

Media Information  
3 August 2023

- Check against delivery -

## **Statement**

**Walter Mertl**

**Member of the Board of Management of BMW AG, Finance  
Conference Call Half-Year Report to 30 June 2023  
Munich, 3 August 2023, 10.00 a.m. CEST**

Ladies and Gentlemen, Good Morning!

### **Slide 2: BMW Group Half-Year Report to 30 June 2023.**

I am very pleased to be able to present the BMW Group's quarterly results to you for the first time today.

### **Slide 3: Highlights of BMW Group Performance in Q2 and H1**

In the second quarter of 2023, the BMW Group delivered a solid performance under difficult conditions. The Group EBT margin came in at 11.3% for the quarter and 12.6% for the first half-year. In the Automotive Segment, we achieved an EBIT margin of 9.2% in the second quarter and 10.6% for the half-year to the end of June.

We expect the positive business trend to continue in the second half of the year, particularly due to the ongoing strength of the order bank and an expected improvement in the availability of vehicles.

As a result, we communicated an increase in our deliveries forecast for the 2023 financial year as part of an ad hoc announcement on Tuesday. In addition, we raised the guidance for the EBIT margin and return on capital employed (RoCE) in the Automotive segment, as well as the outlook for return on equity (RoE) in the Financial Services segment.

I'd now like to take you through our financial figures for the second quarter in more detail. To do so, I've brought along a few slides with important key figures to explain the main developments and relevant influencing factors.

Let's start with the Group.

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### **Slide 4: BMW Group in Q2**

Group earnings before tax for the quarter totalled just under 4.2 billion euros. The EBT margin came in at 11.3% in the second quarter and 12.6% for the first six months. This is clearly above our strategic target of 10%.

Group pre-tax earnings for the first half-year decreased by just under 6.8 billion euros. However, we must not forget that we had a one-off profit of 7.7 billion euros last year due to the fair market valuation of BBA equity interests. If we factor out this effect and look at the underlying operating result instead, Group earnings were significantly higher year-on-year.

Now I'd like to look at the individual segments, starting with the Automotive segment.

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

Here you can see sales, revenue and earnings development in the Automotive Segment over the past six quarters.

In Q2 2023, vehicle sales were up 11.3% on the prior-year quarter, at just over 626,000 units. Compared to the first quarter, sales rose 6.4%. All regions contributed, and we were able to achieve a good balance. Deliveries through the end of June were 4.7% higher year-on-year.

The order bank for our vehicles remains high. As a result of our strong market position, we expect a positive trend in deliveries in the second half of the year as well. We therefore now forecast a solid increase in deliveries in 2023.

Our BEVs contributed to this development, and we see continued strong momentum. In Q2, we sold more than 88,000 all-electric vehicles. On top of the figure of nearly 64,000 units sold in the first quarter, this adds up to around 153,000 BEVs delivered in the first six months. That is more than double our BEV sales for the same period of last year and represents 12.6% of total sales. The BEV share of overall sales already hit 14% in the second quarter and will

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reach 15% for the full year.

The growth in sales and strong product mix increased revenues in the Automotive Segment – which, after six months, were up 10.9% on the previous year. Roughly half of this increase resulted from the full consolidation of BBA revenues in 2023. In 2022, the revenues of our BBA joint venture were only included with the full consolidation from 11 February onwards.

In the box on the bottom right, you can see how the operating result (EBIT) has developed in the Automotive Segment.

In the second quarter, EBIT totalled around 2.9 billion euros, with an EBIT margin of 9.2%. Without depreciation of BBA assets from the purchase price allocation, the margin was 10.2%.

For the year to the end of June, the EBIT margin was 10.6%, and 11.7% without the depreciation of BBA assets from the purchase price allocation.

I'd like to use the next slide to explain the operating result in the Automotive Segment in more detail.

### **Slide 6: Automotive Segment EBIT in Q2**

The bridge starts on the left with Q2 of last year, with an EBIT of 2.5 billion euros and an EBIT margin of 8.2%.

From Q2 2022 to Q2 2023, we see a headwind of around 300 million euros from the net balance of currency and raw material positions. This is due mainly to currency translation effects from the development of the US dollar, the Chinese renminbi and the Japanese Yen. Raw material prices remain at the same high level as a year ago.

Together, volumes, the model mix and strong pricing generated a tailwind of half a billion euros. The mix is stable overall, with solid volumes in the upper segment. We are seeing positive impulses from the X5 and X1, among others. While we are seeing the first signs of normalization on the market, we remain focused on price

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discipline.

Expenses for research and development rose year-on-year to around 300 million euros – mainly in connection with investments in electrification, digitalisation and automated driving.

The BMW Group's R&D expenditure is determined by adjusting R&D expenses for capitalisation and scheduled depreciation. This forms the basis for the calculation of the R&D ratio according to the German Commercial Code. The ratio for the year to the end of June came in at 4.6%. For the full year, we expect the ratio to be within our long-term target range of 4 to 5%.

Sales and administrative costs increased by around 100 million euros, due to higher expenses for personnel and digitalisation projects, amongst other things. As for the item 'other cost changes', we see burdens from higher material costs on the one hand. Additionally, we reassessed warranty provisions in the second quarter and updated several parameters. This adjustment resulted in higher warranty costs in Q2. On the other hand, the development of licensing revenues had a positive effect in Q2.

