ANNUAL REPORT 2013

BMW FINANCE N.V.

BMW GROUP

Rolls-Royce
Motor Cars Limited

BMW Finance N.V.
Directors' Report

Dear Ladies and Gentlemen,

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 the Company formed a fiscal unity together with the BMW Group companies located in the Netherlands. The Company's purpose is to assist the financing of business activities conducted by companies of the BMW Group and its affiliates and to provide 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 BMW 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 BMW 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 Company's consolidated balance sheet total increased by euro 947 million (+3.2%) to stand at euro 30,806 million at 31 December 2013. The main factors behind the increase on the assets side of the balance sheet were current and non-current receivables from BMW Group companies (to euro 29,611 million, +5.2%). On the equity and liabilities side of the balance sheet, the increase was mainly driven by the rise in total debt securities (to euro 24,376 million, +10,42%) and besides there was a decrease in liabilities due to BMW Group Companies (to euro 3,024 million, -3,15%). The equity increased to euro 261.0 million (2012: euro 225.3 million) is mainly due to the profit of 2013.

The financial position of the Company improved, the earning performance increased and shows a consolidated net profit of euro 34.0 million (2012: loss of euro 44.1 million). This can also be seen in the consolidated income before taxation which increased considerably compared to 2012 to a profit of euro 54.7 million (2012: euro 58.8 million loss). The main driver of this positive result is the result from financial instruments which resulted in a profit of euro 30.5 million (2012: euro 83.0 million loss). This refers to the fair value measurement of financial instruments and was partially caused by interest rate swaps to hedge the portfolio. For further details on the valuation of financial instruments reference is made to the financial statements note 30.

The interest margin stabilised to euro 13.5 million (2012: euro 13.9 million). The interest income and expenses both increased due to the development of the interest rate during the year 2013 on the assets as well as on the liabilities. The cost of liquidity, due to structural overfunding, and the maturity mismatch on the total portfolio both negatively impact the net interest margin. The 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 accounting measurement mismatch. Therefore the company received from BMW AG a liquidity fee of euro 75.8 million (2012: euro 98.9 million).

New car sales in Portugal increased by 11.1 percent in 2013, according to numbers from the Portuguese Automobile Association ACAP. Revenues generated by the Company in Portugal increased by 23.1% to euro 319.0 million (2012: euro 259.0 million) and cost of sales increased by 26.5% to euro 288.8 million (2012: euro 228.2 million). Gross profit decreased as a result by 2.1% to euro 30.1 million (2012: euro 30.8 million).

Corporate income tax expenses of euro 20,7 million is based on the statutory tax rate and additional taxes. The decrease in deferred tax assets relates to incurred tax profits in BMW Portugal Lda. and BMW España Finance S.L. The company expects that the fiscal losses will be recovered in subsequent years. The deferred tax liability relates to a temporary difference in the valuation of investments from BMW España Finance S.L.

The Euro Medium Term Note ("EMTN") Programme has remained in 2013 at euro 35 billion and has been together with the euro 5 billion Multi Currency Commercial Paper Programme successfully used during 2013 to refinance BMW Group companies. Under the EMTN Programme, BMW Finance N.V. issued 35 new debt securities (2012: 27 new debt securities) with a nominal amount of euro 5.9 billion (2012: euro 6.1 billion). The net proceeds have been used for general BMW Group financing purposes. During the year the Company redeemed 31 EMTN's (2012: 30 EMTN's) with a nominal amount of euro 4.5 billion (2012: euro 4.8 billion). The funding volume will according to our most recently updated financial planning increase in 2014 in comparison to 2013. The funding requirements are caused by maturing debt and growth in financial assets by BMW Group entities.

The world's major economies still face many structural flaws and policy constraints that hinder more investment and faster productivity growth, making the medium-term outlook for a significantly faster path of global growth more uncertain. Economic growth is generally expected to rebound from approximately 3.5% in 2013 to around 2.8% 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: Netherlands by 0.5% (2013: -1.0%) Spain by 0.8 % (2013: -1.2%) and Portugal by 0.7% (2013: -1.6%). 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.

In February 2014, Neil Fiorentinos replaced Jan-Christiaan Koenders as director of the Company. During 2013 the Company employed 62 people (2012: 76 people).

The Hague, 31 March 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	2013	2012
Revenues	[3]	318,932	258,991
Cost of Sales	[4]	(288,813)	(228,238)
Gross Profit		**30,119**	**30,753**
Interest income BMW Group companies		514,531	647,289
Interest income Third parties		728,874	373,998
Interest income	[5]	**1,243,405**	**1,021,287**
Interest expense BMW Group companies		(38,568)	(31,012)
Interest expense Third parties		(1,191,366)	(976,367)
Interest expense	[5]	**(1,229,934)**	**(1,007,379)**
Interest margin		**13,471**	**13,908**
Other financial income and expenses	[6]	3,399	594
Result from financial transactions	[7]	30,488	(83,004)
Financial result		**47,358**	**(68,502)**
Miscellaneous income & expenses	[8]	(22,802)	(21,016)
Income before taxation		**54,675**	**(58,765)**
Taxes	[9]	(20,697)	14,714
Net income / (loss)		**33,978**	**(44,051)**
Attributable non-controlling interest		(17)	36
Attributable to Shareholders of BMW Finance N.V.		33,995	(44,087)
Earnings per share of common stock in euro		9,713	(12,596)

Consolidated statement of comprehensive income

in euro thousand	2013	2012
Net income	33,978	(44,051)
Other comprehensive income:		
Will not be reclassified subsequently to profit and loss		
Effect of change in lease accounting	1,126	–
Will be reclassified subsequently to profit and loss		
Effective portion of changes in fair value of cash flow hedges	831	(899)
Deferred tax on other comprehensive income	(208)	225
Other comprehensive income for the period after tax	**1,749**	**(674)**
Total comprehensive income for the period	**35,727**	**(44,725)**
Attributable non-controlling interest	(18)	36
Attributable to Shareholders of BMW Finance N.V.	35,745	(44,761)

BMW Finance N.V.
Consolidated statement of financial position
As at 31 December (Before appropriation of result)

Assets in euro thousand	Notes	31.12.2013	31.12.2012
Property, plants and equipments	[11]	74,314	72,669
Equity investments	[12]	87,182	87,182
Receivables from BMW Group companies	[13]	8,780,202	8,660,271
Receivables from sales financing	[14]	–	30
Marketable securities	[15]	63,847	47,050
Derivative assets	[30]	492,002	874,070
Deferred tax	[19]	1,262	1,718
Non-current assets		**9,498,809**	**9,742,990**
Receivables from BMW Group companies	[13]	20,832,005	19,479,618
Receivables from sales financing	[14]	440	581
Inventories	[16]	39,811	34,229
Derivative assets	[30]	374,258	133,316
Interest receivables and other receivables	[17]	40,946	457,709
Cash and cash equivalents	[18]	19,671	10,416
Current assets		**21,307,131**	**20,115,869**
Total assets		**30,805,940**	**29,858,859**

Equity and liabilities in euro thousand	Notes	31.12.2013	31.12.2012
Issued capital	[20]	1,750	1,750
Share premium reserve	[21]	55,488	55,488
Hedging reserve	[22]	(1,057)	(1,680)
Retained earnings		170,703	213,701
Undistributed income		33,995	(44,087)
Non-controlling interest	[23]	80	97
Equity		**260,959**	**225,269**
Debt securities	[24]	15,091,473	15,398,890
Loans due to banks	[25]	1,543,013	2,107,278
Liabilities due to BMW Group companies	[26]	85,000	31,000
Derivative liabilities	[30]	250,406	170,671
Deferred tax	[19]	285	4,377
Income tax liabilities	[28]	7,700	–
Other liabilities	[29]	7,919	1,415
Non-current liabilities		**16,985,796**	**17,713,631**
Debt securities	[24]	9,284,200	6,676,782
Loans due to banks	[25]	773,110	1,347,423
Liabilities due to BMW Group companies	[26]	2,938,560	3,090,877
Derivative liabilities	[30]	125,463	224,622
Income tax liabilities	[28]	12,871	12,419
Interest payables and other liabilities	[29]	424,981	567,836
Current liabilities		**13,559,185**	**11,919,959**
Total equity and liabilities		**30,805,940**	**29,858,859**

