

STATEMENT OF THE CHAIRMAN OF THE BOARD OF MANAGEMENT

**BMW Group: The Impact Company.
We make a difference.**



Oliver Zipse
Chairman of the
Board of Management

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN:

A company needs to know what it stands for.

That is what enables it to stay the course, to rely on its own strengths, to withstand the headwinds and to constantly reinvent itself. This applies in particular, and in its own unique way, to the current transformation.

Your Company has held its own in the marketplace for over 100 years. Yet, far more important than that is staying resolutely focused on the future – with the support and backing of a motivated team, shareholders and stakeholders. All of you want to know why the BMW Group should continue to exist 100 years from now.

We want to make a difference. To create the values our customers ask for. To generate meaningful added value. That is part of our responsibility – because our society depends on people's mobility and benefits from it.

The BMW Group exists because we move body, heart and mind.

That is our internal compass. It guides us – even now, through the many changes we must navigate as a BMW Group team – with focus and self-assurance. Transformation is part of our DNA – and we all aspire to lead the way. We presented our most recent example of this last year at the IAA Mobility in Munich: the BMW i Vision Circular, a car that moves body, heart and mind. With this extraordinary Vision Vehicle, BMW has clearly defined the next big future topic of “circularity” for itself. Imagine what we could achieve if we begin thinking consequently about circularity at both business and macroeconomic levels – and across industries.

Your Company presents its second Integrated Report.

We lead the way in the German automotive industry with our integrated reporting of the Company's financial and non-financial performance.

This is a new step for us – consistent and irreversible. Integrated reporting is a process that involves and challenges the whole Company. It requires integrated thinking: what is the impact of a decision as a whole – from both a business and an environmental perspective, in the short term, mid-term and in the long term?

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This is a complex task, and we will continue to learn. Our second Integrated Report for the financial year 2021 reflects this learning process. The “Integrated Strategy of the BMW Group” section provides a qualified insight into how strategy and our management of the Company are intertwined.

Holistic sustainability based on concrete targets.

We have announced clearly defined targets for 2030 that show how we will continue to lower CO₂ emissions. As our shareholders, you know that your Company always takes a holistic approach. We are therefore substantially reducing our environmental footprint in a measurable way throughout the entire value chain – during the use phase, in production and in the upstream supply chain. Here, we are adopting a ten-year perspective – because this is a manageable time frame, in which we can take responsibility for measures ourselves. We do not believe in empty promises. We are able to report at any given time on how we are performing in all three sustainability scopes.

We are the first German automotive manufacturer to join the “Business Ambition for 1.5° C” campaign launched by the Science-Based Targets initiative (SBTi). This means our road to climate neutrality follows a scientifically validated and transparent path.

Since most of our CO₂ emissions today are produced during the use phase, we have raised the bar in this area: By 2030, we will reduce CO₂ emissions by more than 50 % from 2019 levels. Our targets apply worldwide, including the extra 10 % from the SBTi framework added to fuel consumption figures and including CO₂ emissions from fuel production and electricity generation. This will in turn also reduce our life cycle carbon footprint – from the ore mine to kilometres driven on the road – by more than 40 %.

Building credibility by keeping promises.

We deliver on our promises – and can back them up. In 2021, your Company once again met the European Union's CO₂ targets – even clearly outperforming the legal requirements by approximately 10 g/km. You can rest assured that we will also meet our CO₂ requirements for 2030.

In production, well-designed individual steps ultimately contribute to overall sustainability as well: as promised, production at all our locations has been carbon neutral on balance since 2021. Our electric motors no longer require rare earths. We use only green power to produce batteries for our electrified vehicles – as do our battery cell suppliers. Our batteries are also almost fully recyclable. All of this is relevant for ramping up electromobility. After all, this year, every one of our plants in Germany will already be producing electric vehicles.

Change makes us resilient.

We never stand still – because we are constantly refining our business model. This strengthens our resilience, building on a solid foundation created by profitability and sustainable action. We believe the two go hand in hand and are mutually dependent.

Confident even in uncertain times.

Looking forward confidently even in uncertain times. This characterises your Company. Our products are in high demand: More than 2.52 million customers took delivery of a BMW Group vehicle in 2021 – 8.4 % more than the previous year. This number includes almost 330,000 electrified vehicles – an increase of 70 %.

The BMW brand is back on top of the global premium segment – and we intend to keep it that way. BMW and Rolls-Royce achieved new all-time highs, as well as BMW Motorrad. Global market share is also an important currency in our industry. As a premium manufacturer, we increased our share of the global market to 3.4 % during the coronavirus pandemic – and with a further increase in profitability. Sales in key individual markets and regions – China, Europe and the US – grew significantly in some cases. Our Financial Services Segment also made a major contribution to our success.

Staying flexible and pivoting quickly.

Your Company operates at the intersection of conflicting forces, where conditions are not only demanding, but also highly complex. The situation is becoming more and more differentiated from one region of the world to another, with a highly dynamic rate of change. In this context, it is more important than ever to anticipate requirements in the early stages, plan for various scenarios and manage risks effectively.

“We have mastered both competence development from the ground up and how to transform existing plants into cutting-edge locations for electromobility.”

Dealing with the effects of the coronavirus pandemic demanded a lot of us in 2021. In typical BMW tradition, and in the spirit of Herbert Quandt, the Company and its employee representatives once again found flexible solutions. The vaccination campaign we launched together is a good example of this. For our locations in Germany, we have made the BMW pension scheme even more attractive and increased the level of benefits. At the plant in Leipzig, work hours have been brought into line with our Bavarian locations. This shows our sense of community at BMW in difficult times.

