



**INTERIM REPORT TO JUNE 30, 2015**

# **BMW FINANCE N.V.**

**BMW  
GROUP**



**Rolls-Royce**  
Motor Cars Limited

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Dear Ladies and Gentlemen,

The directors present their interim management report and interim financial statements for the half year ended June 30, 2015. 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 2014. The interim financial statements for the six months ended 30 June 2015 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 2015.

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 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. 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 BMW Finance N.V. formed a fiscal unity together with the BMW Group companies located in the Netherlands. The purpose of BMW Finance N.V. is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates and to provide financial services in connection therewith. The core business of BMW Finance N.V. comprises mainly financing BMW Group companies that are priced in accordance with the "at arm's length" principle. BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. BMW Finance N.V. has sold its shares in the company BMW España Finance S.L. to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company. The total result of the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. until 30 June 2014 is presented as result out of discontinued operations in the consolidated statement of comprehensive income.

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

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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.

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 debt securities are guaranteed by BMW AG.

The financial position of the Company increased in comparison to the first half year 2014. The net income for the first half of 2015 amounts to a profit of euro 16.0 million (30.06.2014: euro 14.1 million profit). The main drivers are the increase of the other financial income and expenses to euro 14.4 million (30.06.2014: euro 0.2 million), the increase of the interest margin to euro 11.9 million (30.06.2014: euro 9.5 million) and the decrease of the result from financial transactions to a loss of euro 4.2 million (30.06.2014: profit of euro 7.4 million).

The interest margin increased to euro 11.9 million (30.06.2014: euro 9.5 million) due to declining interest rates. The company received from BMW AG a liquidity fee of euro 1.2 million (2014: euro 25.5 million) as a compensation for the structural overfunding and the maturity mismatch on the total portfolio.

The decrease of the result from financial transactions to a loss of euro 4.2 million (30.06.2014: profit of euro 7.4 million) refers to the fair value measurement of financial instruments and was partially caused by interest rate swaps to hedge the portfolio.

In the first half year of 2015, the Company's balance sheet total has increased to euro 34.1 billion compared to prior year-end euro 32.0 billion. The main factor behind the increase on the assets side of the balance sheet are the receivables from BMW Group companies (to euro 32,543 million, 7.3%). On the liability side of the balance sheet, the increase was mainly driven by the increase in the debt securities (to euro 26,760 million, 2.7%) and the increase of the liabilities of BMW Group companies (to euro 4.7 million, 37.1%).

During the 1<sup>st</sup> half of 2015, the Company issued 9 new EMTN's (euro 3.2 billion) and applied fair value hedge-accounting for 4 new EMTN's. Furthermore, it redeemed 27 EMTN's (euro 4.1 billion).

The world's major economies still face many structural flaws and policy constraints that hinder more investment and faster productivity growth, making the medium-term outlook for a significantly faster path of global growth more uncertain. Economic growth is generally expected to rebound from approximately 3.3% in 2014 to around 3.5% in 2015 and 3.7% in 2016. The euro area is turning the corner from recession to recovery. Most of the countries in Europe are expected to see their economic output grow: Netherlands to 1.4% (2014: 0.8%). In the light of the environment discussed above, the Company believes that overall it will have a moderately better performance in the financial year 2015.

The Hague, 4 August 2015

**F. Altmann**  
Director

**A. Rost**  
Managing Director

**G. Ramcharan**  
Financial Director

## BMW Finance N.V. Responsibility Statement

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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, 4 August 2015

**F. Altmann**  
Director

**A. Rost**  
Managing Director

**G. Ramcharan**  
Financial Director

**BMW Finance N.V.**  
**Consolidated Statement of Comprehensive Income**

07

**Continuing operations**

in euro thousand	Notes	1 January to 30 June 2015*	1 January to 30 June 2014 restated
Interest income BMW Group companies		244,155	245,325
Interest income Third parties		146,970	155,133
<b>Interest income</b>	[2]	<b>391,125</b>	<b>400,458</b>
Interest expense BMW Group companies		(43,545)	(25,667)
Interest expense Third parties		(335,689)	(365,294)
<b>Interest expense</b>	[2]	<b>(379,234)</b>	<b>(390,961)</b>
<b>Interest margin</b>		<b>11,891</b>	<b>9,497</b>
Other financial income and expenses		14,418	176
Result from financial transactions	[3]	(4,199)	7,353
<b>Financial result</b>		<b>22,110</b>	<b>17,026</b>
Miscellaneous income & expenses		(717)	(614)
<b>Income before taxation</b>		<b>21,393</b>	<b>16,412</b>
Taxes	[4]	(5,349)	(4,103)
<b>Net income / (loss) from continuing operations</b>		<b>16,044</b>	<b>12,309</b>
<b>Discontinued operations</b>			
Result after taxes for the year from discontinued operations	[5]	-	1,773
<b>Net income / (loss)</b>		<b>16,044</b>	<b>14,082</b>
<b>Attributable to:</b>			
Attributable non-controlling interest		-	6
Attributable to Shareholders of BMW Finance N.V.		16,044	14,076
<b>Earnings per share of common stock in euro from continuing and discontinued operations</b>			
<b>Basic earnings per share</b>			
From continuing operations		4,584	3,517
From discontinued operations		-	0,506
<b>Profit for the year</b>		<b>4,584</b>	<b>4,023</b>

\*Not consolidated.