BMW Finance N.V.
Consolidated statement of cash flows

in euro thousand	2013	2012
Net income for the year	33,978	(44,051)
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	623	(675)
Fair value measurement losses/(gains)	(29,531)	82,185
Taxes	4,516	9,064
Amortisation financial instruments	872	19,513
Leasing adjustment	1,126	–
Changes in operating assets and liabilities		
Property, plants and equipments	(1,645)	6,930
Receivables from BMW Group companies	(1,472,317)	(2,129,308)
Receivables and other assets	416,934	(85,864)
Derivatives	(250,395)	70,891
Debt securities	2,700,757	(11,049)
Loans due to banks	(1,138,578)	(3,645)
Liabilities to BMW Group companies	(95,959)	1,997,242
Other liabilities	(136,353)	17,514
Inventory	(5,582)	5,057
Income tax (paid)/received	(2,357)	(17,617)
Cash flow from operating activities	**26,089**	**(83,813)**
Capital injection in equity investments	–	235
Marketable securities	(16,797)	10,950
Dividend distribution	(37)	–
Cash flow from investing activities	**(16,834)**	**11,185**
Cash flow from financing activities	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	9,255	(72,628)
Cash and cash equivalents at January 1	10,416	83,044
Cash and cash equivalents at December 31	**19,671**	**10,416**

See Note 33 of the Notes to the Consolidated Financial Statements.

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

	Attributable to owners of the parent						
in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Non-controlling interest	**Total**
1 January 2012	**1,750**	**55,488**	**(1,006)**	**283,046**	**(69,345)**	**61**	**269,994**
Total result 2012 recognised in the profit and loss account	–	–	–	–	(44,087)	36	**(44,051)**
Other comprehensive income for 2012	–	–	(674)	–	–	–	**(674)**
Total comprehensive income in the period	**–**	**–**	**(674)**	**–**	**(44,087)**	**36**	**(44,725)**
Appropriation of results 2011	–	–	–	(69,345)	69,345	–	**–**
31 December 2012	**1,750**	**55,488**	**(1,680)**	**213,701**	**(44,087)**	**97**	**225,269**
Effect of changes in accounting policies				1,126			
1 January 2013 (restated)	**1,750**	**55,488**	**(1,680)**	**214,827**	**(44,087)**	**97**	**225,269**
Total result 2013 recognised in the profit and loss account	–	–	–	–	33,995	(17)	**33,978**
Other comprehensive income for 2013	–	–	623	–	–	–	**1,749**
Total comprehensive income in the period	**–**	**–**	**623**	**–**	**33,995**	**(17)**	**35,727**
Appropriation of results 2012	–	–	–	(44,087)	44,087	–	**–**
Transactions with owners recorded directly in equity							
Dividend distribution in kind	–	–	–	(37)	–	–	**(37)**
31 December 2013	**1,750**	**55,488**	**(1,057)**	**170,703**	**33,995**	**80**	**260,959**

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. The Company was registered in the Commercial Register at 14 June 1983, number 27.106.340. The Company's purpose is to assist the financing of 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

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

The 2013 Annual Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 31 March 2014 and will be submitted for approval to the Annual General Meeting of Shareholders on 13 May 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 instrument, 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 (note 11), the recognition and measurement of provisions (note 14) and the recoverability of future tax benefits (note 19). 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 1	Amendments with Respect to Fixed Transition Dates and Severe Inflation	20.12.2010	1.7.2011	1.1.2013	None
IFRS 1	Amendments relating to Government Loans at a Below Market rate of Interest	13.3.2012	1.1.2013	1.1.2013	None
IFRS 7	Notes Disclosures: Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2013	1.1.2013	Insignificant
IFRS 9	Financial Instruments	12.11.2009 / 29.10.2010 16.12.2011 19.11.2013	1.1.2015	No	Significant in principle
IFRS 10	Consolidated Financial Statements	12.5.2011	1.1.2013	1.1.2014	Significant in principle
IFRS 11	Joint Arrangements	12.5.2011	1.1.2013	1.1.2014	Significant in principle
IFRS 12	Disclosure of Interest in Other Entities	12.5.2011	1.1.2013	1.1.2014	Significant in principle
	Changes in transitional regulations (IFRS 10, IFRS 11 and IFRS 12)	28.6.2012	1.1.2013	1.1.2014	Significant in principle
	Investment Entities (Amendments to IFRS 10, IFRS 11 and IAS 27)	31.10.2012	1.1.2014	1.1.2014	Insignificant
IFRS 13	Fair Value Measurement	12.5.2011	1.1.2013	1.1.2013	Significant in principle
IAS 1	Changes to Presentation of Items in Other Comprehensive Income (OCI)	16.6.2011	1.7.2012	1.7.2012	Significant in principle
IAS 12	Recovery of Underlying Assets	20.12.2010	1.1.2012	1.1.2013	Insignificant
IAS 19	Changes in Accounting for Employee Benefits, in particular for Termination Benefits and Pensions	16.6.2011	1.1.2013	1.1.2013	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 36	Impairment of Assets (Recoverable) Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	29.5.2013	1.1.2014	No	Insignificant
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	27.6.2013	1.1.2014	No	Insignificant
IFRIC 20	Stripping Costs in the Production Phase of a Mine	19.10.2011	1.1.2013	1.1.2013	None
	Annual Improvements to IFRS 2009 – 2011	17.5.2012	1.1.2013	1.1.2013	Insignificant
IFRIC 21	Disclosures	20.5.2013	1.1.2014	No	Insignificant

[1] Significant accounting policies

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

Accounting for business combinations

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

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

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

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

Foreign currency

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

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. The Group plan is presented in note 27.

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 in estimating the fair value.

Non-derivative financial assets

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise receivables from BMW group companies, trade and other receivables (see note 13 and 17).

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 BMW 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 Company's 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:

2013 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Consolidated 2013
Revenues	278,818	40,471	–	(357)	**318,932**
Cost of sales	(252,500)	(36,608)	–	295	**(288,813)**
Interest income	83	–	1,249,613	(6,291)	**1,243,405**
Interest expenses	(1,565)	(1,508)	(1,233,354)	6,493	**(1,229,934)**
Other financial income and expenses	(584)	191	3,792	–	**3,399**
Result from financial transactions	–	–	30,203	285	**30,488**
Miscellaneous income and expenses	(17,042)	(1,218)	(4,117)	(425)	**(22,802)**
Taxes	(1,925)	(78)	(18,694)	–	**(20,697)**
Segment result	**5,285**	**1,250**	**27,443**	**–**	**33,978**

2012 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Consolidated 2012
Revenues	217,764	41,525	–	(298)	**258,991**
Cost of sales	(189,985)	(38,459)	–	206	**(228,238)**
Interest income	103	-	1,024,078	(2,894)	**1,021,287**
Interest expenses	(1,433)	(1,808)	(1,007,162)	3,024	**(1,007,379)**
Other financial income and expenses	(292)	(118)	1,043	(39)	**594**
Result from financial transactions	–	–	(83,004)	–	**(83,004)**
Miscellaneous income and expenses	(16,696)	(817)	(3,504)	1	**(21,016)**
Taxes	(3,074)	(439)	18,227	-	**14,714**
Segment result	**6,387**	**(116)**	**(50,322)**	**–**	**44,051**

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

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 security	–	–	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**

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

[3] Revenues

Revenues by activity comprise the following:

in euro thousand	2013	2012
Sales of products and related goods	278,759	217,672
Income from lease instalments	40,173	41,319
Total	**318,932**	**258,991**

The revenues out of sales of products and related goods are increased to euro 278,8 million (2012: euro 217.7 million) due to an improved economic situation in Portugal in comparison to last year.

