INTERIM REPORT TO JUNE 30, 2014

BMW FINANCE N.V.

BMW GROUP

Rolls-Royce Motor Cars Limited

Contents

Dear Ladies and Gentlemen,

The directors present their interim management report and interim financial statements for the half year ended June 30, 2014. 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 2013. The interim financial statements for the six months ended 30 June 2014 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 2014.

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. is 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. These companies are consolidated in the financial statements of BMW Finance N.V. (the "Company").

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

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

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

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 decreased in comparison to the first half year 2013. The net income for the first half of 2014 amounts a profit of euro 14.1 million (30.06.2013: euro 30.6 million profit). The main driver here is the decrease of the result from financial transactions to euro 6.5 million (30.06.2013: euro 33.6 million), while the interest margin is improved to euro 8.7 million (30.06.2013: euro 8.0 million) and the gross profit improved to euro 15.6 million (30.06.2013: euro 7.5 million).

The interest margin improved to euro 8.7 million (30.06.2013: euro 8.0 million). The interest income and expenses both decreased due to the development of the interest rate during the year 2013 and 2014 on the assets as well as on the liabilities. The company received from BMW AG a liquidity fee of euro 25.5 million (2012: euro 46.2 million) due to that the cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. The interest loss realised on the stand-alone derivatives of economic hedges to protect the portfolio against market risks have been accounted for in the interest rate result due to the so-called measurement mismatch.

In the first half year of 2014, the Company's consolidated balance sheet total has increased to euro 31.9 billion compared to prior year-end euro 30.8 billion. The main factor behind the increase on the assets side of the balance sheet are the receivables from BMW Group companies (to euro 30,527 million, 3.1%). On the equity and liabilities side of the balance sheet, the increase was mainly driven by the increase in the debt securities (to euro 25,698 million, 5.4%).

During the 1st half of 2014, the Company issued 22 new EMTN's (euro 4.6 billion) and applied fair value hedge-accounting for 5 new EMTN's. Furthermore, it redeemed 14 EMTN's (euro 2.5 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 2.9% in 2013 to around 3.3% in 2014. 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. The net interest income on operating activities is expected to stabilize due to a recovered capital market with a reduced volatility of interest rates and credit spreads. Furthermore, volatility in the fair market values of derivative instruments will have a positive impact to the profit before taxation of the company. In the light of the environment discussed above, the company believes that overall it will have a moderately better performance in the financial year 2014.

The Hague, 1 August 2014

N. Mayer	**N. Fiorentinos**	**R. van der Meeren**
Director	**Director**	**Managing Director**

BMW Finance N.V.
Responsibility statement

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

BMW Finance N.V.

The Hague, 1 August 2014

N. Mayer	**N. Fiorentinos**	**R. van der Meeren**
Director	**Director**	**Managing Director**

BMW Finance N.V.
Consolidated statement of comprehensive income

Consolidated income statement

in euro thousand	Notes	1 January to 30 June 2014	1 January to 30 June 2013
Revenues	[3]	193,080	156,297
Cost of Sales	[4]	(177,458)	(148,778)
Gross Profit		**15,622**	**7,519**
Interest income BMW Group companies		245,238	266,560
Interest income Third parties		316,700	375,361
Interest income	[5]	**561,938**	**641,921**
Interest expense BMW Group companies		(26,323)	(17,207)
Interest expense Third parties		(526,921)	(616,760)
Interest expense	[5]	**(553,244)**	**(633,967)**
Interest margin		**8,694**	**7,954**
Other financial income and expenses		(71)	1,608
Result from financial transactions	[6]	6,509	33,590
Financial result		**30,754**	**50,671**
Miscellaneous income & expenses		(11,723)	(10,105)
Income before taxation		**19,031**	**40,566**
Taxes	[7]	(4,949)	(9,979)
Net income / (loss)		**14,082**	**30,587**
Attributable non-controlling interest		(6)	40
Attributable to Shareholders of BMW Finance N.V.		14,088	30,547
Earnings per share of common stock in euro		4,023	8,739

Consolidated statement of comprehensive income

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Net income	**14,082**	**30,587**
Other comprehensive income:		
Will be reclassified subsequently to profit and loss		
Effective portion of changes in fair value of cash flow hedges	(303)	1,292
Deferred tax on other comprehensive income	76	(323)
Other comprehensive income for the period after tax	**(227)**	**969**
Total comprehensive income for the period	**13,855**	**31,556**
Attributable non-controlling interest	(6)	41
Attributable to Shareholders of BMW Finance N.V.	13,861	31,515

