INTERIM REPORT TO JUNE 30, 2013

BMW FINANCE N.V.

BMW GROUP

Rolls-Royce
Motor Cars Limited

Contents

The directors present their interim management report and interim financial statements for the half year ended June 30, 2013. This half-yearly financial information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) have been drawn up using, in all material respects, the same accounting methods as those utilised in the Annual Report 2012. The interim financial statements for the six months ended 30 June 2013 and the comparative period have neither been audited nor reviewed.

The interim financial information has been included within the audited interim Group Financial Statements of BMW AG, for the half year ended 30 June 2013.

This interim report may contain forward-looking statements based on current expectations of the management. Various known and unknown risks, uncertainties and other factors could lead to considerable differences between the actual future results, financial situation development and/or performance of BMW Finance N.V. (the Company) and the historical results presented. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this interim report.

BMW Finance N.V. (the "Company") was incorporated in The Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. Since 1 January 2005 the Company is in a fiscal unity together with the BMW Group companies located in the Netherlands. The Company's purpose is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates and to provide services in connection therewith. The core business of the Company comprises mainly financial transactions with related parties (BMW Group companies) that are priced in accordance with the "at arm's length" principle.

The Company's activities mainly consist of providing long term liquidity and intercompany funding for BMW Group companies. The Company's aim is to minimize the connected market risk, especially interest rate risk and liquidity risk associated with financial instruments. Firstly, protection against such risks is provided by so-called natural hedges that arise when the values of non-derivative financial assets and liabilities have matching maturities, amounts (netting), and other properties. Derivative financial instruments are used, such as interest rate swaps, foreign exchange swaps and forward rate agreements to reduce the risk remaining after taking into account the effects of natural hedges. With regard to interest rate risk, the entity implemented successfully the financial strategy of the BMW Group. To improve its forward looking liquidity risk management even further, an encompassing analysis of the economic and capital markets environment of the Euro area was developed and implemented.

The Company has aligned its internal control and risk management system aimed at the financial reporting process in accordance with BMW Group policy. Risk reporting is based on an integrated risk management approach. The risk management process comprises the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risks. The risk management system comprises a wide range of organisational and methodological components that are all finely tuned to each other. The Company has established an encompassing reporting system that provides decision makers with comprehensive, up-to-date information and insights into developments with regard to the capital markets. Risk management is viewed as a continuous process, given the fact that changes in the legal, economic or regulatory environment or those within the Company itself could lead to new risks or to known risks being differently assessed. Standardised rules and procedures consistently applied throughout the BMW Group form the basis for an organisation that is permanently learning. By regularly sharing experiences with other companies, we ensure that innovative ideas and approaches flow into the risk management system and that risk management is subjected to continual improvement. Regular basic and further training as well as information events are invaluable ways of preparing employees for new or additional requirements with regard to the processes in which they are involved.

In the consolidated financial statements, the other operating segments are Automobiles (including Motorcycles) and Financial Services. The Automobiles segment sells cars, motorcycles and off-road vehicles, under the brands BMW and MINI as well as spare parts and accessories. This segment includes the operating company BMW Portugal Lda. The principal lines of business of the Financial Services segment are car leasing, fleet business, retail customer and dealer financing. This segment includes the operating company BMW Renting (Portugal) Lda. The group financing companies are included in the Intergroup financing segment, which includes the operating companies BMW Finance N.V. and BMW España Finance S.L.

Overall risk management within the BMW Group is managed centrally and reviewed for appropriateness and effectiveness by the Group's internal audit department. The integration and optimization of processes have reduced operational risk. At present, no risks have been identified which could threaten the going concern status of the Company or which could have a materially adverse impact on the net assets, financial position or results of operations of the Company. The main categories of risk for the other operating segments are credit and counterparty default risk, residual value risk, interest rate risk, liquidity risk and operational risk. In order to evaluate and manage these risks, a variety of internal methods have been developed based on regulatory environment requirements (such as Basel II) and which comply with national and international standards. Please refer to the BMW Group's financial statements for more detailed information.

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, BMW AG, Germany. In assessing the solvency and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered. Solvency is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling cash flow forecast. The resulting funding requirements are secured by a variety of instruments placed on the world's financial markets. The objective is to minimize risk by matching maturities for the Group's financing requirements within the framework of the target debt ratio. The BMW Group has good access to capital markets as a result of its solid financial position and a diversified refinancing strategy. This is underpinned by the longstanding long- and short-term ratings issued by Moody's and S & P.

The financial position of the Company improved in comparison to the first half year 2012. The net income for the first half of 2013 amounts a profit of euro 30.6 million (30.06.2012: euro 42.3 million loss). The main driver here is the improvement of the interest margin to euro 8.0 million (30.06.2012: euro 24.8 million loss) and the improvement of the result from financial transactions to euro 33.6 million (30.06.2012: euro 17.1 million loss).

The management initiated a program to sustainably improve the profitability of the Company. In close cooperation with central departments, several measures were identified and have been implemented in the course of 2011 and 2012 which together will contribute to improve the interest rate result of the Company. The interest margin increased to euro 8.0 million (30.06.2012: euro 24.8 million negative). The interest income and expenses both decreased due to the development of the interest rate during the first six months of 2013 on the assets as well as on the liabilities. The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. The calculation of the liquidity fee has been changed compared to the first half year of 2012 to incorporate the maturity mismatch on the portfolio as well. The company received from BMW AG a liquidity fee of euro 46.2 million (30.06.2012: euro 33.8 million).

In the first half year of 2013, the Company's consolidated balance sheet total has decreased to euro 27.3 billion compared to prior year-end euro 29.9 billion. The main factor behind the decrease on the assets side of the balance sheet are the current receivables from BMW Group companies (to euro 17,789 million, -8.7%). On the equity and liabilities side of the balance sheet, the decrease was mainly driven by the decrease in current debt securities (to euro 6,019 million, -9.9%), decrease of loans due to banks (to euro 8,1 million, -9,9) and by an decrease in current liabilities due to BMW Group Companies (to euro 2,474 million, -20.0%).

During the 1st half of 2013, the Company issued 16 new EMTN's (euro 2.9 billion) and applied fair value hedge-accounting for 8 new EMTN's. Furthermore, it redeemed 18 EMTN's (euro 2.1 billion).

The impact of the debt crisis is likely to be felt throughout 2013 and beyond. High sovereign debt levels continue to pose a risk for the economy overall, not just in the euro zone. A possible slowdown in economic growth in China and the politically precarious situation in a number of crisis regions generate an element of uncertainty that renders it more difficult for the BMW Group to forecast future performance accurately. The BMW Group has a solid financial base, thanks to strong cash flows from operating activities and its ability to refinance operations on international capital markets.

The still ongoing significant fiscal and monetary actions undertaken by governments and central banks in Europe continue to contribute to support the economic recovery. The net interest income on operating activities is expected to recover gradually due to a reduced volatility of interest rates and credit spreads. Furthermore, volatility in the fair market values of derivative instruments will have a positive impact to the profit before taxation of the company. In the light of the environment discussed above, the company believes that overall it will have a moderately better performance in the financial year 2013.

The Hague, 1 August 2013

N. Mayer
Director

J.-C. Koenders
Director

R. van der Meeren
Managing Director

BMW Finance N.V.
Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles of International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, the Interim Report gives a true and fair view of the assets, liabilities, financial position and profit or loss of BMW Finance N.V., and the BMW Finance N.V. Directors' Report includes a fair review of the development and performance of the business and the position of BMW Finance N.V., together with a description of the principal opportunities and risks associated with the expected development of BMW Finance N.V.

BMW Finance N.V.

