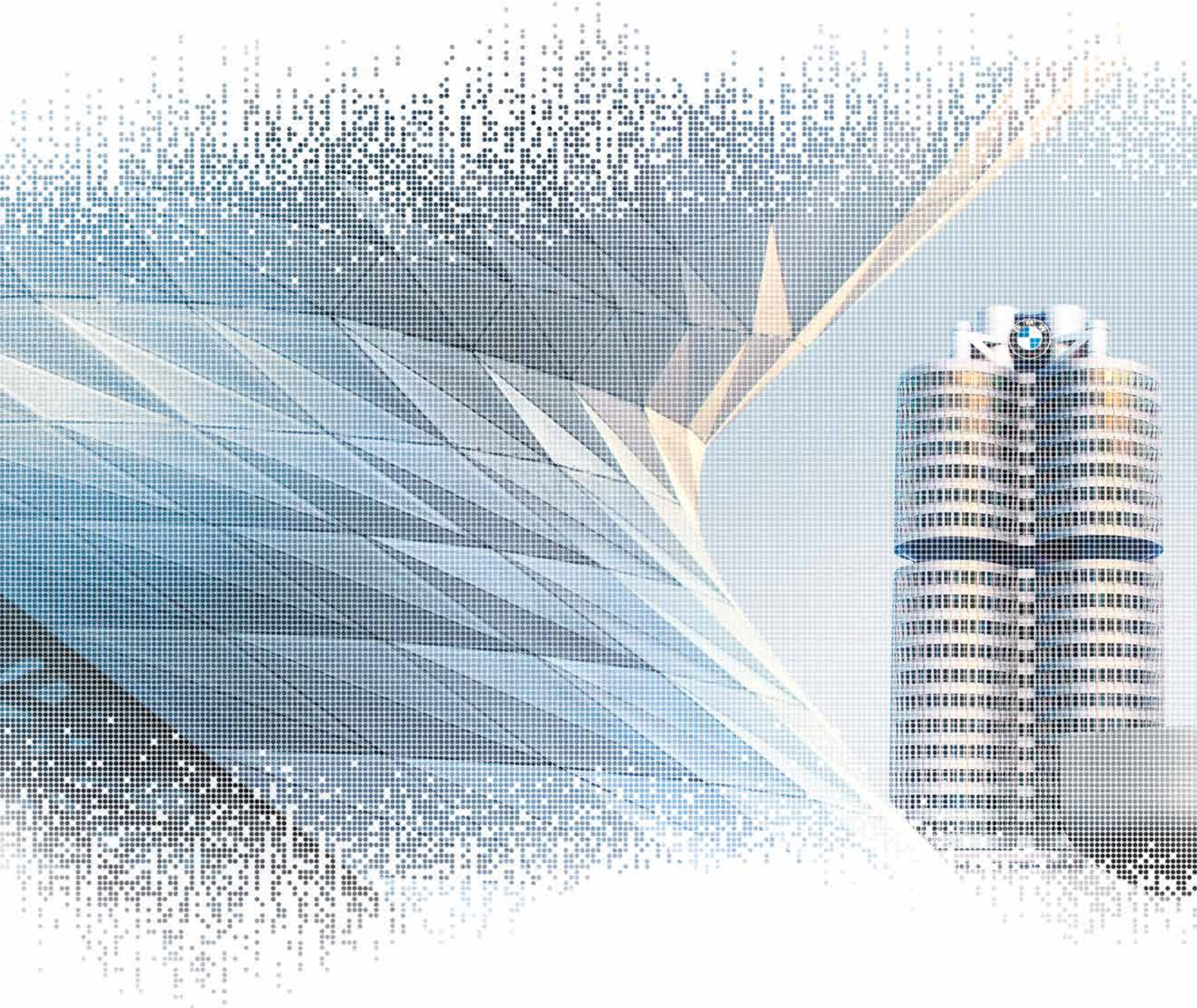
ANNUAL REPORT
2013



BMW
GROUP

Rolls-Royce
Motor Cars Limited

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BMW Group in figures

	2009	2010	2011	2012	**2013**	Change in %
Automotive segment						
Sales volume						
BMW[1]	1,068,770	1,224,280	1,380,384	1,540,085	**1,655,138**	7.5
MINI	216,538	234,175	285,060	301,526	**305,030**	1.2
Rolls-Royce	1,002	2,711	3,538	3,575	**3,630**	1.5
Total	**1,286,310**	**1,461,166**	**1,668,982**	**1,845,186**	**1,963,798**	**6.4**
Production volume						
BMW[2]	1,043,829	1,236,989	1,440,315	1,547,057	**1,699,835**	9.9
MINI	213,670	241,043	294,120	311,490	**303,177**	–2.7
Rolls-Royce	918	3,221	3,725	3,279	**3,354**	2.3
Total	**1,258,417**	**1,481,253**	**1,738,160**	**1,861,826**	**2,006,366**	**7.8**
Motorcycles segment						
Sales volume[3]						
BMW	87,306	98,047	104,286	106,358	**115,215**	8.3
Production volume[4]						
BMW	82,631	99,236	110,360	113,811	**110,127**	–3.2
Financial Services segment						
New contracts with retail customers	1,015,833	1,083,154	1,196,610	1,341,296	**1,471,385**	9.7
Workforce at end of year[5]						
BMW Group	96,230	95,453	100,306	105,876	**110,351**	4.2

[1] Including automobiles from the joint venture BMW Brilliance (2009: 43,702 units, 2010: 53,701 units, 2011: 94,400 units, 2012: 141,165 units, 2013: 198,542 units).
[2] Including automobiles from the joint venture BMW Brilliance (2009: 35,952 units, 2010: 55,588 units, 2011: 98,241 units, 2012: 150,052 units, 2013: 214,920 units).
[3] Excluding Husqvarna, sales volume up to 2013: 59,776 units.
[4] Excluding Husqvarna, production up to 2013: 59,426 units.
[5] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.

BMW Group in figures

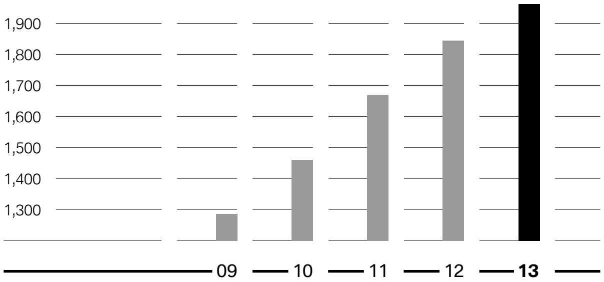
	2009	2010	2011	2012	**2013**	Change in %
Financial figures						
in € million						
Capital expenditure	3,471	3,263	3,692	5,240	**6,687**	**27.6**
Depreciation and amortisation	3,600	3,682	3,646	3,541	**3,739**	**5.6**
Operating cash flow[1]	4,921	8,149	8,110	9,167	**9,450**	**3.1**
Revenues	**50,681**	**60,477**	**68,821**	**76,848**	**76,058**	**–1.0**
Automotive	43,737	54,137	63,229	70,208	**70,629**	0.6
Motorcycles	1,069	1,304	1,436	1,490	**1,504**	0.9
Financial Services	15,798	16,617	17,510	19,550	**19,874**	1.7
Other Entities	3	4	5	5	**6**	20.0
Eliminations	–9,926	–11,585	–13,359	–14,405	**–15,955**	–10.8
Profit before financial result (EBIT)	**289**	**5,111**	**8,018**	**8,275**[2]	**7,986**	**–3.5**
Automotive	–265	4,355	7,477	7,599[2]	**6,657**	–12.4
Motorcycles	19	71	45	9	**79**	–
Financial Services	355	1,201	1,763	1,558	**1,643**	5.5
Other Entities	30	–41	–19	58	**44**	–24.1
Eliminations	150	–475	–1,248	–949	**–437**	54.0
Profit before tax	**413**	**4,853**	**7,383**	**7,803**[2]	**7,913**	**1.4**
Automotive	–588	3,887	6,823	7,170[2]	**6,561**	–8.5
Motorcycles	11	65	41	6	**76**	–
Financial Services	365	1,214	1,790	1,561	**1,639**	5.0
Other Entities	51	45	–168	3[2]	**164**	–
Eliminations	574	–358	–1,103	–937	**–527**	43.8
Income taxes	**–203**	**–1,610**	**–2,476**	**–2,692**[2]	**–2,573**	**4.4**
Net profit	**210**	**3,243**	**4,907**	**5,111**[2]	**5,340**	**4.5**
Earnings per share[3] in €	**0.31/0.33**	**4.93/4.95**	**7.45/7.47**	**7.75**[2]**/7.77**[2]	**8.10/8.12**	**4.5/4.5**

[1] Cash inflow from operating activities of the Automotive segment.
[2] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.
[3] Common/preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

BMW Group in figures

Sales volume of automobiles*

in thousand units

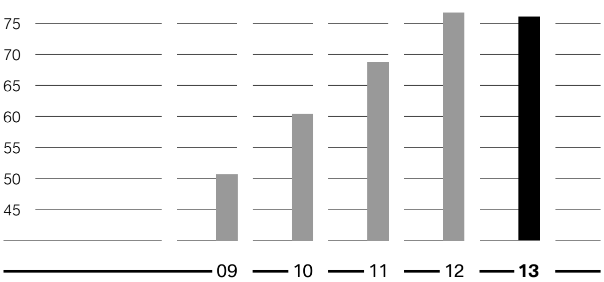


09	10	11	12	13
1,286.3	1,461.2	1,669.0	1,845.2	**1,963.8**

* Includes cars manufactured by the BMW Brilliance joint venture.

Revenues

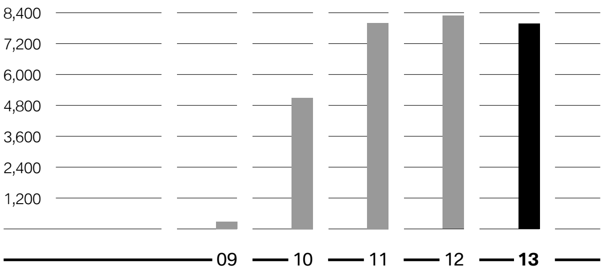
in € billion



09	10	11	12	13
50.7	60.5	68.8	76.8	**76.1**

Profit before financial result

in € million

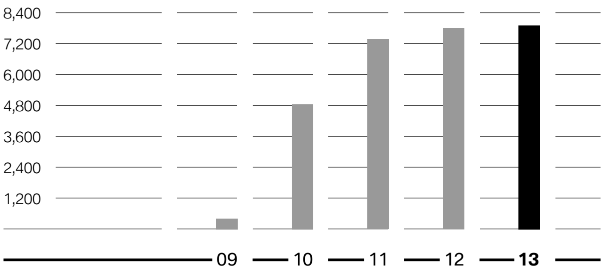


09	10	11	12	13
289	5,111	8,018	8,275*	**7,986**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Profit before tax

in € million



09	10	11	12	13
413	4,853	7,383	7,803*	**7,913**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Joachim Milberg
Chairman of the Supervisory Board

Dear Shareholders and Shareholder Representatives,

The BMW Group has again fared extremely well over the past financial year. Throughout the twelve-month period, we diligently supervised the Board of Management's running of the business and, in joint consultations, supported it in an advisory capacity. Our work within the Supervisory Board and in conjunction with the Board of Management was conducted openly, constructively and in a spirit of trust.

Main emphases of the Supervisory Board's monitoring and advisory activities In a total of five meetings, we deliberated on the BMW Group's current situation. Other matters at the forefront of our consultations were corporate strategy and planning for the BMW Group as a whole, the strategy being pursued for the Financial Services segment in particular, risk management and levels of risk provision. Decisions were also taken with respect to the composition and compensation of the Board of Management and an examination of corporate governance within the enterprise was carried out. In 2013 we paid particular attention to the progress being made in the field of electromobility and to the efforts expended and the challenges arising for the BMW Group regarding the necessity to continue to reduce emissions.

We carefully monitored the performance of the BMW Group and were regularly kept informed of sales performance, workforce developments and other significant matters, both at scheduled meetings and at other times as the need arose. Moreover, the Chairman of the Board of Management, Dr Reithofer, informed me directly about major business transactions and projects. In addition to scheduled meetings, Dr Kley, the Chairman of the Supervisory Board's Audit Committee, and Dr Eichiner, the Board of Management member responsible for Finance and Financial Reporting, remained in direct contact at other times.

In its regular reports on the financial condition of the Group, the Board of Management presented its assessment of economic developments in important regions of the world, commented on sales volume and competitive issues within the Automotive and Motorcycles segments and highlighted fluctuations in the size of the workforce. We were also kept informed of the performance of the Financial Services segment, including new retail business volumes, the size of the contract portfolio with dealers and retail customers, total business volume and the development of vehicle residual values on major markets.

The business status reports provided by the Board of Management also dealt with important ongoing activities and projects, such as the current status of the realigned strategy adopted for BMW Motorrad as well as the progress of cooperation discussions and projects with Toyota. The Supervisory Board was also informed of any temporary delays affecting spare parts supplies during the summer and deliberated on causes and countermeasures required.

One of the Supervisory Board meetings was held at the BMW site in Berlin, where we visited BMW Motorrad's production facilities. The Board of Management and local management representatives took this opportunity to present their vision of the new strategic direction of the motorcycle line of business, with its focus on the premium segment. As well as receiving an insight into new product concepts, we were also informed of the range of measures currently being implemented in the fields of production, sales and marketing, aimed at attracting new motorcycle customer groups and making inroads on emerging markets with appropriate products.

We looked at the regulatory situation on the world's major markets, particularly in the EU, China, USA and Japan, both for vehicles powered by combustion engines and those with alternative drive systems. The Board of Management elucidated numerous options for achieving further reductions in carbon emission levels for conventional vehicles and the genuine benefits that can be generated by expanding electromobility products and services in various markets. Future emission targets currently being mulled over by policymakers, the various proposals put forward in this context and their likely impact on the BMW Group as a premium manufacturer and on the competitive situation were also discussed with the Board of Management.

We devoted considerable time to deliberating on the expectations and needs of customers with respect to electric mobility. In this context, we gave careful consideration to the production and marketing concepts for the BMW i3, including complementary services and measures, such as the BMW Battery Certificate or Range Extender, both of which have been developed to meet specific customer requirements.

At one two-day meeting of the Supervisory Board, corporate and product strategies were considered, the Long-term Business Forecast examined and time set aside for a detailed look at a range of salient technical and marketing topics.

During the first part of the meeting we again discussed with the Board of Management the findings of its annual review of the Group's Strategy Number ONE, including various potential risk scenarios. The Board of Management reported on the distribution of sales volume and added value, focusing in particular on the latest status of projects in China and on plans for building further production sites in Brazil, Russia and the NAFTA region.

In conjunction with vehicle presentations, Supervisory Board members also had the opportunity to test-drive a number of BMW, MINI and Rolls-Royce vehicles, including the BMW i3 and BMW i8. Presentations were also made by senior department heads on selected marketing and technical topics related to electromobility.

After concluding the Annual Strategy Review, the second part of the meeting included an in-depth discussion of the long-term business forecast drawn up by the Board of Management for the years from 2014 to 2019 and, after thorough examination and deliberation, we gave the required approval. We remain firm in our conviction that the strategic direction set by the Board of Management for the BMW Group is robust and sustainable.

The Board of Management reported to us on the performance and strategy of the Financial Services segment, explaining the principal aspects of its internal management and organisation. We deliberated on the role the segment plays within the Group, including a discussion of the impact of increasing regulation in the financial sector.

We also thoroughly examined the Annual Budget for the financial year 2014, which was presented by the Board of Management in November 2013. We fully support the focus being placed on growth and quality of earnings.

We were also briefed in detail by the Board of Management on the results of regional customer surveys relating to product quality, the perception of quality and the acceptance of concepts. The assurance and improvement of quality processes and measures were explained to us and we were also afforded an interesting insight into regional and cultural differences in customer expectations. In all cases, the Board of Management emphasised its aspiration to maintain the highest level of quality.

The Supervisory Board and the Board of Management jointly addressed the topic of corporate governance within the BMW Group on several occasions in 2013. Following the amendment to the variable component of Supervisory Board compensation by the Annual General Meeting in May 2013, the remuneration structure now complies with all relevant recommendations of the German Government Corporate Governance Code Commission. In the most recent Declaration of Compliance, which was issued in December 2013, the Board of Management and the Supervisory Board resolved that the BMW Group should comply with the recommendations of the German Government Corporate Governance Code Commission published on 15 June 2013 (Code version; 15 May 2013), without exception and with effect from the applicable date.

Again in 2013, in both the Personnel Committee and the full Supervisory Board we examined both the structure and the amount of the compensation that Board of Management members receive. In order to validate the suitability of the system and the appropriateness of results, we reviewed the comparable trends for business performance and Board of Management compensation on a multi-year basis. We also gave general consideration to the development of the remuneration of executive managers and employees of BMW AG within Germany over the course of time. Moreover, we sought the expertise of an external compensation consultant, independent of both Company and Board of Management, and evaluated compensation studies for the DAX. To accommodate the desire for a consistent remuneration model throughout the Group, the Personnel Committee also made enquiries into the structure of management remuneration and the status of any planned changes to that structure. Relevant points were discussed by the full Supervisory Board, where, after deliberation, it was decided that a fundamental change to the Board of Management compensation system is not required.

Pension entitlements were also reviewed. Based on a proposal put forward by the Personnel Committee, and after discussion with an independent compensation consultant, with effect from the financial year 2013 we resolved to increase the extent to which contributions for Board of Management members are staggered. Future calculations will be based on the length of service on the board as well as previous activities and individual amounts will be increased to take account of benchmark developments in the DAX. For these purposes, we considered the estimated impact on compensation as a whole and on the probable future level of pensions.

In the course of implementing the recommendations of the German Government Corporate Governance Code Commission, we set caps for the individual components and the total amount of compensation for Board of Management members with effect from the financial year 2014. The target compensation levels for Board of Management members remain unchanged. The employment contracts of current Board of Management members were amended, with the agreement of those members, with effect from 1 January 2014. Detailed information with respect to Board of Management compensation, including a summary of remuneration caps, is shown in the Compensation Report.

In conjunction with the joint examination of corporate governance, the Board of Management informed us (both in the Personnel Committee and in the full Supervisory Board) on the status of implementation of the diversity concept throughout the BMW Group, a concept which is not merely restricted to a focus on gender, but which is aimed at promoting diversity in other areas, particularly in terms of cultural diversity and the international character of the workforce. In this context, the Board of Management informed us regarding the percentage of women occupying management positions and changes thereto, in particular at senior management level and executive level below the Board of Management, as well as the planned measures to increase this percentage.

With regard to its own composition, based on a detailed composition profile, the Supervisory Board decided upon specific appointment goals in 2010, which are discussed in detail in the Corporate Governance Report. These appointment goals were not changed in 2013. No conflicts of interest arose during the year under report on the part of members of either of the boards. Significant transactions with Supervisory

Board members and other related parties as defined by IAS 24, including close relatives and intermediary entities, are examined on a quarterly basis.

We endeavour to assess and continuously improve the efficiency of the work performed by the Supervisory Board and its committees. The Chairman of the Audit Committee and myself are therefore always glad to receive comments and suggestions for improvement from Supervisory Board members. The formal examination of the Supervisory Board's efficiency is also treated once each year as a separate agenda point for discussion, for which preparations are made with the aid of a questionnaire.

Each of the five Supervisory Board meetings in 2013 was attended on average by over 95 % of its members, a fact that can be tied in to the analysis of attendance fees for individual members, as disclosed in the Compensation Report. No member of the Supervisory Board was absent at more than two meetings during their period of office. Presiding Board and committee meetings were fully attended in the vast majority of cases.

Description of Presiding Board activities and committee work In order to work more efficiently and prepare complex issues and decisions with greater thoroughness, the Supervisory Board has established a Presiding Board and several committees. A description of the duties, composition and work procedures of these committees is provided in the Corporate Governance Report.

The relevant committee chairpersons provided timely and comprehensive accounts of the work of the Presiding Board and committees and I personally brought the representatives of the shareholders up to date about the work of the Nomination Committee.

In a total of four meetings, the Presiding Board focused mainly on preparing topics for the meetings of the full Supervisory Board, unless this fell under the remit of one of the committees. Complex issues, such as the Long-term Business Forecast and the Annual Strategic Review, were dealt with on the basis of written and oral reports provided by Board of Management members and senior department heads. The Head of Financial Services, for instance, reported to us on segment strategy, business developments, credit risks and leasing vehicle residual value risks as well as providing us with detailed information on the current status of various strategic projects. The Presiding Board selected further topics of discussion for Supervisory Board meetings and made suggestions to the Board of Management regarding items to be included in its reports to the full Supervisory Board.

The Audit Committee held four meetings and three telephone conference calls during 2013. The Interim Financial Reports were discussed with the Board of Management in those telephone conference calls, prior to their publication. Representatives of the external auditors were present during the telephone conference call held to present the Interim Financial Report for the six-month period ended 30 June 2013. The report had been subjected to review by the external auditors.

The Audit Committee meeting held in spring 2013 was primarily dedicated to preparing the Supervisory Board meeting at which the financial statements were examined. Prior to proposing KPMG AG Wirtschaftsprüfungsgesellschaft for election as Company and Group auditor at the 2013 Annual General Meeting, we obtained a Declaration of Independence from KPMG.

The Audit Committee also considered the scope and composition of non-audit services, including tax advisory services provided by KPMG entities to the BMW Group. There were no indications of conflicts of interest, grounds for exclusion or lack of independence on the part of the auditor.

The fee proposals for the audit of the year-end Company and Group Financial Statements 2013 and the review of the six-month Interim Financial Report were deemed appropriate by the Audit Committee. Subsequent to the Annual General Meeting 2013, the Audit Committee therefore appointed KPMG AG for the relevant engagements and, with due consideration to the suggestions made by the full Supervisory Board, specified audit focus areas, which, in 2013, included the measurement of warranty and pension provisions as well as the recognition of development costs incurred in conjunction with cooperation agreements.

The Head of Group Financial Reporting reported to the Audit Committee on risk management processes in place throughout the BMW Group, including an in-depth description of the internal control system (ICS) underlying financial reporting. The procedures for determining the degree of maturity of a unit's ICS were explained on an illustrative basis for a plant, a sales company and a financial services company.

The Chairman of the BMW Group Compliance Committee reported to the Audit Committee on the current compliance situation, which, as in the previous year, was deemed satisfactory overall. None of the information received relating to potential non-compliance or actual incidences of non-compliance identified in specific cases give any indication of serious or systematic non-compliance with applicable requirements.

The Head of Group Internal Audit reported to us in the Audit Committee on the significant findings of audits conducted by Group Internal Audit, on both the industrial and financial services sides of the business, and put forward suggested recommendations for improvement.

We concurred in the Audit Committee with the decision of the Board of Management to raise the Company's share capital in accordance with § 4 (5) of the Articles of Incorporation (Authorised Capital 2009) by €265,570 and to issue a corresponding number of new non-voting bearer shares of preferred stock, each with a par value of €1, at favourable conditions to employees.

The Personnel Committee convened four times during the financial year 2013.

In preparation of the full Supervisory Board's meetings, we reviewed the structure and appropriateness of Board of Management compensation, including pension entitlements. We also worked on proposals to increase the extent to which pension contributions for Board of Management members are staggered and to implement the latest recommendations of the German Government Corporate Governance Code Commission relating to compensation and/or changes in employment contracts. In one case, we also gave our approval for a member of the Board of Management to accept the mandate for membership of the supervisory board of a non-BMW Group entity.

The Nomination Committee convened twice during the financial year 2013. At these meetings, we deliberated on medium and long-term successor planning for the shareholders' representatives on the Supervisory Board and considered proposals for candidates for the Supervisory Board elections at the 2013 and 2014 Annual General Meetings, taking the composition objectives stipulated for the Supervisory Board into due account.

The statutory Mediation Committee (§ 27 (3)) of the Law on Worker Participation) was not required to be convened during the financial year 2013.

Composition and organisation of the Board of Management It was with much regret, but also with a great deal of respect and understanding, that we accepted the decision taken by Frank-Peter Arndt to step down from his position as Board of Management member responsible for Production with effect from 31 March 2013 for reasons of health. We expressed our deep appreciation to Mr Arndt for his many years of committed and conscientious service and for the personal contribution he made to the success of the BMW Group. Details of the arrangements put in place for Mr Arndt following the termination of his board activities are provided in the Compensation Report.

In conjunction with a reassignment of responsibilities within the Board of Management with effect from 1 April 2013, responsibility for Production was entrusted to Harald Krüger, who had been in charge of the MINI, BMW Motorrad, Rolls-Royce and BMW Group Aftersales division since its creation in 2012. With effect from 1 April 2013, the Supervisory Board appointed Peter Schwarzenbauer as member of the Board of Management. With many years of management experience in the premium segment of the automobile industry behind him, Mr Schwarzenbauer took over responsibility for the MINI, BMW Motorrad, Rolls-Royce, Aftersales BMW Group division from Mr Krüger as part of the reallocation of responsibilities within the Board of Management. The appointment of one member of the Board of Management was renewed by the Supervisory Board.

Composition of the Supervisory Board, the Presiding Board and Supervisory Board Committees Following the resignation of Oliver Zipse as executive staff representative on the Supervisory Board with effect from 31 March 2013, in order to take up a new management position within the BMW Group, the District Court of Munich – based on a proposal made by executive staff – appointed Dr Markus Schramm (Head of Aftersales Business Management and Mobility Services BMW Group) as executive staff representative on the Supervisory Board for the remaining term of office. Maria Schmidt retired on 30 June 2013 and therefore ceased to be a member of the Supervisory Board. The Supervisory Board thanked the members leaving office for their constructive work within the Supervisory Board. The District Court of Munich appointed Brigitte Rödig as employee representative on the Supervisory Board to replace Maria Schmidt for the remaining term of office. Following these changes, the proportion of women in the Supervisory Board remains at 20 %.

Following my own re-election to the Supervisory Board at the Annual General Meeting 2013, the Supervisory Board again decided to elect me as its Chairman and member of the Audit Committee. In accordance with the relevant terms of reference, I remained Chairman of the Personnel and Nomination Committees. Following his re-election to the Supervisory Board, Dr Kley was again elected as the 4th Deputy Chairman of the Supervisory Board, as member of the Personnel and Nomination Committees and also Chairman of the Audit Committee. The Corporate Governance Report includes an overview of the composition of the Supervisory Board and its committees.

Examination of financial statements and the profit distribution proposal KPMG AG Wirtschaftsprüfungsgesellschaft conducted a review of the abridged Interim Group Financial Statements and Interim Group Management Report for the six-month period ended 30 June 2013. The results of the review were also reported orally to the Audit Committee. No issues were identified that might indicate that the abridged Interim Group Financial Statements and Interim Group Management Report had not been prepared, in all material respects, in accordance with the applicable provisions.

The Group and Company Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the year ended 31 December 2013 and the Combined Management Report – as authorised for issue by the Board of Management on 20 February 2014 – were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and given an unqualified audit opinion.

The Financial Statements and the Combined Management Report, the long-form audit reports of the external auditors and the Board of Management's profit distribution proposal were made available to all members of the Supervisory Board in a timely manner. At the meeting held on 5 March 2014, these documents were examined and discussed in detail by the Audit Committee. The Supervisory Board subsequently examined these documents at its meeting on 13 March 2014, after hearing the committee chairman's report on the meeting of the Audit Committee. In both meetings, the Board of Management gave a detailed explanation of the financial reports it had prepared. Representatives of KPMG attended both meetings, reported on significant findings and answered any additional questions raised by the members of the Supervisory Board. They also confirmed that the risk management system established by the Board of Management is capable of identifying any events or developments that might impair the going-concern status of the Company and that no material weaknesses in the internal control system and risk management system were found with regard to the financial reporting process. Similarly, they confirmed that they had not identified any facts in the course of their audit work that were inconsistent with the contents of the Declaration of Compliance issued jointly by the two boards.

Based on thorough examination by the Audit Committee and the full Supervisory Board, we concurred with the results of the external audit. In accordance with the conclusion reached after the examination by the Audit Committee and Supervisory Board, no objections were raised. The Group and Company Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the financial year 2013 prepared by the Board of Management were approved at the Supervisory Meeting held on 13 March 2014. The separate financial statements have therefore been adopted.

Both in the Audit Committee and in the full Supervisory Board, we examined the proposal of the Board of Management to use the unappropriated profit to pay a dividend of €2.60 per share of common stock and €2.62 per share of non-voting preferred stock. Taking account of the financial condition of the BMW Group, we consider the proposal appropriate and concur with it.

Expression of appreciation by the Supervisory Board We are well aware that the motivation of our employees and their strong sense of identification with the BMW Group are key factors for its success and future prospects. We wish to express our appreciation to the members of the Board of Management and the entire workforce worldwide for their hard work and valuable contribution towards the successful financial statements for the year ended 31 December 2013.

