



## Oliver Zipse

Focal points of the speech by the Chairman of the Board of Management of BMW AG at the virtual Annual General Meeting on 11 May 2022\*

**Dear Shareholders,**

The Annual General Meeting is the most important event of the year. On 11 May, we will answer your questions – virtually, from the BMW Welt in Munich.

A company needs to know what it stands for. That is what enables it to stay the course, to rely on its own capabilities, to withstand the headwinds and to constantly reinvent itself.

The BMW Group exists because we move people, touch their hearts and inspire their minds. That is our internal compass, our North Star. In other words, it is a fixed star that guides us at all times – even in times of change. It tells our story: What made us different in the past? What can we achieve in the present? And where do our strengths for the future lie?

My message to you is this: **Your company has a future.**

You are invested in the BMW Group and committed to standing by us for the long term – therefore you should also benefit. The Board of Management and Supervisory Board will propose a dividend of 5.80 euros per share of common stock and 5.82 euros per share of preferred stock to the Annual General Meeting, in recognition of our successful financial year 2021. This represents a pay-out ratio of 30.7 percent – which is within our long-term target range. Our dividend policy remains appropriate and reliable.

Having a perspective for the future is still the main economic currency. Your company is a success story we continue to write. I would like to explain this to you, on the basis of three action areas:

- 1. Our strong foundation.**
- 2. Our successful transformation.**
- 3. Our NEUE KLASSE for a new age.**

We turn upheavals into new beginnings – and are doing so now once again.

**That will be my first point: Our strong foundation.**

No matter how massive, how unexpected the demands may be – we can overcome them. The whole industry is short of semiconductor chips right now. This is a stress test for all of us because a modern car contains thousands of chips. In response to this, we are increasingly relying on direct supply contracts. Because the semiconductor bottlenecks will remain a challenge for quite some time – continuing in the second half of the year and into 2023.

\* Es gilt das gesprochene Wort.

On the other hand, we are realising good prices for both new and pre-owned vehicles – and our sales costs are going down in all markets.

This is also reflected in our financial figures for 2021. We took advantage of our opportunities – and were able to achieve new all-time highs, including Group earnings before tax of over 16 billion euros. This contains around one billion euros from the provision for the antitrust proceedings brought by the European Commission. This has now concluded, so we were able to partially reverse this provision. Our EBIT margin in the Automotive Segment came in at 10.3 percent – which is at the high end of our adjusted target range. The BMW brand is back on top of the premium segment worldwide. Volume isn't everything – because without desirable products, nothing else matters.

We achieved all of these things together, as a global "Team BMW Group".

Your company has a robust capital structure. It is highly profitable. This solid foundation especially supports us in difficult times.

In the first quarter of 2022, we faced unforeseen events yet again – for the third time in just a few years. Words cannot describe what is happening in Ukraine, but your company is taking a stand and immediately donated one million euros to UNICEF to help the children affected. We halted contract manufacturing in Russia, as well as vehicle exports to Russia. We are now helping children forced to flee Ukraine, with or without their mothers, who are dealing with the trauma of their experience. This includes our support for SOS Children's Villages in Poland.

People from nearly all countries work side by side at the BMW Group and we have more than 70 nationalities at our main plant in Munich alone. Diversity is our strength. We practise peaceful coexistence every day, at all 31 production and assembly facilities in 15 countries.

What are we doing about the supply bottlenecks for components from Ukraine?

On the one hand, we are making up the shortfalls at alternative supplier locations and helping suppliers set up additional manufacturing structures to secure our supply of critical components. On the other hand, we are continuing to source wiring harnesses from Ukraine – because this gives local suppliers a perspective for the future.

Several of our plants in Europe had to suspend or limit production for a brief time. The same applies to our locations in China – due to the official requirements there to contain COVID-19.

Flexibility is a trademark of BMW production. We are able to reallocate volumes at short notice and adjust our production – something which sets us apart from the competition.

We have set ourselves ambitious targets for this year, including overall sales on par with last year's high level. Our order books are fuller than ever. The markets are ordering our new all-electric models in particular, like the BMW i4 and the BMW iX as well as the MINI SE and the iX3. The BMW X family is more popular than ever. In April, Pieter Nota and I were in the US, in Austin, Texas, where we presented our current and future vehicles to more than 1,000 retailers from North and South America.

Our market strategy aims for a good balance between the three major regions of the world: the Americas, Europe and Asia. Understanding the unique aspects of each region, providing adequate supplies for customers, enabling local production, research and purchasing – all of these things are essential for future market success. They are also the answer to recent geopolitical developments.

Take the example of China: In Shenyang, we will be opening a new plant at our Tiexi location this year, where we will build the all-electric BMW 3 Series Sedan Long-Wheelbase version, specially developed for our customers in China. We already expanded our facility in the Dadong district, where the BMW X5 with extended wheelbase, which is exclusively tailored to the needs of our Chinese customers as well, is ramping up.

Both policymakers and institutes expect the situation worldwide to remain difficult. In many cases, a string of entirely new challenges comes one after the other – with less and less time between them. That is our experience: Dealing with multiple challenges at the same time is becoming the norm for businesses.

Despite the uncertainty, we have issued our guidance for 2022. Being highly profitable remains our goal. Without the impact of events in Ukraine, we would have been targeting an EBIT margin in the Automotive Segment of between eight and ten percent – which remains our strategic target range. For 2022, we are aiming for seven to nine percent. Our earnings before tax should be significantly higher than last year – largely thanks to our joint venture, BMW Brilliance Automotive. The contract has been extended until 2040 and, in February, the BMW Group increased its stake in BBA from 50 percent to 75 percent. This means BBA is now fully consolidated in the Group Financial Statements. This is a strategically important step that will take your company's growth to the next level.