The Hague, 1 August 2013

N. Mayer
Director

J.-C. Koenders
Director

R. van der Meeren
Managing Director

BMW Finance N.V.
Consolidated statement of comprehensive income

in euro thousand	Notes	1 January to 30 June 2013	1 January to 30 June 2012
Revenue BMW Group companies		450	301
Revenue Third parties		155,847	122,191
Revenue	[3]	**156,297**	**122,492**
Cost of sales BMW Group companies		(2,335)	(2,057)
Cost of sales Third parties		(146,443)	(124,470)
Cost of sales	[4]	**(148,778)**	**(126,527)**
Gross profit		**7,519**	**(4,035)**
Interest income BMW Group companies		266,560	324,179
Interest income Third parties		375,361	438,821
Interest income	[5]	**641,921**	**763,000**
Interest expense BMW Group companies		(17,207)	(13,975)
Interest expense Third parties		(616,760)	(773,805)
Interest expense	[5]	**(633,967)**	**(787,780)**
Interest margin		**7,954**	**(24,780)**
Other financial income and expenses		1,608	1,544
Result from financial transactions	[6]	33,590	(17,082)
Financial result		**50,671**	**(44,353)**
Miscellaneous income & expenses		(10,105)	(10,494)
Income before taxation		**40,566**	**(54,847)**
Taxes	[7]	(9,979)	12,521
Net income / (loss)		**30,587**	**(42,326)**
Attributable minority interest		40	(23)
Attributable to Shareholders of BMW Finance N.V.		30,547	(42,303)
Earnings per share of common stock in euro		8,739	(12,093)

Statement of Comprehensive income

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Net income	**30,587**	**(42,326)**
Effective portion of changes in fair value of cash flow hedges	1,292	(1,114)
Deferred tax on other comprehensive income	(323)	279
Other comprehensive income for the period after tax	**969**	**(835)**
Total comprehensive income for the period	**31,556**	**(43,161)**

BMW Finance N.V.
Consolidated statement of financial position

Assets in euro thousand	Notes	30.06.2013	31.12.2012
Property, plants and equipments		71,478	72,669
Equity investments		87,182	87,182
Receivables from BMW Group companies	[8]	8,141,095	8,660,271
Marketable securities		64,658	47,050
Derivative assets		552,601	874,070
Deferred tax		2,124	1,718
Non-current assets		**8,919,138**	**9,742,960**
Receivables from BMW Group companies	[8]	17,788,934	19,479,618
Receivables from sales financing		1,204	611
Inventories		35,834	34,229
Derivative assets		186,106	133,316
Interest receivables and other receivables		388,077	457,709
Cash and cash equivalents		4,487	10,416
Current assets		**18,404,642**	**20,115,899**
Total assets		**27,323,780**	**29,858,859**

Equity and liabilities in euro thousand	Notes	30.06.2013	31.12.2012
Issued capital		1,750	1,750
Share premium reserve		55,488	55,488
Hedging reserve		(711)	(1,680)
Retained earnings		169,614	213,701
Undistributed income		30,627	(44,087)
Minority interest		57	97
Equity		**256,825**	**225,269**
Debt securities	[9]	15,337,971	15,398,890
Loans due to banks		2,243,560	2,107,278
Liabilities due to BMW Group companies		37,000	31,000
Derivative liabilities		152,386	170,671
Deferred tax		4,276	4,377
Other liabilities		4,370	1,415
Non-current liabilities		**17,779,563**	**17,713,631**
Debt securities	[9]	6,018,923	6,676,782
Loans due to banks		8,073	1,347,423
Liabilities due to BMW Group companies		2,473,980	3,090,877
Derivative liabilities		210,249	224,622
Income tax liabilities		27,628	12,419
Interest payables and other liabilities		548,539	567,836
Current liabilities		**9,287,392**	**11,919,959**
Total equity and liabilities		**27,323,780**	**29,858,859**

BMW Finance N.V.
Consolidated statement of cash flows

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Net income for the year	30,586	(42,326)
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	969	(836)
Fair value measurement losses/(gains)	(33,590)	17,575
Taxes	14,701	(12,049)
Amortization financial instruments	1,498	(14,596)
Changes in operating assets and liabilities		
Property, plants and equipments	1,191	7,294
Receivables from BMW Group companies	2,209,860	(1,905,111)
Receivables and other assets	69,040	(51,801)
Derivatives	(42,829)	(43,831)
Debt securities	(407,836)	(155,154)
Loans due to banks	(1,203,068)	49,453
Liabilities to BMW Group companies	(611,511)	2,088,494
Inventories	(1,605)	(5,362)
Other liabilities	(16,341)	33,735
Income tax paid/received	614	(767)
Cash flow from operating activities	**11,679**	**(35,282)**
Marketable securities	(17,608)	–
Cash flow from investing activities	**(17,608)**	–
Cash flow from financing activities	**–**	–
Net increase/(decrease) in cash and cash equivalents	(5,929)	(35,282)
Cash and cash equivalents at January 1	10,416	83,044
Cash and cash equivalents at June 30	**4,487**	**47,762**

BMW Finance N.V.
Consolidated statement of changes in equity

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Minority interest	Total
1 January 2012	**1,750**	**55,488**	**(1,006)**	**283,046**	**(69,345)**	**61**	**269,994**
Total result 2012 recognised in the profit and loss account	–	–	–	–	(42,303)	(23)	**(42,326)**
Total result 2012 recognised in directly in equity	–	–	(835)	–	–	–	**(835)**
Total comprehensive income and expense in the period	**–**	**–**	**(835)**	**–**	**(42,303)**	**(23)**	**(43,161)**
Appropriation of results 2011	–	–	–	(69,345)	69,345	–	**–**
30 June 2012	**1,750**	**55,488**	**(1,841)**	**213,701**	**(42,303)**	**38**	**226,833**
1 January 2013	**1,750**	**55,488**	**(1,680)**	**213,701**	**(44,087)**	**97**	**225,269**
Total result 2013 recognised in the profit and loss account	–	–	–	–	30,627	(40)	**30,587**
Total result 2013 recognised directly in equity	–	–	969	–	–	–	**969**
Total comprehensive income and expense in the period	**–**	**–**	**969**	**–**	**30,627**	**(40)**	**31,556**
Appropriation of results 2012	–	–	–	(44,087)	44,087	–	**–**
30 June 2013	**1,750**	**55,488**	**(711)**	**169,614**	**30,627**	**57**	**256,825**

Reporting entity

BMW Finance N.V. (the "Company") was incorporated in The Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. The statutory seat of BMW Finance N.V. is The Hague. The Company was registered in the Commercial Register at 14 June 1983, number 27.106.340. The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group and its affiliates ("BMW Group companies") and to provide services in connection therewith. During the year the Company employed 76 people. The Company has no Supervisory Board.

Statement of compliance

The consolidated financial statements of BMW Finance N.V. have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Board (IASB) and with Part 9 of Book 2 of the Netherlands Civil Code.

The June 2013 Interim Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 1 August 2013.

Solvency

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, BMW AG, Germany. In assessing the solvency and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered.

Basis of preparation

Functional and presentation currency

The financial year contains the period from 1 January to 31 December. The consolidated financial statements are presented in euro which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated in the notes.

Basis of Consolidation

- Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align with policies adopted by the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The subsidiaries BMW Portugal Lda. (Cascais, Portugal, 99.8%) and BMW Renting (Portugal) Lda. (Cascais, Portugal, 99.6%) and BMW España Finance S.L. (Madrid, Spain,100%) have effectively been consolidated in these financial statements.

- Investments in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

- Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the financial statement of financial position:

Financial assets and liabilities are measured at their fair value:
- certain equity investments;
- derivative financial instruments, and
- recognised financial assets and liabilities that are part of fair value hedge relationships are measured at fair value in respect of the risk that is hedged.

