we are taking very seriously. Our industry cannot ignore the global shortage of microchips. So far – compared to other manufacturers – we have been able to absorb the impact of this well. A few of our plants have also been affected recently – but with varying

degrees of intensity. We assess the situation on a daily basis and are taking appropriate measures with our suppliers.

In addition to semiconductor supply bottlenecks, we also face rising raw material prices. This is another reason why our circular approach makes sense.

Lastly, extreme weather, such as the devastating floods in Germany, Europe and other parts of the world show: Forecasts and expectations can change fast – quite apart from the immense suffering people in the affected regions are facing.

Confronted with all these risks, the second half-year will be more challenging for the BMW Group than the first. Nevertheless, we are confident that we will achieve our targets for the full year.

We are convinced:
Our holistic approach is absolutely effective.

The requirements for the automotive industry are highly complex. There are no simple truths.

What counts – for climate protection as with all the other major future fields – is effectiveness. This is what the BMW Group stands for.

Thank you!

***Consumption/emissions data:**

BMW iX3: Power consumption in kWh/100 km combined: 17.8-17.5 NEDC, 19.0-18.6 WLTP.