

Media Information

3 November 2023

- Check against delivery –

Statement**Walter Mertl****Member of the Board of Management of BMW AG, Finance
Conference Call Quarterly Statement to 30 September 2023
Munich, 3 November 2023, 10.00 a.m. CEST****Slide 2: BMW Group Quarterly Statement to 30 September 2023**

Ladies and Gentlemen, Good Morning!

Slide 3: Highlights of BMW Group Performance in Q3 and YTD September

The BMW Group delivered a strong performance in the third quarter. As expected, we achieved solid sales growth and correspondingly positive financial key figures.

The Group EBT margin for the third quarter came in at 10.6%. For the nine-month-period from January to September, it was 11.9% – exceeding our strategic target of 10%.

The Automotive Segment posted an EBIT margin of 9.8% for the third quarter and 10.3% for the year to the end of September. Without depreciation of BBA assets from the purchase price allocation, the margins came in at 10.8% for Q3 and 11.4% through nine months.

After a successful third quarter, we expect a positive business development in the fourth quarter. All segments are on track to meet our goals for the year.

I'd now like to show you a few slides with our business figures for the third quarter and the first nine months in more detail.

Slide 4: BMW Group in Q3

Let's start with the Group figures.

Group earnings before tax for the third quarter were on par with last year, at just under 4.1 billion euros, despite a significant headwind from the fair value assessment of interest rate hedges compared to Q3 2022.

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Group pre-tax earnings for the year to the end of September decreased by about 6.8 billion euros.

However, last year's figure included one-time income of 7.7 billion euros from the revaluation of equity interests in BBA.

Without this effect and looking at the underlying operating result instead, Group earnings were 900 million euros higher year-on-year in the first nine months.

Slide 5: Automotive Retail units, BEV units, Auto revenue and Auto EBIT

Now, let's take a look at the individual segments, starting with the Automotive Segment.

The BMW Group delivered just under 622,000 vehicles to customers in the third quarter of 2023 – a year-on-year increase of 5.8%.

Year to date September, deliveries rose 5.1% to around 1.84 million vehicles.

Our order books take us into 2024 – with valuable impetus coming from new models like the BMW 5 Series.

We expect this positive trend in deliveries to gain momentum in the fourth quarter – resulting in solid growth in vehicle sales for the full year, as forecasted in August.

In addition to models from the upper price segment, our all-electric vehicles are another important growth factor.

We sold around 94,000 units in the third quarter and just under 247,000 fully-electric vehicles for the nine-month-period.

BEV share of total sales continues to grow. In the third quarter, it was 15.1%.

In the fourth quarter, our sales of all-electric vehicles will get a further boost from the launch of the new BMW i5*.

For the full year, we expect BEVs to account for about 15% of deliveries. After nine months, the share was 13.4%.

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Third-quarter automotive revenues were at the same level as the prior year, at 32.1 billion euros. However, currency translation headwinds from the US dollar and Chinese renminbi played a part in this.

Adjusted for these currency translation effects, revenues increased by 6.5%, thanks to higher sales.

The Automotive Segment's operating result for the third quarter totalled just over 3.1 billion euros, with an EBIT margin of 9.8%.

Year to date September, the EBIT margin came in at 10.3%.

Slide 6: Automotive Segment EBIT in Q3

Let's take a look at the operating result in the Automotive Segment in more detail.

In the year-on-year comparison, we see that Q3 2023 was impacted by just under 200 million euros from the net balance of currency and raw material positions.

This difference is mainly due to currency translation effects from development of the Chinese renminbi.

Raw material prices remain high – although we are seeing a slight tailwind compared to Q3 2022.

However, this does not include material and logistics costs. These topics are included in "other cost changes".

Volume, model mix and pricing effects all contributed to a tailwind of around 300 million euros, compared to the prior-year quarter.

The largest share of this position results from higher vehicle sales.

The contribution from the model mix is only slightly lower than the previous year, despite BEV growth.

The market has continued to normalise over the course of the third quarter, partly

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due to improved vehicle availability. We continue to pay close attention to price discipline.

Expenses for research and development rose by around 100 million euros. This reflects the decrease in the capitalisation rate of 8.5 percentage points to 32.2% year-on-year.

Based on Group R&D spending, the R&D ratio according to the German Commercial Code came in at 4.6%. We expect the figure for the full year to be within our long-term target range of 4-5%.

Research and development expenditure focused on the electrification and digitalisation of our vehicle fleet as well as the development of new models like the all-new BMW 5 Series and the NEUE KLASSE.

Digitalization includes the innovative "BMW Operating System 9", which we are rolling out this year.

We are also making great progress in the area of automated driving. With level 2+, the new BMW 5 Series already offers a partially automated driving experience. We will also be launching highly automated driving – level 3 – shortly.

Sales and administrative costs increased by about 100 million euros – partly due to higher spending for digitalisation projects.

Other cost changes include costs for materials and logistics. They remain at a high level, due to, among other factors, higher labour costs from our partners. Although they were more or less stable in the quarter compared to the previous year, we recorded a notable negative impact in the nine-month-period.

Slide 7: Automotive Segment Free Cash Flow in Q3

Free cashflow in the Automotive Segment totalled 2.6 billion euros in the third quarter.