Use of estimates and judgements
The preparation of the financial statements in conformity with IFRS requires management to make judgements, assumptions and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The assumptions and estimates relate principally to the group-wide determination of economic useful lives, the recognition and measurement of provisions and the recoverability of future tax benefits. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected. Due to the current financial market conditions, the estimates contained in these financial statements concerning the operations, economic performance and financial condition of the Company are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the management of the Company, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, the estimates are based upon management's estimates of fair values and of future costs, using currently available information. Factors that could cause differences include, but are not limited to:
- risks of economic slowdown, downturn or recession, especially in the countries of subsidiaries invested in;
- risks inherent in changes in market interest rates and quality spreads, especially in an environment of unpredictable financial market conditions;
- lending conditions to companies turning to the worse, thereby increasing the cost of borrowing;
- changes in funding markets, including commercial paper and term debt;
- uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks;
- changes in laws or regulations governing our business and operations, and
- changes in competitive factors.

For the valuation of financial instruments the most significant assumptions and estimates relate to the interest rates and expected cash flows used in the valuation models.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected.

Comparative figures
Where necessary comparative figures in the notes to the Financial Statements have been adjusted to conform to changes in presentation in the current year.

Determination of fair value
A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

- Loans and receivables

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

- Derivatives

Interest rate and currency swaps are valued by using discounted cash flow models. This method implements the discounting of future cash flows using yield curves of the cash flows currency and relevant credit spreads. The changes in the fair values of these contracts are reported in the income statement. Fair value changes arising on cash flow hedges, to the extent that they are effective, are recognised directly in equity.

Forward foreign exchange contracts are valued by using discounted cash flow models. Changes in fair value are calculated by comparing this with the original amount calculated by using the contract forward rate prevailing at the beginning of the contract. Changes in the fair value on these instruments are reported in the income statement except to the extent that they qualify for cash flow hedge accounting.

- Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Changes in accounting policies

The following are financial reporting pronouncements issued by the IASB, all Standards that are significant and mandatory for the period under report are applied.

Standard	Interpretation	Publication IASB	Date of mandatory application	Endorsement EU	Prospective Implications for BMW Finance NV
IFRS 1	Amendments with Respect to Fixed Transition Dates and Severe Inflation	20.12.2010	1.7.2011	1.1.2013	None
IFRS 1	Amendments relating to Government Loans at a Below Market rate of Interest	13.3.2012	1.1.2013	1.1.2013	None
IFRS 7	Notes Disclosures: Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2013	1.1.2013	Insignificant
IFRS 9	Financial Instruments	12.11.2009 / 29.10.2010 16.12.2011	1.1.2015	No	Significant in principle
IFRS 10	Consolidated Financial Statements	12.5.2011	1.1.2013	1.1.2014	Significant in principle
IFRS 11	Joint Arrangements	12.5.2011	1.1.2013	1.1.2014	Significant in principle
IFRS 12	Disclosure of Interest in Other Entities	12.5.2011	1.1.2013	1.1.2014	Significant in principle
	Changes in transitional regulations (IFRS 10, IFRS 11 and IFRS 12)	28.6.2012	1.1.2013	No	Significant in principle
	Investment Entities (Amendments to IFRS 10, IFRS 11 and IAS 27)	31.10.2012	1.1.2013	No	Insignificant
IFRS 13	Fair Value Measurement	12.5.2011	1.1.2013	1.1.2013	Significant in principle
IAS 1	Changes to Presentation of Items in Other Comprehensive Income (OCI)	16.6.2011	1.7.2012	1.7.2012	Significant in principle
IAS 12	Recovery of Underlying Assets	20.12.2010	1.1.2012	1.1.2013	Insignificant
IAS 19	Changes in Accounting for Employee Benefits, in particular for Termination Benefits and Pensions	16.6.2011	1.1.2013	1.1.2013	Significant in principle
IAS 27	Separate Financial Statements	12.5.2011	1.1.2013	1.1.2014	None
IAS 28	Investments in Associates and Joint Ventures	12.5.2011	1.1.2013	1.1.2014	None
IAS 32	Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2014	1.1.2014	Insignificant
IAS 36	Impairment of Assets (Recoverable) Amount Disclosures for Non-Financial Assets (Amandments to IAS 36)	29.5.2013	1.1.2014	No	Insignificant
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amandments to IAS 39)	27.6.2013	1.1.2014	No	Insignificant
IFRIC 20	Stripping Costs in the Production Phase of a Mine	19.10.2011	1.1.2013	1.1.2013	None
	Annual Improvements to IFRS 2009 – 2011	17.5.2012	1.1.2013	1.1.2013	Insignificant
IFRIC 21	Disclosures	20.5.2013	1.1.2014	No	Insignificant

[1] Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company's subsidiaries, except as explained in note which addresses changes in accounting policies.

Accounting for business combinations

The Company applies the acquisition method for the business combinations, other than those under common control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Company measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Company and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

The Company measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions. At the end of the accounting period the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the year-end. Exchange rate differences arising on translation are recognised in the income statement. Quotations of market rates are obtained from Reuters Ltd. Real time rates are frozen on daily basis.

Property, plants and equipments

All items of property and equipment are considered to have finite useful lives. They are recognised at acquisition or manufacturing cost less scheduled depreciation based on the estimated useful lives of the assets. Depreciation on property and equipment reflects the pattern of their usage and is generally computed using the straight-line method. Components of items of property and equipment with different useful lives are depreciated separately.

Systematic depreciation is based on the following useful lives, applied throughout the BMW Group:

Office buildings	8 to 50 years
Other equipment	4 to 21 years
Leased assets	2.5 to 10 years

Property, plants and equipments also include assets relating to leases. The Company uses property, plant and equipment as lessee on the one hand and leases out vehicles produced by the Group and other brands as lessor on the other. IAS 17 (Leases) contains rules for determining, on the basis of risks and rewards, the economic owner of the assets. In the case of finance leases, the assets are attributed to the lessee and in the case of operating leases the assets are attributed to the lessor.

In accordance with IAS 17, assets leased under finance leases are measured at their fair value at the inception of the lease or at the present value of the lease payments, if lower. The assets are depreciated using the straight-line method over their estimated useful lives or over the lease period, if shorter. The obligations for future lease installments are recognised as financial liabilities.

Where products are recognised by the Company as leased products under operating leases, they are measured at manufacturing cost. All other leased products are measured at acquisition cost. All leased products are depreciated over the period of the lease using the straight-line method down to their expected residual value. If the recoverable amount is lower than the expected residual value, an impairment loss is recognised for the shortfall. A test is carried out at each balance sheet date to determine whether an impairment loss recognised for an asset in prior years no longer exists or has decreased. In these cases, the carrying amount of the asset is increased to the recoverable amount. The higher carrying amount resulting from the reversal may not, however, exceed the rolled-forward amortised cost of the asset.

Financial instruments

Equity investments

The equity investments in which the Company has no significant influence are carried:

(1) At fair value when a quoted market price in an active market is available or when fair value can be estimated reliably using a valuation technique. Unrealised gains or losses are reported in the available for sale reserve net of applicable income taxes until such investments are sold, collected or otherwise disposed of, or until such investment is determined to be impaired. Foreign exchange differences are reported as part of the fair value change in shareholders' equity. On disposal of the available for sale investment, the accumulated unrealised gain or loss included in shareholders' equity is transferred to profit or loss.

(2) At cost or lower recoverable amount if the fair value cannot be estimated reliably. In line with IAS 39, the fair value of equity investments that do not have a quoted market price in an active market is only reliably measurable if:
- the variability in the range of reasonable fair value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating the fair value.