[4] Costs of sales

Costs of sales comprises:

in euro thousand	2013	2012
Material costs	(265,434)	(204,776)
Depreciation	(16,629)	(20,636)
Warranty and goodwill	(1,846)	(1,071)
Freight	(3,812)	(630)
Other costs	(1,092)	(1,125)
Total	**(288,813)**	**(228,238)**

The cost of sales are increased to euro 288,8 million (2012: euro 228.2 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	2013	2012
Interest income on financial assets at amortised cost	856,510	657,475
Interest income on financial assets at fair value	386,895	363,812
Interest Income	**1,243,405**	**1,021,287**
Interest expense on financial liabilities at amortised cost	(618,909)	(329,755)
Interest expense on financial liabilities at fair value	(611,025)	(677,624)
Interest Expense	**(1,229,934)**	**(1,007,379)**
Interest margin	**13,471**	**13,908**

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 75,8 million (2012: euro 98.9 million) to incorporate the maturity mismatch on the portfolio. The liquidity fee is presented as interest income on financial assets at amortised cost.

[6] Other financial income and expenses

The item comprises a gain of euro 3.4 million (2012: gain of euro 0.6 million) due to exchange rate differences related mainly to unhedged liabilities. All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives.

[7] Result from financial transactions

in euro thousand	2013	2012
Ineffective portion of instruments included in a hedge relationship	(8,863)	(15,098)
Revaluation of derivatives not included in a hedge relationship	39,351	(67,906)
Total	**30,488**	**(83,004)**

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio (see note 30). The result from financial transactions increased significantly due to increased interest rates in 2013.

[8] Miscellaneous income & expenses

in euro thousand	2013	2012
Sales costs	(9,231)	(9,259)
Salaries & social security charges	(6,298)	(5,570)
Pension costs – defined contribution plan	(109)	(73)
Pension costs – defined benefit plan	(54)	(80)
Advisory	(2,940)	(1,302)
Depreciation	(135)	(88)
Other miscellaneous income & expenses	(4,035)	(4,644)
Total	**(22,802)**	**(21,016)**

[9] Taxes

Income taxes comprise the following:

in euro thousand	2013	2012
Current tax income/(expense)	(24,541)	24,091
Deferred tax income/(expense)	3,844	(9,377)
Total tax income/(expense) in income statement	**(20,697)**	**14,714**

Reconciliation of the effective tax rate:

in euro thousand	2013	2012
Income before tax	54,675	(58,765)
Income tax using the domestic corporate tax rate	25%–30% (24,463)	25%– 30% 23,945
Change in deferred taxes through income statement	3,844	(9,377)
Tax charges related to other periods	–	585
Withholding tax charges	(78)	(439)
Total tax income/(expense) in income statement	**(20,697)**	**14,714**
Effective tax rate	**37.9%**	**25.0%**

The Company has agreed to use the IFRS accounting as a basis for the current tax calculation in the Netherlands. The Company, a member of the fiscal unity headed by BMW Holding B.V., is jointly and severally liable for the payment of any tax liability of the fiscal unity. The following companies are part of the fiscal unity per 31 December 2013:

– 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 unity. 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.

The effective tax rate is increased significantly in comparison with last year due to a recognised tax provision to cover a corporate income tax risk for BMW España Finance S.L.

[10] Remuneration of Board of Directors

In 2013, the remuneration of the Board of Directors amounted euro 0.3 million (2012: euro 0.3 million). This remuneration consists periodic remuneration (euro 0.2 million) and bonuses plus other remuneration (euro 0.1 million).

[11] Property, plants and equipments

The property, plants and equipments consist of buildings and other structure, leased out products and office equipment.

in euro thousand	31.12.2013	31.12.2012
Buildings and other structures	323	77
Office equipments	267	333
Leased out products	73,724	72,259
Total	**74,314**	**72,669**

Changes in property, plants and equipments during financial year 2013

The movements in the property, plants and equipments during the financial year are as follows:

in euro thousand	Buildings and other structures	Office equipment	Leased out products	Total
Cost				
Balance at 31 December 2012	288	1,080	132,380	**133,748**
Additions	698	155	32,012	**32,865**
Disposals	(48)	(563)	(37,229)	**(37,840)**
Balance at 31 December 2013	**938**	**672**	**127,163**	**128,773**
Accumulated depreciation and provisions				
Balance at 31 December 2012	(211)	(747)	(60,121)	**(61,079)**
Depreciation	(404)	342	15,998	**15,936**
Leasing down payment			(9,316)	**(9,316)**
Balance at 31 December 2013	**(615)**	**(405)**	**(53,439)**	**(54,459)**
Carrying amount				
Balance at 31 December 2012	77	333	72,259	72,669
Balance at 31 December 2013	**323**	**267**	**73,724**	**74,314**

Changes in property, plants and equipments during financial year 2012

The movements in the property, plants and equipments during the financial year are as follows:

in euro thousand	Buildings and other structures	Office equipment	Leased out products	Total
Cost				
Balance at 31 December 2011	262	1,167	141,149	**142,578**
Additions	26	94	19,939	**20,059**
Disposals	–	(181)	(28,708)	**(28,889)**
Balance at 31 December 2012	**288**	**1,080**	**132,380**	**133,748**
Accumulated depreciation and provisions				
Balance at 31 December 2011	(111)	(502)	(62,366)	**(62,979)**
Depreciation	(100)	(245)	12,588	**12,243**
Leasing down payment			(10,343)	**(10,343)**
Balance at 31 December 2012	**(211)**	**(747)**	**(60,121)**	**(61,079)**
Carrying amount				
Balance at 31 December 2011	151	665	78,783	79,599
Balance at 31 December 2012	**77**	**333**	**72,259**	**72,669**

Leased out products

The Company, as lessor, leases out assets (predominantly vehicles and motorcycles) as part of its financial services business. The lease payments of euro 116.3 million (2012: euro 121.5 million) from non-cancellable operating leases mature as follows:

in euro thousand	31.12.2013	31.12.2012
Within one year	31,970	35,577
Between one and five years	84,357	85,967
Later than five years	–	–
Total leased products	**116,327**	**121,544**

The agreements have, in part, extension and purchase options as well as price escalation clauses.

[12] Equity investments

The following table shows the Company's equity investments in associates:

Name	Country of incorporation	Proportion of issued capital held	31.12.2013	31.12.2012
Silent partnership with BMW Holding B.V.	Spain	28%	87,182	87,182
Balance at end year			**87,182**	**87,182**

Change in investments:

In euro thousand	2013	2012
Balance at beginning of year	87,182	87,417
Capital injections	–	(235)
Balance at end of year	**87,182**	**87,182**

In December 2004 BMW España Finance S.L. (managing partner) and BMW Holding B.V. (silent partner) entered into a silent partnership agreement according to Spanish law ("Contrato de Cuentas en Participacion" ("CCP"). The net income/loss will be shared between the partners based on their contribution, meaning that the Company will receive 28% of the results. In 2005 BMW Holding B.V. contributed in kind its subsidiary BMW España Finance S.L. in BMW Finance N.V. for euro 47.6 million, being the book value.

Based on the silent partnership agreement the Company has no significant influence over their share in the equity investments included in the CCP. The investment in the silent partnership is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Company's share of the profit or loss of the investee after the date of acquisition. Until now no changes in equity have occurred.

The estimated fair value of the Company's interest in the CCP based on the Company's 28% share in the investments' net asset value amounts to euro 150.9 million as at 31 December 2013, which exceeds the above-mentioned book value by approximately euro 63.7 million. The net asset value has been calculated in accordance with IFRS.