Munich, 13 March 2014

On behalf of the Supervisory Board

Yours
Joachim Milberg

Joachim Milberg
Chairman of the Supervisory Board

Norbert Reithofer
Chairman of the Board of Management

Dear Shareholders,

Our vision at the BMW Group focuses on long-term thinking, successfully charting our own course and leading the way for our industry.

Four straight record years for the BMW Group. For years, we have stood at the pinnacle of the world's automotive premium segment. Even during the 2008/2009 global financial and economic crisis, we reported a profit and paid a dividend. Since then, the BMW Group has enjoyed four consecutive record years. Investors in our Company can look forward to long-term value enhancement and our shareholders can rely on us to achieve profitable growth – even in the face of high volatility and challenges in our business environment. For this reason, we continue to invest in our future, in all areas of individual mobility. For us as a premium manufacturer, innovation and entrepreneurial spirit are key towards growing and creating new trends.

2013 financial year – the success continues. Our vehicles are more desirable than ever: we delivered more than 1.96 million BMW, MINI and Rolls-Royce cars to customers in 2013, exceeding the previous year's record by 6.4%. Individually, our three automobile brands also posted record sales, with more than 1.65 million BMW, over 305,000 MINI and exactly 3,630 Rolls-Royce motor cars sold. We offer customers a full spectrum of premium products – from MINI in the small car segment to Rolls-Royce in the ultra-luxury class. Our core BMW brand represents sheer driving pleasure: the BMW 3 Series, 5 Series and 6 Series models and the BMW X1 are all leaders in their respective segments. The BMW brand also comprises efficient high-performance models from BMW M and the particularly sustainable vehicles of the BMW i family, with the BMW i3 and, from 2014, the BMW i8.

BMW Motorrad, which celebrated its 90th anniversary last year, delivered more than 115,200 motorcycles to customers. In the shrinking market segment above 500 cc, BMW Motorrad defied the trend, posting significant growth and beating the previous year's sales by 8.3 per cent. The Financial Services segment, with operations in more than 50 countries, also continues to grow and made a significant contribution to our sales and earnings in 2013.

Valuable premium brands and desirable products and services are the foundation for our business success. Group profit before tax increased by 1.4% to around €7.9 billion in 2013, reaching the same level as our 2012 record year, as forecast. Net profit rose by 4.5% to more than €5.3 billion.

These results reflect the day-to-day performance, know-how and personal commitment of our employees worldwide. All of us at the BMW Group share a passion for mobility. We identify with our Company and its products. All business areas performed well in 2013. On behalf of the Board of Management, I would like to thank all our employees for their dedication. I would also like to express our sincere gratitude to our retail organisation, suppliers and partners, who all contribute to the success of the BMW Group.

Balanced growth a key ingredient for success. Our Company has its roots in Munich and in Germany. But, today, the BMW Group is a global company that sells its products in more than 140 countries. Our vehicles are produced at 28 locations in 13 countries. At all our locations, we take our corporate responsibility seriously.

We target balanced growth in the three main economic regions of the world. Thanks to our highly flexible production network, we are able to avoid overdependence on any one region and offset market fluctuations. The flexibility of our production network allows us to quickly adapt to changing external circumstances.

In 2013, our sales were evenly distributed between the three main economic regions of Europe, Asia and the Americas. Gains in the Americas and Asia compensated for weak markets in a number of European countries. In 2013, our two largest single markets, China and the US, accounted for around 20 and 19 %, respectively, of total Group sales, followed by our domestic market of Germany with around 13 % of sales.

When growth markets shift, it is imperative to strengthen our global presence. Since our production follows the market, we currently produce more than 45 % of our vehicles outside of Germany. At the same time, more and more countries are recognising the economic importance of a locally based automotive industry as a driving force for growth and employment. In late 2013, we laid the foundation stone of a new plant in the growth market of Brazil.

Entering into e-mobility: we deliver on our promises. The BMW Group confirmed its position as the pacesetter for future mobility in 2013. In late July, the series model of the BMW i3 made its world debut simultaneously in New York, London, Beijing and Munich. This innovative vehicle was specially designed for electric mobility and has been well-received by the media worldwide. Customer demand is far exceeding our expectations.

With the BMW i3, we have adopted a totally new approach to automobile manufacturing, employing new and especially sustainable production processes. This is the first time an entire passenger compartment made of carbon-fibre-reinforced plastics (CFRP) has been mass-produced. E-mobility is realised throughout our competence network with locations in Leipzig, Dingolfing, Landshut, Wackersdorf and Moses Lake, USA.

The BMW i3 comes with our comprehensive 360°ELECTRIC service package to ensure that everyday electric driving is easy and convenient for customers – through recharging at home, for example.

This will be followed in 2014 by the second model from the BMW i family, the BMW i8 plug-in hybrid sports car.

Step by step towards our vision for 2020. Our vision for the year 2020 is to be the leading provider of premium products and premium services for individual mobility.

One thing is certain: the Company is already more than just a car manufacturer. Attractive mobility services and digital connectivity also play an increasingly important role. With the realignment of its BMW ConnectedDrive services, BMW is expanding its position as the leading provider of Internet-based in-car services, focusing on driver assistance systems with comfort and safety functions, as well as infotainment and mobility services.

For more and more people worldwide, a vehicle is indispensable and desirable at the same time. That is precisely why it is so essential to adapt individual mobility to present and future demands, as well as different customer needs. To do this, we think far beyond the car simply as a means of transport.

To us, being the leading premium supplier also means being a leader in the field of sustainability. In every project, we consider environmental and social factors, as well as economic aspects, in our decision-making processes. Sustainable development is an investment in our future competitiveness. We have therefore set ourselves ambitious targets for 2020 in the relevant areas, namely products and services, production and value creation, and employees and society. Two examples: first, we aim to reduce resource consumption per vehicle produced by 45 % from 2006 levels by 2020. Second – also by 2020 – we aim to halve the CO_2 emissions of our European new vehicle fleet from 1995 levels. These currently stand at 133 g/km, but our customers today can already choose between 39 models with emissions of less than 120 g CO_2/km.

In the same way that we earned a competitive edge with Efficient Dynamics, we are now, once again, investing in our future. This applies equally to new models and vehicle concepts, alternative drive technologies, new locations, mobility services and new business fields. Our research and development expenditure therefore increased to around €4.8 billion in 2013. Our financial strength allows us the necessary room to do this. In this way, we are laying the foundations today for our future success.

People shape our future – our strength lies in diversity. It is part of our philosophy as an attractive employer to invest continuously in developing the skills of our employees. In the past seven years alone, we have invested approximately €1.5 billion in training. Welcoming diverse, complementary talents on board is a further priority for us – because mirroring the diversity of our customers within the Company is another way of optimising customer care. The actions we take together are rooted in our tradition and our culture of cohesion. That is what makes the BMW Group so strong and unique.

Being a leader in the premium segment is about more than just good business results. As a global company in a changing world, it is both a challenge and a source of motivation for us to strive for long-term success and profitability, to strike out independently in new directions and still remain true to our values and reliable in our actions. We have worked hard to become the leading premium manufacturer – and we will continue to be a pioneer. We must therefore strive to be bolder, more innovative and simply better than our competitors.

We will build on our successful business performance in 2014, once again targeting record sales and Group earnings. The EBIT margin in the Automotive Segment should remain between 8 and 10 %. The main risks and uncertainties we face stem from an ever-increasing competitive environment. We continue to face challenges in some specific markets within Europe. 2014 will be another year of ground-breaking innovations for us, as we add a large number of new models to our portfolio. In early March, we unveiled the BMW 2 Series Active Tourer: this all-new vehicle concept will be the first BMW model with front-wheel drive.

In 2016, the Company will celebrate its centenary. We view this milestone not only as an opportunity to reflect on our heritage but also to be a springboard towards the future. We hope we can count on your continued trust and support as we move forward.

Yours

Norbert Reithofer
Chairman of the Board of Management

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General information on the BMW Group is provided below. There have been no significant changes compared to the previous year.

Business model

Bayerische Motoren Werke Aktiengesellschaft (BMW AG), which is based in Munich, Germany, is the parent company of the BMW Group. The primary business object of the BMW Group is the development, manufacture and sale of engines as well as all vehicles equipped with engines. The BMW Group is subdivided into the Automotive, Motorcycles, Financial Services and Other Entities segments (the latter primarily comprising holding companies and Group financing companies).

Bayerische Motoren Werke G. m. b. H. came into being in 1917. Having been originally founded in 1916 as Bayerische Flugzeugwerke AG (BFW), it became Bayerische Motoren Werke Aktiengesellschaft (BMW AG) in 1918. The BMW Group comprises BMW AG and all subsidiaries, which BMW AG – either directly or indirectly – has the power to control. BMW AG is also responsible for managing the BMW Group. General conditions on the world's automobile and motorcycle markets (such as the competitive situation, government policies, statutory regulations), underlying trends within society as well as changes in raw materials prices, exchange rates and interest rates are some of the major external factors that exert an influence over our business.

The BMW Group is one of the most successful makers of cars and motorcycles worldwide and among the largest industrial companies in Germany. With BMW, MINI and Rolls-Royce, the BMW Group owns three of the strongest premium brands in the automotive industry. The vehicles it manufactures set the highest standards in terms of aesthetics, dynamics, technology and quality, a fact borne out by the BMW Group's leading position in engineering and innovation. In addition to its strong position in the motorcycles market, the BMW Group also offers its customers a successful range of financial services. In recent years, the Group has also established itself as a leading provider of premium services for individual mobility. At the end of the reporting period, the BMW Group had a worldwide workforce of 110,351 employees.

Long-term thinking and responsible action have long been the cornerstones of our success. Striving for ecological and social sustainability along the entire value-added chain, taking full responsibility for our products and giving an unequivocal commitment to preserving resources are prime objectives firmly embedded in our corporate strategy. Thanks to these endeavours, we have been among the most sustainable companies in the automobile industry for many years.

The BMW Group operates on a global scale and is represented in more than 140 countries. Our research and innovation network is spread over twelve locations in five countries. At 31 December 2013 the production network comprised a total of 28 locations in 13 countries.

BMW 3 Series and 4 Series models as well as petrol and diesel engines are manufactured at the BMW plant in Munich, next to the BMW Group's headquarters. Models of the BMW 1 Series, 3 Series and 4 Series as well as the Z4 Roadster roll off the production lines at the Regensburg plant. The largest BMW plant is located in Dingolfing, where we build the BMW 3 Series Gran Turismo, models of the BMW 5, 6 and 7 Series and hybrid BMW 5 and 7 Series vehicles. Chassis and drive components are also manufactured at this plant. The BMW Leipzig plant's production range covers models of the BMW 1 and 2 Series, the BMW X1 and the electrically powered BMW i3 as well as the hybrid sportscar BMW i8 (from 2014). The BMW 3 Series Sedan is manufactured at the plant in Rosslyn (South Africa). The BMW plant in Spartanburg (USA) is responsible for producing the BMW X3, X4 (from 2014), X5 and X6 models. BMW X1 and models of the BMW 3 and 5 Series are built exclusively for the Chinese market at the two plants operated by the joint venture BMW Brilliance in Shenyang (China).

Components for the worldwide production network are manufactured at the BMW plants in Landshut and Wackersdorf. The Eisenach plant is responsible for toolmaking. The two production sites in Moses Lake (USA) and Wackersdorf are operated by the joint venture SGL Automotive Carbon Fibers (ACF) and supply carbon fibre and carbon fibre cores for the production of BMW i models. The BMW Group's largest engine manufacturing plant in Steyr (Austria) manufactures petrol and diesel engines for the various BMW plants and diesel engines for the MINI production. In 2012 the joint venture BMW Brilliance Automotive opened an engine plant in Shenyang (China), which supplies petrol engines to the neighbouring BMW plants.

The primary function of the BMW Group's assembly plants is to serve nearby regional markets with BMW cars currently being assembled in Chennai (India), Jakarta (Indonesia), Cairo (Egypt), Kaliningrad (Russia), Kulim (Malaysia) and Rayong (Thailand).

Five of the MINI models – Hatch, Clubman, Convertible, Coupé and Roadster – are manufactured at the Oxford plant (United Kingdom). The UK production triangle also includes the components plant in Swindon as well as the engine plant at Hams Hall, where petrol engines are manufactured for MINI and BMW. In Graz (Austria), Magna Steyr Fahrzeugtechnik manufactures the MINI Countryman and, since 2012, the MINI Paceman for the BMW Group.

The Rolls-Royce Phantom, Ghost and Wraith models are manufactured exclusively at the Goodwood plant (United Kingdom).

The BMW plant in Berlin is responsible for the manufacture of BMW motorcycles as well as brake discs. One additional motorcycle assembly plant is located in Manaus (Brazil) and another, since the end of the year, in Rayong (Thailand).

The worldwide automobile distribution network currently consists of around 3,250 BMW, 1,500 MINI and 120 Rolls-Royce dealerships. Products and services are sold in Germany through BMW Group branches and by independent authorised dealers. Sales outside Germany are handled primarily by subsidiary companies and, in a number of markets, by independent import companies. The sales network for BMW motorcycles is organised in a similar way to the automobile business. Currently, there are approximately 1,000 BMW Motorrad dealerships worldwide.

Our premium brands – BMW, MINI and Rolls-Royce – are well known and highly admired around the globe for their innovative technologies and state-of-the-art design. The BMW Group provides the full spectrum of individual mobility, ranging from premium segment small vehicles through to ultra-luxurious and powerful vehicles. Our entire product range is linked by one characteristic: efficiency. The MINI brand is a veritable icon in the premium small car segment, offering unrivalled driving pleasure in its class. Rolls-Royce has a long and distinguished tradition in the ultra-luxury segment stretching back over more than 100 years. Our core BMW brand manages to cover a broad spectrum of customer wishes, ranging from fuel-efficient and innovative models equipped with Efficient Dynamics through to high-performance, extremely efficient BMW M sub-brand vehicles, which bring the flair of motor sport onto the roads. All BMW vehicles share one thing in common: their impressive driving dynamics.

Our understanding of the term “premium” is now being taken to a new level with the BMW i brand. Inspired through and through by the desire for even greater sustainability, BMW i epitomises the electric vehicle of the future – with its electric drivetrain, revolutionary lightweight construction, exceptional design and an entirely new range of mobility services.

BMW Motorrad is also focused on the premium segment and offers a range of motorcycles for the Tourer, Enduro, Sport and Roadster segments. The Maxi-Scooter for urban mobility was also added to this list in 2012. A wide range of accessories and equipment is also available, providing additional safety and comfort to customers.

The Financial Services segment, which works in tandem with the sales organisation, is represented in more than 50 countries around the world. Credit financing and the lease of BMW Group brand cars and motorcycles to retail customers is its largest line of business. The BMW Group’s international multi-brand fleet business, operating under the brand name “Alphabet”, provides fleet financing products and comprehensive management services for corporate car fleets in 19 countries. Within the multi-brand financing line of business, credit financing, leasing and other services are marketed to retail customers under the brand name “Alphera”. The segment’s range of products is rounded off by providing support to the dealer organisation and offering insurance and banking services.

This Combined Management Report combines the management reports of BMW AG and the BMW Group.

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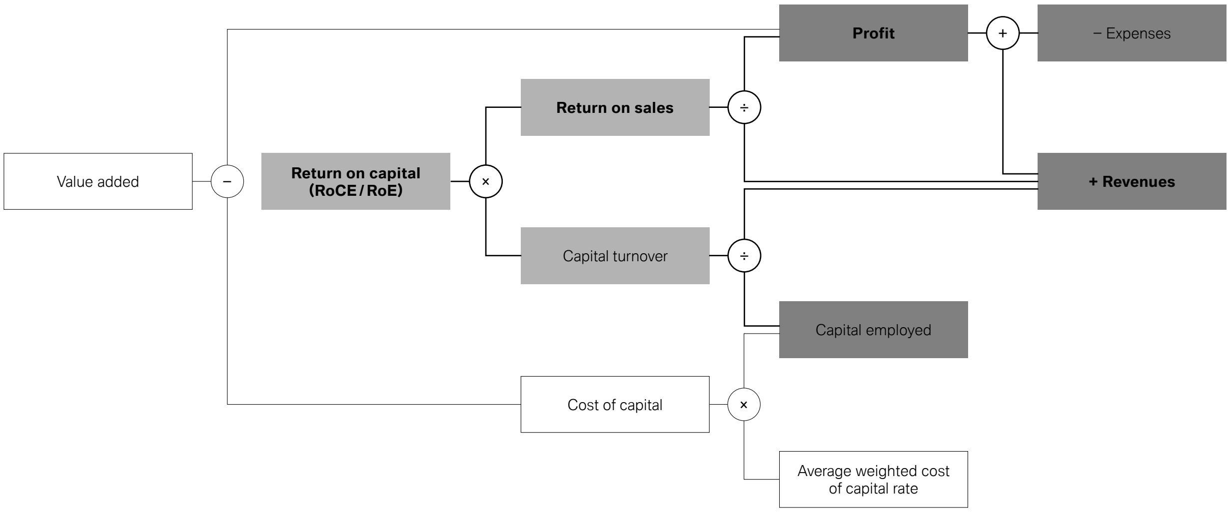
The BMW Group applies a value-based management approach. The key objectives of managing a business are to achieve sustainable, profitable growth, increase the value of the business for capital providers, safeguard jobs and, last but not least, maintain corporate autonomy. These objectives can only be achieved if available equity and debt capital is employed profitably and if the profit generated sustainably exceeds the cost of capital employed.

The BMW Group's internal management system is multi-layered. Operating performance is managed primarily at the level of the segments. In order to assess the success of the strategies adopted and to manage long-term performance, additional key performance figures are measured at Group level for controlling purposes.

The focus at all controlling levels is always on increasing the value of the company. The contribution made to business value growth during the financial year is measured in terms of "value added". This approach is translated for operational purposes at both Group and segment level by identifying the main financial and non-financial factors ("value drivers") which affect the value of the business. The link between value added and the relevant value drivers is shown in simplified form in the following diagram.



Various value drivers which could have a significant impact on profitability and the value of the company are defined for each controlling level. The financial and non-financial value drivers referred to above take the form of the principal key performance indicators that are generally relevant for business controlling purposes. Due to the high aggregate impact of various factors, it is difficult to manage a business pro-actively and decide on the right set of measures simply by focusing on value added. This key figure therefore only serves for intermediate reporting purposes.

A corresponding control logic that utilises value-based and return-based performance indicators measured in conjunction with project decisions complements the system.

Management of operating performance at segment level
Operating performance is managed at segment level on the basis of capital rates of return. Specific target RoCEs/RoEs are fixed as the principal key financial performance indicators for each segment. Profitability (return on sales) and capital efficiency (capital turnover) are aggregated in the RoCE together with a whole host of business-relevant information that has an impact on segment performance and changes in the value of the company. Depending on the business model, the segments are managed on the basis of total RoCEs or returns on equity capital.

Automotive segment
The principal key performance indicator for the Automotive segment is return on capital employed (RoCE), measured on the basis of segment profit before financial result and the average level of capital employed in operations. The strategic target for the Automotive segment's RoCE is 26 %.

$$\text{RoCE Automotive} = \frac{\text{Profit before financial result}}{\text{Capital employed}}$$

Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that do not incur interest (e.g. trade payables).

Due to the key importance of the Automotive segment for the Group as a whole, consideration is also given to additional key value drivers which have a significant impact on RoCE and hence on segment performance. The most important of these additional value drivers are deliveries to customers, segment revenues and – as the key performance indicator for profitability – the operating return on sales (i.e. EBIT margin). Average carbon emissions for the fleet are also taken into account, reflecting their potential impact on earnings in the short term in the form of ongoing development expenses and in the long term due to regulatory requirements. For these purposes "carbon emissions for the fleet" corresponds to average emissions of CO_2 for new car sales in the EU-27 countries.

The use of additional key value drivers makes it easier to identify the reasons for changes in the RoCE and to define measures capable of influencing its development.

Motorcycles segment
As with the Automotive segment, operating performance for the Motorcycles segment is managed on the basis of RoCE. Capital employed is measured using the same method as in the Automotive segment. The strategic target for the Motorcycles segment's RoCE is 26 %.

$$\text{RoCE Motorcycles} = \frac{\text{Profit before financial result}}{\text{Capital employed}}$$

The number of vehicles delivered to customers is also taken into account as a non-financial value driver.

Financial Services segment
As is common practice in the banking sector, the performance of the Financial Services segment is measured on the basis of return on equity (RoE). RoE for the Financial Services segment is defined as segment profit before taxes, divided by the average amount of equity capital attributable to the segment. The target is a sustainable return on equity of at least 18 %.

$$\text{RoE Financial Services} = \frac{\text{Profit before tax}}{\text{Equity capital}}$$

Strategic management at Group level
Strategic management is performed primarily at Group level, including quantification of the financial impact of strategic issues on long-term forecasting. The most significant performance indicators at Group level are Group profit before tax and the size of the workforce at the year end. Group profit before tax is a good overall measure of the Group's performance after consolidation procedures, and provides a transparent basis for comparing performance, particularly over time. The size of the Group's workforce is monitored as an additional key non-financial performance indicator.

The two key performance indicators – Group profit before tax and size of the workforce – are supplemented by a measurement of value added. This highly aggregated performance indicator provides an insight into capital efficiency and the (opportunity) cost of capital required to generate Group profit. Value added corresponds to the amount of earnings over and above the cost of capital and gives an indication of whether the Group is meeting the minimum requirements for the rate of return expected by capital providers. A positive value added means that a company is creating more additional value than the cost of capital.

$$\begin{aligned}\text{Value added Group} &= \text{earnings amount} - \text{cost of capital}\\ &= \text{earnings amount} - (\text{cost of capital rate} \times \text{capital employed})\end{aligned}$$

Capital employed comprises the average amount of Group equity employed during the year as a whole, the financial liabilities of the Automotive and Motorcycles segments and pension provisions. "Earnings amount" for these purposes corresponds to Group profit before tax and after interest expense incurred in conjunction with the pension provision and on the financial liabilities

in € million	Earnings amount*		Cost of capital* (EC + DC)		Value added Group*	
	2013	2012	**2013**	2012	**2013**	2012
BMW Group	**8,320**	8,113	**4,666**	4,228	**3,654**	3,885

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

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of the Automotive and Motorcycles segments (earnings before interest expense and taxes).

The cost of capital is the minimum rate of return expected by capital providers in return for the capital employed by the Group. Since capital employed comprises an equity capital element (e.g. share capital) and a debt capital element (e.g. bonds), the overall cost of capital rate is determined on the basis of the weighted average rates for equity and debt capital, measured using standard market procedures. The pre-tax average weighted cost of capital for the BMW Group in 2013 was 12 %, unchanged from the previous year.

Value management used to control projects

Operations in the Automotive and Motorcycles segments are shaped, to a large extent, by project work. Projects have a substantial influence on future performance. Project decisions are therefore a crucial component of financial management for the BMW Group.

Decisions are taken on the basis of project calculations measured in terms of the cash flows a project is expected to generate. Calculations are made for the full term of a project, i.e. for all future years in which the project generates cash flows. Project decisions are taken on the basis of the capital value and internal rate of return calculated for the project.

The capital value of a project indicates the extent to which a project will be able to generate a positive contribution to earnings over and above the cost of capital. A project with a positive capital value enhances value added and therefore results in an increase in the value of the company. The internal rate of return of the project corresponds to the average return on capital employed in the project and, in terms of scope, is equivalent to the multi-year average RoCE for an individual project. It is therefore entirely consistent with the principal key performance indicator used for the Automotive and Motorcycles segments.

The criteria used for taking decisions as well as the long-term impact on periodic earnings is documented for all project decisions and incorporated in the long-term Group forecast. This system enables an analysis of the periodic reporting impact of project decisions on earnings and rates of return over the term of each project. The overall result is a self-contained controlling model.

General Information on the BMW Group
Research and Development

Research and development play a vital role for the BMW Group, given its broad range of products and the high number of new models. Our vehicles and services also set standards in terms of connecting car occupants with the outside world. During 2013, a total of 11,359 employees were engaged throughout the BMW Group's global research and innovation network at twelve locations spread over five countries, to deliver the best product quality possible and develop innovative technologies for customers. Further information on our research and development activities is provided in the relevant section of the Report on Economic Position.

Research and development expenditure for the year rose by 21.3 % to €4,792 million, mostly for projects aimed at securing the Group's future business (2012: €3,952 million). The research and development ratio was 6.3 %, 1.2 percentage points higher than in the previous year (2012: 5.1 %).

The ratio of capitalised development costs to total research and development costs for the period (capitalisation ratio) was 36.4 % (2012: 27.6 %). Amortisation of capitalised development costs totalled €1,069 million (2012: €1,130 million). Further information on research and development expenditure is provided in the section Results of Operations, Financial Position and Net Assets and in note 10 to the Group Financial Statements.

As one of the most innovative companies in the automobile industry, suppliers and external providers are also highly involved in our research and development activities. Close collaboration with the parties concerned enables us to offer our customers new technologies more quickly and underscores our aspiration to be innovation leader in the sector. It also helps us to ensure that important project-related technological expertise remains within the BMW Group.

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Overall assessment by management

The BMW Group's performance in 2013 was positive overall and fully in line with our expectations. Good progress was made in terms of results of operations, financial position and net assets. This statement also takes into account events after the end of the reporting period.

General and sector-specific environment

General economic environment

After the downturn in the two preceding years, the global economy stabilised over the course of 2013, ending with a moderate growth rate of approximately 2.4 %. Once again, the USA and China were the mainstays of growth during the period under report. After six consecutive quarters of recession, the eurozone finally managed to register its first minor positive growth rates in the second half of 2013. Surprisingly strong upturns in Japan and the United Kingdom helped to stabilise the world economy. By contrast, growth in some of the major emerging economies, such as India, Brazil and Russia, slowed significantly.

Speculation that the US Reserve Bank is likely to put a brake on its expansionary monetary policy caused interest rate expectations to rise on the world's capital markets. As a consequence, some international investors withdrew capital from emerging economies, reduced investments in commodities and reallocated funds, primarily in stock markets in the USA, Europe and Japan. Practically all emerging economies registered drops in growth rates, sometimes significant, as a result.

High sovereign debt levels again exerted an influence on economic developments, particularly in Europe. The eurozone's economy contracted overall by 0.4 % in 2013. With the exception of Germany, where the growth rate edged up to 0.4 %, economic growth remained weak in the remainder of the region. France's gross domestic product (GDP) practically stagnated at a rate of 0.2 %, while Italy (– 1.8 %) and Spain (– 1.3 %) both suffered another year of recession. Whereas positive data coming from Spain towards the end of 2013 suggest the recessionary phase may be coming to an end, the economic position in Italy and France remained tense to the end.

The UK economy – Europe's largest outside the eurozone which had been flat in the previous year – reported an upturn of 1.9 % in 2013, partly benefiting from support for the property market in the form of monetary and fiscal policies.

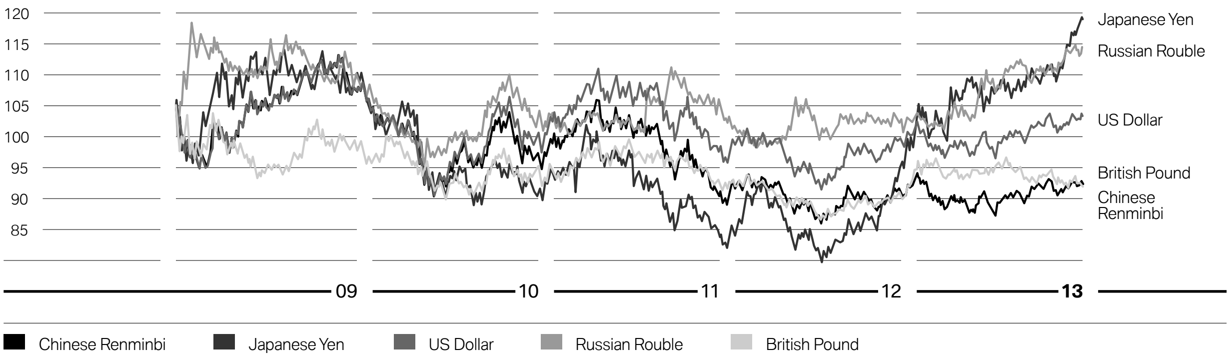
The economy in the USA grew surprisingly well in 2013, registering a growth rate of 1.9 %. This positive performance was attributable entirely to the private sector, with consumer spending and investments up again, thanks to sharp improvements in the employment and property markets. The public sector, by contrast, had a negative impact on growth, owing firstly to further spending consolidation and secondly to political disagreement regarding the federal budget and debt ceiling.

Japan's new government managed to keep the country out of renewed recession by employing heavily expansionary monetary and fiscal policies, culminating in GDP growth of 1.7 % for the full year 2013.