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise receivables from BMW group companies, trade and other receivables.

Cash and cash equivalents (including Euro cash pool)

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. The Company is holder of the Euro cash pool. The form of the Euro cash pool is zero-balancing where all account balances are automatically transferred to one control account held by the Company. Funds moving into this account create inter-company loans between the Company and the Euro cash pool participants.

Non-derivative financial liabilities

The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: debt securities, loans due to banks, loans due to BMW Group companies and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. There are no preference share capital or compound financial instruments issued by the Company.

Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

Financial guarantees

Financial guarantee contracts are accounted initially at their fair value, and subsequently measured at the higher of:

– the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, and
– contingent liabilities and contingent assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies as set out in financial income.

The fees related to the guarantees are recognised in the income statement on an accrual basis over the commitment period.

New financial reporting rules

In May 2011 the IASB published IFRS 13 (Fair Value Measurement). IFRS 13 defines the term fair value, sets out the requirements for measuring fair value where another IFRS prescribes fair value measurement (or fair value disclosure) and stipulates uniform disclosure requirements with respect to fair value measurement. IFRS 13 is mandatory for financial years beginning on or after 1 January 2013. The Standard is required to be applied prospectively.

Hedge accounting

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

The Company discontinues hedge accounting prospectively when the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from a discontinued hedge is amortised to profit or loss. Amortisation begins as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The adjustment is based on a recalculated effective interest rate at the date the amortisation begins.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in the other comprehensive income is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified in profit or loss.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Receivables from sales financing

Receivables from sales financing comprise receivables from retail customer, dealer and lease financing. Impairment losses on receivables relating to financial services business are recognised using a uniform methodology that is applied throughout the Company and meets the requirements of IAS 39. This methodology results in the recognition of impairment losses both on individual assets and on groups of assets. If there is objective evidence of impairment, the Company recognises impairment losses on the basis of individual assets.

Within the customer retail business, the existence of overdue balances or the incidence of similar events in the past are examples of such objective evidence. In the event of overdue receivables, impairment losses are always recognised individually based on the length of period of the arrears. In the case of dealer financing receivables, the allocation of the dealer to a corresponding rating category is also deemed to represent objective evidence of impairment. If there is no objective evidence of impairment, impairment losses are recognised on financial assets using a portfolio approach based on similar groups of assets. Company-specific loss probabilities and loss ratios, derived from historical data, are used to measure impairment losses on similar groups of assets.

The recognition of impairment losses on receivables relating to industrial business is also, as far as possible, based on the same procedures applied to financial services business. Impairment losses (write-downs and allowances) on receivables are always recorded on separate accounts and derecognised at the same time the corresponding receivables are derecognised. Items are presented as financial assets to the extent that they relate to financing transactions.

Inventories

Inventories of supplies and goods for resale, primarily BMW and MINI vehicles, are stated at the lower of average acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. A provision for obsolete stock is accounted for the difference between acquisition cost and the net realisable value.

Revenues

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods are transferred to the customer, provided that the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and costs incurred or to be incurred in respect of the sale can be measured reliably. Revenues are stated net of settlement discount, bonuses and rebates. Revenues also include lease rentals and interest income earned in conjunction with financial services. Revenues from leasing instalments relate to operating leases and are recognised in the income statement on a straight line basis over the relevant term of the lease. If the sale of products includes a determinable amount for subsequent services (multiple-component contracts), the related revenues are deferred and recognised as income over the period of the contract. Amounts are normally recognised as income by reference to the pattern of related expenditure. Profits arising on the sale of vehicles for which a Group company retains a repurchase commitment (buy-back contracts) are not recognised until such profits have been realised. The vehicles are included in inventories and stated at cost.

Cost of Sales

Cost of sales comprises the cost of products sold and the acquisition cost of purchased goods sold. In addition to directly attributable material and production costs, it also includes research costs and development costs not recognised as assets, the amortisation of capitalised development costs as well as overheads (including depreciation of property, plant and equipment and amortisation of other intangible assets relating to production) and write-downs on inventories. Cost of sales also includes freight and insurance costs relating to deliveries to dealers and agency fees on direct sales. Expenses which are directly attributable to financial services business and interest expense from refinancing the entire financial services business, including the expense of risk provisions and write-downs, are reported in cost of sales.

Financial result

The financial result is the difference between financial income and financial costs. Financial income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Financial costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until the Annual General Meeting of Shareholders has approved the proposal. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends (i.e. withholding taxes).

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Obligations for contributions to the pension plan ("Group plan") sponsored by BMW Nederland B.V. are accounted for as if they are a defined contribution plan and are recognised as an expense in income statement when they are due.

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Statement of cash flows

The cash flow statements show how the cash and cash equivalents of the Company have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7 (Statement of Cash Flows), cash flows are classified into cash flows from operating, investing and financing activities.

Cash and cash equivalents included in the cash flow statement comprise cash in hand, cheques, and cash at bank, to the extent that they are available within three months from the end of the reporting period and are subject to an insignificant risk of changes in value.

The cash flows from investing and financing activities are based on actual payments and receipts. By contrast, the cash flow from operating activities is derived indirectly from the net profit for the year. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects and changes in the composition of the Company. The changes in balance sheet positions shown in the cash flow statement do not therefore agree directly with the amounts shown in the Company and segment balance sheets.

Segment reporting

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 2).The activities of the Company are broken down into the operating segments Automobiles, Financial Services, and Intergroup financing.

[2] Segment information

Given the nature of the activities of the Company, the most significant segment is Intergroup financing as this includes the intergroup financing activities. In the consolidated financial statements the other operating segments are Automobiles (including Motorcycles) and Financial Services.

The Automobiles segment sells cars, motorcycles and off-road vehicles, under the brands BMW and MINI as well as spare parts and accessories. This segment includes operating company BMW Portugal Lda.

The principal lines of business of the Financial Services segment are car leasing, fleet business, retail customer and dealer financing. This segment includes operating company BMW Renting (Portugal) Lda. Holding and Group financing companies are included in the Intergroup financing segment, which includes operating companies BMW Finance N.V. and BMW España Finance S.L.

Eliminations comprise the effects of eliminating business relationships between the operating segments. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. The change in accounting policy for leased products did not have any impact on the operating segments. Inter-segment receivables and payables, provisions, income, expenses and profits are eliminated in the column "Eliminations". Inter-segment sales take place at arm's length prices.

The Automobiles segment is managed on the basis of the profit before financial result. Capital employed is the corresponding measure of segment assets used to determine how to allocate resources. Capital employed comprises all current and non-current operational assets of the segment, after deduction of liabilities used operationally which are not subject to interest (e.g. trade payables).

The performance of the Financial Services segment is measured on the basis of profit or loss before tax. Net assets, defined as all assets less all liabilities, are used as the basis for assessing the allocation of resources. The performance of the Intergroup financing segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Intergroup financing segment is total assets less tax receivables and investments.