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## Consolidated Statement of Comprehensive Income

in euro thousand	Notes	1 January to 30 June 2015*	1 January to 30 June 2014 restated
Net income		16,044	14,082
<b>Other comprehensive income:</b>			
Effective portion of changes in fair value of cash flow hedges		27	(303)
Deferred tax on other comprehensive income		(7)	76
<b>Other comprehensive income for the period after tax</b>		<b>20</b>	<b>(227)</b>
<b>Total comprehensive income for the period</b>		<b>16,064</b>	<b>13,855</b>
<b>Attributable to:</b>			
Attributable non-controlling interest		–	6
Attributable to Shareholders of BMW Finance N.V.		16,064	13,849
<b>Total comprehensive income for the period</b>		<b>16,064</b>	<b>13,855</b>
<b>Total comprehensive income attributable to Shareholders of BMW Finance N.V. arises from:</b>			
Continuing operations		16,064	12,082
Discontinued operations		–	1,773
		<b>16,064</b>	<b>13,855</b>

\*Not consolidated.



<b>Assets</b>	Notes	30.06.2015	31.12.2014
in euro thousand			
Receivables from BMW Group companies	[6]	10,593,281	11,354,015
Marketable securities		184,604	164,173
Derivative assets		1,077,980	1,193,143
Deferred tax		377	384
<b>Non-current assets</b>		<b>11,856,242</b>	<b>12,711,715</b>
Receivables from BMW Group companies	[6]	21,949,746	18,975,741
Derivative assets		298,100	244,129
Interest receivables and other receivables		17,827	31,401
Cash and cash equivalents		657	1,275
<b>Current assets</b>		<b>22,266,330</b>	<b>19,252,546</b>
<b>Total assets</b>		<b>34,122,572</b>	<b>31,964,261</b>
<b>Equity and liabilities</b>	Notes	30.06.2015	31.12.2014
in euro thousand			
Issued capital		1,750	1,750
Share premium reserve		55,488	55,488
Hedging reserve		(1,131)	(1,151)
Retained earnings		40,101	20,980
Undistributed income		16,044	19,121
<b>Equity</b>		<b>112,252</b>	<b>96,188</b>
Debt securities	[7]	19,298,520	19,265,692
Loans due to banks		780,710	1,082,445
Derivative liabilities		499,921	304,527
<b>Non-current liabilities</b>		<b>20,579,151</b>	<b>20,652,664</b>
Debt securities	[7]	7,461,755	6,801,414
Loans due to banks		599,989	471,741
Liabilities due to BMW Group companies		4,655,485	3,394,713
Derivative liabilities		454,982	240,501
Income tax liabilities		3,686	-
Interest payables and other liabilities		255,272	307,040
<b>Current liabilities</b>		<b>13,431,169</b>	<b>11,215,409</b>
<b>Total equity and liabilities</b>		<b>34,122,572</b>	<b>31,964,261</b>

# BMW Finance N.V.

## Consolidated Cash Flow Statements

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in euro thousand	1 January to 30 June 2015*	1 January to 30 June 2014 restated
Net income for the year from continued operations	16,044	12,309
<b>Adjustments for non-cash items</b>		
Hedging Reserve	20	(227)
Fair value measurement losses/(gains)	7,258	(7,353)
Taxes	3,691	2,735
Amortisation financial instruments	(36,542)	8,087
<b>Changes in operating assets and liabilities</b>		
Receivables from BMW Group companies	(2,213,273)	(878,772)
Receivables and other assets	13,573	(25,506)
Derivatives	271,425	90,057
Debt securities	922,096	1,110,178
Loans due to banks	(173,487)	11,004
Liabilities to BMW Group companies	1,260,773	(213,367)
Other liabilities	(51,766)	(81,449)
Discontinued operations	-	(2,860)
<b>Cash flow from operating activities</b>	<b>19,812</b>	<b>24,836</b>
Marketable securities	(20,430)	(30,449)
<b>Cash flow from investing activities</b>	<b>(20,430)</b>	<b>(30,449)</b>
Discontinued operations	-	1,665
<b>Cash flow from financing activities</b>	<b>-</b>	<b>1,665</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(618)</b>	<b>(3,948)</b>
Cash and cash equivalents at January 1 continued operations	1,275	12,459
Cash and cash equivalents at January 1 discontinued operations	-	7,212
<b>Cash and cash equivalents at January 1</b>	<b>1,275</b>	<b>19,671</b>
Cash and cash equivalents at June 30 continued operations	657	9,706
Cash and cash equivalents at June 30 discontinued operations	-	6,017
<b>Cash and cash equivalents at June 30</b>	<b>657</b>	<b>15,723</b>

\*Not consolidated.

Due to the sale of the shares of BMW España Finance S.L. the Cash Flow Statement of prior year has been restated.

**BMW Finance N.V.**  
**Consolidated Statement of Changes in Equity**

in euro thousand	Attributable to owners of the parent					Non-controlling interest	Total
	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income		
<b>1 January 2014</b>	<b>1,750</b>	<b>55,488</b>	<b>(1,057)</b>	<b>170,703</b>	<b>33,995</b>	<b>80</b>	<b>260,959</b>
Total result 2014 recognised in the profit and loss account	-	-	-	-	14,076	6	<b>14,082</b>
Other comprehensive income for 2014	-	-	(227)	-	-	-	<b>(227)</b>
<b>Total comprehensive income in the period</b>	<b>-</b>	<b>-</b>	<b>(227)</b>	<b>-</b>	<b>14,076</b>	<b>6</b>	<b>13,855</b>
Appropriation of results 2013	-	-	-	33,995	(33,995)	-	-
<b>30 June 2014</b>	<b>1,750</b>	<b>55,488</b>	<b>(1,284)</b>	<b>204,698</b>	<b>14,076</b>	<b>86</b>	<b>274,814</b>
<b>1 January 2015*</b>	<b>1,750</b>	<b>55,488</b>	<b>(1,151)</b>	<b>20,980</b>	<b>19,121</b>	<b>-</b>	<b>96,188</b>
Total result 2015 recognised in the profit and loss account	-	-	-	-	16,044	-	<b>16,044</b>
Other comprehensive income for 2015	-	-	20	-	-	-	<b>20</b>
<b>Total comprehensive income in the period</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>16,044</b>	<b>-</b>	<b>16,064</b>
Appropriation of results 2014	-	-	-	19,121	(19,121)	-	-
<b>30 June 2015</b>	<b>1,750</b>	<b>55,488</b>	<b>(1,131)</b>	<b>40,101</b>	<b>16,044</b>	<b>-</b>	<b>112,252</b>

\*Not consolidated.