[13] Receivables from BMW Group companies

in euro thousand	31.12.2013	31.12.2012
Non-current from BMW Group companies	8,780,202	8,660,271
Current receivables from BMW Group companies	20,832,005	19,479,618
Total receivables from BMW Group companies	**29,612,207**	**28,139,889**

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

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

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

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
31.12.2013	20,832,005	8,426,489	353,713	**29,612,207**
31.12.2012	19,479,618	8,092,150	568,121	**28,139,889**

[14] Receivables from sales financing

The carrying amount of operational lease receivables comprises of:

in euro thousand	Carrying amount 31.12.2013	Fair value 31.12.2013	Carrying amount 31.12.2012	Fair value 31.12.2012
Due within one year	1,827	440	2,226	581
Due between one and five years	–	–	44	30
Due later than five years	–	–	–	–
Gross financial lease receivables	**1,827**	**440**	**2,270**	**611**
Specific provision	(1,382)		(1,651)	
General provision	(5)		(8)	
Net financial lease receivables	**440**		**611**	

There are no guaranteed residual values that fall to the benefit of the lessor. Provisions were measured and recognised on the basis of specific credit risks. Early redemption of lease payments is possible under certain conditions. As at 31 December 2013 the contingent interest income amounts to euro 12 thousand (2012: euro 13 thousand).

[15] Marketable securities

The Company had Class B notes amounting to euro 58 million of the euro 800 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 last principal payment is done in February 2013. Therefore the value of the marketable security at 31 December 2013 is nil (2012: euro 47 million).

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.

Overview marketable securities per 31 December 2013:

in euro thousand	Outstanding in in CHF	Outstanding in in EUR	maturity period (in years)	interest rates (in %)
Class B notes	57,900	46,500	9.38	1.4
Class Z notes	21,600	17,347	9.38	1.5
Total	**79,500**	**63,847**		

Overview marketable securities per 31 December 2012:

in euro thousand	Outstanding in in EUR	maturity period (in years)	interest rates (in %)
Class B notes	47,050	5.04	1month Euribor + spread 1.05%
Total	**47,050**		

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.

[16] Inventories

Inventories comprise the following:

in euro thousand	31.12.2013	31.12.2012
New vehicles	34,772	28,884
New motorcycles	1,176	1,354
Second hand vehicles and motorcycles	6,164	6,157
Vehicle and motorcycle parts	75	129
Total inventories	**42,187**	**36,524**
Provisions for obsolete vehicles, motorcycles and parts	(2,376)	(2,295)
Net realisable value	**39,811**	**34,229**

[17] Interest receivables and other receivables

in euro thousand	31.12.2013	31.12.2012
Interest receivables third parties	20,134	407,321
Other receivables	15,652	45,860
Leasing prepayments	5,160	4,528
Total	**40,946**	**457,709**

Interest receivables due by third parties includes accrued interest on derivatives entered into by the Company. In 2013 the accrued interest on derivatives is reclassified to derivative assets. Other receivables comprises primarily of trade receivables in the automotive operating segment. Leasing prepayments mainly relate to advances of operating lease payments. The interest receivables and other receivables have a maturity of less than one year.

[18] Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months and are freely disposable to the Company.

in euro thousand	31.12.2013	31.12.2012
Bank balances	19,671	10,416
Call deposits	–	–
Total	**19,671**	**10,416**

In 2012 BMW Finance started participating in the Global Payment Platform from BMW AG. Therefore a part of the cash position with the external bank is reflected in an Inhousebank position with BMW AG. The balance is accounted for as intercompany receivable.

[19] Deferred taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

in euro thousand	31.12.2013	31.12.2012
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	–	–
Deferred tax asset to be recovered within 12 months	1,262	1,718
Total deferred tax assets	**1,262**	**1,718**
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	–	–
Deferred tax liabilities to be recovered within 12 months	(285)	(4,377)
Total deferred tax liabilities	**(285)**	**(4,377)**
Net asset/(liability)	**977**	**(2,659)**

Deferred tax assets and liabilities at 31 December are attributable to the following temporary differences:

in euro thousand	31.12.2013	31.12.2012
Investments	(285)	(4,377)
Derivatives	352	560
Other liabilities	910	1,158
Net asset/(liability)	**977**	**(2,659)**
Reconciliation to the deferred taxes recognised in the balance sheet:		
Deferred tax asset	1,262	1,718
Deferred tax liability	(285)	(4,377)
Total	**977**	**(2,659)**

Deferred tax recognized in the consolidated statement of comprehensive income 2013:

in euro thousand	Investments	Derivatives	Other liabilities	**Net asset/(liability)**
Balance at beginning of the year	(4,377)	560	1,158	**(2,659)**
Income statement	4,092	–	–	**4,092**
Other comprehensive income	–	(208)	–	**(208)**
Other liabilities	–	–	(248)	**(248)**
Balance at end of the year	(285)	352	910	**977**

A deferred tax asset has been recognised for the carry-forward of unused tax losses and unused tax credits of the companies in the silent partnership. The deferred tax asset with respect to other liabilities relate to temporary differences in other liabilities that are considered locally as non-deductable tax expenses. Deferred taxes for derivatives relate to the revaluation of derivative financial instruments included in a cash flow hedge relationship. The cash flow hedge derivatives (including deferred taxes) recognised directly against equity amount to euro 1.1 million (2012: euro 1.7 million).

[20] Issued capital

Authorised share capital consists of 5,000 ordinary shares of euro 500 each of which 3,500 shares have been called up and fully paid-in. The holders of ordinary shares are entitled to execute the rights under The Netherlands Civil Code without any restrictions. In comparison with the year-end 2012, there were no changes in these figures. The Company generated an earning per share of euro 9,713 (2012: euro 12,596 negative).

[21] Share premium reserve

The share premium reserve comprises additional paid-in capital on the issue of the shares.

[22] Hedging reserve

At 31 December 2013, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to euro 1.1 million negative (2012: euro 1.7 million negative) net of deferred taxes. The hedging reserve as at 31 December 2013 is related to cash flow hedges.

[23] Non-controlling interest

BMW España Finance SL. holds 99.8% of BMW (Portugal) Lda., which holds 99.8% of the shares of BMW Renting Portugal Lda. The remaining shares of BMW (Portugal) Lda. and BMW Renting Portugal Lda. are held by BMW Group AG.

[24] Debt securities

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

in euro thousand	31.12.2013	31.12.2012
Debt securities part of a fair value hedge relationship	15,781,702	16,636,163
Debt securities part of a cash flow hedge relationship	360,107	541,486
Debt securities at amortised cost	5,621,774	2,723,206
Commercial paper	2,612,090	2,174,817
Total	**24,375,673**	**22,075,672**

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

Interest	Currency	Issue volume in millions	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	2,975	2.2	0.5
Variable	GBP	100	1.0	0.7
Variable	HKD	300	3.0	1.3
Variable	JPY	3,500	3.0	0.8
Variable	SEK	1,800	2.0	1.4
Variable	USD	605	1.7	0.6
Fixed	AUD	600	3.5	4.9
Fixed	CHF	300	6.0	1.7
Fixed	EUR	13,494	6.4	3.2
Fixed	GBP	1,050	6.0	3.0
Fixed	HKD	836	3.0	2.0
Fixed	JPY	15,000	3.0	0.4
Fixed	NOK	6,400	3.1	3.7
Fixed	NZD	100	3.0	4.8
Fixed	SEK	1,000	3.0	3.8

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

The EMTN Programme of a total of euro 35.0 billion has been used in several currencies by the Company. In 2013 the Company issued 35 notes (2012: 27 notes) with an equivalent of euro 5.9 billion (2012: euro 6.1 billion). 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 at year-end are fully related to the euro 5.0 billion Multi-Currency Commercial Paper Program. The average maturity and interest rates are presented in the table below:

Euro 5.0 billion Multi-Currency Commercial Paper Program outstanding balance

in euro thousand	Outstanding		Weighted average maturity period (in years)		Weighted average interest rates (in %)	
	2013	2012	2013	2012	2013	2012
Total	**2,612,090**	**2,174,817**	**0.21**	**0.09**	**0.26**	**0.17**

[25] Loans due to banks

The average maturity and interest rates are presented in the table below:

	Outstanding		Weighted average maturity period (in years)		Weighted average interest rates (in %)	
in euro thousand	2013	2012	2013	2012	2013	2012
Total	**2,316,123**	**3,454,701**	**6.31**	**5.64**	**0.76**	**1.49**