The segment information with respect to the income statement items is as follows:

1 January to 30 June 2013 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Group June 2013
Revenues	134,937	21,560	–	(200)	**156,297**
Cost of sales	(128,678)	(19,995)	–	(105)	**(148,778)**
Interest income	89	–	644,599	(2,767)	**641,921**
Interest expenses	(713)	(785)	(635,446)	2,977	**(633,967)**
Other financial income and expenses	(68)	(11)	1,687	–	**1,608**
Result from financial transactions	–	–	33,836	(246)	**33,590**
Miscellaneous income and expenses	(8,032)	(506)	(1,908)	341	**(10,105)**
Taxes	668	(142)	(10,505)	–	**(9,979)**
Segment result	**(1,797)**	**121**	**32,263**	**–**	**30,587**

1 January to 30 June 2012 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Group June 2012
Revenues	100,941	21,724	–	(173)	**122,492**
Cost of sales	(106,388)	(20,129)	–	(10)	**(126,527)**
Interest income	78	–	764,085	(1,163)	**763,000**
Interest expenses	(696)	(931)	(787,386)	1,233	**(787,780)**
Other financial income and expenses	1,411	(22)	155	–	**1,544**
Result from financial transactions	–	–	(17,053)	(29)	**(17,082)**
Miscellaneous income and expenses	(8,657)	(529)	(1,450)	142	**(10,494)**
Taxes	2,072	(197)	10,646	–	**12,521**
Segment result	**(11,239)**	**(84)**	**(31,003)**	**–**	**(42,326)**

The segment information with respect to the balance sheet items is as follows:

30 June 2013 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Group June 2013
Property, plant & equipment	451	71,019	8	–	**71,478**
Equity investments	15,642	–	1,280,385	(1,208,845)	**87,182**
Receivables from BMW Group Companies	41,925	1,728	25,912,343	(25,967)	**25,930,029**
Receivables from sales financing	–	1,204	–	–	**1,204**
Marketable securities	–	–	64,658	–	**64,658**
Inventories	35,834	–	–	–	**35,834**
Derivative assets	–	–	741,803	(3,096)	**738,707**
Other receivables and miscellaneous assets	6,887	6,049	375,141	–	**388,077**
Deferred tax	1,887	–	237	–	**2,124**
Cash and cash equivalents	4,252	–	235	–	**4,487**
Total assets	**106,878**	**80,000**	**28,374,810**	**(1,237,908)**	**27,323,780**
Equity	**20,321**	**11,958**	**883,391**	**(658,845)**	**256,825**
Debt securities	–	–	21,356,894	–	**21,356,894**
Loans due to banks	–	7,231	2,244,402	–	**2,251,633**
Liabilities due to BMW Group Companies	28,887	56,130	3,000,404	(574,441)	**2,510,980**
Tax liabilities	17,824	(837)	10,641	–	**27,628**
Derivative liabilities	–	–	365,731	(3,096)	**362,635**
Deferred tax	–	–	4,276	–	**4,276**
Other liabilities	39,846	5,518	509,071	(1,526)	**552,909**
Total liabilities	**86,557**	**68,042**	**27,491,419**	**(579,063)**	**27,066,955**

31 December 2012 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Group 2012
Property, plant & equipment	394	72,269	6	–	**72,669**
Equity investments	15,642	–	438,374	(366,834)	**87,182**
Receivables from BMW Group Companies	42,466	1,736	28,101,651	(5,964)	**28,139,889**
Receivables from sales financing	–	611	–	–	**611**
Marketable securities	–	–	47,050	–	**47,050**
Inventories	34,229	–	–	–	**34,229**
Derivative assets	–	–	1,009,482	(2,096)	**1,007,386**
Other receivables and miscellaneous assets	5,847	4,900	446,962	–	**457,709**
Deferred tax	1,158	–	560	–	**1,718**
Cash and cash equivalents	9,979	–	437	–	**10,416**
Total assets	**109,715**	**79,516**	**30,044,522**	**(374,894)**	**29,858,859**
Equity	**40,758**	**11,837**	**539,508**	**(366,834)**	**225,269**
Debt securities	–	–	22,075,672	–	**22,075,672**
Loans due to banks	–	7,325	3,447,376	–	**3,454,701**
Liabilities due to BMW Group Companies	14,377	56,670	3,055,421	(4,591)	**3,121,877**
Tax liabilities	13,110	(833)	142	–	**12,419**
Derivative liabilities	–	–	397,389	(2,096)	**395,293**
Deferred tax	–	–	4,377	–	**4,377**
Other liabilities	41,470	4,517	524,637	(1,373)	**569,251**
Total liabilities	**68,957**	**67,679**	**29,505,014**	**(8,060)**	**29,633,590**

[3] **Revenues**

Revenues by activity comprise the following:

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Sales of products and related goods	134,738	100,768
Income from lease instalments	21,559	21,724
Total	**156,297**	**122,492**

The revenues out of sales of products and related goods are increased to euro 134.7 million (30.06.2012: euro 100.8 million) due to a growth of sales of cars in the first six months of 2013 in Portugal.

[4] **Costs of sales**

Costs of sales comprises:

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Material costs	(135,455)	(111,939)
Depreciation	(9,353)	(10,213)
Warranty and goodwill	(363)	(724)
Freight	(303)	(281)
Other costs	(3,304)	(3,370)
Total	**(148,778)**	**(126,527)**

The cost of sales are increased to euro 148.8 million (30.06.2012: euro 126.5 million) due to the increase of the revenues and higher material costs.

[5] **Interest income and expense**

Total interest income and expense for financial assets and liabilities comprise the following:

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Interest income on financial assets at amortised cost	476,600	595,532
Interest income on financial assets at fair value	165,321	167,468
Interest Income	**641,921**	**763,000**
Interest expense on financial liabilities at amortised cost	(246,101)	(382,372)
Interest expense on financial liabilities at fair value	(387,866)	(405,408)
Interest Expense	**(633,967)**	**(787,780)**
Interest margin	**7,954**	**(24,780)**

Asset and liabilities at fair value stem from financial derivative instruments. Non derivative financial instruments have not been measured at fair value unless included in a hedging relationship.

The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. The calculation of the liquidity fee has been changed compared to the first half year of 2012 to incorporate the maturity mismatch on the portfolio as well. The company received from BMW AG an liquidity fee of euro 46.2 million (30.06.2012: euro 33.8 million).

[6] Result from financial transactions

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Ineffective portion of instruments included in a hedge relationship	2,998	25,360
Revaluation of derivatives not included in a hedge relationship	30,592	(42,442)
Total	**33,590**	**(17,082)**

The gain out of the derivatives not included in a hedge relationship of euro 30.6 million (30.06.2012: loss of euro 42.4 million) is mainly related to interest rates swaps to hedge the portfolio.

[7] Taxes

Income taxes comprise the following:

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Current tax income/(expense)	(10,806)	10,223
Deferred tax income/(expense)	827	2,298
Total tax income/(expense) in income statement	**(9,979)**	**12,521**

Reconciliation of the effective tax rate:

in euro thousand		1 January to 30 June 2013		1 January to 30 June 2012
Income before tax		40,566		(54,847)
Income tax using the domestic corporate tax rate	25% – 30%	(10,663)	25% – 30%	10,420
Change in deferred taxes through income statement		827		2,298
Withholding tax charges		(143)		(197)
Total tax income/(expense) in income statement		**(9,979)**		**12,521**
Effective tax rate		**24.6%**		**22.8%**

The Company has agreed to use the IFRS accounting as a basis for the current tax calculation in The Netherlands. The Company, a member of the fiscal unity headed by BMW Holding B.V., is jointly and severally liable for the payment of any tax liability of the fiscal unity. The wholly owned subsidiary BMW España Finance S.L. presides over a fiscal unity with its Spanish subsidiaries for income tax and is severally liable for the tax debt of the whole fiscal unit. Income tax payables comprise the indebted taxes for the Spanish fiscal unity. BMW Portugal Lda. presides over a fiscal unity with its subsidiary BMW Renting (Portugal) Lda. for income tax and is severally liable for the tax debt of the whole Portuguese fiscal unity.

