BMW GROUP
Corporate Communications

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– Check against delivery –

Statement
Dr Nicolas Peter
Member of the Board of Management of BMW AG, Finance
Conference Call Quarterly Statement to 30 September 2021
3 November 2021, 10:00 a.m. CET

Good Morning, Ladies and Gentlemen.

The BMW Group's positive business development in the first nine months of the year confirms our strategic course.

Throughout the semiconductor crisis, our employees have delivered outstanding performance, month after month. That is how we were able to raise our expected targets for the year again in September.

All segments are on track to meet our guidance for the year. We continue to focus on gearing the BMW Group towards emission-free mobility – funding the investments needed from our ongoing business.

We will keep our Performance Programme going, with a main focus on the consistent exploitation of market potential.

Moreover, we are picking up the pace in the digitalisation of processes across the entire company. And we will continue to work consistently on the optimisation of our working capital, in particular on our logistics.

Let's start with the financial figures for the Group.
Group revenues for the first three quarters of 2021 climbed by 19.2% to 82.83 billion euros. Third-quarter revenues increased to 27.47 billion euros.

As expected, Group earnings before tax for the year to the end of September were significantly higher than the previous year, at 13.15 billion euros. The figure for the third quarter was 3.42 billion euros. The Group EBT margin for the year to the end of September was 15.9%; in the third quarter, it was 12.4%.

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We therefore can be confident that we will not only achieve significantly higher Group earnings for the year, as previously announced, but also surpass our long-term target of at least 10% for Group EBT margin.

After a strong first half-year, third-quarter vehicle sales were, as expected, lower than the prior-year quarter – due in part to the ongoing semiconductor supply bottlenecks.

Strong customer demand is reflected in continuing positive pricing effects, while the model mix has also continued to improve.

Sustained high prices on international preowned car markets also resulted in very favourable income levels from the resale of end-of-lease vehicles in the third quarter. This has enabled us to more than offset the decrease in volumes.

Ladies and Gentlemen,
With the market launch of the two all-electric iX and i4 models in November, we reached another major milestone. New orders for both vehicles are very strong.

We continue to push forward with the electrification of our entire model range, as planned. As previously announced, we are also making further investments in digitisation.
This will be a particular focus for us this year and in 2022, with respect to both our vehicles and our processes.

By the end of the year, the BMW Group will have the largest fleet capable of over-the-air upgrades among the competition with around 2.5 million vehicles.

Also as previously announced, research and development spending for the third quarter was up almost 200 million euros on the previous year, at 1.6 billion euros. This was also higher than the preceding quarters.

The R&D ratio increased to 6.5% for the quarter and 5.3% for the first nine months of the year. We continue to expect the R&D ratio for the full year to be on a par with the previous year, at about 6%.

At around 950 million euros, capital expenditure is also higher than the previous year's quarter, as planned. This represents a capex ratio of 3.5% for the third quarter and 3.2% for the year to the end of September. We still expect the ratio for the full year to be well below our target figure of 5%.

Through the overall positive market development, the BBA result in the financial result continued to improve in the third quarter.

Ladies and Gentlemen,
Let's move on to the individual segments, starting with the Automotive Segment.

As expected, semiconductor supply bottlenecks slowed down sales in the third quarter. However, thanks to our ability to respond quickly and the high level of flexibility in our global production system, we were able to limit the impact on vehicle manufacturing.

In line with strong customer demand, revenues increased to more than 70 billion euros in the year to the end of September. Third-quarter revenues totalled 22.63 billion euros, around 3% more than the previous year.

The segment also achieved a new all-time high, with an EBIT of 7.95 billion euros at the end of September. Despite the decrease in volumes due to the supply bottlenecks, EBIT for the third quarter rose by nearly 19% to 1.76 billion euros.

This represents an EBIT margin of 11.3% for the year to the end of September and 7.8% for the quarter.

As expected, the earnings momentum weakened at the start of the second half of the year, compared with the first half-year.

In addition to the semiconductor issues, increased raw material prices and higher fixed costs due to the growth in research and development spending also had an impact on earnings. However, this was offset by positive pricing effects resulting from supply shortages and the positive trend in residual values.

This development is also reflected in the contribution of our Chinese joint venture, BBA, to the financial result. The total third-quarter at-equity result was 35 million euros higher than the previous year.

The strong earnings momentum and consistent ongoing management of inventory levels are also evident in the segment's free cash flow.

At the end of September, free cash flow totalled almost 6.3 billion euros – despite higher capital expenditure, scheduled cash outflows for personnel restructuring measures and payment of the fine imposed by the European Commission in connection with its antitrust proceedings.

This means we are on course to meet our upwardly adjusted target for 2021 of around 6.5 billion euros.

We anticipate a further increase in capital expenditure in the fourth quarter, as well as significantly higher advance tax payments. Due to the supply bottlenecks I mentioned, earnings development will also weaken slightly compared to the first nine months of the year.

The Financial Services Segment once again delivered a strong performance. More than 1.5 million new financing and leasing contracts were concluded with retail customers in the year to the end of September. This means the number of new contracts is also higher than in 2019, before the pandemic.

Between January and September, segment earnings before tax climbed by nearly 1.9 billion euros to more than 2.9 billion euros.
The figure for the third quarter increased to 988 million euros.

A key factor in this development remains the exceptionally positive trend in preowned vehicle markets worldwide – leading to higher income from the resale of end-of-lease vehicles. Expenses for credit risks also remain low. In the prior year, we adjusted risk provisioning for the pandemic – which had a dampening effect on segment earnings.

The Motorcycles Segment also performed well in the first nine months of the year. More than 156,000 motorcycles were delivered to customers in the year to the end of September – a fifth more than in the same period of 2020.

The segment's operating earnings almost tripled to 323 million euros. The figure for the third quarter was 39 million euros. This represents an EBIT margin of 14.3% for the first nine months and 6.1% for the quarter.

Ladies and Gentlemen,
Let's move on now to the outlook for our key financial and non-financial performance indicators.

We expect to see a significant increase in Group pre-tax earnings for the full year.

The number of employees is projected to be slightly lower than last year.

In the Automotive Segment, we are forecasting a solid increase in the number of vehicles delivered to customers, compared to the previous year.

Electrified vehicles will account for a significantly higher percentage of total volumes. By the end of September, we had already sold more than twice as many battery-electric vehicles than in the previous year.

We will once again significantly reduce the CO_2 emissions of our new vehicle fleet.

However, the current uncertainty over semiconductor supplies will continue to disrupt production in the fourth quarter. As previously announced, high raw material prices and the increase in fixed costs towards the end of the year will also impact earnings.

We expect the EBIT margin in the Automotive Segment to be within the range of 9.5 to 10.5%, as previously communicated.

The main reason for the positive adjustment of our guidance in September was continued positive pricing – for both new and preowned vehicles.

In the Financial Services Segment, we expect a return on equity of between 20 and 23%, in line with strong business development and the positive residual value and credit risk situation.

In the Motorcycles Segment, we anticipate a significant increase in deliveries. The EBIT margin will remain within our target range of 8 to 10%.

Our guidance assumes that political and economic conditions will not deteriorate significantly.

Ladies and Gentlemen,
As previously announced, we expect a stable earnings development in the fourth quarter. Customer demand will remain strong.

However, the semiconductor supply bottlenecks will still be the main influencing factor.

Our strong performance in the first nine months of the year once again proves our operating strength. At the same time, we continue to focus on the further technological development of our products.

That is why we will enter the new year with full confidence.

Thank you.