

Media Information
18 March, 2020

- Check against delivery –

Statement**Oliver Zipse****Chairman of the Board of Management of BMW AG****Annual Accounts Press Conference for the Business Year 2019****Munich, 18 March 2020, 10.00 a.m.**

Oliver Zipse, Chairman of the Board of Management of BMW AG

Good morning Ladies and Gentlemen!

In times like these, we need responsible behaviour in society. We find ourselves in highly unusual times. All of us are personally affected. Medical experts and scientists are giving clear directions as to what we need to do to slow and contain the spread of the coronavirus pandemic. The next few weeks will be critical. Many countries have taken significant measures, which we support.

In this situation, as a company we have diverse responsibilities:

- To protect our employees and their families as best we can.
- To support our society in its fight against the virus.
- And at the same time, to maintain our operational capabilities and prepare for what comes “after the virus”.

We have made far-reaching decisions that affect our daily business. Many people are focusing on their health and well-being and what is most essential right now. In light of this, we have already temporarily closed the first dealerships in Europe. Demand for cars, like many other goods, will decrease significantly.

Our production is geared towards sales development forecasts – and we are adjusting our production volumes flexibly in line with demand. Since yesterday: We began to shut down our European and Rosslyn automotive plants, which will close by the end of the week. The interruption of production for the mentioned plants is currently planned to run until April 19.

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The BMW Group has highly flexible and effective work time instruments. This applies to both direct areas, like production, and also in indirect areas, such as administration. Now, we will reap the benefits of this. We will continue to ensure our ability to operate as a company. At the same time, we want to reduce the risk of infection for our employees. We have therefore put a comprehensive package of measures into effect. For example, employees will be able to work from home, when it is possible and when it makes sense. I would like to thank our social partners, that we were able to find solutions quickly in true BMW tradition. And I would also like to thank all employees for helping us to get through this situation. Thank you also to our purchasing and logistics experts and partners for their flexibility. And of course I would like to thank our Corona competence team.

The BMW Group knows how to manage difficult situations. We have proven this many times in the past:

- We opened our plant in Dingolfing in the early 70s, in the midst of the oil crisis. Next year, our new technology flagship, the iNEXT, will roll off its production line in 2021.
- During the 2008/2009 global economic and financial crisis, we earned a profit and got the first all-round sustainable electric production vehicle off the ground. Today, the BMW i3 is one of the world's best-selling electric cars.

Even in the current situation, we remain confident. There will be a time during the coronavirus. And there will be a time after the coronavirus. That is why we have decided, today, to give you an outlook of everything we have planned.

The current situation requires a strong joint effort. But we are strong – and we will fight this fight together. That's all I wish to say for the time being.

Now, Nicolas Peter will present the figures for the financial year 2019, as well as our forecast for the current year 2020, which we have adjusted at short notice to the current situation.

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Oliver Zipse, Chairman of the Board of Management of BMW AG

Ladies and Gentlemen,

The topic of the coronavirus is currently dominating all areas of our lives. However, we must also think ahead to the time that comes afterwards. The BMW Group is a company that thinks long-term and acts responsibly. I firmly believe that: The far-reaching technological transformation and social changes currently taking place will actually strengthen our business model.

Why do I say that?

- Because we are realising our customers' desires and expectations with intelligent solutions and opening up new possibilities for them.
- Because our innovations give technological progress a face and, in this way, we can also change and advance our society.
- And because we are effective in what we do.

Despite the coronavirus, our ambition is clear: To emerge as a winner and driver of this transformation!

Profitability remains essential for capitalising on future opportunities. And this is what we aim to do! We will invest more than 30 billion euros in research and development by 2025. We firmly believe we can continue to drive transformation and offer appropriate solutions.

I took over as Chairman of the Board of Management seven months ago. I have spoken with a lot of people since then: Associates, peers and colleagues within the industry, investors, journalists and political representatives. Many people are uncertain about the future prospects of our industry. And, in actual fact, the challenges are immense. For one thing, because each of these challenges is immense in itself.