# BMW Finance N.V.

## Notes to the Consolidated Financial Statements

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### 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. BMW Finance N.V. was registered in the Commercial Register at 14 June 1983, number 27.106.340. BMW Finance N.V. purpose is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates and to provide financial services in connection therewith. The core business of BMW Finance N.V. comprises mainly financing BMW Group companies that are priced in accordance with the "at arm's length" principle. BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. The shares that BMW Finance N.V. had in the company BMW España Finance S.L. are sold to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014, which is also the date, where the power of control ceases. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company.

During the year the Company employed 10 persons (2014: 10). The Company has a Supervisory Board, which is installed in December 2014 and exists of 3 persons.

### Statement of compliance

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 2014. The interim financial statements for the six months ended 30 June 2015 and the comparative period have neither been audited nor reviewed.

The June 2015 Interim Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 4 August 2015.

### 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 all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. 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.

BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. The shares that BMW Finance N.V. had in the company BMW España Finance S.L. are sold to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company. The total result of the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal),

Lda. until 30 June 2014 is presented as result out of discontinued operations in the consolidated statement of comprehensive income.

#### **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group 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 Company'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:

- 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 certain assumptions and judgements and to use estimations that can affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The assumptions used are continuously checked for their validity. Actual amounts could differ from the assumptions and estimations used if business conditions develop differently to the company expectations.

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**

The changes in accounting policies have been applied in accordance with IAS 8. Where necessary comparative figures of the prior year in the Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statements and notes Interest income and expense (note 2), Result from financial transactions (note 3) and Taxes (note 4) have been restated retrospectively.

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## New financial reporting rules

### (a) Financial reporting rules applied for the first time in the financial year 2015

The following Standards, Revised Standards, Amendments and Interpretations were applied for the first time in the financial year 2015:

Standard	Interpretation	Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Impact on BMW Finance N.V.
IAS 19	Employment Benefits: Employee Contributions (Amendments to IAS 19)	21.11.2013	1.7.2014	1.2.2015 <sup>1</sup>	Insignificant
IFRIC 21	Levies Annual Improvements to IFRS 2010–2012	20.5.2013 12.12.2013	1.1.2014 1.7.2014	17.6.2014 <sup>2</sup> 1.2.2015 <sup>1</sup>	Insignificant Insignificant
	Annual Improvements to IFRS 2011–2013	12.12.2013	1.7.2014	1.2.2015	Insignificant

<sup>1</sup> Mandatory application in annual periods beginning on or after 1 February 2015.

<sup>2</sup> Mandatory application in annual periods beginning on or after 17 June 2014.

### (b) Financial reporting pronouncements issued by the IASB, but not yet applied

Standard	Interpretation	Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Expected impact on BMW Finance N.V.
IFRS 9	Financial Instruments	12.11.2009/ 28.10.2010/ 16.12.2011/ 19.11.2013/ 24.7.2014	1.1.2018	No	Significant in principle
IFRS 10/ IAS 28	Sale or Contribution of Assets between an Investor and an Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	11.9.2014	1.1.2016	No	Insignificant
IFRS 10/ IFRS 12/ IAS 28	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	18.12.2014	1.1.2016	No	Insignificant
IFRS 11	Acquisition of an Interest in a Joint Operation (Amendments to IFRS 11)	6.5.2014	1.1.2016	No	Insignificant
IFRS 14	Regulatory Deferral Accounts	30.1.2014	1.1.2016	No	None
IFRS 15	Revenue from Contracts with Customers	28.5.2014	1.1.2017	No	None
IAS 1	Presentation of Financial Statements (Initiative to Improve Disclosure Requirements – Amendments to IAS 1)	18.12.2014	1.1.2016	No	Significant in principle
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	12.5.2014	1.1.2016	No	Insignificant
IAS 16/ IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	30.6.2014	1.1.2016	No	None
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)	12.8.2014	1.1.2016	No	None
	Annual Improvements to IFRS 2012–2014	25.9.2014	1.1.2016	No	None
	Amendments to "IFRS for SMEs"	21.5.2015	1.1.2017	No	None

In November 2009 the IASB issued IFRS 9 (Financial Instruments) as part of a project to revise the accounting for financial instruments. This Standard marks the first of three phases of the IASB project to replace the existing IAS 39 (Financial Instruments: Recognition and Measurement). The first phase deals initially only with financial assets. IFRS 9 amends the recognition and measurement requirements for financial assets, including various hybrid contracts.

Financial assets are measured at either amortised cost or fair value. IFRS 9 harmonises the various rules contained in IAS 39 and reduces the number of valuation categories for financial instruments on the assets side of the balance sheet.

The new categorisation is based partly on the entity's business model and partly on the contractual cash flow characteristics.