BMW Finance N.V.
Consolidated statement of financial position

Assets in euro thousand	Notes	30.06.2014	31.12.2013
Property, plants and equipments		76,726	74,314
Equity investments		87,182	87,182
Receivables from BMW Group companies	[8]	9,043,358	8,780,202
Marketable securities		94,296	63,847
Derivative assets		859,736	492,002
Deferred tax		1,338	1,262
Non-current assets		**10,162,636**	**9,498,809**
Receivables from BMW Group companies	[8]	21,483,382	20,832,005
Receivables from sales financing		113	440
Inventories		48,970	39,811
Derivative assets		123,906	374,258
Interest receivables and other receivables		67,539	40,946
Cash and cash equivalents		15,723	19,671
Current assets		**21,739,633**	**21,307,131**
Total assets		**31,902,269**	**30,805,940**

Equity and liabilities in euro thousand	Notes	30.06.2014	31.12.2013
Issued capital		1,750	1,750
Share premium reserve		55,488	55,488
Hedging reserve		(1,284)	(1,057)
Retained earnings		204,698	170,703
Undistributed income		14,076	33,995
Non-controlling interest		86	80
Equity		**274,814**	**260,959**
Debt securities	[9]	18,280,679	15,091,473
Loans due to banks		1,078,942	1,543,013
Liabilities due to BMW Group companies		88,500	85,000
Derivative liabilities		227,577	250,406
Deferred tax		138	285
Income tax liabilities		579	7,700
Other liabilities		6,843	7,919
Non-current liabilities		**19,683,258**	**16,985,796**
Debt securities	[9]	7,417,544	9,284,200
Loans due to banks		1,243,714	773,110
Liabilities due to BMW Group companies		2,751,713	2,938,560
Derivative liabilities		144,419	125,463
Income tax liabilities		27,340	12,871
Interest payables and other liabilities		359,467	424,981
Current liabilities		**11,944,197**	**13,559,185**
Total equity and liabilities		**31,902,269**	**30,805,940**

BMW Finance N.V.
Consolidated statement of cash flows

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Net income for the year	14,082	30,586
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	(227)	969
Fair value measurement losses/(gains)	(6,509)	(33,590)
Taxes	7,125	14,701
Amortization financial instruments	8,087	1,498
Changes in operating assets and liabilities		
Property, plants and equipments	(2,412)	1,191
Receivables from BMW Group companies	(914,534)	2,209,860
Receivables and other assets	(26,265)	69,040
Derivatives	90,382	(42,829)
Debt securities	1,109,332	(407,836)
Loans due to banks	6,532	(1,203,068)
Liabilities to BMW Group companies	(182,257)	(611,511)
Inventory	(9,159)	(1,605)
Other liabilities	(66,586)	(16,341)
Income tax (paid)/received	(1,090)	614
Cash flow from operating activities	**26,501**	**11,679**
Marketable securities	(30,449)	(17,608)
Cash flow from investing activities	**(30,449)**	**(17,608)**
Cash flow from financing activities	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	(3,948)	(5,929)
Cash and cash equivalents at January 1	19,671	10,416
Cash and cash equivalents at June 30	**15,723**	**4,487**

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

in euro thousand	Attributable to owners of the parent						
	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis- tributed income	Non- controlling interest	**Total**
1 January 2013	**1,750**	**55,488**	**(1,680)**	**214,827**	**(44,087)**	**97**	**226,395**
Total result 2013 recognised in the profit and loss account	–	–	–	–	30,627	(40)	**30,587**
Other comprehensive income for 2013	–	–	969	–	–	–	**969**
Total comprehensive income in the period	**–**	**–**	**969**	**–**	**30,627**	**(40)**	**31,556**
Appropriation of results 2012	–	–	–	(44,087)	44,087	–	**–**
30 June 2013	**1,750**	**55,488**	**(711)**	**170,740**	**30,627**	**57**	**257,951**
1 January 2014	**1,750**	**55,488**	**(1,057)**	**170,703**	**33,995**	**80**	**260,959**
Total result 2014 recognised in the profit and loss account	–	–	–	–	14,076	6	**14,082**
Other comprehensive income for 2014	–	–	(227)	–	–	–	**(227)**
Total comprehensive income in the period	**–**	**–**	**(227)**	**–**	**14,076**	**6**	**13,855**
Appropriation of results 2013	–	–	–	33,995	(33,995)	–	**–**
30 June 2014	**1,750**	**55,488**	**(1,284)**	**204,698**	**14,076**	**86**	**274,814**

Reporting entity

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. 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. is 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. These companies are consolidated in the financial statements of BMW Finance N.V. (the "Company").