Despite a small decline in the growth rate, which stood at 7.7 % in 2013, China nevertheless asserted its role as the most dynamic of the world's major economies. Other emerging economies grew considerably more slowly than expected. India's growth rate of 4.7 % was only about one half of the long-term prediction. Brazil (2.3 %) and Russia (1.5 %) also fell well short of the growth rates recorded one year earlier.

Exchange rates compared to the euro

(Index: 31 December 2008 = 100)



Source: Reuters.

Currency markets
At an annual average rate of US dollar 1.32 to the euro in 2013, the US dollar exchange rate was slightly higher than one year earlier and fluctuated within a relatively narrow corridor over the twelve-month period. The euro also appreciated slightly against the British pound with an annual average rate of British pound 0.85 to the euro. Even though the European Central Bank (ECB) loosened monetary policy still further during the fourth quarter of 2013 by reducing the reference interest rate to 0.25 %, the perception on the markets is nonetheless that the ECB is following a more restrictive course than the Reserve Bank in the USA and the Bank of England in the UK. Since the exchange rate of the Chinese renminbi remains more or less coupled to that of the US dollar, its value against the euro fell only marginally in 2013, with an annual average exchange rate of Chinese renminbi 8.14 to the euro. By contrast, the Japanese yen and the currencies of numerous emerging economies, such as India, Brazil and South Africa, lost a good deal of ground against the euro. The annual average exchange rate of the Russian rouble was 42.30 to the euro, making it 6 % weaker than in the previous year.

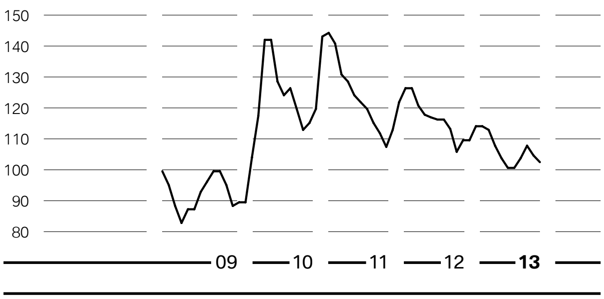
Energy and commodity prices
With the situation in the Middle East still unsettled, the price of crude oil stagnated at a high level throughout 2013: the annual average price of Brent and WTI crude oil was US dollar 108 and US dollar 98 per barrel respectively. For the most part, metal prices fell slightly during the course of the year, partly reflecting the reduction of funds invested in commodities and partly due to the fact that capacity utilisation rates in the steel and metals industries were relatively poor, particularly in Europe under the pervading influence of the euro crisis.

Sector-specific environment
Within an increasingly competitive environment, the BMW Group was again able to assert its leading position in the premium market in 2013, benefiting from its innovative strength on the one hand and from a well-balanced regional spread of sales on the other. Global diversification means that downturns in individual markets can be compensated to a large degree by faster growth rates in other regions.

Automobile markets
The number of passenger cars and light commercial vehicles sold worldwide rose by 5.1 % to 76.5 million units in 2013, primarily on the back of increased demand in the USA and China. The strongest momentum for growth was generated in China, where the market grew by 2.5 million to 15.8 million units (+ 19.2 %). The next fastest growing market was the USA, where total sales rose by 1.1 million units to 15.6 million units (+ 7.6 %).

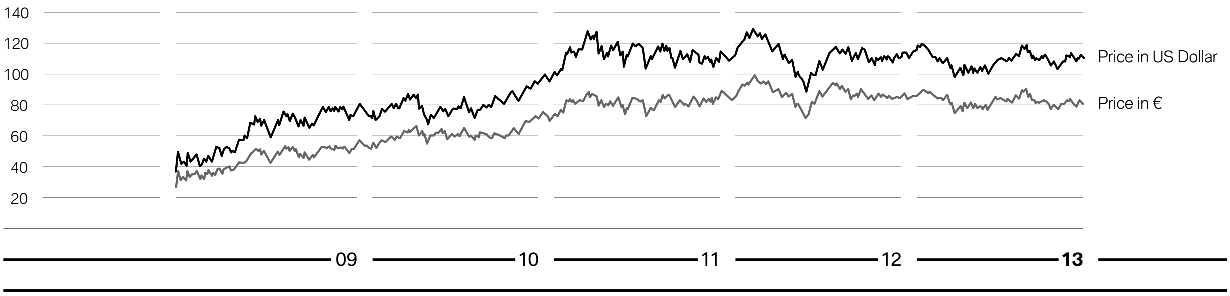
In Europe, the number of new registrations fell once again in 2013 (12.2 million units; – 1.8 %). With an above-average decrease of 4.2 %, new registrations in Germany – the region's largest single market – fell to approximately 2.9 million units. The contraction in France (– 5.5 %) and Italy (– 7.8 %) was even more pro-

Steel price trend
(Index: January 2009 = 100)



Source: Working Group for the Iron and Metal Processing Industry.

Oil price trend
Price per barrel of Brent Crude



Source: Reuters.

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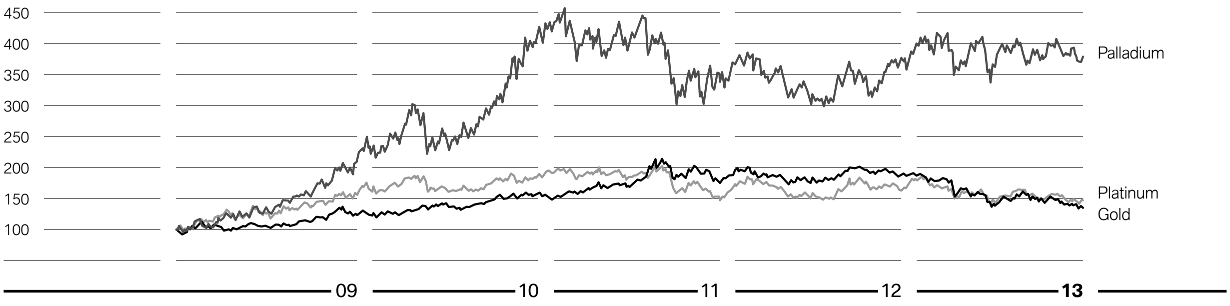
Precious metals price trend

(Index: 31 December 2008 = 100)



Source: Reuters.

nounced. Registration figures in Spain (+3.3%) stabilised at a very low level following the slump experienced in previous years. The UK, by contrast, turned out to be in good shape: boosted by a surprisingly strong economic recovery, the UK car market grew by approximately 10.8% to 2.3 million units.

Japan's car market consolidated somewhat in 2013 to approximately 5.2 million units. In the previous year, demand had still been exceptionally high, owing to the backlog caused by the natural disaster.

Car markets in the major emerging economies felt the effect of the economic slowdown, with the Russian market contracting by approximately 5.3% to 2.6 million units and the Brazilian market, at 3.6 million units, also falling slightly short of the previous year (–1.2%). The decrease in India was more pronounced, with new registrations down by 7.0% to 2.5 million units.

Despite the continuing weakness of markets in Europe, we came close to achieving the previous year's sales volume level and were thus able to buck the general trend. Positive market developments in Asia and the Americas also had a positive impact on unit sales of the BMW Group in these regions.

Motorcycle markets

The world's 500 cc plus class motorcycle markets were 3.0% down worldwide on the previous year. Motorcycle registrations in Europe fell by 9.1%. Germany (–0.7%) recorded a relatively moderate decline, in contrast to France (–11.2%) and Italy (–20.1%), where the drops were again on a double-digit scale. The US motorcycle market remained roughly at the previous year's level (–0.2%).

Within this difficult market environment, the BMW Group's motorcycles business performed significantly better than the general trend.

Financial Services

The situation on international financial markets seemed to stabilise during the year under report. Lifting the public debt ceiling in the USA helped to calm capital markets. The Japanese Reserve Bank continued its expansionary monetary policy and kept the economy propped up with massive support. The situation in the eurozone also became more settled in 2013. The European Central Bank felt compelled to reduce its reference interest rate to 0.25% in an endeavour to maintain economic momentum.

Greater worldwide economic stability also had a positive effect on credit losses, with bad debt levels continuing to fall in both the USA and Asia. Some signs of improvement were also noticeable in southern Europe.

Price levels on international used car markets in 2013 remained more or less stable across all regions, including southern European markets, where prices stabilised at a low level.

The BMW Group's Financial Services business also profited from the general stabilisation of the world's car and financial markets.

Report on Economic Position
Financial and Non-financial Performance Indicators

In the following section, as part of our review of operations and the financial condition of the BMW Group, we report on the principal financial and non-financial performance indicators utilised to manage the business.

To the extent that the indicators were included in the previous year's outlook, we compare them with actual outcomes in 2013. We comment on the principal performance indicators utilised by the BMW Group and its segments as follows:

Comparison of previous year's forecasts with actual outcomes

		Forecast for 2013 in 2012 Annual Report	**Actual outcome in 2013 (change)**
BMW Group			
Profit before tax	€ million	in line with last year's level	**7,913 (+1.4%)**
Workforce at end of year[1]		–	**110,351 (+4.2%)**
Automotive segment			
Sales volume[4]	units	increase in single-digit percentage range	**1,963,798 (+6.4%)**
Fleet emissions[1,2]	g CO_2/km	–	**133**
Revenues[1]	€ million	–	**70,629 (+0.6%)**
EBIT margin	%	8–10	**9.4**
Return on capital employed	%	>26	**63.3**
Motorcycles segment			
Sales volume	units	increase	**115,215 (+8.3%)**
Return on capital employed[1]	%	–	**16.4**
Financial Services segment			
Return on equity	%	>18	**20.2**

BMW Group
Profit before tax

The BMW Group continued to chart a successful course in 2013 and – thanks to the sharp rise in the number of vehicles sold – recorded its best pre-tax profit to date. Despite increased levels of expenditure for future technologies, intense competition and higher personnel expenses, Group profit before tax rose by 1.4% to total €7,913 million (2012: €7,803[3] million). Actual profit before tax was at a similar level to the previous year and therefore in line with expectations.

Workforce at end of year[1]

The workforce increased to 110,351 employees (2012: 105,876; +4.2%) over the course of the year, reflecting the dynamic growth in business and the high pace of innovation throughout the Group. Qualified staff members are required in order to meet strong demand for our vehicles and develop new technologies, particularly in the field of electromobility.

Automotive segment
Sales volume

Despite the prevailing volatile environment, deliveries of BMW, MINI and Rolls-Royce brand vehicles rose by 6.4% to 1,963,798[4] units (2012: 1,845,186[4] units). All

[1] Not included in the previous year's outlook.
[2] EU-27.
[3] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.
[4] Includes cars manufactured by the BMW Brilliance joint venture.

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three brands proved their underlying strength by posting new sales volume records totalling 1,655,138[1] units (2012: 1,540,085[1] units; + 7.5 %) for the BMW brand, 305,030 units (2012: 301,526 units; + 1.2 %) for the MINI brand and 3,630 units (2012: 3,575 units; + 1.5 %) for the Rolls-Royce brand. These sales figures enabled the BMW Group to retain its pole position in the premium segment worldwide. As forecast for 2013, the number of cars sold climbed at a single-digit percentage level and hence in line with our expectations.

Fleet carbon emissions[2, 3]

The BMW Group is continually reducing fleet carbon emissions by making its drivetrain systems more efficient and increasing the scope of electrification, while still setting standards in terms of sporting flair and dynamic driving pleasure.

The volume of carbon emissions produced by our vehicle fleet sold in Europe[3] continued to fall thanks to the rigorous deployment of our Efficient Dynamics technologies, and amounted to 133 g CO_2/km (2012: 138 g CO_2/km; – 3.6 %).

Revenues[2]

Revenues from the sale of BMW, MINI and Rolls-Royce brand cars edged up by 0.6 % to €70,629 million (2012: €70,208 million), despite a challenging competitive environment. We put this development down primarily to the expansion and rejuvenation of our model portfolio on the one hand and generally favourable economic conditions on the other. Revenues generated in Asia and the Americas rose sharply, due to the good growth rates enjoyed in these regions. By contrast, our automobile business in Europe had to wrestle with challenging conditions, under pressure from the effects of recent crises.

EBIT margin and return on capital employed

The EBIT margin in the Automotive segment (profit before financial result divided by revenues) came in at 9.4 % (2012: 10.8 %[4]). This performance was within our forecast target corridor of 8 to 10 % and reflected strong demand for our premium brands. The return on capital employed (RoCE) was 63.3 % (2012: 73.7 %) and thus well ahead of our target return of at least 26 %. Both performance indicators were therefore in line with the forecasts expressed in the previous year's outlook.

Motorcycles segment

Sales volume

Despite the sharp contraction seen in numerous motorcycle markets, the Motorcycles segment achieved a new sales volume record in the year under report. In total, 115,215 BMW motorcycles (2012: 106,358 units; + 8.3 %) were sold worldwide. As forecast for 2013, motorcycles sales volume continued to rise and was therefore in line with our expectations.

Return on capital employed[2]

The return on capital employed (RoCE) in the Motorcycles segment improved from 1.8 % in 2012 to 16.4 % in 2013, reflecting strong demand for our premium products and the good progress made in general by the segment. Moreover, the previous year's RoCE was affected by the sale of Husqvarna Motorcycles.

Financial Services segment

Return on equity

The Financial Services segment can look back on a highly successful year, with credit and leasing business with retail customers remaining one of the key growth drivers. The return on equity (RoE) of 20.2 % (2012: 21.2 %[4]) exceeded the target of at least 18 % and was thus in line with expectations.

[1] Includes cars manufactured by the BMW Brilliance joint venture.
[2] Not included in the previous year's outlook.
[3] EU-27.
[4] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

AUTOMOTIVE SEGMENT

Sales volume at new all-time high

The BMW Group sold a total of 1,963,798* BMW, MINI and Rolls-Royce brand vehicles during the year 2013, the best sales volume performance ever achieved in the Company's history (2012: 1,845,186* units; + 6.4 %). Despite increasing volatility on many markets, particularly in Europe, the BMW Group retained its pole position in the premium segment worldwide.

All three brands set new sales volume records. Sales of BMW brand cars rose by 7.5 % to 1,655,138* units (2012: 1,540,085* units). In addition, 305,030 MINI brand vehicles (2012: 301,526 units; + 1.2 %) and 3,630 Rolls-Royce brand vehicles (2012: 3,575 units; + 1.5 %) were sold.

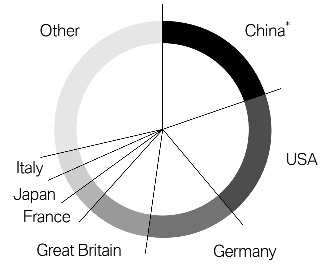
Sharp sales volume rise in Asia

In Asia, we sold a total of 578,678* BMW, MINI and Rolls-Royce brand cars in 2013 (+ 17.3 %), easily surpassing the 500,000 threshold for the first time. Sales on the Chinese mainland rose by 19.7 % to 391,713* units.

The Americas also made a good contribution to the overall performance, with 463,822 units (+ 9.0 %) sold in this region, including 376,636 units sold in the USA (+ 8.1 %).

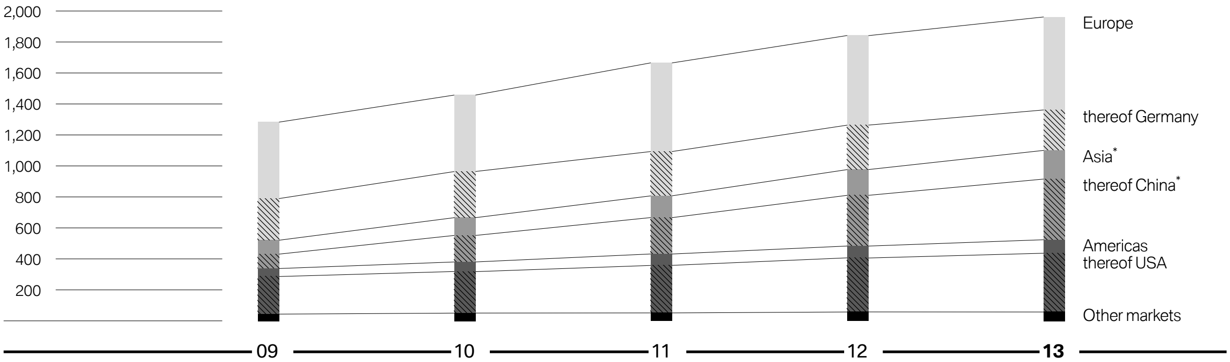
Despite ongoing uncertainties in Europe, sales in this region were almost at the previous year's level with a sales volume of 859,546 units (– 0.7 %). In Germany, the BMW Group was unable to escape the steep downward market trend, which resulted in sales volume falling by 9.8 % to 259,219 units. It was a very different story in the UK, where the keys to 189,121 BMW, MINI and Rolls-Royce brand cars (+ 8.4 %) were handed over to customers during the twelve-month period under report.

BMW Group – key automobile markets 2013
as a percentage of sales volume



China*	19.9	France	3.3
USA	19.2	Japan	3.3
Germany	13.2	Italy	3.0
Great Britain	9.6	Other	28.5

BMW Group sales volume of vehicles by region and market
in 1,000 units



	09	10	11	12	13
Europe	761.9	791.2	858.4	865.4	**859.5**
— thereof Germany	267.5	267.2	285.3	287.4	**259.2**
Asia*	183.2	286.3	375.5	493.4	**578.7**
— thereof China*	90.6	169.6	233.6	327.3	**391.7**
Americas	294.2	329.7	380.3	425.3	**463.8**
— thereof USA	242.1	266.6	306.3	348.5	**376.6**
Other markets	47.0	54.0	54.8	61.1	**61.8**
Total	**1,286.3**	**1,461.2**	**1,669.0**	**1,845.2**	**1,963.8**

* Includes cars manufactured by the BMW Brilliance joint venture.

BMW* achieves new sales volume record

BMW retained its pole position in the premium segment worldwide in 2013. The BMW X1 as well as the BMW 3, 5 and 6 Series each headed their own segments.

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Sales volume of BMW vehicles by model variant*

in units

	2013	2012	Change in %	Proportion of BMW sales volume 2013 in %
BMW 1 Series				
Three-door	**31,021**	14,462	–	
Five-door	**157,163**	176,066	–10.7	
Coupé	**12,417**	20,015	–38.0	
Convertible	**13,010**	16,286	–20.1	
	213,611	**226,829**	**–5.8**	**12.9**
BMW 3 Series				
Sedan	**348,560**	294,045	18.5	
Touring	**96,173**	59,144	62.6	
Coupé	**15,240**	29,525	–48.4	
Convertible	**17,418**	24,038	–27.5	
Gran Turismo	**22,941**	–	–	
	500,332	**406,752**	**23.0**	**30.2**
BMW 4 Series				
	14,763	**–**	**–**	**0.9**
BMW 5 Series				
Sedan	**295,877**	280,504	5.5	
Touring	**50,820**	57,425	–11.5	
Gran Turismo	**20,295**	21,087	–3.8	
	366,992	**359,016**	**2.2**	**22.2**
BMW 6 Series				
Coupé	**6,278**	8,480	–26.0	
Convertible	**5,496**	7,880	–30.3	
Gran Coupé	**15,913**	6,833	–	
	27,687	**23,193**	**19.4**	**1.7**
BMW 7 Series				
	56,001	**59,184**	**–5.4**	**3.4**
BMW X1				
	161,353	**147,776**	**9.2**	**9.7**
BMW X3				
	157,303	**149,853**	**5.0**	**9.5**
BMW X5				
	107,231	**108,544**	**–1.2**	**6.5**
BMW X6				
	36,688	**43,689**	**–16.0**	**2.2**
BMW Z4				
	12,866	**15,249**	**–15.6**	**0.8**
BMW i3				
	311	**–**	**–**	**–**
BMW total	**1,655,138**	**1,540,085**	**7.5**	**100.0**

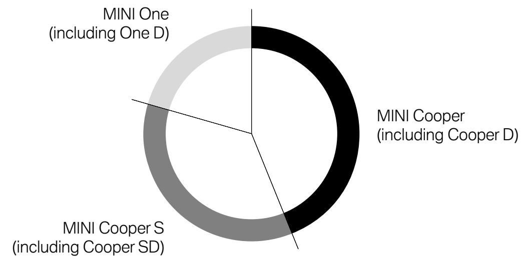
* Includes cars manufactured by the BMW Brilliance joint venture.

Reflecting the fact that the Coupé and Convertible models are coming to the end of their product life cycles, sales of the BMW 1 Series fell by 5.8 % to 213,611 units. The sales volume of 500,332 units recorded in 2013 for the BMW 3 Series was significantly up on the previous year (+ 23.0 %). Demand for the BMW 5 Series also remained high at 366,992 units, surpassing the previous year's figure by 2.2 %.

The various models of the BMW X family again performed extremely well in 2013. Sales of the BMW X1 and the BMW X3 rose by 9.2 % and 5.0 % to 161,353 units and 157,303 units respectively. The BMW X5, with a sales volume of 107,231 units, almost reached the previous year's high level despite the model change (– 1.2 %). The new X5 has been available to customers since November 2013.

MINI brand cars in 2013 – analysis by model variant

as a percentage of total MINI brand sales volume



MINI Cooper (including Cooper D) — 44.0
MINI Cooper S (including Cooper SD) — 35.7
MINI One (including One D) — 20.3

New sales volume high for MINI

MINI achieved a new sales volume record in 2013 with 305,030 units sold (+ 1.2 %). The MINI Paceman (available since March 2013) got off to a good start with 14,687 units sold. With a sales volume of 101,897 units, the MINI Countryman came very close to the previous year's sales performance (– 0.4 %). The MINI Hatch – now approaching the end of its product life cycle – only just fell short of the previous year's figure (128,498 units; – 2.3 %). The new generation MINI was announced in November 2013 and will appear on the markets in spring 2014.

Sales volume of MINI vehicles by model variant

in units

	2013	2012	Change in %	Proportion of MINI sales volume 2013 in %
MINI Hatch	128,498	131,569	–2.3	42.1
MINI Convertible	21,167	24,474	–13.5	6.9
MINI Clubman	21,030	22,699	–7.4	6.9
MINI Countryman	101,897	102,271	–0.4	33.4
MINI Coupé	8,436	11,311	–25.4	2.8
MINI Roadster	9,315	9,202	1.2	3.1
MINI Paceman	14,687	–	–	4.8
MINI total	305,030	301,526	1.2	100.0

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Sales volume of Rolls-Royce vehicles by model variant

in units

	2013	2012	Change in %
Rolls-Royce			
Phantom (including Phantom Extended Wheelbase)	**631**	573	10.1
Coupé (including Drophead Coupé)	**223**	216	3.2
Ghost	**2,284**	2,786	–18.0
Wraith	**492**	–	–
Rolls-Royce total	**3,630**	**3,575**	**1.5**

Rolls-Royce again records all-time high

Rolls-Royce Motor Cars remained market leader in the ultra-luxury segment in 2013 and, with sales of 3,630 units, achieved a new sales volume record for the fourth year in succession. The brand's top model, the Phantom, was handed over to 854 customers (+ 8.2 %) during the year under report. 2,284 units of the Rolls-Royce Ghost were sold worldwide (– 18.0 %). The newest model, the Rolls-Royce Wraith, was launched in autumn 2013 (492 units).

Production network running at full capacity

In the course of the year under report the BMW Group's production network implemented numerous model start-ups, commenced series production of the BMW i3 and continued to expand capacities at its various international sites. Despite these diverse challenges, new production volume records were set. Thanks to its high degree of flexibility, the production network was able to even out regional sales volume fluctuations by adapting its production programme wherever necessary to changing conditions.

In order to keep pace with ever-growing demand for the broad range of vehicles in its fleet, total production volume in 2013 was increased by 7.8 %. In total, we manufactured 2,006,366* vehicles, comprising 1,699,835* BMW (+ 9.9 %), 303,177 MINI (– 2.7 %) and 3,354 Rolls-Royce (+ 2.3 %) brand cars.

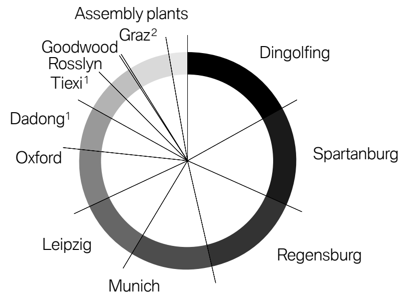
Electromobility production network now completed

One of the main focuses at the Leipzig, Dingolfing and Landshut plants during the year under report was preparation work for the series production start of the two new BMW i models, both of which are being manufactured in a multi-plant effort within the E-Mobility competence network. The Leipzig plant in particular plays a major role in the production and assembly of BMW i models and began series production of the BMW i3 in September 2013. Stringent high standards for both material selection and production processes have been achieved in the areas of lightweight construction, sustainability and the careful use of resources. For the first time in the history of the automotive industry, CFRP is being used on an industrialised series production scale to manufacture the bodywork of the BMW i3. The carbon fibre cores produced at the Wackersdorf plant together with our joint venture partner SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, are processed at the BMW Leipzig plant to form CFRP body parts. In autumn, series production of drive module components for the BMW i3 began at the Group's Dingolfing plant. The Landshut plant not only produces carbon parts, but also electric motors, range extenders and motor transmission units for the BMW i series.

*Includes cars manufactured by the BMW Brilliance joint venture.

Vehicle production of the BMW Group by plant in 2013

in 1,000 units



Dingolfing	342.6	Dadong[1]	126.9
Spartanburg	297.3	Tiexi[1]	88.0
Regensburg	295.5	Rosslyn	65.6
Munich	247.3	Goodwood	3.4
Leipzig	186.7	Graz (Magna Steyr)[2]	125.6
Oxford	176.0	Assembly plants	51.5

[1] Joint venture BMW Brilliance.
[2] Contract production.

More than one million vehicles produced in Germany for third consecutive year
For the third year in a row, the Group manufactured over one million vehicles at its German plants. The production start-up of the BMW 4 Series Coupé commenced at the Group's main plant in Munich. In future the plant will be demonstrating its high degree of flexibility by producing three different BMW 3 Series and BMW 4 Series models on one and the same production line. The BMW 4 Series Coupé is the basic model for the BMW M4 Coupé, the production of which was prepared at the Munich main plant over the course of 2013 and is scheduled to start in 2014. During the year under report, 247,330 vehicles were manufactured in Munich – more than ever before.

Production of the BMW 4 Series Convertible began at the Regensburg plant in 2013. In addition, the plant celebrated the topping-out ceremony for its new supply centre. The expansion of logistics structures is keeping pace with the increased need for materials and plays a key role in making the supply of parts for assembly even more efficient. In parallel to these changes, further progress was made to increase bodymaking capacity at the plant, a process initiated in the previous year. Production capacity in the pressing plant was also expanded with the commissioning into service of a new pressing facility based on high-speed servo technology.

The BMW Group hired 700 new employees at its production plant in Leipzig in 2013, mainly to build up expertise and create capacity for its BMW i models, but also in the area of conventional carmaking. Moreover, two new pressing lines employing high-speed servo pressing technology were taken into service at the BMW Leipzig plant with a view to increasing production depth and flexibility in general. Series production of the BMW 2 Series Coupé began in November. In parallel, staff at the plant also made preparations for manufacturing the BMW 2 Series Active Tourer from 2014 onwards, the first BMW model to be produced with front-wheel drive.

In autumn the Dingolfing plant celebrated its 40th anniversary as a BMW production location. We were again able to increase flexibility at the plant over the course of the year. After a ten-year absence, the production start-up of the 3 Series Gran Turisimo in spring heralded the return of a BMW 3 Series model to the Dingolfing plant. Simultaneously, the plant began manufacturing the BMW M6 Gran Coupé. The number of vehicles produced per day stood at the record level of some 1,500 units. Further good progress was made in ramping up capacity at the plant, with construction work continuing for a new bodymaking facility on a 25-hectare expansion area. One further major construction measure undertaken at the Dingolfing plant was the ground, breaking ceremony for the installation of a new high-speed servo press.

At the components plant in Landshut in November, a new die-casting foundry and a new core-moulding plant were taken into operation. As the only BMW production site to date that produces lightweight die-cast alloy parts, it is now better able to serve the growing demand for these components within the Group. The plant's production capacity now stands at 69,000 tons, which is equivalent to some five million die-cast parts per year.

Global presence strengthened
Over 45 % of the BMW Group's vehicles were manufactured abroad during the year under report. The production of the BMW 3 Series Sedan started at the Tiexi* plant in the Chinese city of Shenyang at the beginning of the year. Operations at this plant had only begun in 2012 and by September 2013, the 100,000th vehicle was rolling off the assembly line. The BMW 5 Series long-wheelbase Sedan is manufactured at the Dadong* plant in China. In July, the 100,000th four-cylinder petrol engine made for the Chinese market came off the production line at the engine manufacturing plant in Shenyang. At the same time, preparations got underway at the site for the construction of a further plant to supply engines for local production.