[26] Liabilities due to BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
31.12.2013	2,938,560	85,000	–	**3,023,560**
31.12.2012	3,090,877	31,000	–	**3,121,877**

From the total liabilities from BMW Group Companies 97% has a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	55,500	1.69	2.17
Liability due to subsidiaries	50,000	1.81	4.57
Liability due to affiliated companies	2,884,956	0.07	0.37
Inhousebank BMW AG	3,786	Daily	EONIA
Cash pool due to group companies	5,342	Daily	EONIA + spread
Trade payables due to BMW group companies	23,976	30 days	none
Total	**3,023,560**		

For the liabilities these figures were during the financial year 2012 as follows:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	55,500	1.45	2.52
Liability due to affiliated companies	2,747,949	0.05	0.30
Inhousebank BMW AG	37,119	Daily	EONIA
Cash pool due to group companies	264,524	Daily	EONIA + spread
Trade payables due to BMW group companies	16,785	30 days	none
Total	**3,121,877**		

[27] Employee benefits

The Company participates in a defined benefit plan (final salary pension plan) which is sponsored by BMW Nederland B.V. who in turn is a wholly owned subsidiary of BMW Holding B.V. This pension plan ("Group plan") provides pension benefits for employees upon retirement.

According to IAS 19, BMW Nederland B.V. recognises the remeasurements immediately in the Statement of Comprehensive Income. Since the Company participates in the Group plan the actual pension costs as charged by BMW Nederland B.V. are recognised in income statement in 2013 for euro 54 thousand (2012: euro 80 thousand). No stated policy is in place between the Company and BMW Nederland B.V. with respect to the allocation of and accounting for the Group plan's net pension costs.

BMW España Finance S.L., BMW Portugal Lda., BMW Renting (Portugal) Lda. participate in a defined contribution plan. In 2013 the amount of contributions was euro 109 thousand (2012: euro 73 thousand).

[28] Income tax liabilities

Income tax liabilities primarily comprises of VAT and automotive taxes liabilities of BMW Portugal Lda. and BMW Renting (Portugal) Lda.

[29] Interest payables and other liabilities

in euro thousand	31.12.2013	31.12.2012
Interest payables to third parties	375,411	524,056
Other liabilities	57,489	45,195
Total	**432,900**	**569,251**

Interest payables to third parties are related to debt securities and interest rate swaps entered into by the Company for hedging purposes. In 2013 the accrued interest on derivatives is reclassified to derivative liabilities.

[30] Financial Instruments

The carrying amounts and fair values of financial instruments are analysed below by IAS 39 category. The derivatives that are part of a hedge relationship are recorded in the respective hedge accounting category:

31 December 2013 in euro thousand	Loans and receivables	Assets at fair value trough profit and loss	Derivatives used for hedging		Total
			Cash flow hedges	Fair Value hedges	
Assets					
Derivate instruments	–	168,841	–	697,419	**866,260**
Marketable securities	63,847	–	–	–	**63,847**
Receivables from sales financing	440	–	–	–	**440**
Interest and other Receivables	40,946	–	–	–	**40,946**
Cash and Cash equivalents	19,671	–	–	–	**19,671**
Receivables from BMW group companies	29,612,207	–	–	–	**29,612,207**
Total of financial assets	**29,737,111**	**168,841**	**–**	**697,419**	**30,603,371**

31 December 2013 in euro thousand	Other financial liabilities at amortised cost	Liabilities at fair value trough profit and loss	Derivatives used for hedging		Total
			Cash flow hedges	Fair Value hedges	
Liabilities					
Debt securities	8,593,971	15,781,702	–	–	**24,375,673**
Loans due to banks	2,244,450	71,673	–	–	**2,316,123**
Derivative instruments	–	229,633	27,421	118,815	**375,869**
Interest and other liabilities	432,900	–	–	–	**432,900**
Liabilities due to group companies	3,023,560	–	–	–	**3,023,560**
Total of financial liabilities	**14,294,881**	**16,083,008**	**27,421**	**118,815**	**30,524,125**

31 December 2012 in euro thousand	Loans and receivables	Assets at fair value trough profit and loss	Derivatives used for hedging		Total
			Cash flow hedges	Fair Value hedges	
Assets					
Derivate instruments	–	71,024	8,616	927,746	**1,007,386**
Marketable securities	47,050	–	–	–	**47,050**
Receivables from sales financing	611	–	–	–	**611**
Other Receivables	457,709	–	–	–	**457,709**
Cash and Cash equivalents	10,416	–	–	–	**10,416**
Receivables from BMW group companies	28,139,889	–	–	–	**28,139,889**
Total of financial assets	**28,655,675**	**71,024**	**8,616**	**927,746**	**29,663,061**

31 December 2012 in euro thousand	Other financial liabilities at amortised cost	Liabilities at fair value trough profit and loss	Derivatives used for hedging		Total
in euro thousand			Cash flow hedges	Fair Value hedges	
Liabilities					
Debt securities	5,439,509	16,636,163	–	–	**22,075,672**
Loans due to banks	3,082,548	372,153	–	–	**3,454,701**
Derivative instruments	–	294,483	24,959	75,851	**395,293**
Other liabilities	569,251	–	–	–	**569,251**
Liabilities due to group companies	3,121,877	–	–	–	**3,121,877**
Total of financial liabilities	**12,213,186**	**17,302,799**	**24,959**	**75,851**	**29,616,794**

Debt securities that are part of a fair value hedge relationship are presented in the category liabilities at fair value trough profit and loss.

Fair value measurement of financial instruments
The fair values shown are computed using market information available at the balance sheet date using appropriate measurement methods, e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 December 2013 on the basis of the following interest rates:

%	EUR	USD	JPY	CHF	GBP
Interest rate for 6 months	0.39	0.35	0.21	0.08	0.62
Interest rate for one year	0.40	0.31	0.21	0.09	0.71
Interest rate for five years	1.26	1.78	0.40	0.75	2.14
Interest rate for 10 years	2.16	3.07	0.93	1.64	2.99

Interest rates taken from interest rate curves were adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument. Derivative financial instruments are measured at their fair value. The fair values of derivative 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. measured 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 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	–

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

	Level hierarchy in accordance with IFRS 13		
In euro thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Cash flow hedges	–	8,616	–
Fair value hedges	–	927,745	–
Other derivative instruments	–	71,024	–
Derivative instruments (liabilities)			
Cash flow hedges	–	24,959	–
Fair value hedges	–	75,851	–
Other derivative instruments	–	294,483	–

There were no significant reclassifications within the level hierarchy during 2013.

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 with a fixed interest rate. At 31 December 2013, the indicative fair value of these loans was euro 28,121 million, euro 490.1 million above their carrying value (2012: euro 533.6 million).

The fair value of the non-current debt securities, including the BMW credit spread and movements in interest rate curves was euro 15,423 million, euro 331.8 million above their carrying value. For the current debt securities the fair value approximate the carrying value.

The notional amounts and fair values of derivative financial instruments of the Company are shown in the following analysis. In accordance with internal guidelines, the nominal amounts of the derivative financial instruments correspond to the volume of the hedged items.

in euro thousand	Notional amount 31.12.2013	Fair value amount 31.12.2013	Notional amount 31.12.2012	Fair value amount 31.12.2012
Assets				
Foreign currency derivatives	11,642,835	190,205	4,718,326	272,914
Interest rate derivatives	12,126,525	676,055	13,433,000	734,472
Total	**23,769,360**	**866,260**	**18,151,326**	**1,007,386**
Liabilities				
Foreign currency derivatives	24,594,386	317,607	5,343,810	306,665
Interest rate derivatives	8,776,500	58,262	7,485,000	88,628
Total	**33,370,886**	**375,869**	**12,828,810**	**395,293**

Gains and losses of financial instruments

The following table shows the net gains and losses arising for each of the categories of financial instruments defined by IAS 39:

in euro thousand	2013	2012
Fair value trough profit and loss	39,351	(68,065)
Ineffective portion of cash flow hedges	269	1,496
Ineffective portion of fair value hedges	(9,132)	(16,435)
Result from financial transactions	**30,488**	**(83,004)**

Gains/losses from the use of derivatives relate primarily to fair value gains or losses arising on derivatives not being part to a hedge relationship but residual portfolio risk.