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

The group financing companies are included in the Intergroup financing segment, which includes the operating companies BMW Finance N.V. and BMW España Finance S.L. During the year the Company employed 62 people. The Company has no Supervisory Board.

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 2013. The interim financial statements for the six months ended 30 June 2014 and the comparative period have neither been audited nor reviewed.

The June 2014 Interim Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 1 August 2014.

Solvency

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

Basis of preparation

Functional and presentation currency

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

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size of the Company's voting rights relative to the size and dispersion of holdings of other shareholders give the Company the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align with policies adopted by the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

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

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

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from 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:
- certain equity investments;
- derivative financial instruments, and
- recognised financial assets and liabilities that are part of fair value hedge relationships are measured at fair value in respect of the risk that is hedged.

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

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

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

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

In 2013 the methodology for assessing the leased equipment has been further refined. With a system-based solution, it is now possible to determine the contract on an individual and decentralized basis.

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

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

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

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

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

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

Changes in accounting policies

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

Standard	Interpretation	Publication IASB	Date of mandatory application	Endorsement EU	Prospective Implications for BMW Finance NV
IFRS 9	Financial Instruments	12.11.2009 29.10.2010 16.12.2011 19.11.2013	1.1.2018	No	Significant in principle
IFRS 10	Consolidated Financial Statements	12.5.2011	1.1.2013	1.1.2014	Insignificant
IFRS 11	Joint Arrangements	12.5.2011	1.1.2013	1.1.2014	Insignificant
IFRS 11	Acquisition of an Interest in a Joint Operation (Amendments to IFRS 11)	6.5.2014	1.1.2016	No	Insignificant
IFRS 12	Disclosure of Interest in Other Entities	12.5.2011	1.1.2013	1.1.2014	Insignificant
	Changes in transitional regulations (IFRS 10, IFRS 11 and IFRS 12)	28.6.2012	1.1.2013	1.1.2014	Insignificant
	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	31.10.2012	1.1.2014	1.1.2014	Insignificant
IFRS 14	Regulatory Deferral Accounts	30.1.2014	1.1.2016	No	Insignificant
IFRS 15	Revenue from Contracts with Customers	28.5.2014	1.1.2017	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 14)	30.6.2014	1.1.2016	No	None
IAS 19	Employee Benefits: Employee Contributions (Amendments to IAS 19)	21.11.2013	1.7.2014	No	Insignificant
IAS 27	Separate Financial Statements	12.5.2011	1.1.2013	1.1.2014	None
IAS 28	Investments in Associates and Joint Ventures	12.5.2011	1.1.2013	1.1.2014	None
IAS 32	Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2014	1.1.2014	Insignificant
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	27.6.2013	1.1.2014	1.1.2014	Insignificant
IFRIC 20	Stripping Costs in the Production Phase of a Mine	19.10.2011	1.1.2013	1.1.2013	None
	Annual Improvements to IFRS 2009 – 2011	17.5.2012	1.1.2013	1.1.2013	Insignificant
IFRIC 21	Levies	20.5.2013	1.1.2014	17.6.2014	Insignificant
	Annual improvements to IFRS 2010-2012	12.12.2013	1.7.2014	No	Insignificant
	Annual improvements to IFRS 2011-2013	12.12.2013	1.7.2014	No	Insignificant

[1] Significant accounting policies

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

Accounting for business combinations

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

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

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

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

Foreign currency

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments

Equity investments

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

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

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

Non-derivative financial assets

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

Loans and receivables

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

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.

Share capital

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

Derivative financial instruments, including hedge accounting

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

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

Other non-trading derivatives

When 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.

Financial guarantees

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

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

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

New financial reporting rules

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

Hedge accounting

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

The Company discontinues hedge accounting prospectively when the hedge no longer meets the criteria for hedge accounting.

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. Gains and losses on available-for-sale financial assets are recognised directly in equity until the financial asset is disposed of or is determined to be impaired, at which time the cumulative loss previously recognised in equity is reclassified to profit or loss for the period. 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 there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

Receivables from sales financing

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

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

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

Inventories

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

Statement of cash flows

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

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

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

Segment reporting

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

The activities of the Company are broken down into the operating segments Automobiles, Financial Services and Intergroup Financing.