In August 2013 the US plant in Spartanburg began manufacturing the new generation of the BMW X5. Since 2010, production capacity at the plant has practically doubled. In the medium term, the plan is to increase capacity to accommodate up to 350,000 units per annum. As from next year, as competence centre for the BMW X models, the plant will also produce the BMW X4, the latest addition to the X family. Furthermore, since this year the American plant has been operating the world's largest connected fleet of hydrogen/fuel-cell-driven industrial logistics vehicles.

The BMW plant in Rosslyn, South Africa, has been running on a 24-hour basis in three shifts since 2012 and – despite an eight-week strike in the car industry affecting the entire country – manufactured a record volume of 65,646 units in 2013.

The BMW Group's assembly plants in Egypt, India, Indonesia, Malaysia, Russia and Thailand – whose

* Joint venture BMW Brilliance.

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primary function is to serve the corresponding regional markets – also remained on growth course in 2013, producing a total of 51,504 units in all. The BMW Group will also soon be producing BMW motorcycles at its assembly plant in Rayong, Thailand, exclusively for the growing local market. The Rayong plant is therefore the only one in the Group's worldwide production network to manufacture for three brands: the BMW, the MINI and BMW Motorrad. Moreover, in December the BMW Group laid the foundation stone for a new plant in Araquari, Brazil (in the state of Santa Catarina). The plant is scheduled to commence operations in autumn 2014 and produce up to 30,000 units per year.

In November, the production of the third generation of MINI models began at the Oxford plant to coincide with the plant's 100th anniversary. The British production triangle comprising the MINI plant in Oxford, the components plant in Swindon and the engine production facility in Hams Hall is a key part of the BMW Group's production network. The pressing plant in Swindon introduced tactile laser welding technology during the reporting period. This highly innovative process offers advantages in terms of corrosion protection and will be utilised for the first time in producing the third MINI model generation.

In order to secure further capacities for the planned growth of the MINI, the BMW Group simultaneously made preparations for producing the MINI under contract with the Dutch carmaker VDL NedCar bv, Born. Contract production of the MINI will commence in the second half of the coming year. The MINI models Countryman and Paceman are already being produced under contract by the company Magna Steyr Fahrzeugtechnik in Graz, Austria.

The Rolls-Royce plant in Goodwood, England, celebrated its tenth production anniversary during the year under report. Series production of the Rolls-Royce Wraith began at the plant in summer 2013.

Flexible, standardised production system for engines introduced

Preparations were made to manufacture a new generation of low-consumption petrol and diesel engines at the Munich, Hams Hall (UK) and Steyr (Austria) plants. For this purpose a highly flexible, demand-oriented production system was introduced at all three locations. In September, production began of the 3- and 4-cylinder engines for the new Efficient Dynamics engine family deployed in BMW and MINI brand cars. At the Hams Hall plant, measures were implemented to take over production of drive systems for the BMW i8 as from 2014.

The production start-up of the latest generation of modular engines was also high on the agenda at the BMW Group's largest engine-making plant in Steyr. Since the beginning of series production at the site, no fewer than 16 million engines have been manufactured. Currently, the Steyr plant handles production of the BMW 4- and 6-cylinder diesel engines, 6-cylinder petrol engines and MINI diesel engines. Since switching to the use of electricity generated from renewable sources and eco-friendly, climate-neutral process heat from the nearby biomass power plant in 2013, the engine plant has reduced its annual carbon emissions by more than 30,000 tons.

Due to the strong demand for 4-cylinder petrol engines worldwide during the period under report, engine-building activities at the Munich plant ran at full capacity, with up to 2,000 engines produced per day. In addition, the Munich plant also manufactures 8- and 12-cylinder petrol engines as well as 6-cylinder diesels for our M Performance models.

MOTORCYCLES SEGMENT

BMW Motorrad sets new sales volume record

The Motorcycles segment also achieved its best sales volume of all time in 2013, despite persistently difficult market conditions. In total, we sold 115,215 BMW motorcycles (2012: 106,358 units; + 8.3 %) worldwide.

Motorcycle sales up in nearly all markets

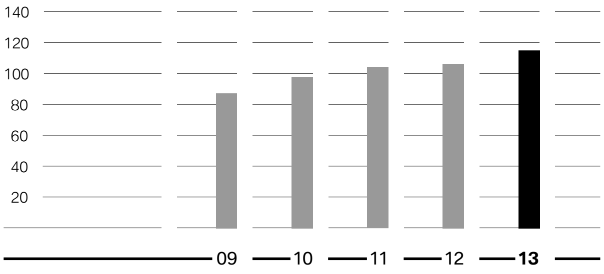
Motorcycle sales in Europe rose to 68,961 units (+ 4.7 %), despite the fact that a number of markets suffered further contraction. Sales volume in Germany also grew by 4.7 % and reached 21,473 units. Motorcycles business in Italy stabilised at 10,230 units (+ 0.3 %). The only country in the region with lower sales than one year earlier was France (10,400 units; – 5.0 %). By contrast, at 14,100 units, motorcycle sales in the USA were well above the previous year's level (+ 16.5 %).

Model initiative continued

In February, a number of special models (R 1200 R, R 1200 RT and R 1200 GS Adventure) as well as the new F 800 GT were launched to mark BMW Motorrad's 90th anniversary. These launches were followed in March by the new generation of the R 1200 GS, BMW Motorrad's most successful motorcycle to date. The latest version of the world's best-selling long-distance enduro received a number of prestigious awards in 2013. In March, with more than 30 % of the votes, readers of the magazine "Motorrad" voted the new R 1200 GS first in the category "Trial/Enduros". It also won a number of prestigious design prizes, such as the red dot and the German Design Award. The bike has been exceptionally well received by customers and enjoyed much acclaim in the motorcycle press, confirming the fact that it sets new standards for long-distance enduros.

BMW sales volume of motorcycles*

in 1,000 units

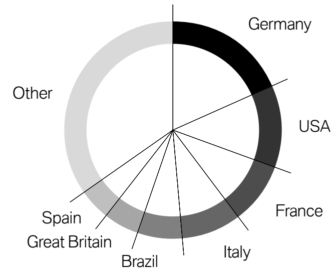


09	10	11	12	**13**
87.3	98.0	104.3	106.4	**115.2**

* Excluding Husqvarna, sales volume up to 2013: 59,776 units.

BMW Group – key motorcycle markets 2013

as a percentage of sales volume



Germany	18.6	Brazil	6.6
USA	12.2	Great Britain	5.5
France	9.0	Spain	4.5
Italy	8.9	Other	34.7

The new F 800 GS Adventure has been available since mid-June. The model revision of the F 800 ST was also launched in a version suitable for use by public authorities.

The R nineT, S 1000 R, R 1200 RT, R 1200 GS Adventure, C evolution, K 1600 GTL Exclusive and F 800 GS Adventure models were presented at the major autumn trade fairs and will be launched in the course of 2014.

Motorcycle production slightly reduced

In total, 110,127 BMW motorcycles were manufactured during the period under report (2012: 113,811; – 3.2 %). The BMW plant in Berlin spent much of the year preparing for the production start-up of various motorcycle models, including the fully electrically powered Maxi-Scooter BMW C evolution and the BMW R nineT, which is reminiscent of the brand values of 90 years of BMW Motorrad history.

New strategic direction for motorcycles business

In line with its new strategic direction, the Motorcycles segment is now fully focused on the BMW Motorrad brand. Following approval by the Austrian Merger Control Authorities, Pierer Industrie AG, Austria, took over Husqvarna Motorcycles on 6 March 2013.

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FINANCIAL SERVICES SEGMENT

Financial Services segment achieves best figures to date

The Financial Services segment again benefited from its attractive product range in 2013 and reported profitable growth. The portfolio of leasing and credit financing contracts in place with retail customers and dealers grew by 7.4 % to a total of 4,130,002 contracts, the highest figure ever reported by the segment (2012: 3,846,364 contracts). Business volume in balance sheet terms grew by 4.2 % to stand at €84,347 million at the end of the reporting period (2012: €80,974 million).

Credit financing and the lease of BMW Group brand cars and motorcycles to retail customers is the segment's largest line of business. In our multi-brand line of business, which operates under the brand name "Alphera", we also offer financing for vehicles of other manufacturers. Moreover, we support our own dealer organisation by providing financing for dealership vehicle inventories, real estate and equipment. In its international multi-brand fleet business, which operates under the brand name "Alphabet", the BMW Group offers a wide range of individualised mobility solutions for corporates, ranging from vehicle financing on the one hand through to bespoke services and full fleet management on the other. The segment's range of products is rounded off by a host of individualised insurance products and attractive banking services.

Sharp rise in leasing and new credit business

The segment's worldwide lease and credit financing business with retail customers continued to grow in 2013. With a total of 1,471,385 new contracts, the segment set a new record for the number of new contracts signed in a year, surpassing the previous year's figure by 9.7 % (2012: 1,341,296 contracts).

Lease business and credit financing business contributed equally to this strong growth, in both cases with an increase of 9.7 % over the previous year. Leasing accounted for 33.8 % of new business, credit financing for 66.2 %. The proportion of new BMW Group cars leased or financed by the Financial Services segment was 44.0 %, 3.6 percentage points higher than one year earlier.

In the used car financing line of business, 315,919 new contracts for BMW and MINI brand cars were signed in 2013, 4.1 % more than in the previous year (2012: 303,490 contracts).

The total volume of all new credit financing and leasing contracts concluded with retail customers during the twelve-month period amounted to €39,241 million, an increase of 7.0 % over the previous year (2012: €36,664 million).

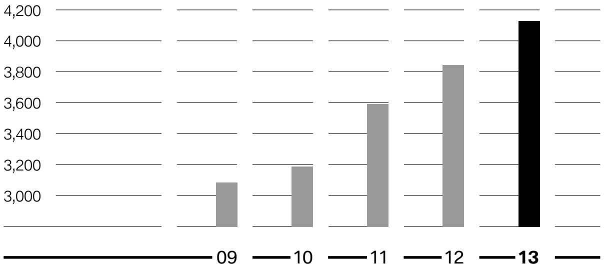
This surge in new business had a positive impact on the overall size of the contract portfolio, which grew to a total of 3,793,768 contracts at the end of the reporting period (2012: 3,534,620 contracts; + 7.3 %). Growth was recorded across all regions, with increases in the Europe/Middle East region (+ 8.8 %), the Americas region (+ 5.5 %) and for the EU Bank (+ 2.4 %). The most significant rise was again recorded in the Asia/Pacific region, where the contract portfolio grew by 23.6 %.

Expansion of BMW Bank successfully completed

The process of turning BMW Bank into a European financial institution was successfully completed, following the formal conversion of the Italian subsidiary to the status of a BMW Bank branch. This process has entailed various European financial services entities of the BMW Group being integrated in BMW Bank GmbH, either in the form of branches or as subsidiaries. As a credit institution operating throughout Europe, the bank is able to enjoy the benefits of greater flexibility in the areas of liquidity and equity capital management, thus increasing the overall stability of the segment.

Contract portfolio of Financial Services segment

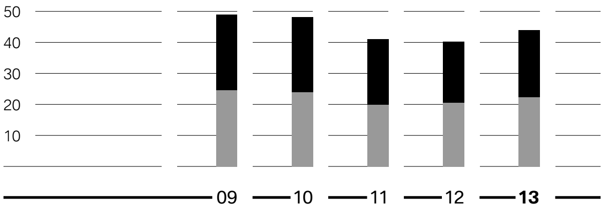
in 1,000 units



09	10	11	12	13
3,086	3,190	3,592	3,846	**4,130**

BMW Group new vehicles financed by Financial Services segment

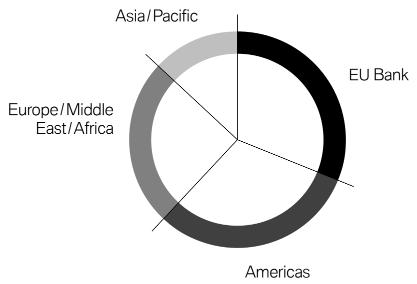
in %



	09	10	11	12	13
Financing	24.7	24.1	20.0	20.7	**22.5**
Leasing	24.3	24.1	21.1	19.7	**21.5**

Contract portfolio retail customer financing of Financial Services segment 2013

as a percentage by region



EU Bank	31.3	Europe / Middle East / Africa	24.9
Americas	30.9	Asia / Pacific	12.9

With the new structure in place, BMW Bank has its headquarters in Germany, branches in Italy, Spain and Portugal and a subsidiary in France.

Fleet business remains on growth course

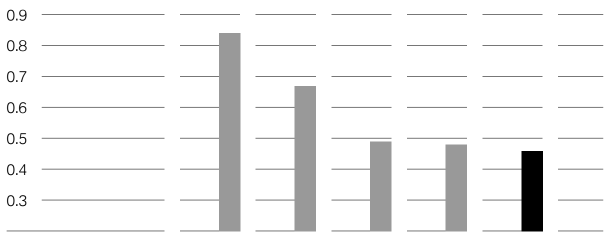
As a fleet management specialist offering a full range of services including leasing and funding, Alphabet is the fourth-largest provider in the European market. The total portfolio of fleet-related contracts climbed by 6.6 % to stand at 535,528 contracts at the end of the reporting period (2012: 502,397 contracts).

Multi-brand financing on the rise

Demand for multi-brand financing increased again in 2013. In total, 181,605 new contracts were signed in 2013, surpassing the previous year's equivalent figure by 10.8 % (2012: 163,945 contracts). A portfolio of 452,009 contracts was in place at the end of the reporting period (2012: 417,408 contracts; + 8.3 %).

Development of credit loss ratio

in %



	09	10	11	12	**13**
	0.84	0.67	0.49	0.48	**0.46**

Dealer financing up on previous year

In addition to retail customer financing, the Financial Services segment also provides financing products for the dealer organisation. The total volume of dealer financing at 31 December 2013 was €13,110 million, an increase of 3.5 % compared to one year earlier (2012: €12,669 million).

Deposit business decreased

Deposit-taking represents an important source of refinancing for the BMW Group. The volume of customer deposits went down by 4.3 % during the twelve-month period to €12,457 million (2012: €13,018 million).

Insurance business continues to grow

In addition to its financing and leasing products, the Financial Services segment also offers a wide range of individually packaged insurance services to customers in 30 countries. There was no let-up in demand for insurance products in 2013. The number of new contracts rose worldwide by 6.3 % to 1,041,530 contracts (2012: 979,776 contracts). The insurance contract portfolio expanded by 18.9 % to 2,567,168 contracts (2012: 2,158,892 contracts).

Stable risk profile

Helped by the positive trend in the global economy and an easing of the euro crisis, the segment's well-established risk management procedures again proved their worth. The credit risk situation in southern Europe was also more stable. The loss ratio incurred on the segment's total credit portfolio was reduced by 2 basis points to 0.46 % (2012: 0.48 %).

Reflecting developments on international used car markets, our vehicles' residual values also improved slightly worldwide over the course of the year. The only exception was in the countries of southern Europe, where, although there was no improvement, prices at least stabilised at a low level. Average losses on residual value risks also decreased.

Further information with respect to risks and opportunities related to Financial Services can be found in the section "Report on risks and opportunities".

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RESEARCH AND DEVELOPMENT

Efficient Dynamics

The vehicles produced by the BMW Group feature intelligent lightweight design, optimised aerodynamic characteristics and efficient engines. The well-thought-out mixture of materials used to build our vehicles enables us to continually reduce their weight. The BMW Group is also one of the world's leaders in the use of CFRP in car production. The lightweight material is at least as strong, but up to 50 % lighter than steel and around 30 % lighter than aluminium. When combined with an aluminium chassis, a thermoplastic outer skin and comprehensive weight optimisation in many other components, the CFRP passenger compartment used in the BMW i3 is currently the most effective implementation of intelligent lightweight carmaking on the market.

As from 2014, a completely new family of engines featuring BMW TwinPower turbo technology will power the first BMW and MINI models with new 3-, 4- and 6-cylinder in-line engines, ensuring that the best possible Efficient Dynamics technology is available in all segments and performance categories.

The EU6 emission standard, which is mandatory for all newly registered automobiles as from autumn 2014, has already been met for most new BMW and MINI models since 2013. BMW Blue Performance technology ensures that the reduction in the percentage of nitrogen oxide in emissions required by the EU6 standard has been fulfilled for BMW's diesel models.

In the field of electromobility, too, the BMW Group is relying on in-house developments for its drive systems. BMW eDrive embraces all of the drive system components required for fully electric driving, i.e. the electric motor, power electronics, e-transmission and high-voltage battery system.

Intelligent energy management ensures that the waste heat generated by the drive system is reduced; kinetic energy is produced as needed and recovered. The BMW Group has done pioneering work in the field of recuperation technology, which it has gradually been introducing since 2007. The technology generates electrical energy that is fed into the vehicle's electrical system during acceleration and braking phases.

The BMW i3

The fully electrically powered BMW i3 was launched in 2013 and is the first electric car on the market to combine the pleasure of driving so typical for BMW with electromobility suitable for daily use. It is based on an innovative vehicle concept, which is tailor-made for electromobility and includes a passenger compartment made of CFRP. Driver assistance systems and mobility services from BMW ConnectedDrive as well as the services of 360° ELECTRIC have been specially developed for the BMW i Series. The BMW i3 uniquely combines dynamic driving (from 0 to 100 km/h in 7.2 seconds) with low electricity consumption (12.9 kWh in the EU test cycle). It is powered by a lithium-ion battery specially developed and produced by the BMW Group, which is integrated in the underbody to save space. The energy storage capacity gives the car a range of 130 to 160 kilometres under everyday driving conditions.

Connected mobility

With the new orientation of BMW ConnectedDrive services, BMW continues to extend its outstanding position as leading provider worldwide of online-based services for vehicles. BMW ConnectedDrive is based on two key areas, namely driver assistance systems (convenience and safety functions) and services (infotainment and mobility services). Customers can now order mobility services on an individual basis. Moreover, individual services can be ordered for limited periods of time. The individualisation of services is now also available for the first time for a used BMW. As a result, both BMW and BMW i customers can benefit from a broad range of services and far lower entry prices. Since July 2013, many BMW models have been equipped with an integrated SIM card as standard. The aim is, by 2017, to connect around five million BMW vehicles worldwide via Connected Drive by means of the permanently installed SIM card.

In future it will be possible to order BMW ConnectedDrive services in the newly created BMW ConnectedDrive store, an option unique for the market. The store is not only available online, but also when travelling, via the vehicle's on-board system.

With its intelligent emergency call feature, BMW already offers a broader range of functions than that required by EU legislation for 2015. Automatic position-finding and accident severity detection also help to greatly minimise the time between an accident occurring and the arrival of medical and rescue teams. In future, the intelligent emergency call will be offered as standard in practically all markets and models.

The range of optional driver assistance systems has also been considerably expanded for the new MINI.

Available for the first time are a head-up display above the steering column, the Driving Assistant system including camera-based, active speed control, collision and pedestrian warning, high beam assistant and traffic sign detection as well as a parking assistant and a reversing camera.

The diversity of the MINI Connected infotainment programme, which is unique in its competitive environment, has been additionally increased. The new MINI is the first vehicle in its segment that can be permanently equipped with a SIM card, which means it has the emergency call service with automatic position-finding and accident severity detection as well as the MINI teleservices at its disposal. The social networks and infotainment functions, which can be integrated in the vehicle via apps, are now available both for Apple iPhones and for smartphones running the Android operating system.

With functions such as traffic sign recognition and collision warning technology, BMW Motorrad Connected-Ride is bringing camera-based rider assistance systems that are already standard features in BMW cars to the world of motorcycling. The particular challenge in this case is how to implement the functions to suit motorcycling conditions: the system still needs to work perfectly when leaning into corners and in all weathers. For example, based on ultrasound technology, the Side View Assist system warns the motorcycle rider of objects located in blind spots and vehicles approaching from the sides by means of orange warning triangles built into the base of the motorcycle's mirrors.

For a number of years now, the BMW Group has been working on an electronic co-pilot that provides vehicles with highly automated driving capabilities on motorways. As early as 2011, a trial vehicle drove from Munich to Nuremburg without assistance from the driver. A highly automated switching from one motorway to another at motorway intersections is now also possible, thus managing a further key step in the automated negotiation of motorway networks.

After four years of research work, in 2013 one of the largest field trials worldwide for Car-to-X-Communication sim^{TD} (Safe Intelligent Mobility – test field Germany), involving more than 120 cars, was completed. Numerous companies in the automotive and communications industries as well as research institutes joined forces to test the electronic connectedness of vehicles and traffic infrastructure. The BMW Group concentrated particularly on the cross-traffic assistant and the traffic sign assistant. Via radio signals, the cross-traffic assistant registers the data of all road users at any given crossing and, with the help of positioning technology that is already available as standard equipment, can manage to avoid many of the accidents that typically occur at crossings. The second main focus was on the traffic sign assistant, which, alongside a host of other features, informs the driver of current speed limits in traffic guidance systems or of approaching congestion.

Awards for technological innovation and design
Engines newly developed by the BMW Group were awarded two category prizes at the international "Engine of the Year Awards 2013". An international jury awarded first prize in its capacity class to the 2.0-litre 4-cylinder TwinPower turbo engine, which powers vehicles such as the BMW 1, 3 and 5 Series models. In its class, the 1.6-litre 4-cylinder MINI TwinPower turbo engine, which powers the MINI Cooper S, recorded its seventh consecutive award win. The success is further proof of the dominance of the BMW Group with its globally recognised competence in engine development. No other car manufacturer has managed to gain more titles at the Engine of the Year Awards in recent years.

The BMW Group celebrated dual success at the internationally acclaimed "Goldenes Lenkrad" automotive awards. The BMW X5 was voted the most convincing new model of the year in the SUV category – as the first BMW model in this category. In the competition for the "Grünes Lenkrad", the BMW i3 won hands down against all other brands. The BMW i3 also secured first place in the German Design Award 2014 in the "Transportation and Public Space" category. An international jury of experts presented awards not only for the BMW i3, but also for the concept study BMW Pininfarina Gran Lusso Coupé and the BMW R 1200 GS. A total of six models designed by the BMW Group were honoured at the world's oldest and widely respected "GOOD DESIGN^{TM}" awards. The independent jury awarded prizes to numerous vehicles, including the BMW 6 Series Gran Coupé, the BMW 3 Series Sedan, the BMW M6 Coupé, the BMW M5 and the MINI Roadster. The BMW Group also celebrated receiving four prizes at the red dot award: product design 2013. In the "Automotive and Transport" category the BMW M6 Gran Coupé, the BMW M135i, the BMW 3 Series Touring and the BMW R 1200 GS were each awarded the red dot design award for their high-quality design.

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PURCHASING AND SUPPLIER NETWORK

As the leading provider of premium vehicles, the BMW Group operates the supply chain together with its partners. The focus here is on achieving the right balance between quality, innovation, flexible supply structures and competitive costs. This enables us, even in a volatile environment, to react swiftly and flexibly to fluctuations in demand and to continue improving the quality of our products and services.

Numerous model start-ups

The year under report saw the launch of ten models in total for the BMW, MINI and Rolls-Royce brands, for which much of the groundwork was performed by the purchasing team. The BMW i3 incorporates a large number of innovations, implemented thanks to the co-ordinated efforts of our suppliers and our own in-house component manufacturing resources. Furthermore, the new generation of the MINI marks the start of front-wheel drive architecture for the BMW Group.

Internationalisation of procurement markets

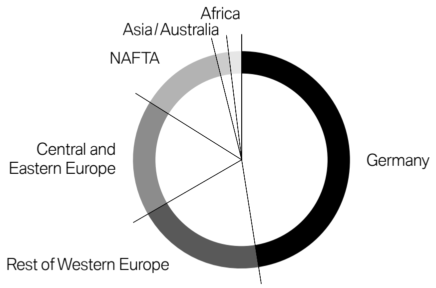
In accordance with the basic principle applied that production follows the market, the BMW Group is increasingly shifting value-added processes into its respective sales markets, thus providing a further defence against currency exposures.

High level of investment safeguards productivity and technology lead

The BMW Group's Purchasing and Supplier team is also responsible for component production sites and carries out regular comparative analyses to ensure the efficiency of our in-house component production facilities. The expansion of the Landshut production plant for carbon fibre parts emphasises the importance that the BMW Group attaches to it as a competence centre for lightweight construction and electromobility. This investment in CFRP technology provides the basis for the large-scale automated series production of carbon fibre parts in the BMW Group.

Regional mix of BMW Group purchase volumes 2013

in %, basis: production material



Germany	47.2	NAFTA	12.1
Rest of Western Europe	18.9	Asia / Australia	1.9
Central and Eastern Europe	17.0	Africa	1.9

SALES AND MARKETING

The worldwide sales network currently consists of some 3,250 BMW, 1,500 MINI and 120 Rolls-Royce dealerships. In China alone, more than 50 new BMW and MINI dealerships were opened in 2013. The number of dealerships in Europe was adapted to suit the current economic conditions.

BMW brings out numerous new models

The revised BMW Z4 model was introduced in March 2013. This was followed in June by the launch of the new M6 Gran Coupé, which offers the perfect balance between design, performance and luxury. The new BMW 3 Series Gran Turismo, as the third body variant of this series, came onto the market in June 2013. It combines the Sedan's sporty, dynamic design with the Touring's functionality and versatility. The BMW 5 Series revised model has been available in the showrooms since July. In addition to design modifications, a wider selection of engines and additions to its broad choice of features, the new BMW 5 Series offers a more extensive range of standard equipment. October saw the market launch of the new BMW 4 Series Coupé. With its low centre of gravity and powerful engine models, the sporty Coupé sets new standards for driving dynamics in its segment. The third generation of the BMW X5 reached the showrooms in November. The distinguishing features of this successful model are its increased sporting ability and lower fuel consumption.

In April 2013, the BMW Group, together with its joint venture partner Brilliance Automotive, announced the launch of an electric vehicle developed specially for China under the brand name ZINORO.

Successful market launch of the BMW i3

At the end of July 2013, the BMW i3 was presented to the public in three cities simultaneously: London, New York and Beijing. The European sales launch of the BMW i3 in November 2013 was accompanied by an extensive communication campaign. First successes have already been recorded: the numbers of interested parties, test drive enquiries and orders for the BMW premium electric vehicle are surpassing expectations.

The BMW i3 is available directly from 196 European dealerships with BMW i agency agreements (BMW i agents). In selected markets, the sales concept for the BMW i has been extended to include purchase offers by telephone and via the Internet. In addition, BMW i product experts advise interested customers at the BMW i agencies. The coming months will see the launch of the BMW i3 in the USA, China and Japan, among other countries.

MINI extends model range

In March 2013, the MINI Paceman became the seventh model in the MINI brand range. It is the first Sports Activity Coupé in the premium compact segment. The brand is therefore continuing to extend its model range to include new vehicle concepts. April saw the market launch of the John Cooper Works brand in China. In Shanghai, MINI opened the first Experience Centre for the brand in China.

In November, the BMW Group announced the third generation of the MINI, which will be available on markets worldwide in spring 2014. The new MINI redefines the premium small-car segment and offers numerous innovations.

Rolls-Royce Wraith extends the brand experience

In 2013, Rolls-Royce Motor Cars presented the Wraith, the most potent Rolls-Royce of all time. The Wraith stands out for its unique design and has been available in showrooms since September 2013. The Wraith has received the highest accolades, both in the media and from customers. Rolls-Royce Motor Cars also expanded its global presence in the year under report to include Turkey, the Philippines and Taiwan.

Comprehensive range of services centred around BMW i

With 360°ELECTRIC, BMW i offers a comprehensive package of services for easy, convenient electromobility. BMW i3 and i8 can be recharged from a domestic power socket. However, customers can charge up even more quickly and conveniently using the BMW i wallbox, which is also available with installation service. A solar carport is also available as an option. The public ChargeNow network is accessible for customers without private parking facilities. This is a network of public charging infrastructure suppliers who provide access to more than 8,000 charging points located throughout Europe. With ParkNow LongTerm, the customer can rent a long-term parking space with charging station at a car park cooperating in the scheme. BMW Add-on Mobility makes it possible to book a conventional BMW vehicle (e.g. for longer holiday trips) as a further service provided to BMW i customers.

Featuring comprehensive driver assistance systems and connectivity solutions, BMW i ConnectedDrive services

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are designed to fulfil our customers' desire for convenience. BMW i3 Navigation includes a dynamic range assistant, which provides the customer with reliable information on the location of charging stations along the route or suggests efficient driving styles. The Assistance Services package comprises BMW i Connected-Drive functions for smartphone and navigation, which support the driver when charging the vehicle and during the journey. The service package can also include public transport options in the mobility planning. With a BMW i, the customer is also entitled to the comprehensive BMW i Mobile Care package. This includes telephone assistance, on-the-spot help and a replacement vehicle if required. As part of the holistic approach of 360°ELECTRIC, a customised maintenance and repair package is also offered in addition.