We will prove once again in 2022 that: BMW can handle a crisis. BMW can handle transformation. And BMW can handle transformation in a crisis.

**That brings me to my second point: Our successful transformation.**

We firmly believe we have the right strategy. We have the right products and technologies on the market at the right time. Our transformation is having an impact – and moving us forwards. The BMW way isn't mainstream – but it is very effective. We are lowering CO<sub>2</sub> emissions quickly and effectively. Every drivetrain contributes to this.

We are further developing all technologies. This will deliver substantial benefits for climate protection – now, and for the next decades. The most recent example of how we are implementing our open technology approach is the new BMW 7 Series – one model, with four different drivetrains. We refer to it as our masterpiece.

The most powerful 7 Series is the all-electric model. That is tech magic. The i7 will be released onto the market in November, as the first 7 Series variant. The new 7 is part of our “e-mobility roadmap”, which is closely aligned with growing demand.

- We will have eight all-electric models on the roads this year. If we include pre-production vehicles, we are currently building 15 pure BEVs.

- By 2030, at least half our sales should come from all-electric vehicles – and we are doing everything we can to meet this goal earlier.

We are exploiting the full potential of our flexible BMW architectures – a strength that is unique to your company. This will enable us to grow in all segments and across our entire portfolio. Hydrogen-electric drivetrains are the ideal complement to e-mobility. We will begin producing a small series of the BMW iX5 Hydrogen in the autumn.

The road to emission-free mobility needs robust and sustainable supply chains. That is why we also require our suppliers to commit to sustainability. By 2030, this will avoid around 20 million tonnes of CO<sub>2</sub> from the supply chain alone, compared to 2019. This has already been written into contracts. Inside the company, we also recognise the growing importance of upstream added value: Our Purchasing, Development and Production divisions work together in technology clusters. Developing our organisation in a dynamic way is another essential aspect of the transformation.

The future of your company will be largely determined by technology. BMW is digital through and through – with the real and virtual worlds increasingly merging.

- On the one hand, this relates to our products – since customers expect a digital driving experience. Across all derivatives, we are rolling out BMW iDrive and our Operating System 8 with Remote Software updates over-the-air.
- But it also concerns our production: We are creating a virtual representation of our processes, so every plant has a digital twin. This is nothing less than a revolution in factory planning. All our plants will become a BMW iFACTORY – that is our masterplan for the future of production.
- There are also implications for our Sales and Marketing, where we are digitalising the customer interface. By 2025, we aim to process a quarter of our sales online, making use of both digital and physical possibilities. Our retailers will continue to play a major role in sales and service. We see this as a potential competitive advantage that we intend to build on.

In a complex transformation, no one succeeds alone. Our partnerships are geared towards the long term. At the same time, we remain flexible in a highly volatile environment. For example, with Qualcomm Technologies and Arriver Software, we are developing next-generation driver assistance systems and automated driving, with Level 2, Level 2+ and Level 3 functions.

We are working with the best tech players, including Google and Apple as well as highly specialised start-ups. Cooperation and competition – the philosophy behind this approach – is perfectly normal in the digital environment.

In 2025, we will be launching Phase III of our transformation.

**And that will be my third point: Our NEUE KLASSE for a new age.**

It is definitely your company's biggest project for the future. Digital. Electric. Circular. A massive leap in technology. The NEUE KLASSE is entirely geared towards e-mobility. That is also what our latest GEN6 drivetrain generation stands for: more output, a new cell chemistry and new cell formats.

On 1 June, we will lay the foundation stone for our plant in Debrecen. The pre-series for the NEUE KLASSE will ramp up in Hungary with our new vehicle architecture within 26 months. The NEUE KLASSE is designed to be – and will be – as profitable as vehicles with state-of-the-art combustion engines.

Prices for industrial and precious metals are rising rapidly: Recycling of raw materials offers a way out of this spiral. The NEUE KLASSE will be made up of around 50 percent recyclable materials. Your company is becoming less dependent on scarce raw materials, with circularity as our new guiding principle – from an environmental perspective, but also from an economic and geopolitical standpoint.

This is not just a dream for us:

- From 2023, the new MINI Countryman's light-alloy cast wheels will already be made from 70 percent secondary raw materials.
- Our BMW iVision Circular already made its mark at the IAA Mobility trade show. This extraordinary Vision Vehicle is built entirely from secondary and renewable raw materials, and is 100 percent recyclable. This is how we intend to move "body, heart and mind".

Your company published its second Integrated BMW Group Report for the financial year 2021 – leading the way for the Germany automotive industry.

Dear Shareholders,

Having a perspective for the future builds confidence – and a company that is confident and growing also hires new employees. We therefore aim to expand our workforce by up to five percent this year. Our team is fully behind the BMW Group. Our global Employee Survey clearly showed that we have found the right balance between disruption and stability. We view transformation as an opportunity.

For us, every year marks the next step in our BMW journey into the future. Your company is celebrating three anniversaries this year:

- BMW Plant Munich's centenary.
- The 50th anniversary of the BMW Four Cylinder, and
- 50 years of BMW M.

All these events are proof that we always look far ahead into the future. I am certain that, together, we will continue to make a difference – by creating values and generating added value. We trust that you will continue to stand by us.

Yours,

**Oliver Zipse**

Chairman of the Board of Management