[2] Segment information

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

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

Eliminations comprise the effects of eliminating business relationships between the operating segments. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. Inter-segment receivables and payables, provisions, income, expenses and profits are eliminated in the column "Eliminations". Inter-segment sales take place at arm's length conditions.

The Automobiles segment is managed on the basis of the profit before financial result. Capital employed is the corresponding measure of segment assets used to determine how to allocate resources. Capital employed comprises all current and non-current operational assets of the segment, after deduction of liabilities used operationally which are not subject to interest (e.g. trade payables). The performance of the Financial Services segment is measured on the basis of profit or loss before tax. Net assets, defined as all assets less all liabilities, are used as the basis for assessing the allocation of resources. The performance of the Intergroup financing segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Intergroup financing segment is total assets less tax receivables and investments.

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

1 January to 30 June 2014 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Consolidated June 2014
Revenues	176,038	17,525	–	(483)	**193,080**
Cost of sales	(162,517)	(15,223)	–	282	**(177,458)**
Interest income	14	–	566,252	(4,328)	**561,938**
Interest expenses	(807)	(673)	(556,142)	4,378	**(553,244)**
Other financial income and expenses	(822)	35	717	(1)	**(71)**
Result from financial transactions	–	–	6,541	(32)	**6,509**
Miscellaneous income and expenses	(9,896)	(562)	(1,448)	183	**(11,723)**
Taxes	(675)	(320)	(3,955)	1	**(4,949)**
Segment result	**1,335**	**782**	**11,965**	**–**	**14,082**

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

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

30 June 2014 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Consolidated June 2014
Property, plant & equipment	617	76,101	7	–	**76,726**
Equity investments	15,642	–	1,280,385	(1,208,845)	**87,182**
Receivables from BMW Group Companies	72,953	1,388	30,551,317	(98,918)	**30,526,740**
Receivables from sales financing	–	113	–	–	**113**
Marketable securities	–	–	94,296	–	**94,296**
Inventories	48,970	–	–	–	**48,970**
Derivative assets	–	–	987,310	(3,668)	**983,642**
Other receivables and miscellaneous assets	6,942	5,642	54,955	–	**67,539**
Deferred tax	910	–	428	–	**1,338**
Cash and cash equivalents	5,762	–	9,961	–	**15,723**
Total assets	**151,797**	**83,244**	**32,978,659**	**(1,311,431)**	**31,902,269**
Equity	**28,691**	**14,995**	**889,971**	**(658,843)**	**274,814**
Debt securities	–	–	25,698,223	–	**25,698,223**
Loans due to banks	–	1,678	2,320,978	–	**2,322,656**
Liabilities due to BMW Group Companies	31,447	61,780	3,394,573	(647,587)	**2,840,213**
Tax liabilities	25,150	(495)	3,264	–	**27,919**
Derivative liabilities	–	–	375,664	(3,668)	**371,996**
Deferred tax	–	–	138	–	**138**
Other liabilities	66,509	5,286	295,848	(1,333)	**366,310**
Total liabilities	**123,106**	**68,249**	**32,088,688**	**(652,588)**	**31,627,455**

31 December 2013 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Consolidated 2013
Property, plant & equipment	573	73,734	7	–	**74,314**
Equity investments	15,642	–	453,374	(381,834)	**87,182**
Receivables from BMW Group Companies	41,593	1,344	29,689,725	(120,455)	**29,612,207**
Receivables from sales financing	–	440	–	–	**440**
Marketable securities	–	–	63,847	–	**63,847**
Inventories	39,811	–	–	–	**39,811**
Derivative assets	–	–	870,470	(4,210)	**866,260**
Other receivables and miscellaneous assets	6,086	5,411	29,450	(1)	**40,946**
Deferred tax	910	–	352	–	**1,262**
Cash and cash equivalents	6,877	–	12,794	–	**19,671**
Total assets	**111,492**	**80,929**	**31,120,019**	**(506,500)**	**30,805,940**
Equity	**27,355**	**14,214**	**601,223**	**(381,833)**	**260,959**
Debt securities	–	–	24,375,673	–	**24,375,673**
Loans due to banks	–	6,149	2,309,974	–	**2,316,123**
Liabilities due to BMW Group Companies	16,613	56,196	3,069,400	(118,648)	**3,023,561**
Tax liabilities	15,127	(412)	5,856	–	**20,571**
Derivative liabilities	–	–	380,079	(4,210)	**375,869**
Deferred tax	–	–	285	–	**285**
Other liabilities	52,397	4,782	377,529	(1,809)	**432,899**
Total liabilities	**84,137**	**66,715**	**30,518,796**	**(124,667)**	**30,544,981**