Strong growth in customer service

For the BMW Group and its worldwide dealer organisation, the distribution of BMW and MINI spare parts, accessories and services represents a key factor for success. 2013 was yet another record year in our major markets in Germany, the USA and China. Double-digit growth in revenues was also achieved in Japan, Korea and Russia.

New premium experience in showrooms

By 2017, the Future Retail programme will be implemented worldwide with a view to enhancing the premium experience of our brands and products. Future Retail comprises:
– new and additional possibilities for contact with our brands,
– comprehensively improved dealerships, which offer a premium experience and
– targeted support for dealerships enabling customer needs to be met even more effectively.

In 2013, a start was made on implementing the programme in 22 markets. The use of our 700 Product Geniuses worldwide in some 450 dealerships was particularly successful.

WORKFORCE

Workforce increased

The BMW Group's worldwide workforce grew to a total of 110,351 employees at 31 December 2013 (2012: 105,876 employees; +4.2%). In order to satisfy the high demand for our vehicles and to be ready to tackle future challenges, skilled staff was recruited specifically for the development and production of new technologies, such as electromobility. The decrease in the Motorcycles segment's workforce was due to the sale of Husqvarna Motorcycles in March 2013.

Training extended internationally

1,363 young people began their vocational training with the BMW Group in 2013. In Germany, the number of 1,200 apprentices remained constant compared to the previous year. At the end of the reporting period, the BMW Group employed 4,445 apprentices worldwide.

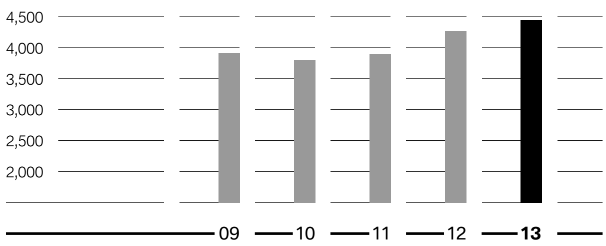
Investment in employee training

Expenditure on basic and further training in the BMW Group rose by 2.1% to €288 million during the year under report (2012: €282 million). This investment focused principally on increasing skills in the field of electromobility, the growing internationalisation of the BMW Group and the development of a comprehensive range of seminars in the area of healthcare.

Attractive employer

Again in 2013, the BMW Group ranged among the most attractive employers in the world, a fact reflected in numerous studies and rankings tables. In "The World's Most Attractive Employers", published by the Universum agency, the BMW Group again succeeded in being ranked as the best German employer across all sectors and the best automotive company of all. The BMW Group also managed to rise further in Trendence's European rankings table compared to the previous year.

BMW Group apprentices at 31 December



09	10	11	12	13
3,915	3,798	3,899	4,266	**4,445**

BMW Group employees

	31.12.2013	31.12.2012	Change in %
Automotive	**100,682**	96,518	4.3
Motorcycles	**2,726**	2,939	–7.2
Financial Services	**6,823**	6,295	8.4
Other	**120**	124	–3.2
BMW Group	**110,351**	**105,876**	**4.2**

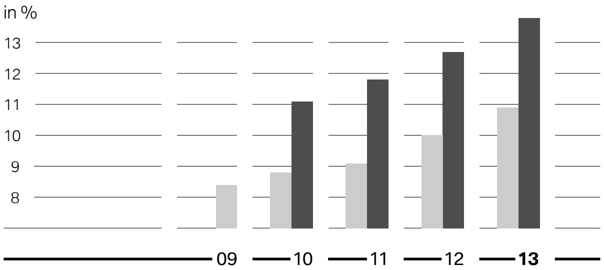
In Trendence's German Young Professional Barometer 2013, the BMW Group occupied first place across all target groups. Furthermore, in the Trendence Graduate Barometer Germany, the BMW Group, with its second place in the fields of business and engineering and its fourth place in IT, achieved its best result since 2007.

Productive diversity boosts competitiveness

As a result of the specific deployment of varied, complementary talents, the BMW Group is able to boost its efficiency, innovative strength and customer orientation by better reflecting the diversity of its customers. In order to attract a broad spectrum of skillsets which enable us to fully engage the strengths of all our employees, we promote a business culture based on appreciation and mutual respect.

The proportion of women in the workforce, both in management positions and in training programmes for young talent, rose further during the year under report. The proportion of women in the BMW Group's workforce at 31 December 2013 stood at 17.4 % (BMW AG: 14.5 %). Particularly good progress was made regarding the number of women in management positions, with the proportion rising to 13.8 % (BMW AG: 10.9 %). Comprehensive training and promotional programmes – for both women and men – have been set up as part of the strategy of bringing the proportion of women in management positions up to our target corridor of between 15 and 17 % by the year 2020. Female representation in trainee programmes throughout the BMW Group is already above 35 %.

Proportion of non-tariff female employees at BMW AG / BMW Group[1]

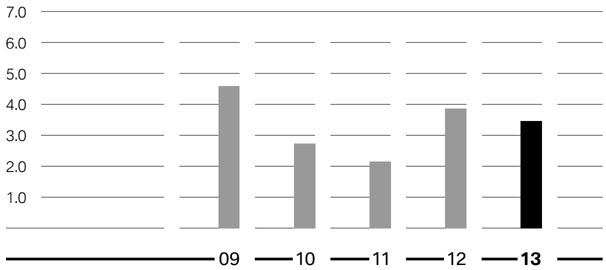


	09	10	11	12	13
BMW AG	8.4	8.8	9.1	10.0	**10.9**
BMW Group		11.1	11.8	12.7[2]	**13.8**

[1] Percentage calculated for the BMW Group since 2010.
[2] Figure adjusted.

Employee attrition rate at BMW AG[1]

as a percentage of workforce



09	10	11	12	13
4.59[2]	2.74	2.16	3.87	**3.47**

[1] Number of employees on unlimited employment contracts leaving the Company.
[2] After implementation of previously reported measures to reduce the size of the workforce (voluntary employment contract termination agreements).

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SUSTAINABILITY

Economic success, the responsible use of resources and the assumption of our social responsibilities are the cornerstones for long-term growth and a continual rise in the value of the business. For this reason, due consideration to ecological and social criteria along the entire value-added chain and a clear commitment to the preservation of resources are values that are firmly embedded in the philosophy of the BMW Group.

Again in 2013, the Group successfully maintained its leading position among the most sustainable carmakers worldwide – a fact borne out by the top places achieved in prestigious ratings. The BMW share was again included in the Dow Jones Sustainability Indices (DJSI, Europe and World), making the BMW Group the only carmaker to be consecutively listed in the top three for the last 15 years. In the Global 500 Rating of the Carbon Disclosure Project (CDP), in 2013 we achieved our best result of all time and with 100 out of 100 possible disclosure points and a performance assessment in the best 'A' ranking, making us leaders in our sector. Moreover, the BMW Group was again included in the British FTSE4Good Index in 2013.

Clean production

The integration of environmental management in all production processes enables us to minimise our use of resources and cushion their environmental impact. Since 2006 we have reduced both the resources utilised and the emissions per vehicle produced by an average of 41.4 %.

The individual figures are as follows:

Energy consumption	**–31.0 %**
Water consumption	**–33.1 %**
Process wastewater	**–42.7 %**
Non-recyclable waste	**–69.7 %**
Solvent emissions	**–36.7 %**
CO_2 emissions	**–35.2 %**

Due to the increasing significance of contract production, only vehicles manufactured at BMW production plants[1] are taken into account to calculate environmental performance indicators, since, looking forward, this is seen as the best way to ensure a differentiated portrayal of the resource efficiency of the BMW Group's own production capacities.

In 2013, the utilisation of resources and the emissions per vehicle produced were again reduced by an average of 6.6 % compared with the previous year, thus giving rise to savings of €6.8 million.

Despite extensive in-house production (e.g. CFRP manufacturing) and the construction/commissioning of new structures worldwide (such as the new foundry at the Landshut plant), we managed to further reduce the energy consumption per vehicle produced to 2.36 MWh or 2.1 %. Improved energy efficiency, the utilisation of highly efficient, ecologically sustainable combined heat and power plants (CHPs) and the use of electricity generated from renewable sources enabled us to reduce the carbon emissions per vehicle produced by 5.6 % to 0.68 tons during the period under report.

In order to generate sufficient energy at its various production plants, the BMW Group makes good use of its own combined heat and power plants. The calculation of energy efficiency within the BMW Group's production network has been adjusted to allow for increased consumption caused by conversion due to the growing use of CHP plants. The previous year's figures have been adjusted accordingly.

The volume of water required per vehicle produced also fell to 2.18 m^3 (– 1.8 %) in 2013. The amount of process wastewater produced decreased by 7.8 % to 0.47 m^3 per vehicle produced. Measures implemented due to the continual improvement process and good capacity utilisation at our plants contributed towards improved efficiency in the use of both energy and water. At the Spartanburg plant in the USA in particular, water consumption was lowered by the use of condensed water gained from the cooling system.

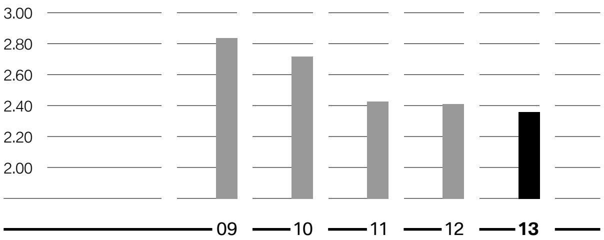
The amount of non-recyclable production waste fell significantly by 11.4 % to 5.73 kg per vehicle produced in 2013. A strong contributing factor was the decrease in non-recyclable waste by almost one-quarter (23.3 %) at the Landshut plant.

Solvent emissions were reduced by an impressive 10.7 % to 1.59 kg per vehicle produced during the period under report, an achievement primarily due to the retrofitting of the paint shop to include an exhaust air filtering system at the Dadong[2] plant in China.

[1] Including BMW Brilliance joint venture.
[2] Joint venture BMW Brilliance.

Energy consumed* per vehicle produced

in MWh/vehicle

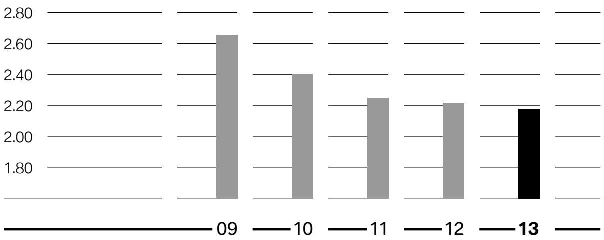


09	10	11	12	13
2.84	2.72	2.43	2.41	**2.36**

* Excluding contract production, adjusted for CHP losses.

Water consumption* per vehicle produced

in m^3/vehicle



09	10	11	12	13
2.66	2.40	2.25	2.22	**2.18**

* Excluding contract production.

Sustainability in the value-added chain

Sustainability criteria also play a major role in the field of transport logistics as well as in the selection and assessment of our suppliers. Sustainability requirements apply not only to our suppliers, but also to our transportation service providers. The amount of energy needed for transportation purposes has considerably increased in recent years. In order to keep carbon emissions to an absolute minimum, we work on the principle "production follows the market". In addition, we are working on improving our packaging and continually increasing the percentage of low-carbon types of transportation. In total, 60.7 % of all new cars left our plants by rail during the twelve-month period under report. Moreover, in 2013 we introduced measures to reduce the volume of goods transported by airfreight.

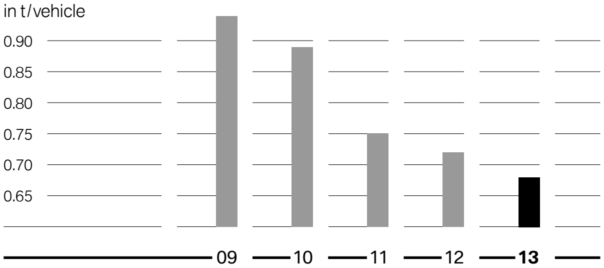
Carbon emissions reduced across the fleet

The Efficient Dynamics technology package has been helping us reduce the amount of CO_2 our vehicles emit for many years. The 100 % electrically powered BMW i3 was added to the BMW Group's vehicle fleet in 2013. With increasing electrification, including that achieved by means of hybrid technology, we will continue to take a leading role in the lowering of carbon emissions and fuel consumption. Looking into the future, these technologies represent an important basis for fulfilling legally mandatory carbon and consumption limits.

The average carbon emissions of the vehicles we sold in Europe fell by 37 % from 1995 to 2013. The BMW Group's fleet of new vehicles sold in Europe consumed an average of 4.8 litres of diesel per 100 km and 6.2 litres of petrol respectively. The average carbon emissions in our cars sold in Europe (EU 27) stood at 133 grams per kilometre during the year under report. We also lead the field among German premium-segment manufacturers with carbon emissions of 139 g/km. In 2013 the BMW Group's fleet already included 39 models using less than 120 g CO_2/km. Our efficient technologies have given us a competitive edge, particularly in markets governed by a CO_2-based vehicle tax.

CO_2 emissions* per vehicle produced

in t/vehicle

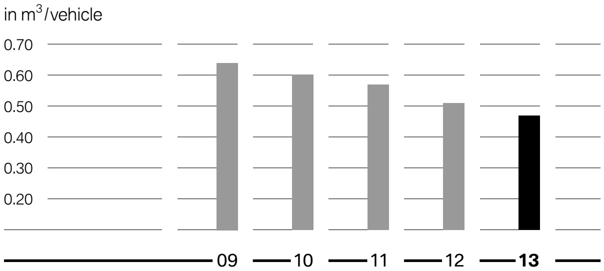


09	10	11	12	13
0.94	0.89	0.75	0.72	**0.68**

* Excluding contract production, adjusted for CHP losses.

Process wastewater* per vehicle produced

in m^3/vehicle



09	10	11	12	13
0.64	0.60	0.57	0.51	**0.47**

* Excluding contract production.

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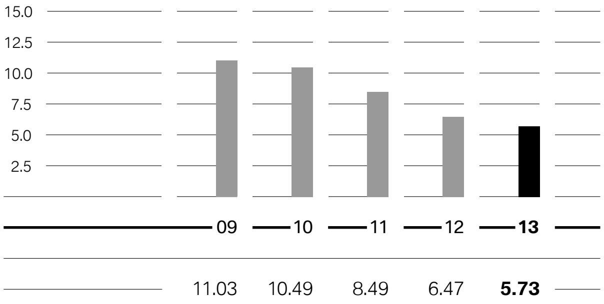
Waste for disposal* per vehicle produced

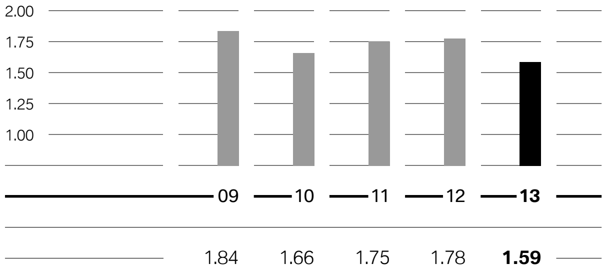
in kg / vehicle



* Excluding contract production.

Volatile organic compounds (VOC)* per vehicle produced

in kg / vehicle



* Excluding contract production.

Further information on the subject of sustainability in the BMW Group is available in our online sustainability report at: www.bmwgroup.com/sustainability. The Sustainable Value Report 2012 was prepared in accordance with the guidelines of the Global Reporting Initiative (GRI G3.1). At Level A+ (GRI-tested) it fulfils the highest degree of application laid down by GRI guidelines.

Report on Economic Position
Results of Operations, Financial Position and Net Assets

Earnings performance[1]

The BMW Group is able to look back on another successful year. The number of BMW, MINI and Rolls-Royce brand cars sold rose by 6.4 % to 1,963,798[2] units, enabling the BMW Group to retain pole position at the head of the premium segment in the automotive industry.

The BMW Group recorded a net profit of €5,340 million (2012: €5,111 million) for the financial year 2013. The post-tax return on sales was 7.0 % (2012: 6.7 %). Earnings per share of common and preferred stock were €8.10 and €8.12 respectively (2012: €7.75 and €7.77 respectively).

Group revenues decreased by 1.0 % to €76,058 million (2012: €76,848 million). Inter-segment revenue eliminations increased as a result of the steep rise in new leasing business. The depreciation of some of the major currencies in which the BMW Group does business – such as the US dollar, the Japanese yen, the Australian dollar and the South African rand – also caused revenues to fall slightly, despite the fact that sales volumes were higher than one year earlier. Adjusted for exchange rate factors, the increase in revenues was 1.9 %.

Revenues comprise mainly the sale of cars and motorcycles (2013: €56,811 million; 2012: €58,039 million), lease instalments (2013: €7,296 million; 2012: €6,900 million), the sale of products previously leased to customers (2013: €6,412 million; 2012: €6,399 million) and interest income on loan financing (2013: €2,868 million; 2012: €2,954 million).

Revenues from the sale of BMW, MINI and Rolls-Royce brand cars were slightly down on the previous year (2.1 %). Adjusted for exchange rate factors, revenues increased by 0.9 %. Motorcycles business revenues were 1.2 % up on the previous year. Revenues generated with Financial Services operations grew by 2.3 %. Adjusted for exchange rate factors, revenues of the Motorcycles and Financial Services segments rose by 4.6 % and 4.7 % respectively.

Group revenues were spread fairly evenly across all regions, with the Europe region (including Germany) accounting for 45.2 % (2012: 45.7 %), the Americas region for 20.7 % (2012: 21.2 %) and the Africa, Asia and Oceania region for 34.1 % (2012: 33.1 %) of business.

Group Income Statement
in € million

	2013	2012
Revenues	**76,058**	76,848
Cost of sales	**–60,784**	–61,354
Gross profit	**15,274**	**15,494**
Selling and administrative expenses	**–7,255**	–7,032
Other operating income	**841**	829
Other operating expenses	**–874**	–1,016
Profit before financial result	**7,986**	**8,275**
Result from equity accounted investments	**398**	271
Interest and similar income	**184**	224
Interest and similar expenses	**–449**	–375
Other financial result	**–206**	–592
Financial result	**–73**	–472
Profit before tax	**7,913**	**7,803**
Income taxes	**–2,573**	–2,692
Net profit	**5,340**	**5,111**

[1] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.
[2] Includes cars manufactured by the BMW Brilliance joint venture.

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Revenues in the Africa, Asia and Oceania region totalled €25,916 million (2012: €25,420 million) and were up by 2.0 % compared to the previous year. These figures include China, where revenues grew by 6.2 % due to higher volumes within a sound economic environment. Revenues generated in Germany and in the Rest of Europe were respectively 3.2 % and 1.8 % lower than one year earlier. Revenues in the Americas region were also 2.9 % below their previous year's high level, affected both by the depreciation of the US dollar and the steep rise in new leasing business (the latter resulting in a higher level of inter-segment eliminations).

Group cost of sales were 0.9 % lower than in the previous year and comprise mainly manufacturing costs (2013: €36,572 million; 2012: €37,648 million), cost of sales directly attributable to financial services (2013: €14,044 million; 2012: €13,370 million) and research and development expenses (2013: €4,117 million; 2012: €3,993 million). In addition to changes in these items, cost of sales for the year was also affected by the loss in value of a number of major currencies and by inter-segment eliminations.

Gross profit fell by 1.4 % to €15,274 million, resulting in a gross profit margin of 20.1 % (2012: 20.2 %).

The gross profit margin recorded by the Automotive segment was 18.2 % (2012: 19.5 %), while that of the Motorcycles segment was 16.7 % (2012: 17.0 %). In the Financial Services segment, the gross profit margin remained stable at 13.1 %.

Compared to the previous year, research and development expenses increased by €124 million to €4,117 million, mirroring increased expenditure on new vehicle projects and technologies. As a percentage of revenues, the research and development ratio increased by 0.2 percentage points to 5.4 %. Research and development expense includes amortisation of capitalised development costs amounting to €1,069 million (2012: €1,130 million). Total research and development expenditure amounted to €4,792 million (2012: €3,952 million). This figure comprises research costs, non-capitalised development costs and capitalised development costs (excluding scheduled amortisation). The research and development expenditure ratio was therefore 6.3 % (2012: 5.1 %).

The proportion of development costs recognised as assets was 36.4 % (2012: 27.6 %).

Compared to the previous year, selling and administrative expenses increased by €223 million to €7,255 million, with the rise in administrative expenses mainly attributable to the higher workforce size and to group-wide IT restructuring. Overall, selling and administrative expenses were equivalent to 9.5 % (2012: 9.2 %) of revenues. Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses amounted to €3,739 million (2012: €3,541 million).

Other operating income and expenses improved from a net expense of €187 million to one of €33 million. The main reason for the improvement was that the previous year's figures had included one-time losses recognised in advance of the planned sale of the Husqvarna Group.

The profit before financial result (EBIT) came in at €7,986 million (2012: €8,275 million).

The financial result for the twelve-month period was a net expense of €73 million, an improvement of €399 million over the previous year. The result from equity accounted investments, which improved by €127 million, comprised the Group's share of results from interests in the joint venture BMW Brilliance Automotive Ltd., Shenyang, the joint ventures with the SGL Carbon Group, and the two DriveNow entities. Other financial result benefited from the better outcome of changes in the market values of interest rate and commodity derivatives. Compared to the previous year, write-downs on available-for-sale marketable securities had a lower impact on the financial result.

Including all these factors, the profit before tax rose to €7,913 million (2012: €7,803 million). The pre-tax return on sales was 10.4 % (2012: 10.2 %).

Income tax expense amounted to €2,573 million (2012: €2,692 million), resulting in an effective tax rate of 32.5 % (2012: 34.5 %). Lower non-recoverable withholding taxes, the changed regional earnings mix and intergroup pricing issues contributed to the decrease in the income tax expense for the year.

Revenues by segment

in € million

	2013	2012
Automotive	**70,629**	70,208
Motorcycles	**1,504**	1,490
Financial Services	**19,874**	19,550
Other Entities	**6**	5
Eliminations	**–15,955**	–14,405
Group	**76,058**	**76,848**

Profit / loss before tax by segment

in € million

	2013	2012
Automotive	**6,561**	7,170
Motorcycles	**76**	6
Financial Services	**1,639**	1,561
Other Entities	**164**	3
Eliminations	**–527**	–937
Group	**7,913**	**7,803**

Earnings performance by segment

Revenues of the Automotive segment increased by 0.6 % to €70,629 million. The benefits of higher sales volume figures were held down by the negative impact of the depreciation in value of a number of major currencies (including the US dollar and the Japanese yen). Adjusted for exchange rate factors, segment revenues rose by 3.5 %. At 18.2 %, gross profit margin was down on the previous year's high level of 19.5 %.

Selling and administrative expenses went up by €250 million to €6,112 million compared to the previous year, with the rise in administrative expenses mainly attributable to the higher workforce size and to group-wide IT restructuring. Segment selling and administrative expenses were equivalent to 8.7 % (2012: 8.3 %) of revenues.

The net expense from other operating income and expenses improved by €133 million (2012: net expense of €222 million), helped by positive foreign currency translation effects in 2013 and the fact that the previous year's figure had included negative first-time consolidation effects.

The profit before financial result (EBIT) amounted to €6,657 million (2012: €7,599 million), giving an EBIT margin of 9.4 % (2012: 10.8 %).

The segment financial result was a net expense of €96 million, an improvement of €333 million over the previous year. The result from equity accounted investments, which improved by €127 million, comprised the segment's share of results from interests in the joint venture BMW Brilliance Automotive Ltd., Shenyang, the joint ventures with the SGL Carbon Group, and the two DriveNow entities. Favourable changes in market prices of commodity derivatives had a positive impact on other financial result. Compared to the previous year, write-downs on available-for-sale marketable securities had a lower impact on the financial result.

Overall, the segment profit before tax amounted to €6,561 million (2012: €7,170 million) and the effective tax rate was 32.8 % (2012: 34.2 %).

In the Motorcycles segment, the number of BMW brand motorcycles handed over to customers increased by 8.3 %, while segment revenues edged up by 0.9 %. Adjusted for exchange rate factors, segment revenues rose by 4.4 %.

The pre-tax segment result improved by €70 million (2012: €6 million). The previous year's figure was negatively impacted by one-time losses recognised in conjunction with the planned sale of the Husqvarna Group.

Financial Services segment revenues increased by 1.7 % to €19,874 million. Adjusted for exchange rate factors, revenues increased by 4.0 %. The segment's performance reflects the growth in the contract portfolio. The gross profit margin remained at the previous year's level of 13.1 %. Selling and administrative expenses went down slightly. The net amount of other operating income and expenses improved by €20 million. Overall the Financial Services segment reports a profit before tax of €1,639 million, 5.0 % up on the previous year's figure of €1,561 million.

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A profit before tax of €164 million (2012: €3 million) was recorded for the Other Entities segment. The positive impact of market value changes of interest rate derivatives, recorded in other financial result, was the main reason for the improvement.

The negative impact on earnings at the level of profit before tax reported in the Eliminations column decreased from €937 million in 2012 to €527 million in 2013, mainly due to lower inter-segment eliminations. This line item in the Eliminations column also includes a positive exceptional impact of €129 million, resulting from fine-tuning the methodology used to measure leased products.

Financial position

The consolidated cash flow statements for the Group and the Automotive and Financial Services segments show the sources and applications of cash flows for the financial years 2013 and 2012, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statements correspond to the amount disclosed in the balance sheet.

Cash flows from operating activities are determined indirectly, starting with Group and segment net profit. By contrast, cash flows from investing and financial activities are based on actual payments and receipts.

The cash inflow from operating activities in 2013 decreased by €1,462 million to €3,614 million (2012: €5,076 million), mainly due to rises in leased products and receivables from sales financing totalling €6,549 million (2012: €5,409 million) brought about by sales volume factors.

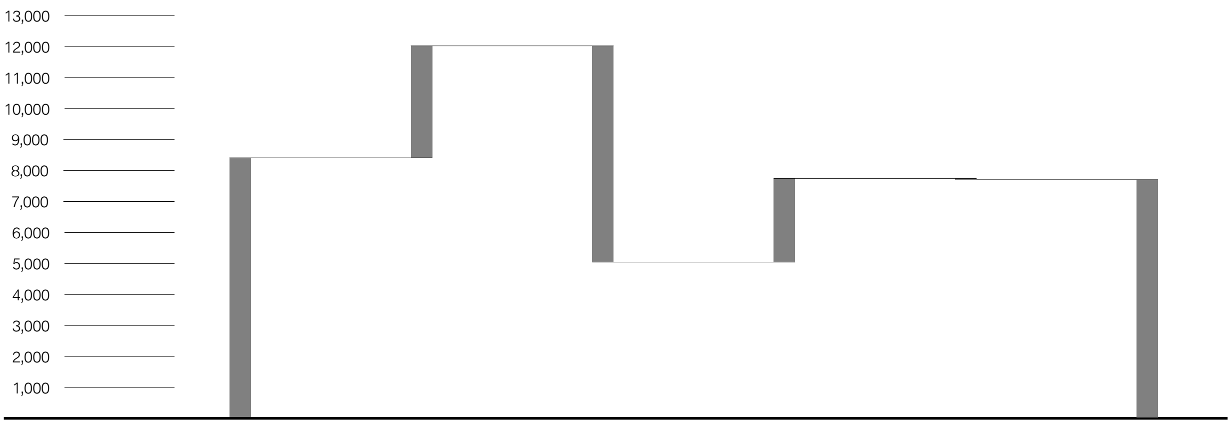
The cash outflow for investing activities amounted to €6,981 million (2012: €5,433 million) and was thus 28.5 % higher than in the previous year. The increase primarily reflects investments in property, plant and equipment and intangible assets which went up by €1,433 million to €6,669 million. Net investments in marketable securities resulted in a cash outflow of €381 million (2012: €175 million).

Further information on investments is provided in the section on the net assets position.

Cash inflow from financing activities totalled €2,703 million (2012: €952 million). Proceeds from the issue of bonds amounted to €8,982 million (2012: €7,977 million), compared with an outflow of €7,242 million (2012: €6,727 million) for the repayment of bonds. Non-cur-

Change in cash and cash equivalents

in € million



Cash and cash equivalents 31.12.2012	Cash inflow from operating activities	Cash outflow from investing activities	Cash inflow from financing activities	Currency translation, changes in Group composition	Cash and cash equivalents 31.12.2013
8,370	**+3,614**	**–6,981**	**+2,703**	**–42**	**7,664**

rent other financial liabilities resulted in a cash inflow of €6,626 million (2012: €7,427 million) and a cash outflow of €4,996 million (2012: €5,498 million). The net cash outflow for current other financial liabilities was €721 million (2012: net cash inflow of €230 million). The change in commercial paper gave rise to a net cash inflow of €1,812 million (2012: net cash outflow of €858 million). By contrast, the payment of dividends resulted in a cash outflow of €1,653 million (2012: €1,516 million).