In October 2010, additional rules for financial liabilities were added to IFRS 9. The requirements for financial liabilities contained in IAS 39 remain unchanged with the exception of new requirements relating to the measurement of an entity's own credit risk at fair value. A package of amendments

to IFRS 9 was announced on 19 November 2013. On the one hand, the amendments overhaul the requirements for hedge accounting by introducing a new hedge accounting model. They also enable entities to change the accounting for liabilities they have elected to measure at fair value, before applying any other requirement in IFRS 9, such that fair value changes due to changes in "own credit risk" would not require to be recognised in profit or loss. The mandatory effective date of 1 January 2015 was removed and a new application date of 1 January 2018 set. The impact of adoption of the Standard on the Financial Statements is currently being assessed.

In December 2014, the IASB issued Amendments to IAS 1 as part of its disclosure initiative. The amendments relate primarily to clarifications relating to the presentation of financial reports. The Standard is mandatory for the first time for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The potential impact of adoption of the new requirements on the Financial Statements is currently being assessed.

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## [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 reporting date. 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.

### 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 the 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 comprises the interest margin, other financial income and expenses and the result from financial transactions. The interest margin is the difference between interest income and interest expenses. The interest income comprises interest income on funds invested. Interest expenses include interest expense on borrowings. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method. Other financial income and expenses cover the exchange rate differences of the assets and liabilities in foreign currency. Foreign currency gains and losses are reported on a net basis. The result from financial transactions include changes in the fair value of financial assets at fair value through profit or loss and gains and losses on hedging instruments that are recognised in profit or loss.

### 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.

### Financial instruments

#### 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.

#### Non-derivative financial assets

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.

The Company initially recognises loans and receivables and deposits on the date that they are originated. 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

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right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. 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.

### 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 (see note 6 and 16). 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 and relevant credit spreads at the reporting date.

### Marketable securities

The marketable securities in the portfolio of the Company are not quoted in an active market, the Company has the intention to hold the securities to maturity. Given the risk profile of the investment, the credit enhancements and the expectation that the investment will be fully reimbursed included the interest payments, the investment is shown in the balance sheet at amortized costs.

### 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 expired. 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, 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.

The determination of the fair value of the non-derivative financial instruments which are allocated to level 1 are based on quoted prices in an active market. The fair value of non-derivative financial instruments classified at level 2 are determined using a measurement model, which takes the Group's own default risk and that of counterparties into account in the form of credit default swap (CDS) contracts which have matching terms and which can be observed on the market.

### Derivative financial instruments and hedging activities

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.

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. 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.

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.

When the Company holds derivative financial instruments due to risk management policies, but no hedge accounting can be applied in line with IAS 39, then all changes in its fair value are recognised immediately in profit or loss.

#### **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.

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.

#### **Impairment**

##### **Financial assets**

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. Impairment losses identified after carrying out an impairment test are recognised as an expense. With the exception of derivative financial instruments, all receivables and other current assets relate to loans and receivables which are not held for trading. All such items are measured at amortised cost. Receivables with maturities of over one year which bear no or a lower than-market interest rate are discounted. Appropriate impairment losses are recognised to take account of all identifiable risks.

##### **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

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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.

### Share capital

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

### Cash Flow Statements

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.

The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group. This assistance is considered to be an operating activity for the Company. Movements related to debt securities, loans due to banks and liabilities to BMW Group companies are considered to be operating activities. The cash flow from operating activities is computed using the indirect method, starting from the net income of the Company. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The cash flows from investing and financing activities are based on actual payments and receipts.

### Segment reporting

Per IFRS 8 the Company is required to disclose segmental information of its performance. All revenues are derived through trading with entities that are owned and controlled by BMW AG which, in accordance with IFRS 8, are treated as a single entity for segmental reporting purposes and therefore no segmental disclosure has been included within the financial statements.

## [2] 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 2015	1 January to 30 June 2014 restated
Interest income on financial assets at amortised cost	245,169	244,227
Interest income on financial assets at fair value	145,956	156,231
<b>Interest income</b>	<b>391,125</b>	<b>400,458</b>
Interest expense on financial liabilities at amortised cost	(166,406)	(130,379)
Interest expense on financial liabilities at fair value	(212,828)	(260,582)
<b>Interest expense</b>	<b>(379,234)</b>	<b>(390,961)</b>
<b>Interest margin</b>	<b>11,891</b>	<b>9,497</b>

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 fair value hedging relationship with respect to changes in value due to the risk being hedged.

The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio

both negatively impact the net interest margin. The Company received from BMW AG a liquidity fee of euro 1.2 million (30.06.2014: euro 25.5 million) to incorporate the maturity mismatch on the portfolio. The liquidity fee is presented as interest income on financial assets at amortised cost.

For comparison reasons the interest income and expense of prior year has been restated.

## [3] Result from financial transactions

in euro thousand	1 January to 30 June 2015	1 January to 30 June 2014 restated
Ineffective portion of instruments included in a hedge relationship	(14,028)	11,315
Revaluation of derivatives not included in a hedge relationship	9,829	(3,962)
<b>Total</b>	<b>(4,199)</b>	<b>7,353</b>

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio of fixed rate receivables from BMW Group companies (see note 8).

The result from financial transactions decreased significantly due to decreased interest rates.

For comparison reasons the result from financial transactions of prior year has been restated.

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#### [4] Taxes

Income taxes comprise the following:

in euro thousand	1 January to 30 June 2015	1 January to 30 June 2014 restated
Current tax income/(expense)	(5,349)	(4,103)
<b>Total tax income/(expense) in income statement</b>	<b>(5,349)</b>	<b>(4,103)</b>

Reconciliation of the effective tax rate:

in euro thousand	1 January to 30 June 2015	1 January to 30 June 2014 restated
Income before tax	21,393	16,412
Income tax using the domestic corporate tax rate	25% (5,349)	25%-30% (4,103)
<b>Total tax income/(expense) in income statement</b>	<b>(5,349)</b>	<b>(4,103)</b>
<b>Effective tax rate</b>	<b>25.0%</b>	<b>25.0%</b>

For comparison reasons the taxes of prior year has been restated.