[3] Revenues

Revenues by activity comprise the following:

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Sales of products and related goods	175,555	134,738
Income from lease instalments	17,525	21,559
Total	**193,080**	**156,297**

The revenues out of sales of products and related goods are increased to euro 175.6 million (30.06.2013: euro 134.7 million) due to a growth of sales of cars in the first six months of 2014 in Portugal. This growth is related to an improved economic situation in Portugal in comparison to last year.

[4] Costs of sales

Costs of sales comprises:

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Material costs	(162,470)	(135,455)
Depreciation	(7,342)	(9,353)
Warranty and goodwill	(483)	(363)
Freight	(2,332)	(303)
Other costs	(4,831)	(3,304)
Total	**(177,458)**	**(148,778)**

The cost of sales are increased to euro 177.5 million (30.06.2013: euro 148.8 million) due to the increase of the revenues.

[5] Interest income and expense

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

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Interest income on financial assets at amortised cost	405,707	476,600
Interest income on financial assets at fair value	156,231	165,321
Interest Income	**561,938**	**641,921**
Interest expense on financial liabilities at amortised cost	(292,662)	(246,101)
Interest expense on financial liabilities at fair value	(260,582)	(387,866)
Interest Expense	**(553,244)**	**(633,967)**
Interest margin	**8,694**	**7,954**

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 25.5 million (30.06.2013: euro 46.2 million) to incorporate the maturity mismatch on the portfolio. The liquidity fee is presented as interest income on financial assets at amortised cost.

[6] Result from financial transactions

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Ineffective portion of instruments included in a hedge relationship	11,315	2,998
Revaluation of derivatives not included in a hedge relationship	(4,806)	30,592
Total	**6,509**	**33,590**

The loss out of the derivatives not included in a hedge relationship of euro 4.8 million (30.06.2013: gain of euro 30.6 million) is mainly related to interest rates swaps to hedge the portfolio.

[7] Taxes

Income taxes comprise the following:

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Current tax income/(expense)	(5,096)	(10,806)
Deferred tax income/(expense)	147	827
Total tax income/(expense) in income statement	**(4,949)**	**(9,979)**

Reconciliation of the effective tax rate:

in euro thousand		1 January to 30 June 2014		1 January to 30 June 2013
Income before tax		19,031		40,566
Income tax using the domestic corporate tax rate	25% – 30%	(4,778)	25% – 30%	(10,663)
Change in deferred taxes through income statement		147		827
Withholding tax charges		(318)		(143)
Total tax income/(expense) in income statement		**(4,949)**		(9,979)
Effective tax rate		**26.0%**		24.6%

The Company has agreed to use the IFRS accounting as a basis for the current tax calculation in the Netherlands. 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 tax liability of the fiscal unity. The following companies are part of the fiscal unity per 30 June 2014:

- 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.

On 1 April 2013 the companies Alphabet Nederland B.V. and Noord Lease B.V. are removed from the fiscal unity

The wholly owned subsidiary BMW España Finance S.L. presides over a fiscal unity with its Spanish subsidiaries for income tax and is severally liable for the tax debt of the whole fiscal unit. Income tax payables comprise the indebted taxes for the Spanish fiscal unity. BMW Portugal, Lda. presides over a fiscal unity with its subsidiary BMW Renting (Portugal), Lda. for income tax and is severally liable for the tax debt of the whole Portuguese fiscal unity.

[8] Receivables from BMW Group companies

in euro thousand	30.06.2014	31.12.2013
Non-current from BMW Group companies	9,043,358	8,780,202
Current receivables from BMW Group companies	21,483,382	20,832,005
Total receivables from BMW Group companies	**30,526,740**	**29,612,207**

From the total receivables from BMW Group Companies in 2014 83% has 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 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.)	234,466	1.28	0.26
Receivables from affiliated companies	29,223,116	1.02	1.26
Inhousebank BMW AG	898,483	Daily	EONIA
Cash pool from BMW group companies	27,038	Daily	EONIA + spread
Trade receivables from BMW group companies	143,637	30 days	None
Total	**30,526,740**		