The basis for this high figure is the strong quarterly result of three billion euros.

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The change in working capital increased free cashflow in this quarter by around 100 million euros.

In Q3, inventory levels rose.

However, the increase in trade payables nearly offset the impact of the higher inventory on working capital.

The delta between capital expenditure and depreciation reduced free cashflow in the third quarter by about 500 million euros.

Capital expenditure for the first nine months totalled around five billion euros, mainly from the fifth and sixth generation e-modular kits and the construction of the plant in Debrecen, Hungary.

The capex ratio for the year to the end of September was 4.5%. We still expect the ratio for the full year to be around 6%.

Changes in provisions had a negative impact on free cashflow of about 400 million euros.

In the third quarter, the profit-sharing bonus for financial year 2022 was paid out to our employees and the corresponding provision dissolved.

"Other" items boosted free cashflow by around 400 million euros.

At the end of September, free cashflow in the Automotive Segment stood at around 5.8 billion euros.

In the fourth quarter, we are planning for a significant increase in capital expenditure due to usual seasonality. This will negatively impact free cashflow. As I just mentioned, we expect the capex ratio for the full year to be around 6%.

Inventory will decrease towards the end of the year, but will still be at a high enough level to maintain vehicle supplies to markets.

This will ensure we are able meet the robust global demand for our vehicles in the first quarter of 2024.

The planned significant uptick in costs as well as higher tax payments will weigh on

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our Q4 free cashflow.

As a result, we still expect a free cashflow of at least six billion euros for the full year 2023.

Slide 8: Financial Services Segment YTD September

Let's turn now to the Financial Services Segment.

I will focus on the first nine months of this portfolio business.

Year to date September, the number of new financing and leasing contracts concluded with retail customers decreased by 5.6%. This is partly due to higher interest rates – which have substantially increased financing costs for consumers. At the same time, the financial services sector remains as competitive as ever.

However, when we look at the course of the year, we see a clear positive trend in new business in financial services.

While new contracts with end customers in Q1 were just under 20% below Q1 2022, they were back to the previous year's level in Q2.

Driven by higher vehicle sales and by the pre-owned car business, Financial Services reversed the trend in the third quarter. New contracts with end customers rose by 5.7%, compared to the third quarter of 2022.

We expect the positive development in new business to continue in the fourth quarter as well.

The average financing volume per vehicle increased from the previous year – primarily due to an improved product mix in the automotive business. For this reason, the volume of new business decreased by only 1.6% for the year to the end of September.

Segment earnings before tax totalled 2.45 billion euros at the end of September – down 8.3% from the previous year.

This decrease mainly reflects higher refinancing costs and the smaller size of the total portfolio.

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Income from the resale of end-of-lease vehicles remains consistently high. The credit loss ratio is still at the low rate of 0.15% across the entire credit portfolio.

We expect return on equity (RoE) for the full year to be within the range of 16-19%.

Slide 9: Motorcycles Segment in Q3

Let's move on to the Motorcycles Segment.

In the third quarter, BMW Motorrad sales were on par with the high level of Q3 2022, at just over 52,000 units.

Segment EBIT totalled -4 million euros, compared to 87 million euros in the third quarter of 2022.

This decrease was primarily due to changes to the model launch calendar, compared to the previous year.

EBIT for the year to the end of September totalled 308 million euros and was therefore slightly lower than the previous year (-4.3%).

The EBIT margin came in at -0.6% for the third quarter and 12.0% for the first nine months.

Slide 10: Outlook 2023

I'd like to look now at the outlook for our key performance indicators.

We expect to see stable business development for the rest of the year – and are therefore able to confirm our guidance for the financial year 2023 for all segments. This assumes that the geopolitical and macroeconomic conditions do not deteriorate significantly.

In the Automotive Segment, we are planning for a solid increase in deliveries

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compared to last year.

The segment's EBIT margin should come in at between 9 and 10.5%, with a Return on Capital Employed (RoCE) of between 18 and 22%.

The Motorcycles Segment is projected to report higher sales.

In this segment, we expect to see an EBIT margin of between 8 and 10% and a Return on Capital Employed (RoCE) of between 21 and 26%.

In the Financial Services Segment, Return on Equity (RoE) should be between 16 and 19% for the full year.

Slide 11: BMW Group performs as it transforms

Ladies and Gentlemen,

Our third-quarter results once again underline the BMW Group's performance capabilities. On this basis, we will be able to deliver a strong finish to 2023.

With our attractive premium product portfolio, we are in an excellent position across all brands, segments and drive technologies to take advantage of market opportunities.

We remain cautiously optimistic about the future – despite all the economic and geopolitical volatility.

We have a long-term strategy and we have a clear plan.

Our underlying earning power is the result of continuous, profitable growth in our core business as well as disciplined price and cost management.

It lays the foundation for our business success and allows us to leverage our cashflow to finance our investments in emission-free mobility.

At the BMW Group, our thinking and actions are always geared towards the long term.

We are securing and creating value.

And our financial strength allows us to shape our own future.

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***Fuel consumption/emissions data:**

BMW i5 eDrive40: Power consumption in kWh/100 km: - (NEDC)/18.9-15.9 (WLTP);
electric range (WLTP) in km: 497-582.