BMW GROUP
Corporate Communications

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- Check against delivery –

Statement
Walter Mertl
Member of the Board of Management of BMW AG, Finance
Annual Conference for the Business Year 2023
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Ladies and Gentlemen,
Good morning!

2023 was another successful year for the BMW Group. We delivered strong results in the current business, while securing our future viability through targeted investments.

Strong demand for our attractive products, better availability of vehicles and an easing of the supply situation led to a positive volume development. After the halfway mark in the year, we accordingly raised our guidance for both deliveries and EBIT margin in the Automotive Segment.

Thanks to our disciplined management of the business, we delivered yet again on all our targets. I'll now take you through our results.

SLIDE 3: BMW Group with Strong Performance and Solid Sales increase

For the full year, we delivered 2.55 million vehicles worldwide, which is 6.4% over 2022. We achieved significant growth with our all-electric vehicles. Deliveries reached more than 375,000 units, or approximately 15% of total sales.

At 9.8%, the EBIT margin in the Automotive Segment was well within the increased corridor of 9.0 to 10.5%. Excluding depreciation and amortisation for BBA assets from the purchase price allocation of 1.4 billion euros, the EBIT margin was 10.8%.

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The Group EBT margin of 11% exceeded our strategic target of 10%.

We also continued to reduce CO2 emissions in our European fleet. With 102.1 grams per kilometer, we were 26.4 grams – in other words 20.5% - below the target set by the European Union.

SLIDE 4: BMW Group full-year 2023

At Group level, our revenues reached 155.5 billion euros, which is 9% higher than 2022. Adjusted for currency translation effects, revenues increased by 13.1%. The increase was driven by the higher delivery volumes and positive product mix effects.

In 2023, our earnings before tax at Group level amounted to 17.1 billion euros. It is important to note that Group earnings in 2022 of 23.5 billion euros included a one-off profit of 7.7 billion euros. This was due to a technical accounting effect related to BBA full consolidation, namely the revaluation of our existing equity interests. Without this effect, Group earnings in 2023 were 1.3 billion euros or 8% above 2022.

This also translates through to earnings per share, that were at 15.7 euros in 2022, excluding the one-off profit from BBA. In 2023, earnings per share of 17.7 euros were 12.8% above the previous year.

That brings me to the results of the individual segments.
I'll start with the Automotive Segment.

SLIDE 5: Automotive Retail Units, BEV Units, Auto Revenue and Auto EBIT

The BMW Group delivered 2.55 million vehicles to customers worldwide in 2023. This corresponds to solid growth of 6.4% – in line with our increased guidance. Momentum came in particular from models in the upper price segment, such as the BMW 7 Series, X7, and Ix*, as well as from the all-new BMW X1.

Our all-electric vehicles continue to be a key growth driver.
In 2023, BEVs made up almost 15% of our total sales.
We also delivered over 190,000 plug-in hybrid vehicles. In total, electrified vehicles therefore accounted for over 22% of sales during the year.

Revenues for the Automotive segment totaled 132.3 billion euros. This amounts to a 7% increase year-on-year.

At almost 13 billion euros, the segment's operating result was over 20% higher than 2022. This resulted in an EBIT margin of 9.8%. This is both at the higher end of our long-term strategic target corridor of 8-10%, and well within the increased target corridor of 9.0-10.5% for the year 2023.

SLIDE 6: Automotive Segment EBIT full-year 2023

Looking at the operating result in detail, the increase in Automotive EBIT benefited from a net effect of volume, model mix and pricing, yielding a tailwind of 2.4 billion euros. This was mainly driven by the higher volume and higher share of top end vehicles, including BMW M models, which compensated for the higher BEV share. As expected, we saw some price normalization in the new car and used car markets through the end of the year.

Compared to 2022, we see that EBIT in 2023 was impacted by 600 million euros from the net balance of currency and raw material positions. This difference is mainly due to currency effects from the development of the Chinese renminbi and US dollar. Given lower raw material prices through the end of the year, we saw a slight tailwind compared to 2022. However, this was overcompensated by headwinds from increased supplier payments.

SLIDE 7: R&D Expenditure in full-year 2023

As planned, research and development expenditure rose significantly to 7.8 billion euros, almost 600 million euros higher than the previous year. The R&D ratio for the year came in at 5.0%. Due to higher revenues, this is the same level as 2022, although overall spending increased year-on-year.

Expenditure for R&D mainly focused on three areas: the electrification and digitalization of the fleet; automated driving functions; and expenditure for new models.

Due to higher expenses, mostly for IT projects, selling & administrative expenses increased by about 400 million euros.