From the total receivables from BMW Group Companies in 2013 84% has 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 2013 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	207,466	1.95	0.29
Receivables from equity investments	9,565	0.12	2.22
Receivables from affiliated companies	27,140,936	1.09	1.37
Inhousebank BMW AG	2,099,816	Daily	EONIA
Trade receivables from BMW group companies	154,424	30 days	None
Total	**29,612,207**		

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

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
30.06.2014	21,483,382	8,698,542	344,816	**30,526,740**
31.12.2013	20,832,005	8,426,489	353,713	**29,612,207**

[9] **Debt securities**

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

in euro thousand	30.06.2014	31.12.2013
Debt securities part of a fair value hedge relationship	15,026,854	15,781,702
Debt securities part of a cash flow hedge relationship	305,804	360,107
Debt securities at amortised cost	8,742,936	5,621,774
Commercial paper	1,622,629	2,612,090
Total	**25,698,223**	**24,375,673**

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

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	5,005	2.3	0.3
Variable	GBP	175	1.4	0.9
Variable	HKD	300	3.0	0.3
Variable	JPY	3,500	3.0	0.2
Variable	SEK	2,800	2.1	0.7
Variable	USD	520	1.7	0.3
Fixed	AUD	800	3.8	4.7
Fixed	CHF	300	6.0	1.8
Fixed	EUR	13,681	6.7	3.0
Fixed	GBP	1,050	6.1	3.0
Fixed	HKD	836	3.0	2.0
Fixed	JPY	15,000	3.0	0.4
Fixed	NOK	4,150	3.6	3.2
Fixed	NZD	100	3.0	4.8

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

The EMTN Programme of a total of euro 35.0 billion has been used in several currencies by the Company. Further issuers are BMW AG, BMW US Capital LLC, BMW Australia Finance Limited and BMW Japan Finance Corp. Furthermore the Company participates in the euro 5.0 billion Multi-Currency Commercial Paper Programme established by BMW AG, BMW Finance N.V., BMW UK Capital plc, BMW Coordination Center V.O.F. and BMW Malta Finance Ltd. 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.

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

in euro thousand	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
	2014	2013	2014	2013	2014	2013
Total	**1,622,629**	**2,612,090**	**0.24**	**0.21**	**0.37**	**0.26**

[10] Financial Instruments

Derivative financial instruments are measured at their fair value. The fair values of derivatives financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market price spreads (e.g. for liquidity risks) are taken into account in the measurement of derivative financial instruments, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on the disposal of those instruments. In addition, the valuation takes into account, the Company's own default risk and that of counterparties in the form of credit default swap (CDS) spreads which have appropriate terms an which can be observed on the market. Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 13. This includes financial instruments that are:

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

The following table shows the amounts allocated to each measurement level at 30 June 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	–	811,473	–
Other derivative instruments	–	172,169	–
Derivative instruments (liabilities)			
Cash flow hedges	–	20,801	–
Fair value hedges	–	40,072	–
Other derivative instruments	–	311,123	–

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The following table shows the amounts allocated to each measurement level at 31 December 2013:

	Level hierarchy in accordance with IFRS 13		
In euro thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Cash flow hedges	–	–	–
Fair value hedges	–	697,419	–
Other derivative instruments	–	168,841	–
Derivative instruments (liabilities)			
Cash flow hedges	–	27,421	–
Fair value hedges	–	118,815	–
Other derivative instruments	–	229,633	–

There were no significant reclassifications within the level hierarchy during the first half year of 2014.

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 (intercompany) 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 to the intercompany receivables. At 30 June 2014, the indicative fair value of these loans was euro 30,027 million, euro 462.3 million above their carrying value (31.12.2013: euro 490.1 million).

The fair value of the non-current debt securities, including the BMW credit spread and movements in interest rate curves was euro 18,658 million, euro 377.6 million above their carrying value (31.12.2013: euro 331.8 million). For the current debt securities the fair value approximate the carrying value.

[11] Risk management

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

Financial Risks

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

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

- credit risk;
- liquidity risk;
- market risk, 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.

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 and short term deposits with first-class counterparties.

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

Liquidity risk

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

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

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

Market risk

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

Interest rate risk

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

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

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

Currency risk

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

Non-Financial Risks

Operating Risks

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

[12] Related parties

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

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

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

The interest rate result was positively affected by a liquidity fee of BMW AG of euro 25.5 million (2013: euro 46.2 million) for maintaining a liquidity buffer for group strategic purposes and the maturity mismatch on the portfolio. This fee is based on negatively impacted net interest margin due to the cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio.