We also responded extremely flexibly to semiconductor supply bottlenecks. This is a stress test we have withstood together. All business units are working hand in hand to minimise the impact and adjust production to the situation. Our stable and trust-based relationships with suppliers have proved especially valuable in this respect. We can expect, and are preparing for, the global supply situation for vehicle components to remain difficult in 2022.

Transformation takes place not just on greenfield sites or around the conference table – but on the ground at our plants.

We are expanding our production network globally and in a targeted manner. For instance in China: in Shenyang, we will be opening a new plant in Tiexi this year and expanding the plant in Dadong.

We have mastered both competence development from the ground up and how to transform existing plants into cutting-edge locations for electromobility. Examples of this are our two “bookends”: our oldest plant, Munich, and our future plant in Hungary.

Our main plant in Munich will be 100 years old this year. To mark the centenary, we are smoothly transitioning to 100 % electric during ongoing production. With its new vehicle assembly, the plant will be capable of producing only fully electric models from 2026 onwards in line with demand. In parallel, we are also working on emissions-free transport logistics. That is what transformation looks like on the ground.

In 2022, as a sort of counterpart to our main plant in Munich, we will also be laying the foundation stone for our newest plant in Hungary. The first vehicles for the NEUE KLASSE will come off the production line in Debrecen in 2025.

NEUE KLASSE for a new age.

The NEUE KLASSE is our exclusively fully electric product range, which will usher in Phase III of our transformation towards emissions-free mobility. It will be built on our New Cluster Architecture (NCAR), with the three core forward-looking elements: "electric", "digital" and "circular". This will be the next milestone in BMW history for future products, technologies and new ways of working. The NEUE KLASSE makes a significant contribution to sustainability, by relying on the concept of circularity.

Your Company is leveraging the opportunities and potential of global automotive markets.

Our intelligent vehicle architectures enable us to offer different drivetrain variants efficiently. This benefits customers and the climate alike. We serve markets according to their individual circumstances and pace of change. In the mid-term, this will also include hydrogen fuel cell technology – because hydrogen makes it possible to store sustainably produced energy and release it just as quickly as conventional fuels.

New BMW 7 Series: the only luxury sedan to offer drivetrain variety.

All of us at BMW are looking forward to the market launch of the new BMW 7 Series this year: progressive, digital and innovative, it is also the only luxury sedan to offer customers a choice of drivetrain variants. By the way, the most powerful variant – the BMW i7 – is fully electric. In April, we will present it in New York, Munich and Beijing, representing the major regions of the world.

E-mobility shifts into sport mode.

Our new BMW iX and BMW i4 models are already winning over customers with their innovations and an electric range of up to 600 kilometres. With the BMW iX, we are also the first premium manufacturer to introduce the 5G mobile telecommunications standard in a production vehicle that is available worldwide. Both models are among the eight fully electric vehicle models we will have on the roads this year; by 2023, there will be a dozen.

We already aim to at least double our sales of battery-electric vehicles this year compared to 2021.

By 2025 – the end of Phase II of our transformation – we aim to increase the total share of our electrified vehicles, that means battery-electric and plug-in hybrids, to more than 30 %. By 2030 – the end of Phase III – more than 50 % of our global deliveries to customers should be fully electric. We are gearing up the Company and our supply chains for this exponential growth in electromobility.

MINI and Rolls-Royce will be exclusively all-electric from the early 2030s onwards, while all BMW Motorrad's urban models will be released with e-drives only from 2030. BMW M GmbH has also unveiled its first fully electric model, the BMW iX M60.

Merging the digital and the physical experience.

The modern car is not only one of the most complex items we use as consumers; it is also becoming a true digital device. It should therefore come as no surprise that digital business models will account for a growing share of value creation. This applies, in particular, to the Chinese market, with its many young, technophile customers.

Over-the-air updates: BMW has the largest fleet.

Your Company has around 10,000 IT and software specialists working on research and development for vehicle digitalisation at ten locations in Europe, Asia and the Americas. We are collaborating in the regions with major tech players, who are also our competitors.

At the CES tech show in Las Vegas in January 2022, our BMW iX Flow, featuring E Ink, received rave reviews from the media and on social media. This unique technology allows the exterior to change colour.

Focused on the customer and their mobility experience.

By 2025, a quarter of our sales will probably be conducted online. That is why our Sales and Marketing is seamlessly integrating all customer touchpoints, online and offline. We are implementing future-oriented sales structures in conjunction with our retailers. That is our culture at BMW.

Dear Shareholders,

Your Company is financially and economically stronger than ever. This allows us to operate independently and invest in our own future. This is certainly something we can continue to build on.

In February 2022, the BMW Group increased its share in the joint venture BMW Brilliance Automotive Ltd. (BBA) to a 75 % majority stake. With full consolidation of BBA in the BMW Group Financial Statements, we are taking your Company into the next dimension as a global company. The Chinese market is a driving force for digital trends. This move will bring us even closer to customers there and enable us to keep our finger on the pulse.

Many people benefit from our success: you, our shareholders, our global team and society. This year, we will be hiring new staff, both worldwide and at our home base in Germany – something a company only does when it is full of confidence.

I would like to say a sincere thank you for the financial year 2021: to you, our shareholders, all our customers, our retail organisation and suppliers – and, above all, to our 118,909 associates. The feedback we received in our Employee Survey clearly reflected back to us that the team stands behind the Company. Our associates believe BMW has found the right balance between stability and disruption. We see transformation as an opportunity.

Together, we will continue to make a difference in the future, as a global Impact Company that creates values and generates added value. We hope you will continue to support us on our BMW way.

**Oliver Zipse**

Chairman of the Board of Management

“We see transformation as an opportunity. As a global Impact Company, we will continue to make a difference in the future.”