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And, also, because a wide range of different demands must be managed well at the same time. Being successful is not just about mastering individual technologies perfectly. Another aspect that is crucial to long-term success at the highest level – on top of everything else – is that: Our focus cannot be on a singular approach. We need to meet diverse and complex requirements at the same time under constantly changing conditions. This, if you like, is the central management challenge of the 21st century.

A good example of this is how we determine our strategy. On the one hand, our business environment is shaped by stable trends.

- The growth forecast for the global premium segment up to 2030,
- A faster uptake of e-mobility,
- And historically important drivers for car ownership, like household size, income and location.

On the other hand, there are uncertain developments in the world, which require a quick response, such as: Trade conflicts, Brexit, the impact of the coronavirus. Defining our strategy is a constant, ongoing task for us.

The Board of Management has geared the BMW Group's strategy towards the relevant areas of future significance and adjusted some core elements. We have defined a clear position for ourselves. What does the BMW Group stand for? We take on business, environmental and societal challenges.

We take responsibility for the mobility of today and tomorrow, with compelling offers and through sustainable management. This applies to all the factors we can shape and influence. We also defined: How can we achieve this? Our values remain the basis for this. Because they are the right ones and fit perfectly with our corporate culture. At the BMW Group, we continue to chart our own course.

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We do things the way we think they should be done – based on our analyses and conclusions. And we tackle challenges early: Because we believe in delivering instead of just talking!

What are the dominant questions facing our industry – and what sets the BMW Group apart?

First, how can we continue to lead in a fiercely competitive car market? Our vehicles are more in demand than ever. In 2019, we posted record sales for the ninth consecutive year – with new all-time highs for our BMW, Rolls-Royce and BMW Motorrad brands.

Second, how can we meet strict CO₂ targets?

Today, we are one of the world's leading car companies in the field of electrification. In 2019, we delivered more than 146,000 electric vehicles and plug-in hybrids to customers. By the end of the year, we had more than half a million electrified vehicles on the roads. And now, we are winning over customers with attractive new models. The new MINI Cooper SE was released just a few days ago. We have already received more than 8,000 orders. Most of the people who placed these orders did not previously drive a MINI. This shows that the MINI Electric has captured the spirit of the times and is perfect for urban areas.

Third, how can we manage the coexistence of different drive technologies in an efficient and intelligent manner?

We install modular, scalable and intelligent architectures at our plants. Because of this, we are able to scale production quickly and flexibly to meet demand. We currently build electrified vehicles at 11 of our plants. Customers will always get a true BMW or MINI, whichever drive train they choose. Our customers can rely on all the typical BMW characteristics in the best overall package.

Fourth, what is the right way to steer employee numbers through the transformation?

We will keep employee numbers stable. We are qualifying staff for new tasks on an ongoing basis. In 2019 alone, we invested around 370 million euros in vocational and further education. That is equal to the budget of a top-ranking football club. One in three employees has been trained in e-mobility. That adds up to more than 46,000. We have the highest vertical integration among our competitors, since we manufacture electric motors and high-voltage batteries in-house. We are rapidly expanding the production of electric powertrain components at our Plant Dingolfing in Bavaria, which will employ 2,000 people over the medium term. At the same time, it is also important for our customers that we enable our retail organisation: More than 100,000 staff members have already been trained for e-mobility.

Fifth, where can we find IT talents and software know-how?

The BMW Group is one of the biggest IT employers in Germany. Some 7,200 employees work in IT and software alone. Another 5,300 employees at the company were trained in data analytics. In 2018, we established the joint venture Critical Techworks in Portugal with more than 600 employees to secure exactly these skills. This start-up is creating digital services, sales and aftersales platforms.

Sixth, how do we maintain long-term profitability?