The following table shows gains and losses on hedging instruments and hedged items which are deemed to be part of fair value hedge relationship:

in euro thousand	2013	2012
Revaluation on hedging instruments	(424.729)	228,249
Profit/loss from hedged items	415,597	(244,684)
Ineffective portion of fair value hedges	**(9,132)**	**(16,435)**

The difference between the gains/losses on hedging instruments and the result recognised on hedged items represents the ineffective portion of fair value hedges and cash flow hedges. Fair value hedges are mainly used to hedge interest rate risk, fair value risk, and foreign currency risk on bonds and other financial liabilities.

IAS 39, Financial Instruments Recognition and Measurement, requires that all derivative instruments are recorded on the balance sheet at their respective fair values. In the case that hedge accounting is applied and that a hedge is a fair value hedge, the results of the fair value measurement of the derivative financial instrument and of the related hedged item are recognised in the income statement. Furthermore, when contrary to the normal case within the Company, hedge accounting cannot be applied; the gains and losses from the fair value instruments are recognised immediately in the income statement. This can lead to significant fluctuations in the position "Net realised fair value measurement of financial instruments" on the income statement.

Cash flow hedges

The effect of cash flow hedges on equity was as follows:

in euro thousand	2013	2012
Balance at 1 January	1,680	(1,006)
Total changes during the year	(831)	(899)
of which recognised in the income statement during the period under report	269	1,496
Balance at 31 December	**849**	**(1,905)**
Deferred tax on cash flow hedge derivatives	208	225
Net unrealised fair value of cash flow hedge derivatives recognised in equity	**1,057**	**1,680**

During the period under report, expenses were recognised in the income statement to reflect the ineffective portion of cash flow hedges. Any fair value effects within equity are expected to be offset by future cash flows. At 31 December 2013, the company held derivative instruments with terms of up to 19 months (2012: 31 months) to hedge currency risk and interest rate risk attached to future cash flows of bonds and other financial liabilities.

Offsetting of financial instruments

The offsetting of the financial assets and liabilities for derivatives with external parties of the Company is taken into account. A balance sheet netting does not occur due to non fulfillment of necessary conditions. Enforceable master netting agreement or similar agreement exist. However the assets and liabilities covered by the master netting agreement have not been offset in the balance sheet. For example, in the case of insolvency, would netting be possible in principle. This would have an impact on the balance sheet values of the derivatives:

in euro thousand	31.12.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilities
Gross amounts as presented in the balance sheet	866,260	(375,869)	1,007,386	(395,293)
Possible netting in case of insolvency	(247,389)	247,389	(268,206)	268,206
Net value of derivatives	**618,871**	**(128,480)**	**739,180**	**(127,087)**

[31] 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 Groups' exposure to each of the above risks, the BMW Groups' 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 maximum exposure to credit risk at reporting date was:

in euro thousand	31.12.2013	31.12.2012
Loans and Receivables		
Receivables from BMW Group companies	29,612,207	28,139,889
Interest receivables and other receivables	40,946	457,709
Marketable securities	63,847	47,050
Receivables from sales financing	440	611
Cash and Cash equivalents	19,671	10,416
Derivative assets	866,260	1,007,386
Gross exposure	**30,603,371**	**29,663,061**
Guaranteed by BMW AG	28,077,948	26,353,687
ISDA Agreement (netting with liability derivative positions)	247,389	268,206
Residual maximum exposure	**2,278,034**	**3,041,168**

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 as disclosed in note 14. 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 BMW 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 following table shows the undiscounted maturity structure of the financial liabilities:

31 December 2013 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**	**Carrying amount**
Debt securities	9,165,093	8,941,257	6,150,457	**24,256,807**	**24,375,673**
Loans due to banks	767,000	1,150,000	375,000	**2,292,000**	**2,316,123**
Derivative instruments	345,772	549,988	–	**895,760**	**375,869**
Interest payables and other financial liabilities	854,456	1,841,427	702,572	**3,398,455**	**432,900**
Total	**11,132,321**	**12,482,672**	**7,228,029**	**30,843,022**	**27,500,565**

31 December 2012 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**	**Carrying amount**
Debt securities	6,400,929	8,294,312	7,681,543	**22,376,784**	**22,075,672**
Loans due to banks	1,357,084	1,870,637	250,000	**3,477,721**	**3,454,701**
Derivative instruments	240,114	697,703	211,828	**1,149,645**	**395,293**
Interest payables and other financial liabilities	1,038,817	1,849,122	702,551	**3,590,490**	**569,251**
Total	**9,036,944**	**12,711,774**	**8,845,922**	**30,594,640**	**26,494,917**

The maturity analysis comprises undiscounted cash flows. Changes in maturity structure result from exploiting funding opportunities in a tense market.

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

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

Market risk

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

Interest rate risk

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

The fair values of the Company's derivative financial instruments portfolio to manage the interest rate risk of its fixed income financial instruments were as follows at the balance sheet date:

in euro thousand	Notional amount 31.12.2013	Fair value 31.12.2013	Notional amount 31.12.2012	Fair value 31.12.2012
EUR	20,903,025	734,317	20,918,000	823,099

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. 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. Looking at this primary risk measure, the interest rate risk exposure on 31 December 2013 was euro 68,617 negative (2012: euro 242,670 negative), whereby the impact on the P&L is euro 119,249 negative and for effective cash flow hedges the impact on equity is euro 50,632 positive.

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 and cross currency swaps. The Company has minor unhedged foreign currency debt positions. These positions are causing the exchange rate result displayed in the profit and loss account as explained in Note 6.

in thousand (all local currency)	Non derivative financial assets	Non derivative financial liabilities	Derivative financial instruments	Net exposure
AUD	–	(600,000)	600,000	–
CHF	79,500	(300,150)	220,650	–
CZK	475,000	–	(475,091)	(91)
DKK	1,564,000	–	(1,564,175)	(175)
GBP	4,847,000	(3,650,293)	(1,256,530)	(59,823)
HKD	–	(1,136,000)	1,136,000	–
HUF	900,000	–	(905,312)	(5,312)
JPY	–	(28,900,000)	28,900,000	–
NOK	3,431,000	(6,400,000)	2,966,057	(2,943)
NZD	–	(100,000)	100,000	–
RUB	46,550,000	–	(47,591,028)	(1,041,028)
SEK	4,099,500	(2,800,000)	(1,304,284)	(4,784)
USD	32,500	(1,384,050)	1,351,465	(85)
ZAR	2,283,000	–	(2,311,971)	(28,971)

The sensitivity of the Company's results to changes in foreign currencies against the functional currency shows:

Currency	Net exposure in thousand euro equivalent	Effects on result of a 10% rise in the euro against the respective currency
CZK	(3)	–
DKK	(23)	2
GBP	(71,817)	6,529
HUF	(18)	2
NOK	(351)	32
RUB	(22,987)	2,090
SEK	(539)	49
USD	(62)	6
ZAR	(2,002)	182
Total	**(97,802)**	**8,892**

This sensitivity analysis assumes that all other variables, in particular interest rates remain the same.

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.