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 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.

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.
Statement of comprehensive income

Income Statement

in euro thousand	Notes	1 January to 30 June 2014	1 January to 30 June 2013
Interest income BMW Group companies		245,325	265,824
Interest income Third parties		316,686	375,272
Interest income	[13]	**562,011**	**641,096**
Interest expense BMW Group companies		(25,667)	(16,015)
Interest expense Third parties		(526,847)	(616,687)
Interest expense	[14]	**(552,514)**	**(632,702)**
Interest margin		**9,497**	**8,394**
Result from other financial income and expenses		176	668
Result from fair value measurement of financial instruments	[15]	7,353	33,975
Financial result		**17,026**	**43,037**
Miscellaneous income & expenses		(614)	(614)
Income before taxation		**16,412**	**42,423**
Taxes	[16]	(4,103)	(10,606)
Net income / (loss)		**12,309**	**31,817**

Statement of comprehensive income

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Net income	**12,309**	**31,817**
Other comprehensive income:		
Will be reclassified subsequently to profit and loss		
Effective portion of changes in fair value of cash flow hedges	(303)	1,292
Deferred tax on other comprehensive income	76	(323)
Other comprehensive income for the period after tax	**(227)**	**969**
Total comprehensive income for the period	**12,082**	**32,786**

BMW Finance N.V.
Statement of financial position

Assets in euro thousand	Notes	30.06.2014	31.12.2013
Investments in subsidiaries		62,646	62,646
Receivables from BMW Group companies	[17]	8,998,894	8,735,029
Marketable securities		94,296	63,847
Derivative assets		861,526	492,002
Deferred tax		428	352
Non-current assets		**10,017,790**	**9,353,876**
Receivables from BMW Group companies	[17]	21,339,330	20,724,424
Derivative assets		124,420	376,670
Interest receivables and other receivables		54,956	29,450
Cash and cash equivalents		9,706	12,459
Current assets		**21,528,412**	**21,143,003**
Total assets		**31,546,202**	**30,496,879**

Equity and liabilities in euro thousand	Notes	30.06.2014	31.12.2013
Issued capital		1,750	1,750
Share premium reserve		55,488	55,488
Hedging reserves		(1,284)	(1,057)
Retained earnings		20,979	(14,028)
Undistributed income		12,309	35,007
Equity		**89,242**	**77,160**
Debt securities	[9]	18,280,679	15,091,473
Loans due to banks		1,078,942	1,543,013
Liabilities due to BMW Group companies		50,000	50,000
Derivative liabilities		227,606	250,406
Non-current liabilities		**19,637,227**	**16,934,892**
Debt securities	[9]	7,417,544	9,284,200
Loans due to banks		1,242,036	766,961
Liabilities due to BMW Group companies		2,717,460	2,930,828
Derivative liabilities		145,754	127,261
Income tax liability		2,811	–
Interest payables and other liabilities		294,128	375,577
Current liabilities		**11,819,733**	**13,484,827**
Total equity and liabilities		**31,546,202**	**30,496,879**

BMW Finance N.V.
Statement of cash flows

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Net income for the year	12,309	31,817
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	(227)	969
Fair value measurement losses/(gains)	(7,353)	(33,975)
Taxes	2,735	10,929
Amortization financial instruments	8,087	1,498
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(878,772)	2,217,432
Receivables and other assets	(25,506)	71,832
Derivatives	90,057	(40,267)
Debt securities	1,110,178	(407,451)
Loans due to banks	11,004	(1,202,974)
Liabilities to BMW Group companies	(213,367)	(601,915)
Other liabilities	(81,449)	(15,287)
Cash flow from operating activities	**27,696**	**32,608**
Investments	–	(15,000)
Marketable securities	(30,449)	(17,608)
Cash flow from investing activities	**(30,449)**	**(32,608)**
Cash flow from financing activities	**–**	**–**
Net increase/decrease in cash and cash equivalents	(2,753)	–
Cash and cash equivalents at January 1	12,459	–
Cash and cash equivalents at June 30	**9,706**	**–**