BMW Finance N.V., a member of the fiscal unity headed by BMW Holding B.V., is jointly and severally liable for the payment of any corporate tax liability of the fiscal unity. The following companies are part of the fiscal unity per 30 June 2015:

- BMW Holding B.V. (head of the fiscal unity)
- BMW Finance N.V.

- BMW Retail Nederland B.V.
- BMW Amsterdam B.V.
- BMW Den Haag B.V.
- BMW Nederland B.V.
- BMW Financial Services B.V.
- BMW International Investment B.V.
- BMW i Ventures B.V.
- BMW International Holding B.V.
- Alphabet Nederland B.V.

[5] **Discontinued operations**

BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. BMW Finance N.V. has sold its shares in the company BMW España Finance S.L. to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014.

All assets and liabilities have been transferred as of the date of the 1 December 2014. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company. The total result of the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. until 30 June 2014 is presented as result out of discontinued operations in the consolidated statement of comprehensive income.

in euro thousand	1 January to 30 June 2015	1 January to 30 June 2014
Revenues	-	193,563
Cost of Sales	-	(177,740)
<b>Gross profit</b>	<b>-</b>	<b>15,823</b>
Interest income	-	4,257
Interest expense	-	(5,109)
<b>Interest margin</b>	<b>-</b>	<b>(852)</b>
Other financial income and expenses	-	(246)
Result from financial transactions	-	(813)
<b>Financial result</b>	<b>-</b>	<b>13,912</b>
Miscellaneous income & expenses	-	(11,293)
<b>Income before taxation</b>	<b>-</b>	<b>2,619</b>
Taxes	-	(846)
<b>Net income / (loss) from discontinued operations</b>	<b>-</b>	<b>1,773</b>

The cash flows of discontinued operations are presented below:

in euro thousand	2015	2014
Operating cash flows	-	(2,860)
Investing cash flows	-	-
Financing cash flows	-	1,665

The balance sheet total of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. was 1,347 million as of 30 June 2014.

**Non-controlling interest**

BMW España Finance S.L. holds 99.8% of the shares of BMW Portugal, Lda, which holds 99.8%

of the shares of BMW Renting (Portugal), Lda. The remaining shares of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are held by BMW AG. Due to the sale of the shares from BMW España Finance S.L. the value of non-controlling interest is at balance sheet date 31 December 2014 zero.



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## [6] Receivables from BMW Group companies

in euro thousand	30.06.2015	31.12.2014
Non-current from BMW Group companies	10,593,281	11,354,015
Current receivables from BMW Group companies	21,949,746	18,975,741
<b>Total receivables from BMW Group companies</b>	<b>32,543,027</b>	<b>30,329,756</b>

From the total receivables from BMW Group Companies per 30 June 2015 has 70% a fixed interest rate. 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 2015 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	100,000	1.74	0.14
Receivables from affiliated companies	32,022,743	0.99	0.76
Inhousebank BMW AG	281,189	Daily	EONIA
Cash pool from BMW group companies	8,852	Daily	EONIA + spread
Trade receivables from BMW group companies	130,243	30 days	None
<b>Total</b>	<b>32,543,027</b>		

From the total receivables from BMW Group Companies per 31 December 2014 has 71% a fixed interest rate. The weighted average maturity

period and the weighted average effective interest rate of the receivables from BMW Group companies during the financial year 2014 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	100,000	2.24	0.14
Receivables from affiliated companies	29,887,366	1.13	0.94
Inhousebank BMW AG	144,492	Daily	EONIA
Trade receivables from BMW group companies	197,898	30 days	None
<b>Total</b>	<b>30,329,756</b>		

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	<b>Total</b>
30.06.2015	21,949,746	10,220,586	372,695	<b>32,543,027</b>
31.12.2014	18,975,741	10,995,010	359,005	<b>30,329,756</b>



## [7] Debt securities

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

in euro thousand	30.06.2015	31.12.2014
Debt securities part of a fair value hedge relationship	18,276,298	16,398,150
Debt securities part of a cash flow hedge relationship	149,614	193,224
Debt securities at amortised cost	6,680,638	6,813,005
Commercial paper	1,653,725	2,662,727
<b>Total</b>	<b>26,760,275</b>	<b>26,067,106</b>

The Bonds under the EMTN Program and other securities issued by the Company comprise per 30 June 2015:

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	5,310	2.3	(0.01)
Variable	GBP	380	1.2	0.00
Variable	SEK	6,500	2.3	0.01
Variable	USD	540	1.8	(0.02)
Fixed	AUD	700	3.9	4.63
Fixed	CHF	300	6.0	1.72
Fixed	EUR	13,827	7.1	2.44
Fixed	GBP	1,650	5.2	3.18
Fixed	JPY	31,000	2.8	0.32
Fixed	NOK	3,500	3.7	3.23

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 Coordination Center V.O.F. and BMW Malta Finance Ltd. The Multi-Currency Commercial Paper Programme 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.

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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:

Euro 5.0 billion Multi-Currency Commercial Paper Program outstanding balance:

in euro thousand	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
	2015	2014	2015	2014	2015	2014
<b>Total</b>	<b>1,653,725</b>	<b>2,662,727</b>	<b>0.40</b>	<b>0.23</b>	<b>0.35</b>	<b>0.28</b>

#### [8] 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 prices are taken into account in the measurement of derivative financial instruments. 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 and which can be observed on the market.