We launched Performance > NEXT back in 2017. This will leverage at least 12 billion euros in efficiency potential by the end of 2022. Nicolas Peter can answer further questions on that. The BMW Group still has the best long-term ratings of any European car company.

Seventh, how can we offset regional fluctuations and stay efficient?

Our production network of 31 locations in 15 countries is highly flexible.

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We are located close to customers and can take advantage of potential for growth in markets at short notice. Our plant in Mexico has also been a part of this, since summer 2019. Preparations for our new plant in Hungary are underway.

And eighth, where do we get battery cells from? And how do we secure the raw materials needed for e-mobility?

We have long-term supply contracts with CATL and Samsung SDI. Starting this year, we will be sourcing the key raw materials – cobalt and lithium – ourselves and making them available to our suppliers. Andreas Wendt is the person responsible in our Board of Management. We have our own competence centre for battery cells in Munich, where we have pooled all our knowledge in battery cell chemistry, mechanics and physics. We aim to double the range of our battery cells, compared to the current BMW i3, by 2030.

In a nutshell: We are about delivering long-term, viable solutions. We know what we are doing and why we are doing it. I believe the decisive factor in securing our future is: Being able to further develop the highly complex and digitally connected car to benefit customers and meet society's demands.

We call this system integration. A car is the most complex technical overall system you can buy as a customer today. Unlike consumer electronics products, a car has to be able to run safely and reliably for 10 to 20 years. There is nothing comparable, with such complex safety-critical interactions, in the hands of individual customers.

Today's vehicle manufacturing is less about "bending sheet metal" and more about integrating hardware and software to create a harmonious overall driving experience. To achieve this, we integrate market requirements, regulations, customer requests and technologies. First, we industrialise and then, we scale.

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What does that involve?

- A high level of vertical integration.
- Dovetailing development and industrial production.
- Worldwide delivery capabilities.
- Customised products manufactured in the thousands every day.
- A strong regional footprint.
- A deep understanding of customers and technological and social development in 150 countries.

All these capabilities must fit together – smoothly and precisely. And the complexity just keeps on growing.

The transformation in the automotive industry is taking place amid growing and concurrent requirements. We have the expertise and experience it takes to master this complexity. We see this as a definite competitive edge for us. All of this will benefit our customers. The car enables individual mobility and allows for a sphere of privacy like no other mode of transport. Customers' mobility demands vary increasingly between different regions of the world and different countries and, also, between urban and rural areas.

This means the “one model for the world” approach no longer works. Different drive technologies will coexist alongside one another into the long term. We are firmly convinced of this. It is up to us to create and offer a corresponding range of products. Customers will always decide for themselves what is right for their needs, naturally based within a given political framework. We don't want to tell our customers what to do – we want to truly convince them. This is what The Power of Choice is all about.

The new targets set by legislators in Europe mean - more or less - that electrified vehicles must account for around 40 percent of sales by 2030. Attractive choices for customers will be more important than ever.

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The popular BMW X3 is a good example. Starting this year, it will be available with four different drive train variants: efficient diesel and petrol, plug-in hybrid and as the pure-electric iX3. We are producing the iX3 in China and exporting it from there. We will also offer future model series with different drive trains.

And I can tell you officially today: That our BMW 7 Series flagship will be one of them. The next-generation 7 Series will be available with four drive train variants: petrol, diesel, plug-in hybrid and fully-electric. All drive trains will be based on a single architecture. And the top, most powerful 7 Series will be fully electric!

The BMW i4 concept car is right here on stage. We were very pleased with the outstanding media reviews and social network response to the world premiere two weeks ago. I can confirm again today: The design is very close to the production model we will release onto the market next year. We are putting e-mobility right at the heart of the core BMW brand. The i4 is e-mobility without compromise: With a range of up to 600 km according to WLTP and up to 530 horsepower, it is a true BMW. The i4 will be built at our main plant in Munich.