The position "Other cost changes" reflects, amongst others, higher material costs, as mentioned at Q3, as well as lower residual value profits than the previous year. In 2022, a negative one-off impact of 1.8 billion euros was due to effects related to the first-time consolidation of BBA.

SLIDES 8 & 9: Automotive Segment Free Cash Flow full-year 2023

Moving on to the free cashflow results for 2023.

At year-end, free cash flow in the Automotive Segment reached 6.9 billion euros. It should be noted that free cashflow in the previous year included a positive effect of over 5 billion euros in net cash acquired from BBA. Without this effect, our free cash flow in 2023 was almost 900 million euros higher year-on-year, or an increase of 13%.

The change in working capital of 2.7 billion euros mainly reflects the increase in inventories to maintain stock levels in markets worldwide. This ensured we have sufficient supply, including for new models, to meet the robust global market demand entering the new year.

SLIDE 10: Capital Expenditure full-year 2023

Capital expenditure for the year totaled 8.8 billion euros. Our investments in 2023 primarily focused on the fifth and sixth generation battery cell technology, digitalization of products and processes, and vehicle projects. In addition, we invested in construction of our plants, for example in Debrecen, Hungary, where we will launch the NEUE KLASSE next year.

The capex ratio for the year was 5.7%.

Changes in provisions had a positive impact on free cashflow of 1.5 billion euros.

The position “other items” reflects primarily tax payments.

SLIDE 11: Financial Services Segment full-year 2023

That brings me to our Financial Services segment, a key enabler for our business.

Financial Services is already an integral part of the customer journey, and will become even more important with the rollout of our direct agency sales model.

In 2023, the number of new financing and leasing contracts concluded with retail customers came in at the same level as the previous year with 1.5 million new contracts. This is a very solid result, considering the business environment with elevated interest rates and a highly competitive landscape.

Business developed positively quarter for quarter. While new contracts with end customers were down 20% in Q1 year-on-year, in Q4 contracts were up by 17%.

The share of new BMW Group vehicles either leased or financed by the Financial Services segment stood at 38.2% in 2023.

Average financing volume per vehicle increased, due to an improved product mix in the automotive business. Overall, new business volume increased by 3.4% to 57.3 billion euros.

Segment earnings before tax amounted to 2.96 billion euros. The decrease reflects primarily two factors: higher refinancing costs due to rising interest rates, as well as the overall declining contract portfolio.

Revenues from the resale of end-of-lease vehicles remained at a high level, but were lower than previous year as used car prices started to normalize. We expect this trend to continue in 2024, leading to a lower result from off-lease vehicles.

At 0.18%, the credit loss ratio remained at low level.

After increasing the target range for the year to between 16 and 19 percent in August, Return on Equity reached 17.2% for the full-year.

SLIDE 12: Motorcycles Segment full-year 2023

That brings me to the Motorcycles segment.
In its 100th anniversary year, the BMW Motorrad brand achieved record deliveries, with over 209,000 units. An impressive accomplishment!

All major sales regions saw growth in 2023, with particular momentum coming from Europe with 4.7% and China with 2.8%.

The EBIT margin for the segment reached 8.1%.

At 259 million euros, the segment's operating result was at the same level as 2022.

SLIDE 13: Other Entities Segment / Eliminations full-year 2023

Finally, you see the combined result from the Other Entities Segment and intersegment eliminations.

"Other Entities" recorded a loss in earnings before tax of 100 million euros. The decrease compared to 2022 was mainly driven by negative fair value measurement effects on interest rate hedging transactions.

Consolidations increased in earnings before tax to 1.3 billion euros. Lower eliminations associated with the leasing business had a positive effect compared to the previous year.

SLIDE 14: Dividend and Increased Pay-out Ratio

Ladies and Gentlemen,

At the BMW Group, we remain focused on ensuring that our shareholders benefit from the company's success.

The Board of Management and the Supervisory Board will therefore propose a dividend of 6.00 euros per share of common stock and 6.02 euros per share of preferred stock to the Annual General Meeting. This results in a total dividend payout of approximately 3.8 billion euros. The higher dividend payout and earnings per share in 2022 reflected considerable one-off effects from the consolidation of BBA in our Group profit. Adjusted for the one-off effect, the dividend as well as earnings per share are higher in 2023.

The proposed dividend for 2023 represents a pay-out ratio of 33.7%. This is within our long-term strategic target range of 30-40% and also notably higher than the payout ratio in 2022.

At the end of June 2023, we successfully concluded the first program of our share buyback at 2 billion euros, which was approved at the

Annual General Meeting in May 2022. On July 3rd last year, we launched the second program of up to 2 billion euros, with the first tranche concluding on December 31st. In total, 1.2 billion euros in share buyback were completed in 2023. The second tranche, with a volume of 500 million euros, started on January 2nd, and will be carried out by June 28, 2024, at the latest. The second share buyback program will be completed by December 31, 2025 at the latest.