[32] Capital management

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

[33] Cash Flow

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

The cash flow from interest received/paid in the respective year:

in euro thousand	2013	2012
Interest received	1,303,052	960,335
Interest paid	1,250,655	1,011,342

[34] **Related parties**

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

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

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

The interest rate result was positively affected by a liquidity fee of BMW AG of euro 75.8 million (2012: euro 98.9 million) for maintaining a liquidity buffer for BMW 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 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	2013	2012
Interest income BMW Group companies		514,740	646,301
Interest income Third parties		728,792	373,891
Interest income	[36]	**1,243,532**	**1,020,192**
Interest expense BMW Group companies		(36,600)	(28,301)
Interest expense Third parties		(1,189,348)	(976,144)
Interest expense	[36]	**(1,225,948)**	**(1,004,445)**
Interest margin		**17,584**	**15,747**
Other financial income and expenses	[37]	807	(957)
Result from financial transactions	[38]	29,531	(82,185)
Financial result		**47,922**	**(67,395)**
Miscellaneous income & expenses	[39]	(1,246)	(1,343)
Income before taxation		**46,676**	**(68,738)**
Taxes	[40]	(11,669)	17,770
Net income / (loss)		**35,007**	**(50,968)**

Statement of Comprehensive income

in euro thousand	2013	2012
Net income	**35,007**	**(50,968)**
Other comprehensive income:		
Will be reclassified subsequently to profit and loss		
Effective portion of changes in fair value of cash flow hedges	831	(899)
Deferred tax on other comprehensive income	(208)	225
Other comprehensive income for the period after tax	**623**	**(674)**
Total comprehensive income for the period	**35,630**	**(51,642)**

BMW Finance N.V.
Statement of financial position
As at 31 December (Before appropriation of result)

Assets in euro thousand	Notes	31.12.2013	31.12.2012
Investments in subsidiaries	[41]	62,646	47,646
Receivables from BMW Group companies	[42]	8,735,029	8,660,235
Marketable securities	[15]	63,847	47,050
Derivative assets	[43]	492,002	874,039
Deferred tax	[44]	352	560
Non-current assets		**9,353,876**	**9,629,530**
Receivables from BMW Group companies	[42]	20,724,424	19,324,442
Derivative assets	[43]	376,670	135,128
Interest receivables and other receivables	[45]	29,450	446,959
Cash and cash equivalents	[46]	12,459	–
Current assets		**21,143,003**	**19,906,529**
Total assets		**30,496,879**	**29,536,059**

Equity and liabilities in euro thousand	Notes	31.12.2013	31.12.2012
Issued capital	[20]	1,750	1,750
Share premium reserve	[21]	55,488	55,488
Hedging reserves	[22]	(1,057)	(1,680)
Retained earnings		(14,028)	36,940
Undistributed income		35,007	(50,968)
Equity	[40]	**77,160**	**41,530**
Debt securities	[24]	15,091,473	15,398,890
Loans due to banks	[25]	1,543,013	2,107,279
Liabilities due to BMW Group companies	[48]	50,000	–
Derivative liabilities	[43]	250,406	169,926
Non-current liabilities		**16,934,892**	**17,676,095**
Debt securities	[24]	9,284,200	6,676,782
Loans due to banks	[25]	766,961	1,340,098
Liabilities due to BMW Group companies	[48]	2,930,828	3,051,602
Derivative liabilities	[43]	127,261	225,682
Interest payables and other liabilities	[49]	375,577	524,270
Current liabilities		**13,484,827**	**11,818,434**
Total equity and liabilities		**30,496,879**	**29,536,059**

BMW Finance N.V.
Statement of cash flows

in euro thousand	2013	2012
Net income for the year	35,007	(50,968)
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	623	(674)
Fair value measurement losses/(gains)	(29,531)	82,185
Taxes	208	(225)
Amortisation financial instruments	872	19,513
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(1,474,776)	(2,054,228)
Receivables and other assets	417,509	(86,031)
Derivatives	(249,545)	69,372
Debt securities	2,700,757	(11,049)
Loans due to banks	(1,137,401)	(4,130)
Liabilities to BMW Group companies	(70,773)	1,970,009
Other liabilities	(148,694)	(1,404)
Income tax (paid)/received	–	(17,769)
Cash flow from operating activities	**44,256**	**(85,399)**
Capital injection in equity investments	(15,000)	–
Marketable securities	(16,797)	10,950
Cash flow from investing activities	**(31,797)**	**10,950**
Cash flow from financing activities	**–**	–
Net increase/decrease in cash and cash equivalents	12,459	(74,449)
Cash and cash equivalents at January 1	–	74,449
Cash and cash equivalents at December 31	**12,459**	–

BMW Finance N.V.
Statement of changes in equity

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	**Total**
1 January 2012	**1,750**	**55,488**	**(1,006)**	**98,807**	**(61,867)**	**93,172**
Total result 2012 recognised in the profit and loss account	–	–	–	–	(50,968)	**(50,968)**
Other comprehensive income for 2012	–	–	(674)	–	–	**(674)**
Total comprehensive income in the period	**–**	**–**	**(674)**	**–**	**(50,968)**	**(51,642)**
Appropriation of results 2011	–	–	–	(61,867)	61,867	**–**
Transactions with owners recorded directly in equity	**–**	**–**	**–**	**–**	**–**	**–**
31 December 2012	**1,750**	**55,488**	**(1,680)**	**36,940**	**(50,968)**	**41,530**
Total result 2013 recognised in the profit and loss account	–	–	–	–	35,007	**35,007**
Other comprehensive income for 2013	–	–	623	–	–	**623**
Total comprehensive income in the period	**–**	**–**	**623**	**–**	**35,007**	**35,630**
Appropriation of results 2012	–	–	–	(50,968)	50,968	**–**
Transactions with owners recorded directly in equity	**–**	**–**	**–**	**–**	**–**	**–**
31 December 2013	**1,750**	**55,488**	**(1,057)**	**(14,028)**	**35,007**	**77,160**

[35] 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.

Information regarding the Company's interest in the net asset value and its share in the earnings of BMW Group companies is given in note 12.

[36] Interest income and expense

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

in euro thousand	2013	2012
Interest income on financial assets at amortised cost	856,637	656,380
Interest income on financial assets at fair value	386,895	363,812
Interest Income	**1,243,532**	**1,020,192**
Interest expense on financial liabilities at amortised cost	(614,923)	(326,821)
Interest expense on financial liabilities at fair value	(611,025)	(677,624)
Interest Expense	**(1,225,948)**	**(1,004,445)**
Interest margin	**17,584**	**15,747**

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 a liquidity fee of euro 75,8 million (2012: euro 98.9 million) to incorporate the maturity mismatch on the portfolio. The liquidity fee is presented as interest income on financial assets at amortised cost.

[37] Other financial income and expenses

The item comprises a gain of euro 0.8 million (2012: loss euro 1.0 million) due to exchange rate differences related mainly to unhedged liabilities.

All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives.

[38] Result from financial transactions

in euro thousand	2013	2012
Ineffective portion of instruments included in a hedge relationship	(8,863)	(15,188)
Revaluation of derivatives not included in a hedge relationship	38,394	(66,997)
Total	**29,531**	**(82,185)**

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio (see note 43). The result from financial transactions increased significantly due to increased interest rates in 2013.

[39] Miscellaneous income & expenses

in euro thousand	2013	2012
Salaries & social security charges	(870)	(769)
Pension costs defined benefit	(54)	(80)
Advisory	(200)	(334)
Other miscellaneous income & expenses	(122)	(160)
Total	**(1,246)**	**(1,343)**

With reference to Section 2:382a(3) of the Netherlands Civil Code, the fees for the financial year that have been charged by KPMG Accountants N.V. and PricewaterhouseCoopers Accountants N.V. to the company, its subsidiaries and other consolidated entities are not disclosed as the financial figures of the Company are integrated in the consolidated financial statements of BMW AG.

[40] Taxes

Income taxes comprise the following:

in euro thousand	2013	2012
Current tax income/(expense)	(11,669)	17,770
Deferred tax income/(expense)	–	–
Total tax income/(expense) in income statement	**(11,669)**	**17,770**

Reconciliation of the effective tax expense:

in euro thousand		2013		2012
Income before tax		46,676		(68,738)
Income tax using the domestic corporate tax rate	25%	(11,669)	25%	17,184
Tax charges relating to other periods		–		586
Total tax income/(expense) in income statement		**(11,669)**		**17,770**
Effective tax rate		**25.0%**		**25.9%**

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 9.