[8] **Receivables from BMW Group companies**

in euro thousand	30.06.2013	31.12.2012
Non-current from BMW Group companies	8,141,095	8,660,271
Current receivables from BMW Group companies	17,788,934	19,479,618
Total receivables from BMW Group companies	**25,930,029**	**28,139,889**

The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the first half of the financial year 2013 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	207,466	2.45	0.29
Receivables from equity investments	9,565	0.63	2.22
Receivables from affiliated companies	24,193,089	1.20	1.47
Inhousebank BMW AG	1,315,585	Daily	EONIA
Cash pool from BMW group companies	21,553	Daily	EONIA + spread
Trade receivables from BMW group companies	182.771	30 days	None
Total	**25,930,029**		

The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the financial year 2012 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	707,466	1.08	1.50
Receivables from equity investments	9,565	1.12	2.22
Receivables from affiliated companies	22,387,729	1.38	1.69
Inhousebank BMW AG	4,805,510	Daily	EONIA
Cash pool from BMW group companies	1,381	Daily	EONIA + spread
Trade receivables from BMW group companies	228,238	30 days	None
Total	**28,139,889**		

The following table shows the maturity structure of the receivables from BMW Group companies:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
30.06.2013	17,788,934	7,800,602	340,493	**25,930,029**
31.12.2012	19,479,618	8,092,150	568,121	**28,139,889**

[9] **Debt securities**

Debt securities include both hedged and unhedged debt securities, as well as commercial paper.

in euro thousand	30.06.2013	31.12.2012
Debt securities part of a fair value hedge relationship	17,053,162	16,636,163
Debt securities part of a cash flow hedge relationship	427,793	541,486
Debt securities at amortised cost	2,709,485	2,723,206
Commercial paper	1,166,454	2,174,817
Total	**21,356,894**	**22,075,672**

The Bonds under the EMTN Program and other securities issued by BMW Finance comprise:

Interest	Currency	Issue volume in millions	Weighted average remaining maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	1,965	2.1	0.5
Variable	GBP	100	1.0	0.6
Variable	HKD	300	3.0	0.5
Variable	JPY	3,500	3.0	0.3
Variable	SEK	340	2.0	1.1
Variable	USD	530	1.7	0.3
Fixed	AUD	550	3.6	6.4
Fixed	CAD	125	2.0	2.2
Fixed	CHF	300	6.0	1.8
Fixed	EUR	13,980	6.4	3.8
Fixed	GBP	1,050	6.9	3.9
Fixed	HKD	836	3.0	2.0
Fixed	JPY	9,500	1.5	0.9
Fixed	NOK	6,400	3.1	3.7
Fixed	NZD	100	3.0	4.8
Fixed	SEK	1,000	3.0	3.8

BMW AG unconditionally and irrevocably guarantees all debt securities of the Company, including debt securities issued under the EMTN Programme.

The EMTN Programme of a total of euro 35.0 billion has been used in several currencies by the Company. Further issuers are BMW AG, BMW US Capital LLC, BMW Australia Finance Limited and BMW Japan Finance Corp. Furthermore the Company participates in the euro 5.0 billion Multi-Currency Commercial Paper Programme established by BMW AG, BMW Finance N.V., BMW UK Capital plc, BMW Coordination Center V.O.F. and BMW Malta Finance Ltd. support flexible and broad access to capital markets. Since May 2006, the Company acts as an issuer under the euro 2.0 billion French Commercial Paper (Billets de Trésorerie) Programme established by the Company. Debt issuances under these programmes have unconditional and irrevocable guarantees from BMW AG.

The outstanding balances with respect to the commercial paper programs are fully related to the euro 5.0 billion Multi-Currency Commercial Paper Program. The average maturity and interest rates are presented in the table below:

in euro thousand	Outstanding		Weighted average maturity period (in years)		Weighted average interest rates (in %)	
	2013	2012	2013	2012	2013	2012
Total	**1,166,454**	**2,174,817**	**0.28**	**0.17**	**0.14**	**0.09**

[10] **Financial Instruments**

Derivative financial instruments are measured at their fair value. The fair values of derivatives financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market price spreads (e.g. for liquidity risks) are taken into account in the measurement of derivative financial instruments, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on the disposal of those instruments. In addition, the valuation takes into account, the Company's own default risk and that of counterparties in the form of credit default swap (CDS) spreads which have appropriate terms an which can be observed on the market. Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 7. This includes financial instruments that are:

1. measured at their fair values in an active market for identical financial instruments (level 1);
2. measure at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (level 2), and
3. using input factors not based on observable market data (level3).

The following table shows the amounts allocated to each measurement level at 30 June 2013:

In euro thousand	Level hierarchy in accordance with IFRS 7 Level 1	Level 2	Level 3
Marketable securities	–	64,658	–
Derivative instruments (assets)			
Cash flow hedges	–	79	–
Fair value hedges	–	536,777	–
Other derivative instruments	–	201,851	–
Derivative instruments (liabilities)			
Cash flow hedges	–	35,453	–
Fair value hedges	–	183,216	–
Other derivative instruments	–	143,966	–

The following table shows the amounts allocated to each measurement level at 31 December 2012:

	Level hierarchy in accordance with IFRS 7		
In euro thousand	Level 1	Level 2	Level 3
Marketable securities	–	47,050	–
Derivative instruments (assets)			
Cash flow hedges	–	8,616	–
Fair value hedges	–	927,745	–
Other derivative instruments	–	71,025	–
Derivative instruments (liabilities)			
Cash flow hedges	–	24,959	–
Fair value hedges	–	75,851	–
Other derivative instruments	–	294,483	–

There were no significant reclassifications within the level hierarchy during the first half year of 2013.

In the case of financial instruments held by BMW Group which are not measured at fair value, the carrying amounts of such instruments correspond in general to fair values. The following items are exceptions to this general rule:

in euo thousand	30.06.2013		31.12.2012	
	Fair Value (*)	Carrying amount	Fair Value	Carrying amount
Receivables from BMW group companies	26,184,283	25,930,028	28,677,557	28,139,889
Debt securities	21,576,563	21,356,894	22,037,911	22,075,672

(*) Optimised system-based fair value measurement with effect from 01.01.2013.

[11] Risk management

The exposure of the Company can be broken down into two main categories: financial and non-financial risks.

Financial Risks

The formal procedures and policies operated by the Company to cover banking, foreign exchange and other treasury matters are consistent with objectives and policies for financial risk management within the BMW Group. The Company's policy is not to take positions in derivative financial instruments with the aim of profit realisation.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

Credit Risk

Credit risk result from the risk of default of internal or external counterparties. Given the activities of the company, the credit risk is mainly related to the Treasury and the intergroup financing activities.

The amount recognised in the balance sheet of the Company for financial assets is, ignoring any collateral received, the maximum credit risk in the case that counterparties are unable to fulfil their contractual obligations. In the case of derivative financial instruments, the Company is also exposed to credit risk, which results from the non-performance of contractual agreement on the part of the counterparty. This credit risk, for Treasury activities is mitigated by entering into such contracts only with parties of first-class credit standing. Furthermore, the Company participates in a BMW Group wide limit system that continually assesses and limits the credit exposure to any single external counterparty.

All receivables from BMW Group companies are guaranteed by BMW AG when the aggregated losses on these receivables exceed euro 2 million. As a result, impairment of intergroup receivables is substantially mitigated. The guarantee fee incurred by the Company is recognised in interest expense.

The BMW Group policy is to provide financial guarantees only to wholly-owned subsidiaries. The residual maximum exposure is primarily related to derivative assets and short term deposits with first-class counterparties.