The fully-electric i4 and the conventionally powered BMW 4 Series Gran Coupé will come off the same production line. This means they will use the same structures in the press plant, body and paint shops and assembly. The i4 demonstrates that you cannot divide our industry into electric cars and cars with conventional engines. Both of them have their place. The i4 is powered by the fifth generation of our electric drive train, which is a completely new unit we developed ourselves. Our electric engines are designed so they no longer need rare earths.

The i4 is just a taste of what is to come. In 2021 we will launch the iNEXT, which will be built at our plant in Dingolfing. It is the next milestone – fully-electric and, at the same time, enabled for highly automated driving with Level 3 functions for motorways.

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BMW already has 14 million connected vehicles on the roads, making driving even safer. Our Active Level 2 systems have already reduced the number of accidents by 35 percent. The reliability of the systems involved and the benefits for customers are our top priority. This will not change.

You are already familiar with our electric roadmap: We aim to have a quarter of our European new vehicle fleet electrified in 2021; a third in 2025; and half in 2030. The first few months of this year have been very encouraging: Up to the end of February, global sales of our electrified vehicles climbed more than 26 percent. About one in ten vehicles we sold in Europe in January and February was electrified.

A recent study by McKinsey refers to Europe as an “electro-mobility hotspot”. The uptake here is particularly dynamic. In 2019, Europe increased its share of the global market to more than a quarter. BMW clearly leads the market for electrified vehicles in Germany, with a share of 21 percent. In 2019, the average share of battery-electric vehicles and plug-in hybrids in the EU plus Norway was three percent. The BMW Group figure was more than twice as high. By the end of 2019, we had delivered a total of more than 330,000 plug-in hybrids to customers.

These will now be joined by more new BMW models: The X1, X2 and 3 Series Touring to follow the 3 Series Sedan. Plug-in hybrids can make an important contribution to climate protection. They are already helping to lower CO₂ emissions and save fossil fuels, as well as improving air quality in our cities. They are also key enablers for the political goal of carbon-neutral mobility by 2050. We are making it easier for our customers to use them effectively.

BMW eDrive Zones went live on 12 March in the first six countries, with more cities and countries to be added over the course of the year.

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Our new plug-in hybrids automatically switch to electric mode whenever they drive into a green zone or city centre. In this way, we are able to maximise electric – and therefore locally emission-free – driving in city centres, precisely where it has the biggest impact. The corresponding software can also be downloaded retroactively over the air. We have programmed around 80 cities for the start: including all major cities with green zones in Germany, as well as cities in The Netherlands, Belgium, France, Austria and Switzerland. And we would be happy to include more cities. We are extending that invitation to mayors!

E-mobility continues to gain ground. However, the conventional engine remains the best drive train choice for a lot of people's mobility needs in many regions of the world. Anything else would be out of touch with reality. That is why it makes a lot of sense to continue improving our combustion engines' efficiency.

Not enough attention is paid to these effects – even though they have a quick impact. In other words: Anyone who does not continue to invest in this area is accepting the status quo and not acting in the interests of climate protection. We have been implementing Efficient Dynamics in our fleet since 2007, with a whole range of measures. I can assure you that Efficient Dynamics is alive and well! Take the new BMW 1 Series: We have reduced CO₂ emissions by up to 15 percent from previous models, depending on the variant.

This shows that we are driving climate protection in all vehicle segments and with all drive trains. This is how we are defining responsibility. We are now stepping up electrification by introducing an additional component: We will be systematically rolling out our 48-volt mild hybrid systems throughout our combustion engine fleet. We are purposely starting with our highest-volume engine variants. This saves up to 0.4 litres per 100 km, which is up to 9 grams less CO₂ per km (NEDC correlated), depending on the vehicle and engine variant.

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All these measures show that we take climate protection seriously. We have set all levers in motion simultaneously to have a real impact. And we want to meet Europe's CO₂ targets for 2020 and 2021. In simple terms, this is how we want to meet the 2020 CO₂ fleet target: With conventional vehicle measures contributing one third, and two thirds coming from e-mobility.