The cash outflow for investing activities exceeded cash inflow from operating activities in 2013 by €3,367 million, compared to a shortfall of €357 million in the previous year.

After adjusting for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group with a total negative amount of €42 million (2012: negative amount of €1 million), the various cash flows resulted in a decrease of cash and cash equivalents of €706 million (2012: increase of €594 million).

The cash flow statement for the Automotive segment shows that the cash inflow from operating activities exceeded the cash outflow for investing activities by €1,962 million (2012: €3,637 million). Adjusted for net investments in marketable securities amounting to €537 million (2012: €172 million), mainly in conjunction with strategic liquidity planning, the excess amount was €2,499 million (2012: €3,809 million).

Free cash flow of the Automotive segment can be analysed as follows:

in € million	**31.12.2013**	31.12.2012
Cash inflow from operating activities	**9,450**	9,167
Cash outflow for investing activities	**–7,488**	–5,530
Net investment in marketable securities	**537**	172
Free cash flow Automotive segment	**2,499**	**3,809**

The cash outflow for operating activities of the Financial Services segment is driven primarily by cash flows relating to leased products and receivables from sales financing and totalled €5,358 million (2012: €4,192 million). Investing activities resulted in a cash inflow of €324 million (2012: cash outflow of €32 million).

Net financial assets of the Automotive segment comprise the following:

in € million	**31.12.2013**	31.12.2012
Cash and cash equivalents	**6,768**	7,484
Marketable securities and investment funds	**2,758**	2,205
Intragroup net financial receivables	**4,460**	5,862
Financial assets	**13,986**	**15,551**
Less: external financial liabilities*	**–1,859**	–2,224
Net financial assets	**12,127**	**13,327**

* Excluding derivative financial instruments.

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Refinancing

Operating cash flow provides a stable financial basis for the BMW Group. A broadly based range of instruments transacted on international money and capital markets is used to refinance worldwide operations. Almost all of the funds raised are used to finance the BMW Group's Financial Services business.

The overall objective of Group financing is to ensure the solvency of the BMW Group at all times. Achieving this objective is tackled in three strategic areas:

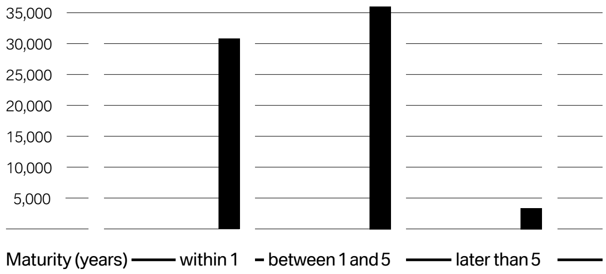
1. the ability to act at all times by assuring permanent access to strategically important capital markets,
2. autonomy through the diversification of refinancing instruments and investors, and
3. focus on value by optimising financing costs.

Financing measures undertaken centrally ensure access to liquidity for the Group's operating subsidiaries on attractive and consistent conditions. Funds are acquired with a view to achieving a desired structure for the composition of liabilities, comprising a finely tuned mix of various financing instruments. The use of longer-term financing instruments to finance the Group's Financial Services business and the maintenance of a sufficiently high liquidity reserve serves to avoid the liquidity risk intrinsic to any large portfolio of contracts. This prudent approach to financing also supports BMW AG's ratings. Further information is provided in the "Liquidity risks" section of the Report on outlook, risks and opportunities.

Apart from issuing commercial paper on the money market, the BMW Group's financing companies also issue bearer bonds. In addition, retail customer and dealer financing receivables on the one hand and leasing rights and obligations on the other are securitised in the form of asset-backed securities (ABS) financing arrangements. Financing instruments employed by the Group's in-house banks in Germany and the USA (e.g. customer deposits) are also used as a supplementary source of financing. Owing to the increased use of international money and capital markets to raise funds, the scale of funds raised in the form of loans from international banks is relatively small.

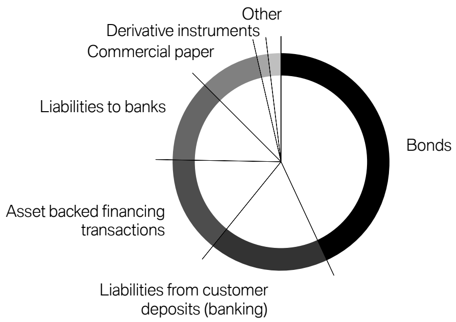
As in previous years, operations were refinanced in the year under report at an attractive level. Thanks to the best rating in the European automobile industry and the high level of acceptance it has on capital markets, the BMW Group's refinancing activities were not negatively affected despite – in some cases – quite high volatility on financial markets. In addition to the issue of bonds and loan notes on the one hand and private placements on the other, commercial paper was also issued on good conditions. Additional funds were raised via new securitised instruments and the prolongation of existing instruments. As in previous years, all issues

BMW Group – financial liabilities
in € million



	within 1	between 1 and 5	later than 5
	30,854	**36,046**	**3,404**

BMW Group – financial liabilities
in € million



Bonds	30,370
Liabilities from customer deposits (banking)	12,457
Asset backed financing transactions	10,128
Liabilities to banks	8,590
Commercial paper	6,292
Derivative instruments	1,103
Other	1,364

were highly sought after by private and institutional investors.

During 2013 the BMW Group issued five euro benchmark bonds with a total issue volume of €4 billion on European capital markets. Bonds were also issued in Canadian dollars, British pounds, US dollars, Australian dollars and other currencies for a total amount of €5.1 billion.

Ten ABS transactions were executed in 2013, including two public transactions in the USA and one each in Germany, Switzerland and South Korea with a total volume equivalent to €2.5 billion. Further funds were also raised via new ABS conduit transactions in Japan, Canada, Australia and South Africa totalling €1.7 billion.

The regular issue of commercial paper also strengthens the BMW Group's financial basis. The following table provides an overview of existing money and capital market programmes of the BMW Group at 31 December 2013:

Programme	Amount utilised
Euro Medium Term Notes	€27.6 billion
Commercial paper	€6.3 billion

The BMW Group's liquidity position is extremely robust, with liquid funds totalling €10.7 billion on hand at 31 December 2013. The BMW Group also has access to a syndicated credit line of €6 billion, with a term up to October 2018. This credit line, which is being provided on attractive conditions by a consortium of 38 international banks, was not utilised at the end of the reporting period.

Further information with respect to financial liabilities is provided in notes 34 and 38 to the Group Financial Statements.

Net assets position*

The Group balance sheet total increased by €6,533 million (+5.0 %) to stand at €138,368 million at 31 December 2013. Adjusted for exchange rate factors, the balance sheet total increased by 8.8 %.

The increase in non-current assets on the assets side of the balance sheet related primarily to property, plant and equipment (13.3 %), leased products (5.9 %), intangible assets (18.7 %) and receivables from sales financing (1.0 %). At the same time, deferred tax assets decreased by 17.6 %.

Within current assets, increases were registered in particular for financial assets (20.5 %), receivables from sales financing (4.3 %) and other assets (16.4 %). By contrast, decreases were recorded for inventories (1.4 %), cash and cash equivalents (8.4 %) and trade receivables (3.7 %).

Property, plant and equipment increased by €1,772 million compared to the previous year. The main focus in 2013 was on product investments for production start-ups (including the BMW 2 Series) and infrastructure improvements. In total, €4,470 million was invested, most of which related to the Automotive segment. Depreciation on property, plant and equipment totalled €2,492 million (2012: €2,298 million). At 31 December 2013, property, plant and equipment accounted for 10.9 % of total assets (2012: 10.1 %). Adjusted for exchange rate factors, property, plant and equipment increased by 14.5 %. Capital commitments for the acquisition of items of property, plant and equipment totalled €2,661 million at the end of the reporting period.

At €6,179 million, the carrying amount of intangible assets was €972 million higher than at 31 December 2012. Within intangible assets, capitalised development costs rose by €675 million. Investments in capitalised development costs totalled €1,744 million in the year under report and were thus significantly up on the previous year's figure (€1,089 million). Intangible assets also include the acquisition of licences amounting to €379 million, which are being amortised on a straight-line basis over a period of six years. The proportion of development costs recognised as assets was 36.4 % (2012: 27.6 %). Adjusted for exchange rate factors, intangible assets increased by 18.8 %. In total, €2,217 million was invested, most of which related to the Automotive segment.

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

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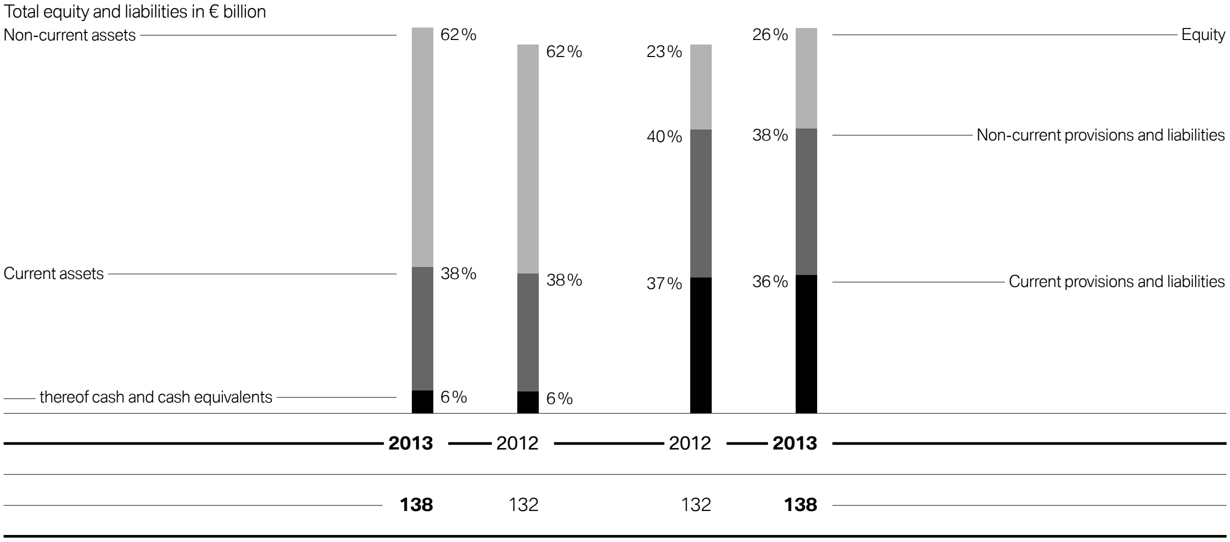
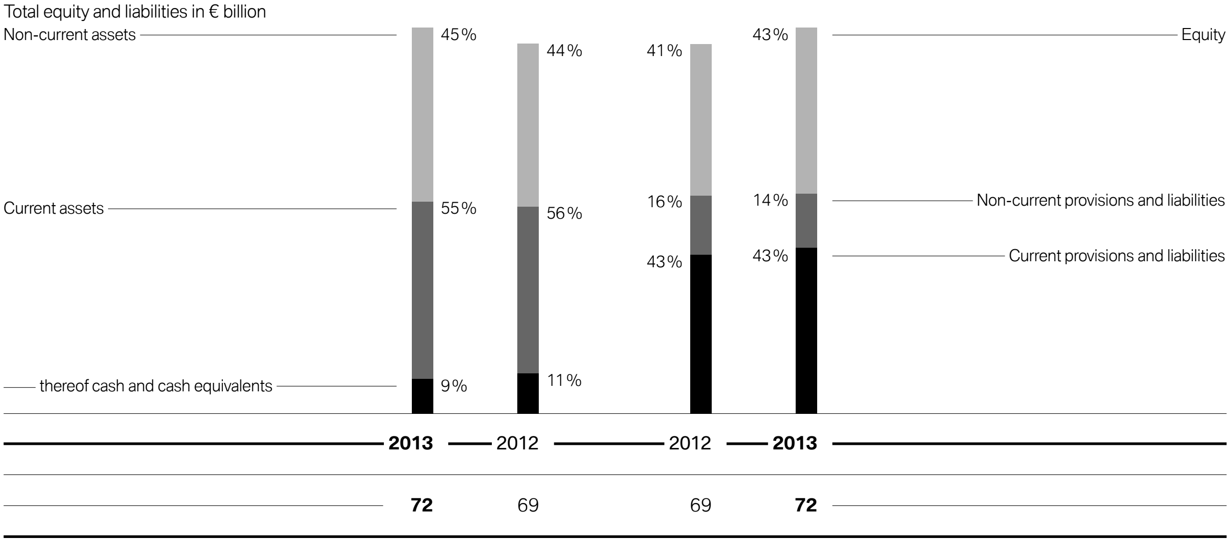
Balance sheet structure – Group

Total equity and liabilities in € billion



Balance sheet structure – Automotive segment

Total equity and liabilities in € billion



Total capital expenditure on intangible assets and property, plant and equipment as a percentage of revenues increased to 8.8 % (2012: 6.8 %). Capital commitments for intangible assets totalled €446 million at the end of the reporting period.

The growth in business reported by the Financial Services segment is reflected in increases in leased products (€1,446 million) as well as in current and non-current receivables from sales financing (€896 million and €307 million respectively). At the end of the reporting period, leased products accounted for 18.7 % of total assets, similar to their level one year earlier (18.6 %). Adjusted for exchange rate factors, they went up by 8.1 %.

Non-current receivables from sales financing accounted for 23.6 % (2012: 24.5 %) of total assets, current receivables from sales financing for 15.5 % (2012: 15.6 %). Total receivables from sales financing relate to retail customer and dealer financing (€40,841 million) and finance leases (€13,276 million). Adjusted for exchange rate factors, non-current receivables from sales financing went up by 7.6 %, while current receivables from sales financing rose by 10.4 %. This includes the negative impact of the depreciation in value of a number of major currencies against the euro.

Within current assets, increases were registered for other assets (€601 million) and financial assets (€947 million). Favourable developments with currency derivatives as well as the purchase of commercial paper and investment certificates caused financial assets to rise. Other assets relate to receivables from other companies in which an investment is held, advance payments to suppliers and collateral receivables.

Compared to the end of the previous year, inventories decreased by €140 million (1.4 %) to €9,585 million and accounted for 6.9 % (2012: 7.4 %) of total assets. The decrease relates primarily to finished goods. Adjusted for exchange rate factors, inventories increased by 1.7 %.

Trade receivables were €94 million lower than at the end of the previous year and accounted for 1.8 % of total assets (2012: 1.9 %). Adjusted for exchange rate factors, trade receivables decreased by 1.2 %.

Cash and cash equivalents went down by €706 million to €7,664 million.

On the equity and liabilities side of the balance sheet, increases were recorded for equity (16.5 %), trade payables (16.2 %), non-current financial liabilities (0.9 %) and current financial liabilities (1.5 %). By contrast, pension provisions decreased by 39.6 %.

Group equity rose by €5,037 million to €35,643 million, mainly due to the profit attributable to shareholders of BMW AG totalling €5,314 million. Currency translation differences reduced equity by €635 million. Deferred taxes on items recognised directly in equity had the effect of reducing equity by €779 million. Group equity increased on account of remeasurements of the net defined benefit liability for pension plans (€1,308 million), primarily as a result of the higher discount rates used in Germany and the USA. Fair value measurement of derivative financial instruments (€1,357 million) and marketable securities (€8 million) had a positive impact on equity. Income and expenses relating to equity accounted investments and recognised directly in equity (before tax) reduced equity by €7 million. The dividend payment decreased equity by €1,640 million. Minority interests increased by €81 million. Other changes amounted to €13 million.

A portion of the Authorised Capital created at the Annual General Meeting held on 14 May 2009 in conjunction with the employee share scheme was used during the financial year under report to issue shares of preferred stock to employees. An amount of €17 million was transferred to capital reserves in conjunction with this share capital increase.

The equity ratio of the BMW Group improved overall by 2.6 percentage points to 25.8 %. The equity ratio of the Automotive segment was 43.1 % (2012: 41.0 %) and that of the Financial Services segment was 9.1 % (2012: 8.6 %).

Pension provisions decreased from €3,813 million to €2,303 million at the two respective year ends, mainly as a result of the higher discount factors used in Germany and the USA.

Trade payables went up from €6,433 million to €7,475 million, mainly reflecting higher production volumes and increased capital expenditure levels. Trade payables accounted for 5.4 % of the balance sheet total at the end of the reporting period (2012: 4.9 %). Adjusted for exchange rate factors, they increased by 17.9 %.

Current and non-current financial liabilities increased from €69,507 to €70,304 million over the twelve-month period. Within financial liabilities, commercial paper went up by 37.5 %, ABS transactions by 7.6 % and bonds by 1.7 %. By contrast, liabilities to banks went down by 9.4 % and deposit liabilities by 4.3 %. Adjusted for exchange rate factors, both non-current financial liabilities and current financial liabilities increased by 4.4 %.

Overall, the earnings performance, financial position and net assets position of the BMW Group continued to develop very positively during the financial year under report.

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Compensation report

The compensation of the Board of Management comprises both a fixed and a variable component. Benefits are also payable – primarily in the form of pension benefits – at the end of members' mandates. Further details, including an analysis of remuneration by each individual, are disclosed in the Compensation Report, which can be found in the section "Statement on Corporate Governance". The Compensation Report is a subsection of the Combined Management Report.

Value added statement*

The value added statement shows the value of work performed less the value of work bought in by the BMW Group during the financial year. Depreciation and amortisation, cost of materials and other expenses are treated as bought-in costs in the value added calculation. The allocation statement applies value added to each of the participants involved in the value added process. It should be noted that the gross value added amount treats depreciation as a component of value added which, in the allocation statement, is treated as internal financing.

Net valued added by the BMW Group in 2013 increased by 1.3 % to €19,215 million and was once again at a high level.

The bulk of the net value added (46.8 %) is applied to employees. The proportion applied to providers of finance fell to 9.3 %, mainly due to the lower refinancing costs on international capital markets for the financial services side of the business. The government/public sector (including deferred tax expense) accounted for 16.1 %. The proportion of net value added applied to shareholders, at 8.9 %, was higher than in the previous year. Minority interests take a 0.1 % share of net value added. The remaining portion of net value added (18.8%) will be retained in the Group to finance future operations.

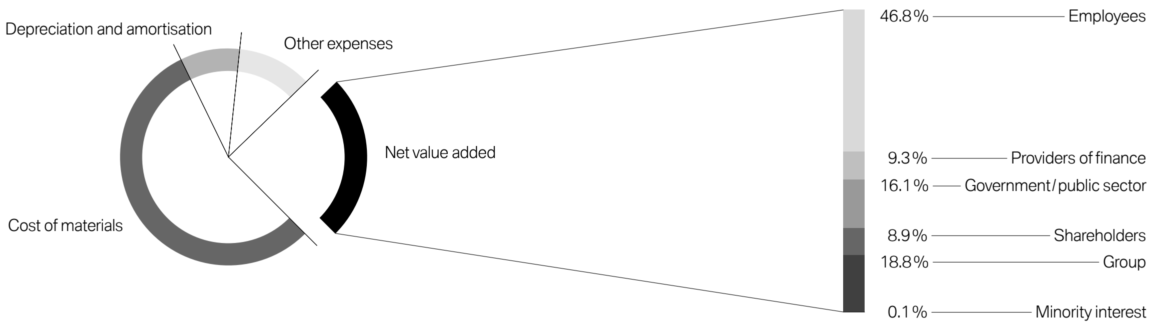
* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

BMW Group value added statement

	2013 in € million	2013 in %	2012[1] in € million	2012[1] in %	Change in %
Work performed					
Revenues	**76,058**	**98.3**	76,848	99.2	
Financial income	**455**	**0.6**	–263	–0.3	
Other income	**841**	**1.1**	829	1.1	
Total output	**77,354**	**100.0**	**77,414**	**100.0**	**–0.1**
Cost of materials[2]	**42,692**	**55.2**	41,304	53.3	
Other expenses	**8,402**	**10.9**	9,194	11.9	
Bought-in costs	**51,094**	**66.1**	**50,498**	**65.2**	**1.2**
Gross value added	**26,260**	**33.9**	**26,916**	**34.8**	**–2.4**
Depreciation and amortisation	**7,045**	**9.1**	7,955	10.3	
Net value added	**19,215**	**24.8**	**18,961**	**24.5**	**1.3**
Applied to					
Employees	**8,986**	**46.8**	8,537	45.1	5.3
Providers of finance	**1,794**	**9.3**	2,030	10.7	–11.6
Government/public sector	**3,094**	**16.1**	3,283	17.3	–5.8
Shareholders	**1,707**	**8.9**	1,640	8.6	4.1
Group	**3,608**	**18.8**	3,445	18.2	4.7
Minority interest	**26**	**0.1**	26	0.1	–
Net value added	**19,215**	**100.0**	**18,961**	**100.0**	**1.3**

[1] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.
[2] Cost of materials comprises all primary material costs incurred for vehicle production plus ancillary material costs (such as customs duties, insurance premiums and freight).

BMW Group value added 2013
in %



Net value added	24.8	Depreciation and amortisation	9.1
Cost of materials	55.2	Other expenses	10.9

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Key performance figures

		2013	2012*
Group gross margin	%	**20.1**	20.2
Group EBITDA margin	%	**15.4**	15.4
Group EBIT margin	%	**10.5**	10.8
Group pre-tax return on sales	%	**10.4**	10.2
Group post-tax return on sales	%	**7.0**	6.7
Group pre-tax return on equity	%	**25.9**	28.5
Group post-tax return on equity	%	**17.4**	18.7
Group equity ratio	%	**25.8**	23.2
Automotive equity ratio	%	**43.1**	41.0
Financial Services equity ratio	%	**9.1**	8.6
Coverage of intangible assets, property, plant and equipment by equity (Group)	%	**167.4**	165.0
Return on capital employed			
Group	%	**21.4**	23.0
Automotive	%	**63.3**	73.7
Motorcycles	%	**16.4**	1.8
Return on equity			
Financial Services	%	**20.2**	21.2
Cash inflow from operating activities (Group)	€ million	**3,614**	5,076
Cash outflow from investing activities (Group)	€ million	**–6,981**	–5,433
Coverage of cash outflow from investing activities by cash inflow from operating activities (Group)	%	**51.8**	93.4
Free cash flow of Automotive segment	€ million	**2,499**	3,809
Net financial assets Automotive segment	€ million	**12,127**	13,327

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Comments on Financial Statements of BMW AG

Bayerische Motoren Werke Aktiengesellschaft (BMW AG), which is based in Munich, Germany, is the parent company of the BMW Group. The comments on the BMW Group and Automotive segment provided in earlier sections are also relevant for BMW AG, unless presented differently in the following section. The Financial Statements of BMW AG are drawn up in accordance with the provisions of the German Commercial Code (HGB) and the relevant supplementary provisions contained in the German Stock Corporation Act (AktG).

The main financial and non-financial performance indicators relevant for BMW AG are largely identical and synchronous with those of the Automotive segment of the BMW Group and are described in detail in the "Report on Economic Position" section of the Combined Management Report.

Differences between the accounting policies used in the BMW AG Financial Statements (prepared in accordance with HGB) and the BMW Group Financial Statements (prepared in accordance with IFRSs) arise primarily in connection with the accounting treatment of intangible assets, financial instruments and provisions.

Business environment and review of operations

The general and sector-specific environment in which BMW AG operates is the same as that for the BMW Group and is described in the "Report on economic position" section of the Combined Management Report.

BMW AG develops, manufactures and sells cars and motorcycles as well as spare parts and accessories manufactured by itself, foreign subsidiaries and external suppliers. Sales activities are carried out through the Company's own branches, subsidiaries, independent dealers and importers. In 2013, BMW AG was able to increase its sales volume by 127,745 units to 1,995,903 units. This figure includes 214,949 units relating to series sets supplied to the joint venture BMW Brilliance Automotive Ltd., Shenyang, an increase of 64,985 units over the previous year. At 31 December 2013, BMW AG had 77,110 employees, 2,539 more than one year earlier.

Results of operations, financial position and net assets

Revenues increased by 2.8 % compared to the previous year. The most significant increase was recorded in Asia. Sales to Group sales companies accounted for €46.1 billion or 76.2 % of total revenues of €60.5 billion. The increase in cost of sales was less pronounced than the increase in revenues, mainly reflecting the lower cost of materials per unit. As a consequence, gross profit increased by €854 million to €13.4 billion.

Administrative expenses were 25.9 % up on the previous year due to the restructuring of IT activities at corporate level and higher expenses for new IT projects.

Research and development expenses were 22.1 % higher than in the previous year, driven for the main part by expenses arising in connection with production start-ups for new models as well as expenditure on alternative drive technologies and lightweight construction.

The decrease in net other operating income and expenses was attributable mainly to the fact that taxes arising in conjunction with profit and loss transfer agreements were not allocated to the Group entities involved. Working in the opposite direction within other operating income and expenses, fine-tuning of the methodology used to measure warranties resulted in a higher level of income from reversals of provisions.

The financial result deteriorated by €229 million, mainly as a result of the negative impact of the fair value measurement of designated plan assets for pension and other non-current personnel-related obligations.

The profit from ordinary activities decreased from €4,797 million to €3,963 million.

The expense for income taxes relates primarily to current tax for the financial year 2013. In addition, the first-time application of IDW Position Statement RS HFA 34 means that income-tax-related expenses are also now included in the expense for income taxes.

After deducting the expense for taxes, the Company reports a net profit of €2,289 million compared to €3,131 million in the previous year.

Capital expenditure on intangible assets and property, plant and equipment in the year under report amounted to €3,203 million (2012: €2,776 million), an increase of 15.4 %. The main focus of capital expenditure was on product and infrastructure investments in conjunction with the production start-up of new models as well as the acquisition of licences. Depreciation and amortisation amounted to €1,732 million (2012: €1,613 million).

Investments went up from €3,094 million to €3,377 million, mainly as a result of a capital increase at the level of BMW Automotive Finance (China) Co., Ltd., Beijing,

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and a contribution to capital reserves at the level of BMW Bank GmbH, Munich. An impairment loss of €16 million was recognised in 2013 on the investment in SGL Carbon SE, Wiesbaden.

Inventories were slightly higher than one year earlier and stood at €3,863 million at the end of the reporting period (2012: €3,749 million), reflecting higher business volumes generally and stocking up in conjunction with the introduction of new models.

BMW AG Balance Sheet at 31 December

in € million

	2013	2012
Assets		
Intangible assets	**474**	178
Property, plant and equipment	**8,982**	7,806
Investments	**3,377**	3,094
Tangible, intangible and investment assets	**12,833**	**11,078**
Inventories	**3,863**	3,749
Trade receivables	**659**	858
Receivables from subsidiaries	**4,871**	6,297
Other receivables and other assets	**3,194**	2,061
Marketable securities	**3,429**	2,514
Cash and cash equivalents	**3,757**	4,618
Current assets	**19,773**	**20,097**
Prepayments	**169**	118
Surplus of pension and similar plan assets over liabilities	**990**	672
Total assets	**33,765**	**31,965**
Equity and liabilities		
Subscribed capital	**656**	656
Capital reserves	**2,069**	2,053
Revenue reserves	**6,097**	5,515
Unappropriated profit available for distribution	**1,707**	1,640
Equity	**10,529**	**9,864**
Registered profit-sharing certificates	**32**	32
Pension provisions	**43**	56
Other provisions	**7,299**	7,406
Provisions	**7,342**	**7,462**
Liabilities to banks	**1,463**	1,408
Trade payables	**4,818**	3,900
Liabilities to subsidiaries	**8,795**	8,451
Other liabilities	**285**	800
Liabilities	**15,361**	**14,559**
Deferred income	**501**	48
Total equity and liabilities	**33,765**	**31,965**

BMW AG Income Statement

in € million

	2013	2012
Revenues	**60,474**	58,805
Cost of sales	**–47,067**	–46,252
Gross profit	**13,407**	**12,553**
Selling expenses	**–3,528**	–3,684
Administrative expenses	**–2,141**	–1,701
Research and development expenses	**–4,362**	–3,573
Other operating income and expenses	**542**	703
Result on investments	**373**	598
Financial result	**–328**	–99
Profit from ordinary activities	**3,963**	**4,797**
Income taxes	**–1,629**	–1,635
Other taxes	**–45**	–31
Net profit	**2,289**	**3,131**
Transfer to revenue reserves	**–582**	–1,491
Unappropriated profit available for distribution	**1,707**	**1,640**

The increase of other receivables and other assets to €3,194 million (2012: €2,061 million) was mainly attributable to genuine repurchase (repo) transactions and the higher level of receivables from other companies in which an investment is held.

Liquidity within the BMW Group is managed centrally by BMW AG on the basis of a group-wide liquidity concept, which revolves around the strategy of concentrating a significant part of the Group's liquidity at the level of BMW AG. One instrument used to achieve this aim is the cash pool headed by BMW AG. The liquidity position reported by BMW AG therefore reflects the global activities of BMW AG and other Group companies.