The Company has made provisions for uncollectability in the financial lease receivables. Within the financial services business, the financed items (e.g. vehicles and motorcycles) serve as first-ranking collateral with a recoverable value. The Company has various financial receivables, mainly from group companies, of which some are considered significant. A concentration of credit risk with particular borrowers has not been identified in conjunction with financial instruments, however all receivables from BMW Group companies are guaranteed by BMW AG when the aggregated losses on these receivables exceed euro 2 million. Therefore the credit risk is primarily related to BMW AG.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner. As a result, the Company's borrowing capacity may be influenced and its financing costs may fluctuate. The cash and short-term deposits as well as the Multi Currency Revolving Credit Facility of the BMW Group mitigate the liquidity risk for the Company. Furthermore, the Company uses uncommitted credit lines with banks and bank loans to cover liquidity needs. The diversification of debt instruments for debt financing reflects the successful financial strategy of the BMW Group. BMW AG unconditionally and irrevocably guarantees all debt securities issued under the EMTN Programmes.

The maturity analysis comprises undiscounted cash flows, except the derivatives instruments are accounted at discounted cash flows. Changes in maturity structure result from exploiting funding opportunities in a tense market.

The increase in the credit spreads has negatively affected the cost of capital and, therefore, the operating result of the Company. Further changes in credit spreads could arise from changes in demand for term debt instruments on capital markets, the removal of the unconditional and irrevocable guarantees of BMW AG form the above-mentioned debt-issuance programs in which the Company participates, credit standards for loans to enterprises turning for the worse and impacting also the lending conditions for the BMW Group negatively and a decreasing willingness of banks to provide credit lines and loans.

The Company has various possibilities for liquidity facilities. A concentration of liquidity risk has not been identified.

Market risk

The Company is exposed to market risk, which comprises interest rate risk and currency risk.

Interest rate risk

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. The Company holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational, financial and investment activities. Changes in interest rates can have adverse effects on the financial position and operating result of the Company. In order to mitigate the impact of interest rate risk the Company aims in general to change fixed to floating interest rates. Furthermore, the Company continually assesses its exposure to this risk by using gap analysis, value at risk analysis, and duration analysis. Interest rate risk is managed through natural hedges and hedged through the use of derivative financial instruments, such as interest rate swaps. To manage the maturity gaps appropriate interest rate derivatives are used.

The Company applies a value at risk-approach for internal reporting purposes and to control the frequency, extent, and size of possible losses in such a way as to provide the minimum surprise. The approach to value at risk is based on a modern historical simulation, in which the potential future fair value losses of the interest rate portfolios are compared across the BMW Group with probable amounts measured on the basis of a holding period of twelve months and a confidence level of 99.98%. Due to the aggregation of these results, a risk reduction effect due to correlations between the various portfolios is accomplished.

The entity implemented the Financial Strategy of the BMW Group. The objective of interest rate risk neutrality is accomplished when interest rate gaps are managed in manner that the economic value of the portfolio of financial instruments is immunised to a considerable degree against changes in interest rates. The Company monitors its interest rate risk exposure continuously and prepares a monthly report submitted to the Group Treasury with recommendations to keep or reposition its portfolio by applying financial derivatives. Together the Company and Group Treasury determine the due course on the basis of the report delivered by the Company. A primary risk measure when judging the interest rate exposure of the entity is the present value of a basis point of the portfolio. This concept indicates how much the portfolio's economic value, representing the sum of discounted cash flows of the financial instruments, will move for each basis point change in interest rates, assuming the change of interest rates will be a parallel shift.

Currency risk

Currency risk or exchange rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in exchange rates. Changes in exchange rates can have adverse effects on the financial position and operating result of the Company. In order to mitigate the impact of currency risk arising from operational, financial and investment activities, the Company continually assesses its exposure to this risk. Currency risk is managed and hedged through the use of derivative instruments, such as forward contracts, options and cross currency swaps. For strategic reasons, the Company has minor unhedged foreign currency debt positions.

Non-Financial Risks

Operating Risks

Non financial risks could arise from operating risks. Risks mainly result from the use of computer systems and information technology. The Company uses computer systems to monitor financial positions and daily cash flows and to process payments to internal and external counterparties. System failures can, therefore, lead to delays in payment processes. Further operating risks can arise in connection with the settlement of financial transactions. The management of daily cash flows at the Company depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions, such as bonds, swaps or other derivative financial instruments. To avoid negative impacts of system failures, all key systems are set up in parallel and/or backup facilities or available within the BMW Group.

[12] **Related parties**

A comprehensive exchange of internal services in between the affiliates of a multinational corporation as the BMW Group is common practice. In its responsibility to assist the financing of business activities conducted by companies of the BMW Group and its affiliates, BMW Finance N.V. applies transfer prices for financial instruments in conformity with market levels and in accordance with national and international tax requirements (arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

In principle, the transfer prices for financial instruments are determined on the basis of three components: The price for BMW Credit Default Swaps, the three months Commercial Paper Spread, and a transfer pricing margin.

The price for BMW Credit Default Swaps is applied for maturities >12 months, taken from Bloomberg. For uneven maturities the method of linear interpolation is used to calculate the appropriate credit risk with regard to market prices. For maturities between Overnight and up to six months, the three months Commercial Paper Spread according to Tradeweb ECP Index, Industrials, Rating A2/P2 is applied. For maturities between six months and 12 months, again the method if linear interpolation between the three months Commercial Paper Spread and the twelve months BMW Credit Default Swap is applied. To enhance efficiency and ensure consistency throughout the BMW Group, a transfer pricing sheet is provided monthly by the Mid Office, which is daily filled with actual data to calculate the credit and term spread for every transaction. Finally, a transfer pricing margin is applied to account for the running costs of BMW Finance N.V.

The interest rate result was positively affected by a liquidity fee of BMW AG of euro 46.2 million (2012: euro 33.8 million) for maintaining a liquidity buffer for group strategic purposes and the maturity mismatch on the portfolio. This fee is based on negatively impacted net interest margin due to the cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio.

Statement of comprehensive income

in euro thousand	Notes	1 January to 30 June 2013	1 January to 30 June 2012
Interest income BMW Group companies		265,824	323,960
Interest income Third parties		375,272	438,743
Interest income	[13]	**641,096**	**762,703**
Interest expense BMW Group companies		(16,015)	(12,557)
Interest expense Third parties		(616,687)	(773,716)
Interest expense	[13]	**(632,702)**	**(786,273)**
Interest margin		**8,394**	**(23,570)**
Result from other financial income and expenses		668	(326)
Result from fair value measurement of financial instruments	[14]	33,975	(17,575)
Financial result		**43,037**	**(41,471)**
Miscellaneous income & expenses		(614)	(625)
Income before taxation		**42,423**	**(42,096)**
Taxes	[15]	(10,606)	10,524
Net income		**31,817**	**(31,572)**

Statement of comprehensive income

in euro thousand	Notes	1 January to 30 June 2013	1 January to 30 June 2012
Net income		**31,817**	**(31,572)**
Effective portion of changes in fair value of cash flow hedges		1,292	(1,114)
Deferred tax on other comprehensive income		(323)	279
Other comprehensive income for the period after tax		**969**	**(835)**
Total comprehensive income for the period		**32,786**	**(32,407)**

BMW Finance N.V.
Statement of financial position

Assets in euro thousand	Notes	30.06.2013	31.12.2012
Investments in subsidiaries		62,646	47,646
Receivables from BMW Group companies	[16]	8,106,831	8,660,235
Marketable securities		64,658	47,050
Derivative assets		552,647	874,039
Deferred tax		237	560
Non-current assets		**8,787,019**	**9,629,530**
Receivables from BMW Group companies	[16]	17,660,415	19,324,442
Derivative assets		187,060	135,128
Interest receivables and other receivables		375,127	446,959
Cash and cash equivalents		–	–
Current assets		**18,222,602**	**19,906,529**
Total assets		**27,009,621**	**29,536,059**