Taking the proposed dividend and last year's share buyback together, the total payout of 5 billion euros represents 92% of Auto free cashflow available to BMW AG shareholders.

This underscores the financial strength and robust cashflow generated by our operations, which supports optimal shareholder return.

Moving on from 2023, what are we expecting in 2024?

In the Automotive segment, we expect slight growth in volumes, driven by our young and attractive product portfolio. Specifically, we should see significant growth of our BEV share as well as a double-digit growth in the upper segment.

We anticipate an increase in material costs and supplier payments. However, this should be offset by a net tailwind from FX and commodities. The net impact of volume, mix and price should be slightly positive, and we will take our disciplined approach forward into 2024. At same time, lower profits from off-lease vehicles will weigh on Auto EBIT.

SLIDE 15: CapEx and R&D Ratios 2024

In 2024, we will hit our capex and R&D peak, as planned and communicated.

The continued implementation of our electrification and digitalization strategy will lead to greater research and development costs. Expenditure related to the NEUE KLASSE, such as the further development of the sixth-generation battery technology and preparations in the production network, will also impact the Group's earnings and results in greater capital expenditure.

For the current financial year, we therefore expect a capex ratio above 6% and an R&D ratio above 5%. After 2024, both ratios will gradually return to our strategic corridors, which remain unchanged. For Capex: that means less than 5%. And for the R&D ratio: between 4 and 5 percent.

Despite the significant investment in future technologies, we will generate above 6 billion euros in Automotive free cashflow in 2024.

Financial services will benefit from the higher auto sales and stabilization of the interest rate environment. However, a decline in used-car values will negatively impact the result. And, given the higher lease penetration rate, we will see a lower eliminations result.

SLIDE 16: Outlook 2024

What do we expect for our key performance indicators in 2024?

In the Automotive Segment, deliveries of BMW, MINI and Rolls-Royce brand vehicles are expected to rise slightly year-on-year. The segment's EBIT margin should fall within our strategic target corridor of 8 to 10 percent. The share of all-electric vehicles relative to total deliveries is expected to increase significantly compared to 2023.

In the Motorcycles Segment, deliveries are expected to increase slightly, with an EBIT margin within our target range of 8 to 10 percent.

Return on Equity in the Financial Services segment is forecast to land between 14% and 17%.
As expected, supply and demand continue to normalize for new and used cars. It is therefore expected that revenues from remarketing lease returns will be lower than 2023.

For the Group's pre-tax profit, we expect a slight decrease. This is due primarily to the high level of expenses for research and development and capital expenditure, as outlined before. The decrease in the financial services business will also contribute to the slight decrease in Group profit before tax.

The Group's headcount is forecast to increase slightly.

Ladies and Gentlemen,

At the BMW Group, our strong brands and attractive products have long formed the foundation for our success – and will continue to do so in the future. We allocate our capital in investments efficiently, in line with our long-term strategy. At the same time, we remain focused on cost discipline and profitability.

Our strategic perspective gives us clarity on our consistent path going forward, while our operational excellence secures our future competitive advantage and the overall health of the business. Our high flexibility allows us to meet market demand and consistently deliver on targets. And in 2023, it underpinned our profitable growth. The increase in our BEV sales to almost 15% put us in a strong position to overachieve the CO2 targets. We also recorded growth in the upper segment, resulting in a balanced and profitable mix.

As you know, our industry is known for its high complexity, for long life-cycles, and for tough regulatory requirements, which are ever-increasing. That is why our planning horizon always spans several years. As the Vision NEUE KLASSE X proves, our strategy ensures that we anticipate trends in the industry to remain ahead.

We are fully committed to deliver on our long-term strategic target of an 8-10% EBIT margin every year.

And we deliver what we promise. We have the right product line-up and the flexibility to meet customer needs across the globe. And our product offering is growing.

We will therefore continue with our profitable growth and also fulfill our targets, assuming market conditions remain stable. As everyone has seen in the BEV market in China, this is not always a given. At the BMW Group, we will maintain our balanced steering of multiple individual objectives to achieve all of our strategic priorities.

Our strong performance today is paving our road to tomorrow's continued success. We remain confident about the 2024 financial year and beyond.

And now it's time to hear from Oliver again: he'll show you what we have in the pipeline across all brands to drive our success in the coming years.

BMW iX xDrive40: Electric consumption, combined WLTP in kWh/100 km: 19.9; Electric range, WLTP in km: 429