Financial instruments measured at fair value are allocated to different levels:

1. level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
2. level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
3. level 3 inputs are unobservable inputs for the asset or liability.

The following table shows the amounts allocated to each level at 30 June 2015:

In euro thousand	Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Cash flow hedges	-	-	-
Fair value hedges	-	1,024,315	-
Other derivative instruments	-	351,765	-
Derivative instruments (liabilities)			
Cash flow hedges	-	26,177	-
Fair value hedges	-	81,429	-
Other derivative instruments	-	847,297	-

The following table shows the amounts allocated to each level at 31 December 2014:

In euro thousand	Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Cash flow hedges	-	-	-
Fair value hedges	-	1,038,235	-
Other derivative instruments	-	399,037	-
Derivative instruments (liabilities)			
Cash flow hedges	-	34,109	-
Fair value hedges	-	66,318	-
Other derivative instruments	-	444,601	-

There were no significant reclassifications within the level hierarchy during the first half year of 2015.

The fair values in the financial asset and liability categories approximate their carrying values, except for the BMW Group receivables with a fixed interest rate, non-current debt securities and other (inter-company) payables with a fixed interest rate.

BMW Group receivables are valued at amortised cost. The underlying changes to the fair value of these assets are therefore not recognised in the balance sheet. The Company does not apply hedge accounting to loans in the intercompany receivables with a fixed interest rate. At 30 June 2015, the indicative fair value of these loans was euro 33,307 million, euro 579 million above their carrying value (31.12.2014: euro 339 million). The change of fair value of the BMW Group receivables are valued according to level 2 methodologies.

The fair value of the non-current debt securities, was euro 19,552 million, euro 263 million above their carrying value (2014: euro 367 million). The fair value of the non-current debt securities which are valued according to level 1 was euro 13,097 million (2014: euro 12,025 million). The fair value of the non-current debt securities valued according to level 2 was euro 6,455 million (2014: euro 7,608 million). For the current debt securities the fair value approximate the carrying value.

The indicative fair value of the loans due to banks was euro 1,424 million, euro 43 million above their carrying value (2014: euro 41 million). The change of fair value of the loans due to banks are valued according to level 2 methodologies.

## [9] 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, and
- operational risk.

This note presents information about the BMW Group's exposure to each of the above risks, the BMW Group's objectives, policies and processes for measuring and managing risk, and the BMW 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.

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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 BMW Group policy is to provide financial guarantees only to wholly-owned subsidiaries. The residual maximum exposure is primarily related to derivative assets.

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 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 250 days 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 BMW Group treasury department. 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 the impact on profit and loss, representing the sum of discounted cash flows of the financial instruments, by assuming a parallel shift of the interest rate curve of a basis point.

### 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 natural hedges and with the use of derivative instruments, such as forward contracts and cross currency swaps. 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.

#### [10] Capital management

In accordance with BMW Group's target debt structure, the Company maintains a solid target debt policy. Furthermore the Company has no prescribed dividend policy. 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 from 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.

#### [11] Related parties

BMW Finance N.V. has three directors in the board of management. Two directors receive compensation from BMW Finance N.V. The other one is paid by other BMW Group companies outside the scope of BMW Finance N.V. The Company doesn't have other key management personnel than the board of directors.

BMW Nederland B.V. is the sponsoring employer for the defined benefit plan. 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

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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 twelve months, again the method of 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 cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. The Company received from BMW AG a liquidity fee of euro 1.2 million (30.06.2014: euro 25.5 million) to incorporate the maturity mismatch on the portfolio.

The Company has purchased in May 2013 all Class B notes amounting to CHF 57.9 million and all Class Z notes amounting to CHF 21.6 million of the CHF 300 million Asset Backed Security issued by Bavarian Sky S.A., which is a Luxembourg limited liability company (Société Anonyme) incorporated on 26 April 2007. Bavarian Sky is recognised as a Special Purpose Entity in the consolidated accounts of BMW AG. The Special Purpose Entity is structured as a bankruptcy-remote entity, thus insulating the transaction from the credit risk of the originator/seller (BMW Schweiz AG), and is owned to 100% by Stichting Andesien, a foundation duly incorporated and validly existing under the laws of The Netherlands, having its registered office at Amsteldijk 166, 1079 LH Amsterdam, and registered with the trade register of the Chamber of Commerce in Amsterdam under number 34.272.266.

The portfolio consists of German car lease receivables of BMW Schweiz AG (100% subsidiary of BMW AG) excluding residual value and its development is monitored monthly on the basis of the asset value report received monthly from Bavarian Sky S.A.

The Company has purchased in May 2015 all Class B notes amounting to euro 42.5 million of the euro 400 million Asset Backed Security issued by

Bavarian Sky France. The portfolio consists of French auto lease receivables and residual value receivables arising from auto lease contracts originated by BMW Finance S.N.C. in France (including Dealer Buy-Back Receivables and future receivables relating to the sale of the underlying vehicles to the Lessee or to a third party).

The Company has purchased in February 2014 all (2500) rated listed secured redeemable non-convertible debentures amounting to INR 2.5 million private placement issued by BMW India Financial Services Private Limited, which is a private limited company incorporated on 3 November 2009. BMW India Financial Services Private Limited is recognised as a 100% subsidiary in the consolidated accounts of BMW AG.

In September 2014 the Company has purchased another INR 5.0 million private placement issued by BMW India Financial Services Private Limited.