Cash and cash equivalents went down by €861 million to €3,757 million, whereby the decrease was more than offset by the increase in funds invested in marketable securities. Financial receivables from subsidiaries went down sharply.

Equity rose by €665 million to €10,529 million and the equity ratio improved from 30.9 % to 31.2 %.

In order to secure obligations resulting from pre-retirement part-time work arrangements and the Company's pension obligations, assets have been transferred to BMW Trust e.V., Munich, in conjunction with Contractual Trust Arrangements (CTA), on a fiduciary basis. The assets concerned comprise mainly holdings in investment fund assets and a receivable resulting from a so-called "Capitalisation Transaction" (Kapitalisierungsgeschäft). Fund assets are offset against the related guaranteed obligations. The resulting surplus of assets over liabilities is reported in the BMW AG balance sheet on the line "Surplus of pension and similar plan assets over liabilities".

Pension provisions, net of designated pension plan assets, decreased from €56 million to €43 million.

Trade payables increased by €918 million to €4,818 million mainly due to higher business volumes.

Liabilities to banks and financing liabilities to subsidiaries increased in the year under report.

Other liabilities fell from €800 million to €285 million, reflecting the fact that all commercial paper outstanding at 31 December 2012 was repaid during the year and no new commercial paper was issued.

With effect from the beginning of the year under report, deferred income includes for the first time income relating to service and maintenance contracts, for which all

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related work has not been carried out at the end of the reporting period. In previous years, revenue was recognised immediately and a provision recorded for any outstanding obligations under these contracts (reported in "Other provisions").

Risks and opportunities

BMW AG's performance is highly dependent on the same set of risks and opportunities that affect the BMW Group and which are described in detail in the "Report on Outlook, Risks and Opportunities" section of the Combined Management Report. As a general rule, BMW AG participates in the risks entered into by Group entities on the basis of the relevant shareholding percentage.

BMW AG is integrated in the group-wide risk management system and internal control system of the BMW Group. For further information we refer to the "Internal Control System and Risk Management System Relevant for the Consolidated Financial Reporting Process" section of the Combined Management Report.

Outlook

Due to its dominant role in the Group and its close ties with Group entities, expectations for BMW AG with respect to the Company's financial and non-financial performance indicators correspond largely to the BMW Group's outlook for the Automotive segment, which is described in detail in the "Report on Outlook, Risks and Opportunities" section of the Combined Management Report.

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, has issued an unqualified audit opinion on the financial statements of BMW AG, of which the balance sheet and the income statement are presented here. The BMW AG financial statements for the financial year 2013 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. These financial statements are available from BMW AG, 80788 Munich, Germany.

Events after the end of the reporting period

No events have occurred since the end of the reporting period which could have a major impact on the results of operations, financial position and net assets of BMW AG or the BMW Group.

The report on outlook, risks and opportunities describes the expected development of the BMW Group, together with associated material risks and opportunities, from the perspective of Group management.

The report on outlook, risks and opportunities contains forward-looking assertions, which are based on BMW AG's expectations and assessments and are, by their nature, subject to uncertainty. As a result, depending on the political and economic situation, actual outcomes could differ substantially – either positively or negatively – from the expectations described below. Further information can be found in the section "Report on risks and opportunities".

Outlook

Assumptions used in outlook

The following outlook relates to a forward-looking period of one year and is based on the expected composition of the BMW Group during that period. The outlook takes account of all information known up to the date on which the financial statements are authorised for issue and which could have a material impact on the course of business of the BMW Group. The expectations contained in the outlook are based on BMW Group's forecasts for 2014 and reflect the most recent status. The basis for the preparation of and the principal assumptions used in our forecasts, which take account of consensual opinions of leading organisations, such as economic research institutes and banks, are set out below. The BMW Group's forecast is drawn up on the basis of these assumptions.

Our continuous forecasting process ensures that the BMW Group is always ready to take advantage of opportunities as they arise and to react appropriately to unexpected risks. The principal risks and opportunities are described in detail in the section "Report on risks and opportunities". The risks and opportunities discussed in that section are relevant for all of the BMW Group's key performance indicators and could result in variances between the outlook and actual outcomes.

Economic outlook in 2014

For the purposes of the outlook, it is assumed that the pace of global economic growth, having stabilised in 2013, will quicken slightly in 2014 to approximately 3.0%. High public debt levels in Europe, the USA and Japan, over-capacities in China and the unresolved conflicts in the Middle East and East Asia continue to pose risk factors which could have a material, unexpectedly adverse impact on the outlook. Further information can be found in the section "Risks Report".

After two years of recession, we expect the eurozone to grow moderately at a rate of approximately 1.0%. The German economy, the largest in Europe, should again grow faster than the average for the region at a rate of approximately 1.7%. The outlook assumes a growth rate of 0.8% for France, whereby it should be noted that simmering internal political conflicts and the loss of international competitiveness still pose significant risks for the economy in that country. Similarly, we forecast a return to growth for Italy, albeit at a modest rate of 0.5%. Spain is expected to grow by 0.8% and therefore escape the recession caused primarily by a weak property market. A growth rate of 2.5% is predicted for the UK, Europe's largest market outside the eurozone.

In the USA, the consequence of cuts in public spending in 2014 is likely to be less significant, having held down growth quite substantially in 2013. We are therefore working on the basis that the gross domestic product (GDP) will continue to rise in 2014 (by 2.9%).

The dominant issue for Japan's economy is likely to be the increase in value added tax from 5 to 8% with effect from 1 April 2014. This may have the effect of bringing some business forward into the first quarter of 2014, at the expense of a temporary downturn in domestic spending in the second quarter. It is generally accepted that the tax hike is unavoidable, however, given the need to fund the new government's economic stimulus programmes. For 2014 as a whole, the rate of growth is set to slow down slightly to 1.6%.

Economic growth in China should stabilise in the current year at the level of approximately 7.5%. The structural shift in economic growth from the construction and heavy industries sectors to stronger domestic consumer spending represents the most significant factor for the way the Chinese economy is heading. The new Chinese government is also keen to put economic growth onto a more sustainable footing by increasing the market orientation of the energy and financial sectors and improving ecological and social conditions.

The growth rate in India should begin to pick up again in the second half of the year, once the "wait-and-see" phase in advance of parliamentary elections in spring has stopped having a negative impact on domestic demand. For 2014 as a whole, the growth rate is expected to be in the region of 5.3%. At 2.2% in both countries, GDP rates in Brazil and Russia in 2014 are again expected to be lower than their recent past averages. In both of

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these countries, stagnating or falling raw materials prices are likely to have an unfavourable impact on exports. This effect will be exacerbated by the fact that domestic demand will probably suffer from capital outflows as a consequence of the expected interest rate turnaround in the USA.

Currency markets in 2014

Outside the eurozone, the most important currencies for the BMW Group's international operations are the Chinese renminbi, the US dollar, the Japanese yen, the British pound and the Russian rouble.

As in the past year, no fundamental changes are expected on currency markets in 2014. Exchange rate fluctuations, sometimes quite substantial ones, have been observed in the past due to high public debt levels in Europe, the USA and Japan. The uncertain economic situation in the eurozone and the continued recovery of the US economy point to a slight appreciation of the US dollar against the euro. This would almost definitely be the case, if – as expected – the US begins to retract from its expansionary monetary policy.

In the short term, it is assumed that the Chinese renminbi will remain more or less pegged to the US dollar. In the long term, however, it seems likely that volatility will increase, following the announcement that capital markets in China are to be liberalised.

Following on from a sharp devaluation in 2013, the Japanese yen is likely to remain weak, given that an end to Japan's expansionary monetary policies is not in sight. The British pound is expected to remain relatively stable, due to the current healthy state of the economy. A first move toward restricting its expansionary monetary policies was taken by the Bank of England at the end of 2013 and further steps in that direction could follow over the course of 2014. Due to the relatively weak growth rates generated by Russia and a slight reduction of pressure on energy markets, the likely trend is that the Russian rouble will lose value against the euro.

Car markets in 2014

Overall, the world's car markets are set to grow by approximately 4.7 % in the current year to an estimated 80.1 million units. Continuing its recovery after a number of weaker years, we forecast that the US market will grow by 3.8 % to 16.2 million units. Passenger car registrations in China are expected to rise by 10.1 % to approximately 17.4 million units, with the country's interior provinces increasingly contributing to growth due to the catch-up effect.

The end of recession in Europe in 2014 should also help the region's car markets to revive somewhat. The German market is expected to grow by around 1.6 % to 3.0 million units. Registrations in France are forecast to rise by 2.4 % to some 1.8 million units. After the severe slump experienced in recent years, the car market in Italy should turn around in 2014 and grow by about 8.7 % to approximately 1.4 million units.

The Japanese car market is likely to suffer in 2014 as a consequence of the value added tax increase due in April. Car registrations are forecast to be in the region of 4.5 million units and hence 13.4 % down on the previous year.

After dropping back in 2013, we expect the markets in the world's major emerging economies to rebound in 2014. Russia's car market is forecast to grow by 4.2 % to approximately 2.7 million units, while registrations in Brazil are expected to rise by 3.3 % to approximately 3.7 million units. The corresponding figures for India are 2.0 % and about 2.6 million units.

Motorcycle markets in 2014

The markets for 500 cc plus motorcycles are again only likely to see vestiges of recovery in 2014. We expect the corresponding markets in Europe to stabilise at the current low level, which should also be the case for Germany. Of all the outcomes possible, it seems more likely that the markets in Italy and France will continue to contract. The USA is also expected to see a repeat of 2013 levels.

Financial Services sector in 2014

Despite improved prospects for the economy in the eurozone, the European Central Bank (ECB) will presumably keep benchmark interest rates at historically low levels through to the end of 2014. The ECB could resort to additional monetary measures to provide added stimulus to the economy. After a year of expansionary monetary policies, the Bank of Japan aims to achieve an inflation rate of 2 % for the Japanese economy by the end of 2014. If similar positive progress is made by the US economy as in 2013, the US Reserve Bank could well feel the need to cut back its bond-buying programme. The consequence of such a move could be a sharp rise in interest rates on the capital markets. Although the first steps towards tighter monetary policy have been taken, the benchmark rate is nevertheless likely to persist at a historically low level until at least the end of 2014, thus ensuring that money markets remain more or less stable.

Given that the rate of growth of the global economy is forecast to accelerate slightly in 2014, we expect credit risk levels to remain stable in all regions.

Used car markets in Asia and Europe in 2014 are forecast to perform on a level with the previous year. In the North American market, however, we expect to see a slight drop in price levels.

Expected impact on the BMW Group in 2014

Future developments on international automobile markets also have a direct impact on the BMW Group. At the same time that competition is likely to intensify in contracting markets, new opportunities are opening in growth regions of the world. In some countries, sales volumes will be influenced to a great extent by the way we tackle new competitive challenges. The state of health of Europe's various markets remains the greatest source of uncertainty. By contrast, we expect the markets in North America and China to develop positively.

Thanks to our global presence, we are ideally placed to exploit the potential arising in these markets and thus compensate for unfavourable developments in other regions. We are therefore confident that our strong brands will continue to help us steer a successful course. We will be helped in this endeavour by our attractive range of models and services, which are designed to meet the needs of individual mobility. We will also push ahead with our investment in innovation, future technologies and the further internationalisation of our production network. With our focus on "premium", we are able – as the world's leading provider – to benefit to an exceptional extent from high demand for premium segment vehicles. Given all these factors, we forecast that the BMW Group will remain the world's leading premium manufacturer in 2014.

Our highly flexible international production network enables us to compensate for even substantial fluctuations in demand. By investing in major growth markets, we are laying the foundation for further growth. In this context, it remains an important factor for us that the global distribution of our sales is balanced, while simultaneously expanding the global presence of the BMW Group.

Outlook for the BMW Group in 2014

The BMW Group in 2014

Profit before tax: significant increase expected

We forecast that high levels of expenditure for future technologies, intense competition and higher personnel expenses will again have an adverse impact on the pace at which the BMW Group's earnings rise in 2014. Nevertheless, we forecast another successful year, with Group profit before tax expected to be significantly up on the previous year's figure (2013: €7,913 million). The pace at which earnings grow will ultimately reflect the impact of various trends currently shaping the automobile business. Continued difficult competitive conditions in some markets are also likely to play a significant role in how sales volumes turn out. The level of uncertainty is particularly high in Europe, whereas North America and China could generate additional momentum. We expect both the Motorcycles segment and the Financial Services segment to perform solidly in 2014.

Workforce at year-end: solid increase expected

The BMW Group will continue to hire staff on a targeted basis in 2014. Qualified staff are required in order to meet strong demand for cars and to develop new technologies, particularly in the field of electromobility. The increase of the size of the workforce should rise robustly in 2014 (2013: 110,351 employees).

Automotive segment in 2014

Deliveries to customers (cars): significant increase expected

We forecast that the Automotive segment will continue to perform well in 2014 on the back of strong sales volume growth. Assuming economic conditions do not deteriorate, we forecast a significant rise in deliveries to customers to a new high level (2013: 1,963,798* units) and thus, in all probability, enable the BMW Group to remain the world's foremost premium car manufacturer in 2014.

We expect positive momentum to be generated by the introduction of new, attractive models and from the generally dynamic market conditions in North America and China. If the economic situation in Europe does not continue to stabilise, new challenges will have to be faced, despite the currently visible slight upwards trend.

The BMW Group presented its new BMW M3 Sedan and the BMW M4 Coupé models in February, both from the high-performance segment, which are set to go on sale in June.

* Includes cars manufactured by the BMW Brilliance joint venture.

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The new BMW 2 Series Coupé will become available in March 2014 and will set new standards in terms of sportiness within the compact segment. The worldwide launch of the new BMW 4 Series Convertible will also take place in the same month. A four-door Gran Coupé will be added to the BMW 4 Series family from June onwards.

The BMW 2 Series Active Tourer was presented to the public at the Geneva Motor Show. This new vehicle concept, which is the perfect fusion of dynamism with comfort and functionality, is the first BMW brand model to be equipped with front-wheel drive. Within the BMW X family, the highly successful BMW X3 is currently going through the process of model revision. The BMW X4 will be launched in a new segment, thus starting a new chapter in the BMW X family's success story.

Following on from its launch on a number of European markets towards the end of 2013, over the course of the current year the fully electric-powered BMW i3 will also become available to customers in metropolitan regions in the USA, Japan and China. The BMW i8 plug-in hybrid, which will also enter the fray in 2014 as a new-generation sports car, combines the dynamism of a high-performance sports model with the consumption and emission levels of a compact car.

The new generation of the MINI will make its first appearance in showrooms from spring 2014 onwards. It will be introduced in March 2014 with a range of three entirely new engines, all featuring MINI's TwinPower Turbo Technology. In the second half of 2014, the Dutch car manufacturer, VDL NedCar bv, Born, will begin producing MINI models under contract and provide the necessary capacity to further develop the MINI brand.

In December 2013 the cornerstone was laid for a new automotive plant in Brazil. Start of production for the BMW plant, with an annual productive capacity of up to 30,000 units, is scheduled for autumn 2014.

Carbon fleet emissions*: moderate decrease expected

Ever-stricter legislation with respect to vehicle emissions throughout the world is creating new challenges for the automotive industry. Thanks to Efficient Dynamics, the BMW Group has been able to play a pioneering role in reducing fleet consumption and, therefore, carbon fleet emissions. At the same time, we have continued to develop the sporty, dynamic character of our vehicles. Increasing the scope of electrification in our range will reinforce our position as a key player in the pursuit to reduce carbon emissions and fuel consumption. With effect from 2013, our range of products has been expanded by the addition of electric powertrains in BMW i vehicles. This strategy will ensure that we continue to meet applicable statutory threshold values in the coming years. 2014 will therefore not see any let-up in our efforts to reduce carbon emissions for the fleet as a whole. We forecast that fleet emissions* will be reduced moderately in 2014 (2013: 133 g CO_2/km).

Revenues: significant increase expected

Strong demand worldwide for BMW, MINI and Rolls-Royce brand cars will have a positive impact on Automotive segment revenues. Accordingly, we expect revenues from automobile business to increase significantly in the period covered by the outlook (2013: €70,629 million). Currency factors could have a negative impact on revenues.

EBIT margin in target corridor between 8 and 10 % expected

Despite substantial levels of investment in new technologies, we aim to achieve an EBIT margin in the Automotive segment within an unchanged target corridor of between 8 and 10 % (2013: 9.4 %). We expect to see a significant drop in segment RoCE, mainly reflecting the substantial scale of investments necessary to deal with coming challenges and pave the way for future growth. However, the long-term target RoCE of at least 26 % for the Automotive segment will be clearly surpassed (2013: 63.3 %).

Motorcycles segment in 2014

Deliveries to customers (motorcycles): slight increase expected

Thanks to its attractive and extremely young model range, we forecast a continuation of the Motorcycles segment's good performance, not least due to the contribution expected from the new motorcycles (the R nineT, S 1000 R, R 1200 RT, R 1200 GS Adventure and K 1600 GTL Exclusive) presented at the autumn trade fairs. Despite difficult conditions on international motorcycle markets, we expect that deliveries of BMW motorcycles to customers will be slightly up on the previous year (2013: 115,215 units).

Another major step in the expansion of the segment's product range will be the series introduction of the C evolution electric scooter in 2014.

Return on capital employed in line with last year's level expected

With market conditions still remaining difficult, we nevertheless forecast that the impetus provided by the

* EU-27.

new models will help to keep segment RoCE in line with last year's level (2013: 16.4 %).

Financial Services segment in 2014

Return on equity: slight decrease expected

Based on the latest forecasts, we expect the BMW Group's Financial Services business to remain on growth course in 2014. As a consequence of necessary investments, the return on equity is likely to decrease slightly (2013: 20.2 %), but still surpass the minimum target level of 18 %.

Overall assessment by Group management for 2014

Based on our assessment, the BMW Group will continue to perform successfully in 2014. Owing to strong demand for our vehicles worldwide, a fresh and attractive vehicle fleet and a leading position in the area of innovation for all aspects of individual mobility, we forecast further profitable growth in 2014. Group profit before tax is expected to rise significantly despite a continuing volatile environment and thus reflect the significantly higher level of sales volume and revenues generated in the Automotive segment. At the same, we also expect to be able to reduce carbon fleet emissions* moderately. We aim to achieve profitable growth through a further solid increase in the size of the workforce across the Group. The Automotive segment's EBIT margin will remain within the target corridor of between 8 and 10 %. In view of the substantial volumes of planned capital expenditure, we expect the RoCE for the Automotive segment to be significantly lower and the RoE for the Financial Services segment to be slightly lower than in the preceding financial year. Both performance indicators will nevertheless be higher than their long-term targets of 26 % and 18 % respectively. For the Motorcycles segment, we forecast a slight increase in sales volume and a RoCE in line with last year's level. Depending on the political and economic situation and the outcome of the risks and opportunities described below, actual business performance could differ from our current forecasts.

* EU-27.

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Report on risks and opportunities

In the dynamic environment in which it operates, the BMW Group is constantly confronted with new opportunities and risks. Making full use of the opportunities that present themselves is the basis for its corporate success. In order to achieve growth, profitability, efficiency and sustainable levels of business in the future, the BMW Group consciously takes on certain risks. Good management of opportunities and risks is a fundamental prerequisite for the ability to react appropriately to changes in political, legal, technical or economic conditions. Identified opportunities and risks are addressed in the Outlook Report if they are likely to materialise.

The following sections focus on potential future developments or events, which could result in a positive or negative variance in the BMW Group's outlook. Positive variances are seen as opportunities, negative variances as risks. As a general rule, risks and opportunities are assessed over a medium-term period of two years. In specific cases, for the purposes of additional transparency, the assessment is made separately for a more short-term period of up to one year. All potential risks of losses (individual and accumulated risks) are monitored and managed from a risk management perspective. As a matter of principle, risks that could pose a going-concern threat are not entered into. Unless stated otherwise, the disclosures made relate to the Automotive segment.

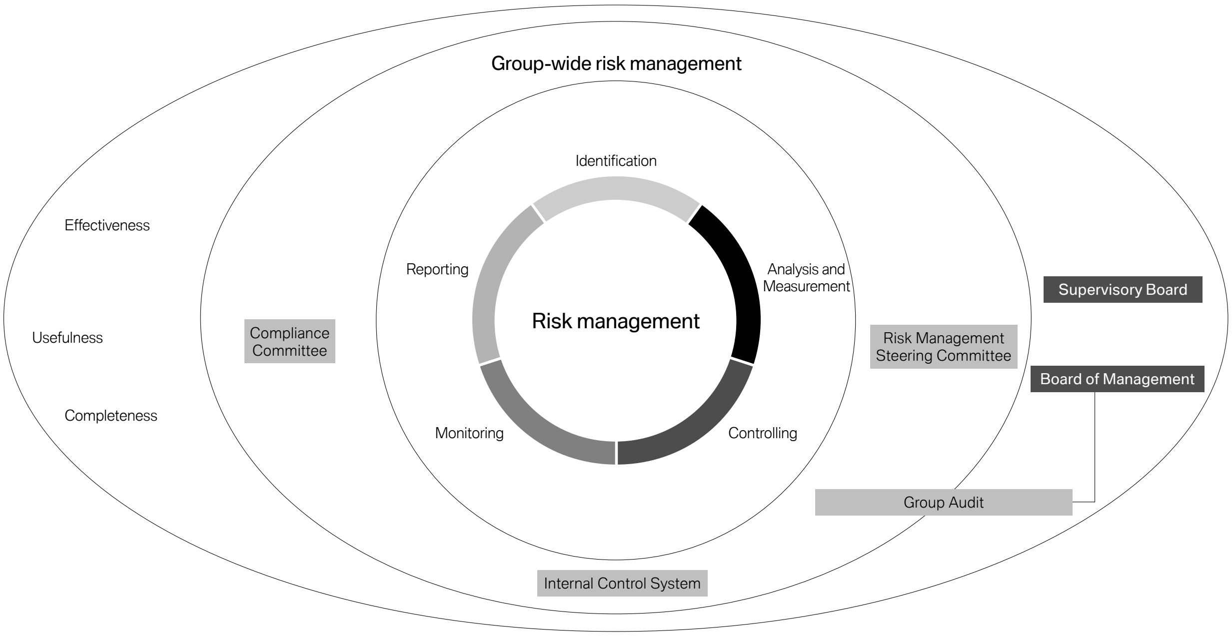
Report on Risks

Risk management system

The objective of the risk management system and one of the key functions of risk reporting is to identify, record and actively manage internal and external risks which pose a threat to the attainment of corporate targets. The risk management system covers all risks which are significant to the Group, or those which could pose a threat to its going-concern status. With regard to the structure of the risk management system, risk reporting is the responsibility of each individual member of staff and manager – in their various roles – and not with that of any centralised unit in particular. Each and every member of staff and manager is required to report risks via the available reporting channels. This requirement is set out in guidelines that apply throughout the Group.

The Group risk management system comprises a decentralised network covering all parts of the business, which is steered by a centralised risk management function. Each of the BMW Group's areas of responsibility is represented within the risk management network by so-called "Network Representatives". The network's formal organisational structure helps to strengthen its visibility and underline the importance attached to risk management within the BMW Group. The duties, responsibilities, and tasks of the centralised risk management unit and the Network Representatives are clearly described, documented and acted on.

Risk management in the BMW Group



Group risk management is geared towards meeting the following three criteria: effectiveness, usefulness and completeness. One of the principal focuses in 2013 was to ensure completeness. In this context, risk catalogues containing lists of potential risks were drawn up in collaboration with the Network Representatives in order to facilitate the identification of risks within each area of responsibility and/or each sub-network, thus making a meaningful contribution to ensuring completeness and highlighting any overarching risk profiles. The various risk catalogues have been integrated in a newly developed IT tool, which enables optimal recording and reporting of the risks and countermeasures relevant for each network. The new tool also helps to promote reciprocal networking and cooperation, ensuring the seamless coordination of the Group risk management system with the Compliance Committee, the Internal Control System and the Group Internal Audit.

Risk management process

The risk management process is applied throughout the Group and comprises the early identification and penetration of risks, comprehensive analysis and risk measurement, the coordinated use of suitable management tools and also the monitoring and evaluation of measures in the short and medium term of up to two years.

Risks reported to the centralised risk management from the network are firstly presented for review to the Risk Management Steering Committee, for which Group Controlling is responsible. After review, the risks are reported to the Board of Management and to the Supervisory Board. Significant and going-concern-related risks are classified on the basis of the potential scale of impact on the Group's results of operation, financial position and net assets. The level of risk is quantified, taking into account the probability of occurrence and risk mitigation measures.

The risk management system is tested regularly by the Internal Audit. By sharing experiences with other companies on an ongoing basis, the BMW Group ensures that new insights are incorporated in the risk management system, thus ensuring continual improvement. Regular basic and further training as well as information events throughout the BMW Group, and in particular within the risk management network, are invaluable ways of preparing people for new or additional challenges with regard to the processes in which they are involved.

As a supplement to comprehensive risk management, managing the business on a sustainable basis also represents one of the Group's core corporate principles. Risks and opportunities related to sustainability issues are discussed by the Sustainability Committee. Strategic options and measures open to the BMW Group are put forward to the Sustainability Board, to which all members of the Board of Management belong. Risk aspects discussed at this level are integrated in the work of the group-wide risk network. The composition of the Risk Management Steering Committee on the one hand and the Sustainability Committee on the other ensures that risk and sustainability management are closely coordinated.

Risk measurement

In order to determine which risks can be considered to be significant in relation to the results of operations, financial position and net assets of the BMW Group, to identify changes in key performance indicators and to measure their potential earnings impact, all identified risks are classified on the basis of the following table. The amount of the risks takes account of both its impact (net of appropriate countermeasures) and the likelihood of occurrence in each case.

Class	Risk amount
Low	> €0–50 million
Medium	> €50–400 million
High	> €400 million

The overall earnings impact based on the assumption that the risk will actually take place is sub-divided into the following categories.

Class	Earnings impact
Low	> €0–500 million
Medium	> €500–2,000 million
High	> €2,000 million

Risks

Political and global economic risks

As one of the world's leading providers of premium products and services, the BMW Group faces a variety of major challenges. The world is changing at great speed, and in a great number of countries individual mobility remains a key issue in terms of political regulation and national industrial policy. Changing values in society are constantly calling for new solutions in the field of mobility. Unpredictable disturbances in economic interdependencies, together with ever-increasing competition, may give rise to knock-on reactions that are practically impossible to predict. The sovereign debt crisis in the euro region and volatile economic con-

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ditions continue to exert an unsettling influence over both markets and consumers. Further risks arise from other potential economic developments, in particular a slowdown of economic momentum in China, one of the BMW Group's principal markets, which could in turn result in lower demand for the products and services the Group offers. As in the previous year, the risk amounts attached to such an outcome are classified as high.

Any escalation of political conflicts and terrorist activities, natural disasters or possible pandemics could have a negative impact on the world economy and international capital markets in general. The BMW Group counters these risks primarily by internationalising its sales and production structures in order to reduce the potential impact of risk exposures in individual countries. The risk amounts attached to these risks are classified as low.

Overall, as in the previous year, the risk amounts attached to political and global economic risks are still classified as high.

Strategic and sector-specific risks

Innovation is the driving force behind the BMW Group's success. The primary source of innovation is a worldwide global research and innovation network, in which employees work closely with one another to find today's solutions for tomorrow's mobility issues. At the same time, the technical challenges involved in reducing fuel consumption and emission, are constantly on the rise. These requirements are accompanied by a whole swathe of rules that govern individual mobility in metropolitan areas.

New regulations and rising fuel and energy prices also exert an influence on customer behaviour. One significant risk for the car industry is the possibility that laws and regulations could be tightened at short notice, thus triggering the need for significantly higher levels of investment. In some cases, changes in customer behaviour are not only brought on by new regulations, but also through changes of opinion, values and environmental issues. Among other factors, global climate change is having an effect on legislation, regulations and consumer behaviour. In order to meet structural changes in the demand for individual mobility that no longer necessarily means actually owning a vehicle, the BMW Group is offering corresponding mobility services, such as the DriveNow car sharing model.

With its Efficient Dynamics concept, the BMW Group is playing a pioneering role in the premium segment in reducing both fuel consumption and emissions. With effect from 2013, our range of products was expanded by the addition of electric powertrains in BMW i series vehicles. This strategy will also enable us to fulfil legal rules and requirements at the same time. The BMW Group is investing in the development of sustainable drive technologies and materials, with the aim of providing highly efficient vehicles for individual mobility in the premium segment, both now and in the future.

The BMW Group is also committed to developing comprehensive recycling concepts aimed at recycling materials as efficiently as possible, closing material loops and conserving precious resources to the greatest possible extent. Statutory risks stemming from vehicle recycling are minimised by means of a specialised in-house team working in conjunction with regional managers.