BMW Finance N.V.
Statement of changes in equity

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Total
1 January 2013	**1,750**	**55,488**	**(1,680)**	**36,940**	**(50,968)**	**41,530**
Total result 2013 recognised in the profit and loss account	–	–	–	–	31,817	**31,817**
Other comprehensive income for 2013	–	–	969	–	–	**969**
Total comprehensive income in the period	**–**	**–**	**969**	**–**	**31,817**	**32,786**
Appropriation of results 2012	–	–	–	(50,968)	50,968	**–**
30 June 2013	**1,750**	**55,488**	**(711)**	**(14,028)**	**31,817**	**74,316**
1 January 2014	**1,750**	**55,488**	**(1,057)**	**(14,028)**	**35,007**	**77,160**
Total result 2014 recognised in the profit and loss account	–	–	–	–	12,309	**12,309**
Other comprehensive income for 2014	–	–	(227)	–	–	**(227)**
Total comprehensive income in the period	**–**	**–**	**(227)**	**–**	**12,309**	**12,082**
Appropriation of results 2013	–	–	–	35,007	(35,007)	**–**
30 June 2014	**1,750**	**55,488**	**(1,284)**	**20,979**	**12,309**	**89,242**

[13] Accounting principles and policies

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

Investments in subsidiaries

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

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

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

[14] Interest income and expense

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

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Interest income on financial assets at amortised cost	405,780	475,775
Interest income on financial assets at fair value	156,231	165,321
Interest Income	**562,011**	**641,096**
Interest expense on financial liabilities at amortised cost	(291,932)	(244,836)
Interest expense on financial liabilities at fair value	(260,582)	(387,866)
Interest Expense	**(552,514)**	**(632,702)**
Interest margin	**9,497**	**8,394**

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

The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. The company received from BMW AG an liquidity fee of euro 25.5 million (30.06.2013: euro 46.2 million). The liquidity fee is presented as interest income on financial assets at amortised cost.

[15] Result from financial transactions

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Ineffective portion of instruments included in a hedge relationship	11,315	2,998
Revaluation of derivatives not included in a hedge relationship	(3,962)	30,977
Total	**7,353**	**33,975**

The loss out of the derivatives not included in a hedge relationship of euro 4.0 million (30.06.2013: gain of euro 31.0 million) is mainly related to interest rates swaps to hedge the portfolio.

[16] **Taxes**

Income taxes comprise the following:

in euro thousand	1 January to 30 June 2014	1 January to 30 June 2013
Current tax income/(expense)	(4,103)	(10,606)
Total tax income/(expense) in income statement	**(4,103)**	**(10,606)**

Reconciliation of the effective tax expense:

in euro thousand		1 January to 30 June 2014		1 January to 30 June 2013
Income before tax		16,412		42,423
Income tax using the domestic corporate tax rate	25%	(4,103)	25%	(10,606)
Total tax income/(expense) in income statement		**(4,103)**		**(10,606)**
Effective tax rate		**25.0%**		**25.0%**

The Company, a member of the fiscal unity headed by BMW Holding B.V., is jointly and severally liable for the payment of any tax liability of the fiscal unity. See also note 7.

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

in euro thousand	30.06.2014	31.12.20113
Non-current from BMW Group companies	8,998,894	8,735,029
Current receivables from BMW Group companies	21,339,330	20,724,424
Total receivables from BMW Group companies	**30,338,224**	**29,459,453**

From the total receivables from BMW Group Companies 82% has a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate for the receivables from BMW Group companies during the first half year of 2014 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average interest rates (in %)
Receivables from parent (BMW Holding B.V.)	207,466	1.45	0.29
Receivables from subsidiaries	77,113	0.08	0.77
Receivables from affiliated companies	28,986,206	1.09	1.28
Inhousebank BMW AG	898,483	Daily	EONIA
Cash pool from BMW group companies	27,038	Daily	EONIA + spread
Trade receivables from BMW group companies	141,918	30 days	none
Total	**30,338,224**		

From the total receivables from BMW Group Companies 84% has a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate for the receivables from BMW Group companies during the financial year 2013 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average interest rates (in %)
Receivables from parent (BMW Holding B.V.)	207,466	1.95	0.29
Receivables from subsidiaries	87,722	0.03	0.42
Receivables from affiliated companies	26,921,877	1.10	1.35
Inhousebank BMW AG	2,099,816	Daily	EONIA
Cash pool from BMW group companies	–	Daily	EONIA + spread
Trade receivables from BMW group companies	142,572	30 days	none
Total	**29,459,453**		

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

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
30.06.2014	21,339,330	8,654,078	344,816	**30,338,224**
31.12.2013	20,724,424	8,381,316	353,713	**29,459,453**