The fair value of the marketable securities is allocated to level 2 according to IFRS 13. The valuation technique used for the determination of the fair value is the discounted cash flow method, with use of the following parameters: prepayment rate, delinquency rate, default rate and credit spread. These parameters didn't change significantly since the date of the inception. Therefore the fair value of the marketable securities is assumed to be equal to the carrying amount.

BMW Finance N.V. was the parent company of BMW España Finance S.L. BMW España Finance S.L. is the parent company of BMW Portugal, Lda. and BMW Renting (Portugal), Lda. BMW Finance N.V. has sold its shares in the company BMW España Finance S.L. to BMW International Investment B.V. for the price of 71.9 million euro being the cost price increased by the profit after tax of BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. as of 30 November 2014. All assets and liabilities have been transferred as of the date of the 1 December 2014, which is also the date, where the power of control ceases. Therefore the companies BMW España Finance S.L., BMW Portugal, Lda. and BMW Renting (Portugal), Lda. are not consolidated anymore in the financial statements of the Company.

**Income Statement**

in euro thousand	Notes	1 January to 30 June 2015	1 January to 30 June 2014
Interest income BMW Group companies		244,155	245,325
Interest income Third parties		146,970	155,133
<b>Interest income</b>	[13]	<b>391,125</b>	<b>400,458</b>
Interest expense BMW Group companies		(43,545)	(25,667)
Interest expense Third parties		(335,689)	(365,294)
<b>Interest expense</b>	[13]	<b>(379,234)</b>	<b>(390,961)</b>
<b>Interest margin</b>		<b>11,891</b>	<b>9,497</b>
Other financial income and expenses		14,418	176
Result from financial transactions	[14]	(4,199)	7,353
<b>Financial result</b>		<b>22,110</b>	<b>17,026</b>
Miscellaneous income & expenses		(717)	(614)
<b>Income before taxation</b>		<b>21,393</b>	<b>16,412</b>
Taxes	[15]	(5,349)	(4,103)
<b>Net income / (loss)</b>		<b>16,044</b>	<b>12,309</b>

**Statement of comprehensive income**

in euro thousand	1 January to 30 June 2015	1 January to 30 June 2014
<b>Net income</b>	<b>16,044</b>	<b>12,309</b>
<b>Other comprehensive income:</b>		
<b>Will be reclassified subsequently to profit and loss</b>		
Effective portion of changes in fair value of cash flow hedges	27	(303)
Deferred tax on other comprehensive income	(7)	76
<b>Other comprehensive income for the period after tax</b>	<b>20</b>	<b>(227)</b>
<b>Total comprehensive income for the period</b>	<b>16,064</b>	<b>12,082</b>

## BMW Finance N.V. Balance Sheets

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<b>Assets</b>	Notes	30.06.2015	31.12.2014
in euro thousand			
Receivables from BMW Group companies	[16]	10,593,281	11,354,015
Marketable securities		184,604	164,173
Derivative assets		1,077,980	1,193,143
Deferred tax		377	384
<b>Non-current assets</b>		<b>11,856,242</b>	<b>12,711,715</b>
Receivables from BMW Group companies	[16]	21,949,746	18,975,741
Derivative assets		298,100	244,129
Interest receivables and other receivables		17,827	31,401
Cash and cash equivalents		657	1,275
<b>Current assets</b>		<b>22,266,330</b>	<b>19,252,546</b>
<b>Total assets</b>		<b>34,122,572</b>	<b>31,964,261</b>



<b>Equity and liabilities</b> in euro thousand	Notes	30.06.2015	31.12.2014
Issued capital		1,750	1,750
Share premium reserve		55,488	55,488
Hedging reserves		(1,131)	(1,151)
Retained earnings		40,101	20,980
Undistributed income		16,044	19,121
<b>Equity</b>		<b>112,252</b>	<b>96,188</b>
Debt securities	[7]	19,298,520	19,265,692
Loans due to banks		780,710	1,082,445
Derivative liabilities		499,921	304,527
<b>Non-current liabilities</b>		<b>20,579,151</b>	<b>20,652,664</b>
Debt securities	[7]	7,461,755	6,801,414
Loans due to banks		599,989	471,741
Liabilities due to BMW Group companies		4,655,485	3,394,713
Derivative liabilities		454,982	240,501
Income tax liability		3,686	–
Interest payables and other liabilities		255,272	307,040
<b>Current liabilities</b>		<b>13,431,169</b>	<b>11,215,409</b>
<b>Total equity and liabilities</b>		<b>34,122,572</b>	<b>31,964,261</b>

# BMW Finance N.V.

## Cash Flow Statements

	in euro thousand	1 January to 30 June 2015	1 January to 30 June 2014
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		16,044	12,309
	<b>Adjustments for non-cash items</b>		
	Hedging reserve	20	(227)
	Fair value measurement losses/(gains)	7,258	(7,353)
	Taxes	3,691	2,735
	Amortization financial instruments	(36,542)	8,087
	<b>Changes in operating assets and liabilities</b>		
	Receivables from BMW Group companies	(2,213,273)	(878,772)
	Receivables and other assets	13,573	(25,506)
	Derivatives	271,425	90,057
	Debt securities	922,096	1,110,178
	Loans due to banks	(173,487)	11,004
	Liabilities to BMW Group companies	1,260,773	(213,367)
	Other liabilities	(51,766)	(81,449)
	<b>Cash flow from operating activities</b>	<b>19,812</b>	<b>27,696</b>
	Marketable securities	(20,430)	(30,449)
	<b>Cash flow from investing activities</b>	<b>(20,430)</b>	<b>(30,449)</b>
	<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>
	Net increase/decrease in cash and cash equivalents	(618)	(2,753)
	Cash and cash equivalents at January 1	1,275	12,459
	<b>Cash and cash equivalents at June 30</b>	<b>657</b>	<b>9,706</b>