Equity and liabilities in euro thousand	Notes	30.06.2013	31.12.2012
Issued capital		1,750	1,750
Share premium reserve		55,488	55,488
Hedging reserves		(711)	(1,680)
Retained earnings		(14,028)	36,940
Undistributed income		31,817	(50,968)
Equity		**74,316**	**41,530**
Debt securities	[9]	15,337,971	15,398,891
Loans due to banks		2,243,560	2,107,278
Derivative liabilities		153,084	169,926
Non-current liabilities		**17,734,615**	**17,676,095**
Debt securities	[9]	6,018,923	6,676,782
Loans due to banks		842	1,340,098
Liabilities due to BMW Group companies		2,449,687	3,051,602
Derivative liabilities		211,648	225,682
Income tax liability		10,606	–
Interest payables and other liabilities		508,984	524,270
Current liabilities		**9,200,690**	**11,818,434**
Total equity and liabilities		**27,009,621**	**29,536,059**

BMW Finance N.V.
Statement of cash flows

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Net income for the year	31,817	(31,572)
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	969	(836)
Fair value measurement losses/(gains)	(33,975)	17,575
Taxes	10,929	(10,816)
Amortization financial instruments	1,498	(14,596)
Changes in operating assets and liabilities		
Receivables from BMW Group companies	2,217,432	(1,880,365)
Receivables and other assets	71,832	(52,547)
Derivatives	(40,267)	(45,059)
Debt securities	(407,451)	(155,154)
Loans due to banks	(1,202,974)	50,376
Liabilities to BMW Group companies	(601,915)	2,055,435
Other liabilities	(15,287)	26,317
Cash flow from operating activities	**32,608**	**(41,242)**
Investments	(15,000)	–
Marketable securities	(17,608)	–
Cash flow from investing activities	**(32,608)**	–
Cash flow from financing activities	**–**	–
Net increase/decrease in cash and cash equivalents	–	(41,242)
Cash and cash equivalents at January 1	–	74,450
Cash and cash equivalents at June 30	**–**	**33,208**

BMW Finance N.V.
Statement of changes in equity

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Total
1 January 2012	**1,750**	**55,488**	**(1,006)**	**98,807**	**(61,867)**	**93,172**
Total comprehensive income 2012 recognised in the profit and loss account	–	–	–	–	(31,572)	**(31,572)**
Total comprehensive income 2012 recognized directly in equity	–	–	(835)	–	–	**(835)**
Total comprehensive income in the period	**–**	**–**	**(835)**	**–**	**(31,572)**	**(32,407)**
Appropriation of results 2011	–	–	–	(61,867)	61,867	**–**
30 June 2012	**1,750**	**55,488**	**(1,841)**	**36,940**	**(31,572)**	**60,765**
1 January 2013	**1,750**	**55,488**	**(1,680)**	**36,940**	**(50,968)**	**41,530**
Total income and expenses 2013 recognized in the profit and loss account	–	–	–	–	31,817	**31,817**
Total income and expenses in 2013 recognised in directly in equity	–	–	969	–	–	**969**
Total comprehensive income in the period	**–**	**–**	**969**	**–**	**31,817**	**32,786**
Appropriation of results 2012	–	–	–	(50,968)	50,968	**–**
30 June 2013	**1,750**	**55,488**	**(711)**	**(14,028)**	**31,817**	**74,316**

[13] Accounting principles and policies

The accounting principles of BMW Finance N.V. Company's financial statements correspond with the accounting principles used in the consolidated financial statements of BMW Finance N.V. (i.e. International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Board (IASB) and Part 9 of Book 2 of the Netherlands Civil Code) with the exception of investments in subsidiaries.

Investments in subsidiaries

The Company carries its investments in Group- and associated companies at historic cost less provision for any diminution in value deemed to be of a permanent nature. These provisions are determined on the following basis:

Provisions for losses on disposal or liquidation of an investment are made when such losses can reasonably be foreseen. The value of the Company's investments, other than companies intended for disposal or liquidation, is assessed each year on an individual basis and any impairment loss is recognised on this basis.

Dividends from investments in subsidiaries are recorded when declared by the investment's Annual General Meeting of Shareholders.

[14] Interest income and expense

Total interest income and expense for financial assets and liabilities comprise the following:

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Interest income on financial assets at amortised cost	475,775	595,235
Interest income on financial assets at fair value	165,321	167,468
Interest Income	**641,096**	**762,703**
Interest expense on financial liabilities at amortised cost	(244,836)	(380,865)
Interest expense on financial liabilities at fair value	(387,866)	(405,408)
Interest Expense	**(632,702)**	**(786,273)**
Interest margin	**8,394**	**(23,570)**

Asset and liabilities at fair value stem from financial derivative instruments. Non derivative financial instruments have not been measured at fair value unless included in a hedging relationship.

The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. The calculation of the liquidity fee has been changed compared to the first half year of 2012 to incorporate the maturity mismatch on the portfolio as well. The company received from BMW AG an liquidity fee of euro 46.2 million (30.06.2012: euro 33.8 million).

[15] Result from financial transactions

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Ineffective portion of instruments included in a hedge relationship	2,998	25,360
Revaluation of derivatives not included in a hedge relationship	30,977	(42,935)
Total	**33,975**	**(17,575)**

The gain out of the derivatives not included in a hedge relationship of euro 31.0 million (30.06.2012: loss of euro 42.9 million) is mainly related to interest rates swaps to hedge the portfolio.

[16] **Taxes**

Income taxes comprise the following:

in euro thousand	1 January to 30 June 2013	1 January to 30 June 2012
Current tax income/(expense)	(10,606)	10,524
Total tax income/(expense) in income statement	**(10,606)**	**10,524**

Reconciliation of the effective tax expense:

in euro thousand		1 January to 30 June 2013		1 January to 30 June 2012
Income before tax		42,423		(42,096)
Income tax using the domestic corporate tax rate	25%	(10,606)	25%	10,524
Total tax income/(expense) in income statement		**(10,606)**		**10,524**
Effective tax rate		**25.0%**		**25.0%**

The Company, a member of the fiscal unity headed by BMW Holding B.V., is jointly and severally liable for the payment of any tax liability of the fiscal unity.

[17] **Receivables from BMW Group companies**

in euro thousand	30.06.2013	31.12.20112
Non-current from BMW Group companies	8,106,831	8,660,235
Current receivables from BMW Group companies	17,660,415	19,324,442
Total receivables from BMW Group companies	**25,767,246**	**27,984,677**

The weighted average maturity period and the weighted average effective interest rate for the receivables from BMW Group companies during the first half year of 2013 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average interest rates (in %)
Receivables from parent (BMW Holding B.V.)	207,466	2.45	0.29
Receivables from subsidiaries	–	–	–
Receivables from affiliated companies	24,059,431	1.20	1.45
Inhousebank BMW AG	1,315,585	Daily	EONIA
Cash pool from BMW group companies	21,553	Daily	EONIA + spread
Trade receivables from BMW group companies	163,211	30 days	none
Total	**25,767,246**		

The weighted average maturity period and the weighted average effective interest rate for the receivables from BMW Group companies during the financial year 2012 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average interest rates (in %)
Receivables from parent (BMW Holding B.V.)	707,466	1.08	1.50
Receivables from subsidiaries	3,068	0.01	0.66
Receivables from affiliated companies	22,282,450	1.38	1.68
Inhousebank BMW AG	4,805,510	Daily	EONIA
Cash pool from BMW group companies	1,381	Daily	EONIA + spread
Trade receivables from BMW group companies	184,802	30 days	none
Total	**27,984,677**		

The following table shows the maturity structure of the receivables from BMW Group companies:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
30.06.2012	17,660,415	7,766,338	340,493	**25,767,246**
31.12.2012	19,324,442	8,092,114	568,121	**27,984,677**