Climate protection has the biggest impact when it is actually implemented – and quickly. And when customers want it and use the technologies on offer. Our understanding of responsibility has always been about the entire value chain. So, this is nothing new for us. We have already achieved nearly all the sustainability goals for 2020 we set ourselves in 2012.

Let me give you four examples:

One: Last year alone, we reduced CO₂ emissions from production by 25 percent from the previous year. Two: The “footprint” of every new plug-in hybrid is certified: from raw material procurement, through the supply chain, production and use phase, all the way to recycling. Three: Our water consumption per vehicle is the lowest in our industry. That makes us benchmark in the industry. And four: By the end of this year, all our locations worldwide will obtain their externally purchased electricity exclusively from renewable sources.

We are clearly committed to the Paris Climate Agreement. Currently, we are discussing next steps in the Board of Management, focusing on the decisions we in the Board of Management can make today and areas where our success can be measured. And not on what our successors may – or may not – have to answer for. That would be too easy. We are not offloading responsibility onto future generations. We are taking action today. Our thinking is headed in this direction: We will get much more involved in upstream supply chains and take a very close look at our tendering processes in terms of sustainability.

Of course, we will continue to work together in partnership with our suppliers around the world in a fair manner.

The same approach applies to our sustainability strategy as to our IT strategy: Both are anchored in our corporate strategy. This means sustainable actions and IT are automatically channelled into all areas of the company. Already today, the BMW Group is a digital company. We rely on an IT organisation deeply integrated within the company. It identifies needs early, together with the business departments, and promptly develops flexible solutions.

We put all our employees – from the worker on the assembly line to our Board of Management members – in a position to make data-driven decisions in the interests of our customers and the company. I'd like to give you four examples of this:

First, in Purchasing, Blockchain technology enables tamper-proof data sharing with our suppliers. We are using it to track components in the n-tier supply chain at the push of a button. We are now rolling out this technology with more suppliers.

Second, in Financial Services, digitalised processes will give our customers the option of completing the entire financing process online. This is already possible in Germany – from selecting the right financing product, all the way to contract processing.

Third, with Artificial intelligence. Producing a car generates substantial quantities of data. Using AI and smart data analysis, we can analyse and manage production processes intelligently. In vehicle assembly, we use AI for automated image recognition to compare images of components in milliseconds and identify deviations from the norm in real time.

And fourth, with “in vehicle” digitalisation: “Over-the-air” updates ensure that a vehicle is regularly brought up-to-date. They will also be used in the future to expand vehicle functionality.

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We can already “digitally retrofit” the high-beam headlight assistant in just a few minutes. Android Auto will also be available in BMW vehicles from July, as well as Apple Car Play. Smartphone displays are integrated into the Control Display and – in modified form – in the Info and Head-up Display.

Services enhance our mobility offer. Our mobility powerhouse YOUR NOW was created in 2019. In collaboration with the Daimler Group, we want to play a major role in this highly dynamic market. Three business units were formed under the YOUR NOW holding company to maximise synergies. This consolidation paves the way for further expansion of sustainable mobility in urban areas.

We remain fully convinced of the potential of YOUR NOW. That is why we are making investments to expand our product and service offering in the field of mobility services. YOUR NOW services are now available to customers in more than 1,300 cities. 90 million people already use them. In the future, we will be focusing on those cities that promise long-term profitable growth. YOUR NOW is open to other partners and investors, so we can continue successfully expanding this business.

Ladies and Gentlemen,

At the BMW Group, the customer is the focus of everything we do. We have updated nearly all series over the last two years. They will be joined this year by new models like the BMW 2 Series Gran Coupé, highly profitable BMW M models, new plug-in hybrids and electric models. There is something for every customer – and we are challenging the competition in every segment.

At the moment, for all of us, our first priority as a society is to overcome the corona pandemic and then to find our way back to normal life.

I sincerely wish that you and your families stay healthy. Thank you!