[41] Investments in subsidiaries

The company has the following investments in BMW Group and associate companies carried at cost:

In euro thousand	Country		31.12.2013	31.12.2012
BMW España Finance S.L.	Spain	100%	62,646	47,646
Total			**62,646**	**47,646**

Change in investments:

in euro thousand	2013	2012
Balance at beginning of the year	47,646	47,646
Capital injection	15,000	–
Acquisitions	–	–
Total tax income/(expense) in income statement	**62,646**	**47,646**

The Company's interest in the net asset value of the BMW Group companies amounts to approximately euro 254.8 million as at 31 December 2013, which exceeds the above-mentioned book value by approximately euro 192.2 million (2012: euro 192.1 million). This interest in the net asset value has been calculated in accordance with the principles as applied in the aggregation of the accounts of the BMW Group of companies.

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

in euro thousand	31.12.2013	31.12.2012
Non-current from BMW Group companies	8,735,029	8,660,235
Current receivables from BMW Group companies	20,724,424	19,324,442
Total receivables from BMW Group companies	**29,459,453**	**27,984,677**

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

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

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

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2013	20.724.424	8.381.316	353.713	**29,459,453**
31.12.2012	19,324,442	8,092,114	568,121	**27,984,677**

[43] Financial Instruments

The carrying amounts and fair values of financial instruments are analysed below by IAS 39 category. The derivatives that are part of a hedge relationship are recorded in the respective hedge accounting category:

31 December 2013 in euro thousand	Loans and receivables	Assets at fair value trough profit and loss	Derivatives used for hedging		Total
			Cash flow hedges	Fair Value hedges	
Assets					
Derivate instruments	–	171,253	–	697,419	**868,672**
Marketable securities	63,847	–	–	–	**63,847**
Interest and other Receivables	29,450	–	–	–	**29,450**
Cash and Cash equivalents	12,459	–	–	–	**12,459**
Receivables from BMW group companies	29,459,453	–	–	–	**29,459,453**
Total of financial assets	**29,565,209**	**171,253**	**–**	**697,419**	**30,433,881**

31 December 2013 in euro thousand	Other financial liabilities at amortised cost	Liabilities at fair value trough profit and loss	Derivatives used for hedging		Total
			Cash flow hedges	Fair Value hedges	
Liabilities					
Debt securities	8,593,971	15,781,702	–	–	**24,375,673**
Loans due to banks	2,238,301	71,673	–	–	**2,309,974**
Derivative instruments	–	231,431	27,421	118,815	**377,667**
Interest and other liabilities	375,577	–	–	–	**375,577**
Liabilities due to group companies	2,980,828	–	–	–	**2,980,828**
Total of financial liabilities	**14,188,677**	**16,084,806**	**27,421**	**118,815**	**30,419,719**

31 December 2012 in euro thousand	Loans and receivables	Assets at fair value trough profit and loss	Derivatives used for hedging		Total
			Cash flow hedges	Fair Value hedges	
Assets					
Derivate instruments	–	72,806	8,616	927,745	**1,009,167**
Marketable securities	47,050	–	–	–	**47,050**
Other Receivables	446,959	–	–	–	**446,959**
Receivables from BMW group companies	27,984,677	–	–	–	**27,984,677**
Total of financial assets	**28,478,687**	**72,806**	**8,616**	**927,745**	**29,487,853**

31 December 2012 in euro thousand	Other financial liabilities at amortised cost	Liabilities at fair value trough profit and loss	Derivatives used for hedging		Total
			Cash flow hedges	Fair Value hedges	
Liabilities					
Debt securities	5,439,509	16,636,163	–	–	**22,075,672**
Loans due to banks	3,075,224	372,153	–	–	**3,447,377**
Derivative instruments	–	294,798	24,959	75,851	**395,608**
Other liabilities	524,270	–	–	–	**524,270**
Liabilities due to group companies	3,051,602	–	–	–	**3,051,602**
Total of financial liabilities	**12,090,605**	**17,303,114**	**24,959**	**75,851**	**29,494,529**

Debt securities that are part of a fair value hedge relationship are presented in the category liabilities at fair value trough profit and loss.

[44] Deferred taxes

Deferred tax assets and liabilities at 31 December are attributable to the following temporary differences:

in euro thousand	31.12.2013	31.12.2012
Derivatives	352	560
Total	**352**	**560**

Deferred taxes for derivatives relate to the revaluation of derivative financial instruments included in a cash flow hedge relationship. The cash flow hedge derivatives (including deferred taxes) recognised directly against equity amount to euro 1.1 million (2012: euro 1.7 million).

The changes during the financial year in the deferred tax assets/liabilities were as follows:

in euro thousand	
Balance at beginning of the year	**560**
Change as a result of temporary differences in the financial year recognised directly in equity	(208)
Balance at end of the year	**352**

[45] Interest receivables and other receivables

in euro thousand	31.12.2013	31.12.2012
Trade receivables from third parties	9,316	39,637
Interest receivables from third parties	20,134	407,322
Total	**29,450**	**446,959**

[46] Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months and are freely disposable to the Company.

in euro thousand	31.12.2013	31.12.2012
Bank balances	12,459	–
Call deposits	–	–
Total	**12,459**	**–**

In 2013 BMW Finance started participating in the Global Payment Platform from BMW AG. Therefore a part of the cash position with the external bank is reflected in an Inhousebank position with BMW AG. The balance is accounted for as intercompany receivable.

[47] Reconciliation between Statutory equity and consolidated equity

in euro thousand	31.12.2013	31.12.2012
Statutory equity	77,160	41,530
Accumulated results of previous years for consolidated companies	184,731	176,738
Results of consolidated companies for the year then ended	(1,012)	6,904
Non-controlling interest	80	97
Consolidated equity	**260,959**	**225,269**

The difference between the cost value of the Company's investments and the net equity value are accounted for in the retained earnings reserve and undistributed income for the result over financial year 2013.

Non-controlling interest relates to BMW Group AG, which holds the remaining shares of BMW (Portugal) Lda. and BMW Renting Portugal Lda. are held by BMW Group AG.

[48] Liabilities due to BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
31.12.2013	2,930,828	50,000	–	**2,980,828**
31.12.2012	3,051,602	–	–	**3,051,602**

From the total liabilities from BMW Group Companies 96% has a fixed interest rate. The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies in 2013 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	12,221	30 days	none
Liability due to subsidiaries	30,000	0.07	0.11
Liability due to affiliated companies	2,921,919	0.10	0.37
Inhousebank BMW AG	3,786	Daily	EONIA
Cash pool due to BMW Group companies	5,342	Daily	EONIA + spread
Trade payables due to BMW group companies	7,560	30 days	none
Total	**2,980,828**		

The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies are in 2012:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to affiliated companies	2,747,949	0.05	0.30
Inhousebank BMW AG	37,119	Daily	EONIA
Cash pool due to BMW Group companies	264,524	Daily	EONIA + spread
Trade payables due to BMW group companies	2,010	30 days	none
Total	**3,051,602**		

[49] Interest payables and other liabilities

in euro thousand	31.12.2013	31.12.2012
Interest payables to third parties	375,378	524,035
Other liabilities	199	235
Total	**375,577**	**524,270**

The Hague, 31 March 2014

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

BMW Finance N.V.
Other information

Auditor's opinion
The independent auditor's report is added to page 58.

Statutory rules as to appropriation of result
According to article 9 of the articles of association, undistributed income is at the disposition of the General Meeting of Shareholders.

Appropriation of result
The appropriation of the result for the year 2012 amounting to euro 50,968 thousand has been endorsed by the General meeting of Shareholders dated June 14, 2013.

Proposed appropriation of result
The Board of Directors proposes the addition of the net profit for the year 2013 amounting to euro 35,007 thousand to the retained earnings.

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 Annual 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, 31 March 2014

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

BMW Finance N.V.
Auditor's report

Independent auditor's report
To: the Shareholders of BMW Finance N.V.

Report on the financial statements
We have audited the accompanying financial statements 2013 of BMW Finance N.V., the Hague, which comprise the consolidated and company statement of financial position as at 31 December 2013, the consolidated and company statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of BMW Finance N.V. as at 31 December 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, 31 March 2014

PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.P.A. Corver RA