**BMW Finance N.V.**  
**Statement of Changes in Equity**

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undistributed income	<b>Total</b>
<b>1 January 2014</b>	<b>1,750</b>	<b>55,488</b>	<b>(1,057)</b>	<b>(14,028)</b>	<b>35,007</b>	<b>77,160</b>
Total result 2014 recognised in the profit and loss account	-	-	-	-	12,309	<b>12,309</b>
Other comprehensive income for 2014	-	-	(227)	-	-	<b>(227)</b>
<b>Total comprehensive income in the period</b>	<b>-</b>	<b>-</b>	<b>(227)</b>	<b>-</b>	<b>12,309</b>	<b>12,082</b>
Appropriation of results 2013	-	-	-	35,007	(35,007)	-
<b>30 June 2014</b>	<b>1,750</b>	<b>55,488</b>	<b>(1,284)</b>	<b>20,979</b>	<b>12,309</b>	<b>89,242</b>
<b>1 January 2015</b>	<b>1,750</b>	<b>55,488</b>	<b>(1,151)</b>	<b>20,980</b>	<b>19,121</b>	<b>96,188</b>
Total result 2015 recognised in the profit and loss account	-	-	-	-	16,044	<b>16,044</b>
Other comprehensive income for 2015	-	-	20	-	-	<b>20</b>
<b>Total comprehensive income in the period</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>16,044</b>	<b>16,064</b>
Appropriation of results 2014	-	-	-	19,121	(19,121)	-
<b>30 June 2015</b>	<b>1,750</b>	<b>55,488</b>	<b>(1,131)</b>	<b>40,101</b>	<b>16,044</b>	<b>112,252</b>

## BMW Finance N.V. Notes to the Financial Statements

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### [12] 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).

### [13] 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 2015	1 January to 30 June 2014 restated
Interest income on financial assets at amortised cost	245,169	244,227
Interest income on financial assets at fair value	145,956	156,231
<b>Interest income</b>	<b>391,125</b>	<b>400,458</b>
Interest expense on financial liabilities at amortised cost	(166,406)	(130,379)
Interest expense on financial liabilities at fair value	(212,828)	(260,582)
<b>Interest expense</b>	<b>(379,234)</b>	<b>(390,961)</b>
<b>Interest margin</b>	<b>11,891</b>	<b>9,497</b>

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 fair value hedging relationship with respect to changes in value due to the risk being hedged.

The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio

both negatively impact the net interest margin. The Company received from BMW AG a liquidity fee of euro 1.2 million (30.06.2014: euro 25.5 million) to incorporate the maturity mismatch on the portfolio. The liquidity fee is presented as interest income on financial assets at amortised cost.

### [14] Result from financial transactions

in euro thousand	1 January to 30 June 2015	1 January to 30 June 2014
Ineffective portion of instruments included in a hedge relationship	(14,028)	11,315
Revaluation of derivatives not included in a hedge relationship	9,829	(3,962)
<b>Total</b>	<b>(4,199)</b>	<b>7,353</b>

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio of fixed rate receive-

bles from BMW Group companies (see note 16). The result from financial transactions decreased significantly due to decreased interest rates.

[15] **Taxes**

Income taxes comprise the following:

in euro thousand	1 January to 30 June 2015	1 January to 30 June 2014
Current tax income/(expense)	(5,349)	(4,103)
<b>Total tax income/(expense) in income statement</b>	<b>(5,349)</b>	<b>(4,103)</b>

Reconciliation of the effective tax expense:

in euro thousand	1 January to 30 June 2015	1 January to 30 June 2014
Income before tax	21,393	16,412
Income tax using the domestic corporate tax rate	25% (5,349)	25% (4,103)
<b>Total tax income/(expense) in income statement</b>	<b>(5,349)</b>	<b>(4,103)</b>
<b>Effective tax rate</b>	<b>25.0%</b>	<b>25.0%</b>

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. See also note 4.

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

in euro thousand	30.06.2015	31.12.2014
Non-current from BMW Group companies	10,593,281	11,354,015
Current receivables from BMW Group companies	21,949,746	18,975,741
<b>Total receivables from BMW Group companies</b>	<b>32,543,027</b>	<b>30,329,756</b>

From the total receivables from BMW Group Companies per 30 June 2015 has 70% a fixed interest rate. 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 2015 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average interest rates (in %)
Receivables from parent (BMW Holding B.V.)	100,000	1.74	0.14
Receivables from affiliated companies	32,022,743	0.99	0.76
Inhousebank BMW AG	281,189	Daily	EONIA
Cash pool from BMW group companies	8,852	Daily	EONIA + spread
Trade receivables from BMW group companies	130,243	30 days	None
<b>Total</b>	<b>32,543,027</b>		

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37	16. Receivables from BMW Group companies

From the total receivables from BMW Group Companies per 31 December 2014 has 71% a fixed interest rate. The weighted average maturity period

and the weighted average effective interest rate of the receivables from BMW Group companies during the financial year 2014 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average interest rates (in %)
Receivables from parent (BMW Holding B.V.)	100,000	2.24	0.14
Receivables from affiliated companies	29,887,366	1.13	0.94
Inhousebank BMW AG	144,492	Daily	EONIA
Trade receivables from BMW group companies	197,898	30 days	None
<b>Total</b>	<b>30,329,756</b>		

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	<b>Total</b>
30.06.2015	21,949,746	10,220,586	372,695	<b>32,543,027</b>
31.12.2014	18,975,741	10,995,010	359,005	<b>30,329,756</b>