The full consolidation of BBA also resulted in a positive reconciliation item. The negative impact of BBA consolidation effects was 800 million euros higher in Q2 2022 than in Q2 2023. This included both depreciation on inventory from the purchase price allocation and the elimination of interim profits in connection with intra-Group deliveries.

**Slide 7: Automotive Segment Free Cash Flow in Q2**

Free cash flow in the Automotive Segment totalled 1.2 billion euros in the second quarter. The effect from working capital, totalling 2.4 billion euros, largely resulted from the increase in inventory. Global demand for our vehicles and our order bank remain high. We ensure the availability of the right products and thus fulfil the wishes of our customers, while reducing waiting times. In doing so, we will maintain our profitable growth in the second half of the year.

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The delta from capital expenditure and depreciation improved free cash flow in the second quarter by half a billion euros.

We continue to invest in the mobility of the future with our focus on electromobility, digitalisation and automated driving. The capex ratio came in at 5.1% for Q2 and 4.4% for the first half-year. We expect the ratio for the full year to be around 6%. Allocation to provisions increased free cash flow by around 500 million euros in Q2. Through the first six months of the year, free cash flow in the Automotive segment totalled 3.1 billion euros. For the full year 2023, we expect a free cash flow of at least 6 billion euros.

In addition to higher investments for the transformation to e-mobility, we are planning for increased inventories in 2023 compared to the end of 2022. We plan across the years to ensure the necessary vehicle supply to the markets in order to fulfil high customer demand.

### **Slide 8: Financial Services Segment in H1**

Let's turn now to the Financial Services Segment.

Earnings in the segment result not only from new business, but largely from the entire portfolio of contracts. For this reason, I will focus primarily on a six-month perspective for Financial Services.

Higher interest rates resulted in noticeably increased financing costs for consumers. The financial services sector also remains as competitive as ever. Therefore, in the year to the end of June, the number of new financing and leasing contracts concluded with retail customers decreased by 10.6%.

However, there was a noticeable positive trend in the second quarter, since new contracts were at the same level as in the previous year's quarter. Higher prices and an improved product mix in the automotive business led to an increase in the average financing volume. As a result, the volume of new business in Q2 was 3.3% higher than in the same quarter of the previous year.

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Segment earnings before tax at the end of June amounted to 1.7 billion euros – a decrease of 14% compared to the first half of 2022. The main reasons for this are higher refinancing costs and a smaller total portfolio compared with the previous year. On a positive note, income from the resale of end-of-lease vehicles is still high. In addition, the risk situation in the segment remains mostly stable. A credit loss ratio of 0.15% confirms the high quality of our portfolio.

We anticipate that the positive effects from the remarketing of lease returns will remain stable through to the end of this financial year. We therefore now expect a return on equity (RoE) in the range of 16 to 19% for the full year.

### **Slide 9: Motorcycles Segment in Q2**

Let's move on to the Motorcycles Segment.

For the past hundred years, the BMW Motorrad brand has offered an impressive range of attractive products. Its strong portfolio contributed to a successful second quarter in 2023 with record figures in deliveries and EBIT margin. Sales reached almost 65,000 units and were therefore 8.0% higher than the prior-year quarter.

The segment also significantly increased its operating result, compared to the second quarter of 2022: growing from 127 million euros to 158 million euros. The EBIT margin was 16.0% for the quarter and 16.2% for the half-year.

### **Slide 10: Outlook 2023**

This brings me to the overview of our guidance for financial year 2023.

- In the Automotive segment, we now expect deliveries to show a solid increase over the previous year.
- As a result of the positive volume development, we now expect the EBIT margin in the Automotive segment to be within the range of 9 to 10.5%.
- Accordingly, we raised the target range for segment RoCE to between 18 to 22%.
- And we now forecast Return on Equity in the Financial Services segment to be between 16 and 19% over the year.

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All other guidance figures remain unchanged.

Our forecast does not take into account a deep recession in key sales markets. Furthermore, in our outlook, we do not expect further escalation of the conflict between Russia and Ukraine or an expansion of the war.

**Slide 11: BMW Group has the strategic focus and operational excellence to deliver continued success for all stakeholders.**

Ladies and Gentlemen,

Our industry is in the midst of a profound change. We are steering the BMW Group profitably through this transformation with sound financials. In doing so, we always focus on the long-term success of our company.

Our strategic focus is on electromobility, digitalisation and sustainability. To this end, we are making necessary investments in next-generation technologies. We are maintaining our course in our current core business. Operationally, we are strong, and that secures our profitability. We have the necessary latitude to invest in the future of the company and, at the same time, create value for our shareholders.

The BMW Group has a young, highly attractive product line-up on the market – with an array of new models to come over the next few years.

With the NEUE KLASSE, we will shape the future of mobility and secure our competitiveness, and our financial performance.

The BMW Group maintains the right balance between the three core elements of its business success:

- First: a profitable core business
- Second: a continuing growth trajectory; and
- Third: a clear path to lower CO2 emissions

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This is how we can continue to create value for the BMW Group.

We deliver on our promises. That is our pledge – and something I am personally committed to.