Medium- and long-term targets have already been put in place in Europe, North America, Japan, China and other countries to minimise fuel consumption and CO_2 emissions. Europe has set a target of achieving an average of 130 g CO_2 / km for all new vehicles by 2015. EU regulations set targets for CO_2 emissions based on vehicle weight. For the BMW Group this means a target of under 140 g CO_2 / km per vehicle. The average for new car fleets in Europe has been set for 2020 at 95 g CO_2 / km. Fuel economy targets have now been fixed in the USA up to the year 2025. Beginning with a gradual reduction for 2012 models, the new car fleets of all manufacturers are required to achieve an average emission value of 250 g CO_2 / mile (155 g CO_2 / km) by model year 2016 and by 2025 an average value of 163 g CO_2 / mile (101 g CO_2 / km). Japan has also announced ambitious targets for reducing fuel consumption. The regulations for individual vehicles and fleets have been implemented jointly in China. The debate on the successor regulation has already begun.

The broader market introduction of alternative drive systems presents new challenges and means additional investment for the automotive industry. At the same time the BMW Group also sees the changing situation as an ideal opportunity to put its technological expertise and innovative strengths to good use. Greater fuel economy and the reduction of emissions are fundamental parameters that are automatically integrated in the design of new products.

In the short to medium term, the BMW Group is working on achieving additional fuel economy by deploying a wide range of measures from the electrification of the drivetrain through to hybrid solutions. Solutions for sustainable mobility in densely populated areas are also in the process of being developed. Large-scale field trials with the MINI E have been carried out in the UK, Germany, France, the USA, China and Japan. A test fleet of BMW ActiveE electric cars based on the BMW 1 Series Coupé has been on the road since 2011. The extensive knowledge gained from the trials will be used in the series development of the BMW Group's electric cars. The BMW i3 came onto the market in 2013 as the first series-produced electric car made by the BMW Group and specially designed for the metropolitan regions of the world.

Similar to the statutory requirements being imposed on car manufacturers to reduce fuel consumption and emissions, the rules for car safety are also becoming continuously tougher, such as crash specifications in the USA. The specifications demanded of vehicles are changing so comprehensively that there is no option but to develop new technologies to improve both active and passive safety systems. Active safety systems such as suspension regulation and driver assistance systems make an essential contribution to the prevention of accidents, while passive safety systems help to reduce the consequences of accidents.

As in the previous financial year, the amounts of risk attached to strategic and sector-specific risks are classified as low.

Operational risks

Production

Production stoppages and downtimes – in particular due to fire, but also those attributable to manufacturing equipment breakdowns, logistical disruptions or new vehicle production line start-ups – represent risks which the BMW Group counters with a broad range of appropriate measures. Production structures and processes are designed from the outset with a view to reducing potential damage and the probability of occurrence. In addition to technical fire protection measures, the BMW Group has implemented an array of strategies, including preventative maintenance, spare parts management on a multi-site basis and back-up plans for alternative transportation. The level of risk is also reduced by the deployment of flexible work-schedule models and employee time accounts, but also by the ability to produce specific models at additional sites if necessary. Moreover, risks arising from business interruption and loss of production as a consequence of fire or natural disaster are also insured up to economically reasonable levels with insurance companies of good credit standing.

The level of risk attached to production interruptions is classified as medium. There has been no change in this assessment compared to the previous year.

Purchasing

Close cooperation between carmakers and automotive suppliers generates economic benefits on the one hand, but also raises levels of dependency. The increasing trend towards modular-based production with a set of common architectures covering various models and product lines exacerbates the consequences of the loss of a supplier or failure to supply on time. As part of the supplier preselection process, the BMW Group is careful to ensure that its future business partners come up to the same high ecological, social and corporate governance standards by which the BMW Group is generally measured. Suppliers are assessed on the basis of the BMW Group Sustainability Standard which is applied throughout the worldwide supplier network. This set of fundamental principles and standards covers both production and non-production aspects relevant for the goods and services provided by suppliers, which also includes compliance with internationally recognised human rights and applicable labour and social standards. The principal tool for ensuring compliance with the BMW Group Sustainability Standard is a three-stage sustainability and risk management approach comprising a BMW Group-specific sustainability risk filter, a sustainability questionnaire and a sustainability audit. In addition, the technical and financial capabilities of suppliers – especially those supplying for modular-based production – are continuously monitored during both the development and production phases of the Group's vehicles. Supplier sites are assessed for exposure to natural hazards, such as floods or earthquakes, in order to identify supply risks at an early stage and implement appropriate countermeasures.

Raw materials management procedures are in place to mitigate the risk of a production interruption due to shortages of supplies of critical raw materials. The supply risk is also reduced by developing and implementing systems governing minimum inventory levels.

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The level of risk attached to supply risks is (in contrast to last year) classified as high, mainly due to the insufficient availability of raw materials in Asia.

Sales and marketing
Changes in global economic conditions and increasingly protectionist trends are among the factors that could result in lower demand as well as fluctuations in the regional spread and the composition of sales of vehicles and mobility services. Risks relating to these developments can be reduced with the aid of flexible selling and production processes. Increased competition on the world's markets, particularly in Western Europe, the USA and China, requires constant analysis of selling prices and margins. Selling price and margin risks are determined on the basis of past experience and changing global economic conditions, with risk exposures measured using a cash-flow-at-risk model.

Selling risks generally entail high levels of risk. This classification remains unchanged from the previous year.

Risks relating to pension obligations
The BMW Group's pension obligations to its employees resulting from defined benefit plans are measured on the basis of actuarial reports. Future pension payments are discounted by reference to market yields on high-quality corporate bonds. These yields are subject to market fluctuation and therefore influence the level of pension obligations. Changes in other parameters, such as rises in inflation and longer life expectancy, also impact pension obligations and payments.

Most of the BMW Group's pension obligations are administered in external pension funds or trust arrangements and the related assets are kept separate from Company assets. The amount of funds required to finance pension payments out of operations in the future is therefore substantially reduced, since most of the Group's pension obligations are settled out of pension fund assets. The pension assets of the BMW Group comprise interest-bearing securities, equities, real estate and other investment classes. Pension fund assets are monitored continuously and managed on a risk-and-yield basis. A broad spread of investments also helps to reduce risk. In order to reduce fluctuations in pension funding shortfalls, investments are structured to coincide with the timing of pension payments and the expected pattern of pension obligations. Remeasurements on the obligations and fund asset sides are recognised, net of deferred taxes, in "Other comprehensive income" and hence directly in equity (within revenue reserves).

As in the previous year, the level of risk attached to pension obligations is classified as high, whereas the potential impact on earnings is classified as medium.

Further information on risks in conjunction with pension provisions is provided in note 31 of the Group Financial Statements.

Information, data protection and IT risks
The BMW Group attaches great importance to the protection of business secrets and employee and customer information against unauthorised access and/or misuse. Data and information security, based on International Security Standard ISO/IEC 27001, is an integral component of all business processes. Staff, process design and information technology each play a key role in the Group's overall risk and security concept.

Standardised requirements, documented in guidelines and manuals, are applicable group-wide. All employees are required to treat confidential information (such as customer and employee data) in an appropriate way, ensure that information systems are properly used and that risks pertaining to information technology are handled with transparency. Regular communication, awareness-raising activities and training measures promote a high degree of security and risk awareness among the employees involved. A new Web-based data protection training programme shows how prudent handling of personal data can make the BMW Group more attractive as an employer and have a positive impact on customer loyalty. Employees receive training from the Group's Compliance Organisation to ensure compliance with applicable requirements and in-house rules.

Potential IT and data protection risks resulting from the use of information technology and the processing of information are systematically documented, monitored on a regular basis and dealt with by the departments responsible.

Standard technical data protection procedures in constant use include virus scanners, firewall systems, access controls at both operating system and application level, internal testing procedures and the regular backing up of data. Additional measures (e.g. data encryption) are in place to protect highly confidential information, such as corporate strategies. A high level of protection is afforded by regular analyses, detailed up-front controls (such as compliance with mandatory data protection requirements) and rigorous security management.

The volume of enquiries with respect to data protection has risen sharply in the wake of the NSA scandal and the public debate regarding a possible new EU directive on data protection. The BMW Group's well-established data protection network ensures the necessary transparency and timely implementation of measures. Responsibility for data protection in each Group entity lies with the Board of Management (of BMW AG) or the relevant Company management. Each entity has one or more Local Data Privacy Protection Officers.

In the case of cooperation arrangements and business partner relationships, the BMW Group protects its intellectual property as well as its customer and employee data by stipulating clear instructions with regard to data protection and the use of information technology. Information pertaining to key areas of expertise is subject to particularly stringent security measures.

The requirements placed on IT facilities – both externally and internally – are changing at a breathtaking pace in the face of technological developments in this area. There is a risk that these requirements will necessitate far-reaching changes in IT systems, which could entail a higher level of expenditure than currently forecast. Forward-looking planning procedures are in place to manage and implement new IT requirements on a project basis. Risks identified during the implementation of complex IT applications, routine operations and/or in conjunction with the development of the existing IT landscape are highlighted at an early stage by IT risk management procedures and acted upon accordingly.

The levels of risk attached to information, data protection and IT risks are classified as medium. There has been no change in this assessment compared to the previous year.

Financial risks and risks relating to the use of financial instruments

Currency risks

As an internationally operating enterprise, the BMW Group conducts business in a variety of currencies, thus exposing itself to currency risks. Since a substantial portion of Group revenues is generated outside the eurozone (particularly in China and the USA) and the procurement of production materials and funding is also organised on a worldwide basis, the currency risk is an extremely important factor for Group earnings.

Cash-flow-at-risk models and scenario analyses are used to measure exchange rate risks. The results of these analyses are regularly fed into the Group's forecast of exposures and serve as the basis for decision-making with respect to operational currency management. In 2013 the Chinese renminbi, the US dollar, the British pound, the Russian rouble and the Japanese yen constituted approximately 75 % of the total foreign currency exposure of the BMW Group, with the Chinese renminbi and the US dollar accounting for the lion's share of foreign currency transactions.

The BMW Group manages currency risks both at a strategic level (medium and long term) and at an operating level (short and medium term). Medium- and long-term measures include increasing production volumes in non-euro-region countries (natural hedging) and increasing purchase volumes denominated in foreign currencies. Constructing new plants in countries such as the USA, China or Brazil have also helped reduce foreign currency exposures. Currency risks are managed in the short to medium term and for operational purposes by means of hedging. Hedging transactions are entered into only with financial partners of good credit standing. A description of the methods applied for risk measurement and hedging is provided in note 42 to the Group Financial Statements. Counterparty risk management procedures are carried out continuously in order to monitor the creditworthiness of business partners.

A high level of risk is attached to short-term currency risks. The potential impact on earnings is classified as medium. The level of risk rises in the medium term due to the lower number of hedge transactions entered into for this period.

If the relevant recognition criteria are fulfilled, derivatives used by the BMW Group are accounted for as hedging relationships. Further information on risks in conjunction with financial instruments is provided in note 42 to the Group Financial Statements.

Raw materials price risks

The availability of raw materials and the related price risks are monitored on the basis of a set of well-defined management procedures. Price risks relating to precious

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metals (platinum, palladium), non-ferrous metals (aluminium, copper, lead) and, to some extent, steel and steel ingredients (iron ore, coke/coal) are hedged using financial derivatives. Purchase contracts with fixed pricing arrangements are also in place. A description of the methods applied for risk measurement and hedging is provided in note 42 to the Group Financial Statements.

Changes in the price of crude oil, as an important basic material in the manufacture of components, have an indirect impact on production costs. The price of crude oil, combined with exchange rate fluctuations, also has an impact on fuel prices, which, in turn, directly influence the purchasing behaviour of our customers and hence the overall demand for vehicles. The BMW Group counters this risk by developing and selling highly efficient, low-consumption engines and by developing alternative drive technologies.

A high level of risk in the short therm is attached to raw material risks. The potential impact on earnings is classified as medium. The level of risk rises in the medium term, due to the lower number of hedge transactions entered into for this period.

If the relevant recognition criteria are fulfilled, derivatives used by the BMW Group are accounted for as hedging relationships. Further information on risks in conjunction with financial instruments is provided in note 42 to the Group Financial Statements.

Liquidity risks

Based on experience gained during the financial crisis, a target liquidity concept is rigorously adhered to. Solvency is assured at all times throughout the BMW Group by maintaining a liquidity reserve and by the broad diversification of refinancing sources. The liquidity position is monitored continuously at a separate entity level and managed by means of a cash flow requirements and sourcing forecast system in place throughout the Group. Liquidity risks can arise in the form of rising refinancing costs on the one hand and restricted access to funds on the other. The major part of the Financial Services segment's credit financing and lease business is refinanced on capital markets.

Thanks to its excellent creditworthiness, the BMW Group has good access to financial markets and, as in previous years, was able to raise funds at good conditions in 2013, reflecting a diversified refinancing strategy and the solid liquidity base of the BMW Group. Internationally recognised rating agencies have additionally confirmed the BMW Group's strong creditworthiness.

Similar to the previous year, both the level of risk and the potential impact of illiquidity on earnings are classified as low – including the risk of the BMW Group's rating being downgraded and any ensuing deterioration in financing conditions.

If the relevant recognition criteria are fulfilled, derivatives used by the BMW Group are accounted for as hedging relationships. Further information on risks in conjunction with financial instruments is provided in note 42 to the Group Financial Statements.

Risks relating to the provision of financial services

The main categories of risk relating to the provision of financial services are credit and counterparty 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 has been developed based on regulatory environment requirements (such as Basel II/III) and which comply with both national and international standards.

A set of strategic principles and rules derived from regulatory requirements serves as the basis for risk management within the Financial Services segment. At the heart of the risk management process is a clear division between front- and back-office activities and a comprehensive internal control system.

The key risk management tool employed within the Financial Services segment is aimed at ensuring that the Group's risk-bearing capacity is not exceeded. In this context, all risks defined as "unexpected losses" must be covered at all times by an appropriate asset cushion in the form of equity capital. Unexpected losses are measured using a variety of value-at-risk techniques, adapted to each relevant risk category. Risks are aggregated after taking account of correlation effects. The total sum of risks calculated in this way is then compared with the resources available to cover risks (asset cushion). The segment's risk-bearing capacity is monitored continuously with the aid of an integrated limit system which also differentiates between the various risk categories. The segment's total risk exposure was covered at all times during the past year by the available risk-coverage volumes.

Credit and counterparty default risk
Credit and counterparty default risk arises within the Financial Services segment if a contractual partner (i.e. a customer or dealer) either becomes unable or only partially able to fulfil its contractual obligations, such that lower income is generated or losses incurred. The Financial Services segment utilises a variety of rating systems in order to assess the creditworthiness of its contractual partners. Credit risks are managed at the time of the initial credit decision, based on a calculation of the present value of standard risk costs and subsequently, during the term of the credit, by using a range of risk provisioning techniques to cover risks emanating from changes in customer creditworthiness. In this context, individual customers are classified by category each month on the basis of their current contractual status, and appropriate levels of allowance recognised in accordance with that classification.

The level of risk attached to credit and counterparty default risks in the short and medium term is high. The potential impact on earnings is classified as medium.

Residual value risk
A related residual value risk exists if the expected market value of a vehicle at the end of the contractual term is lower than its residual value calculated at the date the contract is entered into. Each vehicle's market value is forecast on the basis of historical external and internal data and used to predict the expected market value of the vehicle at the end of the contractual period. As part of the process of managing residual value risks, a calculation is performed at the inception of each contract to determine the present value of risk costs. Market developments are observed throughout the contractual period and the risk assessment updated appropriately.

High levels of risk are attached to residual value risks in the short and medium term. The potential impact on earnings for the segments affected in the short and medium term is classified as medium. The potential impact on earnings for the Group is classified as medium.

Interest rate risks
Interest rate risks in the Financial Services segment relate to potential losses caused by changes in market interest rates and can arise when fixed interest rate periods for assets and liabilities recognised in the balance sheet do not match. Interest rate risks in the Financial Services line of business are managed by raising refinancing funds with matching maturities and by employing interest rate derivatives. Interest rate risks are also managed on the basis of a value-at-risk approach and stipulated limits. Limits are set using a benchmark-oriented approach that focuses on interest rate arrangements contained in the original contracts.

The level of risk attached to interest rate risks in the short and medium term is medium. The potential impact on earnings in the short and medium term is classified as low.

Liquidity and operational risks
Use of the "matched funding principle" to finance the Financial Services segment's operations eliminates liquidity risks to a large extent. Regular measurement and monitoring ensure that cash inflows and outflows from transactions in varying maturity cycles and currencies offset each other. The relevant procedures are incorporated in the BMW Group's target liquidity concept.

Operational risks are defined in the Financial Services segment as the risk of losses arising as a consequence of the inappropriateness or failure of internal procedures (process risks), people (personnel-related risks), systems (infrastructure and IT risks) and external events (external risks). These four categories of risk also include related legal and reputation risks.

As part of the process of managing operational risks, loss events and risk scenarios are recorded in the Operational Risk Management Suite (OpRisk-Suite) by OpRisk Officers from the various individual units or entities, along with details of probability of occurrence, loss amounts and countermeasures. This comprehensive recording and measurement of risk scenarios and loss events in the OpRisk-Suite provides the basis for a systematic analysis of potential and/or actual operational risks. Annual self-assessments are also carried out. In conjunction with the assessment of risk-bearing capacity, operational risks are measured using the standard approach and compared with the corresponding limit.

The level of risk attached to operational risks is medium. The potential impact on earnings is classified as low.

Legal risks
Compliance with the law is a basic prerequisite for the success of the BMW Group. Current law provides the binding framework for the BMW Group's various

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business activities around the world. The growing international scale of operations of the BMW Group, the complexity of the business world and the whole gamut of complex legal regulations increase the risk of laws not being adhered to, simply because they are not known or fully understood.

The BMW Group has established a Compliance Organisation aimed at ensuring that its representative bodies, managers and staff act in a lawful manner at all times. Further information on the BMW Group's Compliance Organisation can be found in the section "Corporate Governance".

Like all internationally operating enterprises, the BMW Group is confronted with legal disputes relating, among other things, to warranty claims, product liability, infringements of protected rights, or proceedings initiated by government agencies. Any of these matters could, among other outcomes, have an adverse impact on the Group's reputation. Such proceedings are typical for the sector and can arise as a consequence of realigning product or purchasing strategies to suit changed market conditions. Particularly in the US market, class action lawsuits and product liability risks can have substantial financial consequences and cause damage to the Group's public image. The BMW Group recognises appropriate levels of provision for lawsuits. A part of these risks, especially where the American market is concerned, is insured where this makes business sense. Some risks, however, cannot be assessed in full or completely defy assessment. It cannot be ruled out that losses from damages could arise which are either not covered or not fully covered by insurance policies or provisions. The high quality of the Group's products, which is ensured by regular quality audits and ongoing improvement measures, helps to reduce this risk. In comparison with competitors, this can also give rise to benefits and opportunities for the BMW Group. Changes in the regulatory environment may significantly influence sales volume, revenues and earnings performance in specific markets or economic regions. Further details are provided in the section "Strategic and sector-specific risks".

The BMW Group is not currently involved in any court or arbitration proceedings which, based on the enterprise's assessment, could have a significant impact on its financial condition.

As in the previous year, the level of risk attached to legal risks is classified as low. However, it cannot be ruled out that existing legal risks, if they materialise, could have a significantly adverse effect on the Group's financial condition. Likewise, it cannot be ruled out that new legal risks, as yet unidentified, could materialise and have a significant adverse effect on the Group's financial condition.

Management and identification of opportunities

New opportunities regularly present themselves in the dynamic business environment in which the BMW Group operates. General economic trends and sector-specific developments – including external regulations, suppliers, customers and competitors – are monitored continuously. Identifying opportunities is an integral part of the process of developing strategies and drawing up forecasts for the BMW Group. The significance of opportunities for the BMW Group is classified in the categories "material" or "not material".

Market, competition and scenario analyses are conducted and evaluated and forecasts are drawn up as part of the process of identifying opportunities. The Group's product portfolio is permanently reviewed in the light of these analyses and, as appropriate, new product projects are presented to the Board of Management for consideration.

Opportunities management also covers regular reviews of cost drivers and other factors critical for success. One of the key areas in this context is to ensure optimal operations within the production and supplier network, which are therefore subject to regular review. Potential areas of improvement can be quickly realised after approval by the Board of Management and the benefits factored into earnings forecasts. The forecasts drawn up by the BMW Group reflect the expected impact of targeted efficiency improvements on variable and fixed costs. Efficiency improvement targets take account of past experience as well as the current composition of the product portfolio.

Business process optimisation and strict cost control are essential to ensure good profitability and a high return on capital employed. The outlook is drawn up on the assumption that profitability improvement measures will be achieved. One good example of this is the rigorous implementation of the so-called "architectural approach". The new MINI presented in November is the first vehicle to be built on the basis of this approach. Greater communality of features between different models and product lines, made possible by a modular and architectural approach to building vehicles, helps to improve profitability by reducing development costs and investment on the series development of new vehicles, by generating benefits of scale at the level of production cost and by increasing flexibility in production. The improved cost basis achieved opens up opportunities to move into additional market segments which would have otherwise been unprofitable. The new generation of engines allows a high degree of flexibility in production in terms of the number of cylinders and the choice between diesel and petrol engines, thus maximising market potential.

Identified opportunities can be incorporated at short notice into the opportunities management and reporting system. The implementation of identified opportunities is undertaken on a decentralised basis and monitored using a variety of suitable instruments. The quarterly forecast report presented to the Board of Management highlights the impact of opportunities that have been realised.

Opportunities

Political and global economic opportunities

Economic conditions influence the operations, financial position, earnings performance and cash flows of the BMW Group. Should the global economy develop significantly better than reflected in the outlook, revenues and earnings of the BMW Group could be significantly higher than originally predicted. Economic opportunities present themselves in particular from the fact that the BMW Group is fully committed to expanding business volumes in the world's growth markets. The BMW Group sees an opportunity for above-average growth in the Chinese market. Potential for recovery is also seen elsewhere, particularly in southern European countries. The outcome could be a sharp increase in sales volumes as well as reduced competitive pressure and improved selling prices. The BMW Group reviews its market forecasts at frequent intervals, adjusting them when necessary to accommodate changed market conditions and make full use of available market potential.

In addition to the impact from economic developments, the BMW Group's earnings can also be positively affected in the short to medium term by changes in the legal environment. A possible reduction in tariff barriers, in import restrictions or direct excise duties could lower the cost of materials for the BMW Group and also enable products and services to be offered to the customer at lower prices. Another factor to consider is that regulatory support for forward-looking technologies, such as electromobility – in the form of incentives – help to make the total cost of ownership more attractive for the customer, thus opening up opportunities for faster market penetration by means of these technologies. Opportunities of this nature could result in higher sales volumes and, all other things being equal, to an improved

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quality of earnings. Changes in the legal environment are monitored continuously at a centralised level. The impact of legislation that has been enacted or that is highly likely to be enacted is incorporated in the outlook.

At present, the BMW Group does not see any significant political and/or economic opportunities which could have a positive sustainable impact on the earnings performance of the BMW Group.

Strategic and sector-specific opportunities
Innovation and a strong technological position are the cornerstones of our success. The BMW Group continues to build on this solid basis and to set its sights on putting these to good use in the world's growth markets. Additions to the product portfolio and expansion in growth regions are seen as the most important opportunities for growth in the medium to long term. Remaining on growth course depends above all else on the ability to develop innovative products and bring them to market. The launching of the BMW i brand opens up new customer target groups for the BMW Group and consolidates the position of BMW as a sustainable and forward-looking brand. The BMW i3 is the first car built from the outset as an electric vehicle for driving in an urban environment: optimally designed for intelligent mobility in cities and for commuting, powered by a zero-emission electric drive system. Creating the BMW i3 does nothing less than make the whole Group fit for the future. A whole new vista of opportunities has now been opened up. BMW i products can be seen as "empowerment projects" for new technologies and processes, which will also benefit other vehicle concepts.

With the BMW 3 Series Gran Turismo and the MINI Paceman, 2013 also saw the successful launching of two further crossover products on the market. With all of these new models, the BMW Group has demonstrated its ability to translate identified opportunities into commercial reality as well as its proactive commitment to tackling the challenges of the future. These products are the outcome of the early identification of growth opportunities and customer-oriented product development processes stretching over several years. Additional opportunities for growth can be generated by further additions to the product portfolio. Given the lead time required for product development, these opportunities are built into short- and medium-term forecasts. The acceptance of, and sales volumes generated with, planned future product innovations could be better than expected in the outlook. In the short term, however, any potential positive impact is classified as not material.

The long-term trend towards greater sustainability provides opportunities to boost sales of sustainable products and, under the right circumstances, achieve better selling prices. Innovations – such as the BMW i3 in the field of electromobility or Efficient Dynamics throughout the whole product portfolio – provide excellent platforms for future growth.

Potential is also seen by engaging in new product and market categories and by tapping new customer target groups. New business models and cooperation arrangements with the BMW Group's growing network of business partners often provide the best means to take advantage of these opportunities. Working together with other business partners helps to increase market coverage, expand the range of solutions on offer and encourage the development of forward-looking technologies. Good examples of this are the partnerships and programmes comprising the 360° ELECTRIC portfolio in the field of electromobility and collaboration with Toyota on a hydrogen fuel cell system. Cooperations of this kind generally result in greater availability of a wider range of new technologies for the customer and increase the likelihood of a successful market launch in the long term. The short- to medium-term impact of such activities is generally not material.

Given the long lead times involved in developing new products and processes, strategic and sector-specific opportunities are not expected to have a material short-term impact on the earnings performance of the BMW Group.

Opportunities from operational activities
Employees make a vital contribution to sustainable growth and improved profitability through their innovative skills. The BMW Group is constantly refining the tools it uses to recruit employees, encourage career development and bind employees to the enterprise. Within this environment, employees find the optimal environment in which to develop their skills. If these measures generate greater benefits than currently expected, the BMW Group's revenue, earnings performance and cash flows could be positively impacted and forecasted figures surpassed. Creating a successful

performance culture and the development of the skill-sets of both staff and managers alike throughout the organisation could also have a positive impact on revenues and profitability. Compared to the outlook, the BMW Group's earnings performance is unlikely to benefit from efficiency improvements to a significantly greater extent than that incorporated in the outlook.

Further opportunities may arise due to other technical innovations relating to products and processes and as a result of organisational changes. In the field of light-weight construction, carbon is being put to use in high volumes for the first time in the automobile industry in the construction of the BMW i3. The potential for efficiency improvements in this area is quite considerable, including the increased use of this material in other vehicle projects, as a result of which the competitiveness of the products involved – both in terms of consumption and driving dynamics – could be improved to a significantly greater extent than originally planned. The opportunities presented by these new developments are primarily relevant for the medium to long term and will not have a material short-term impact on the BMW Group's earnings performance.

The BMW Group focuses its selling capacities primarily on markets with the greatest sales volume and revenue potential and fastest growth rates. Investment in existing and new marketing concepts is firmly aimed at intensifying relationships with customers. A good example is the new marketing concept for BMW i products and services, which will be offered in selected markets in the future via an innovative multi-channel model. There will be no let-up in the active search for new opportunities to create even greater added value for customers than currently expected, whilst at the same time looking for ways to boost sales volumes and achieve better selling prices.

Developments in the field of digital communication are also opening up opportunities for marketing the BMW Group's various brands. Consumers can meanwhile be reached on a more targeted and individual basis, thus helping to strengthen long-term relationships and brand loyalty. The BMW Group keeps track of the latest developments and trends in communication technology, including the use of social media and networks, in order to extend customer reach. The BMW Group's brands are present on numerous platforms, such as Facebook, YouTube and Twitter. Thanks to its intensive efforts in this area, the BMW Group is registering faster growth rates on the various platforms than its competitors, measured in terms of the number of fans and visits. The decisive advantage of digital communication is that the brands are able to engage in a direct dialogue with customers and thus create a more intense brand experience. The BMW Group considers that these opportunities will not have a material impact compared to the assumptions made in the outlook.

Pension benefits represent an important component of the BMW Group's overall remuneration package, making it easier to recruit qualified staff and to gain them for the enterprise on a long-term basis. Pension liabilities are matched in part by corresponding pension plan assets. Within a favourable capital market environment, the return generated by pension assets may exceed expectations and reduce the deficit of the relevant pension plans. This, in turn, could have a materially favourable impact on the net assets position and earnings performance of the BMW Group. Pension plan assets also help to reduce the interest and inflation risks attached to pension liabilities.

Financial opportunities arising from currencies and raw materials

The ability to compete on global markets is also significantly influenced by changes in exchange rates and raw materials prices. Favourable developments in exchange rates (in particular for China and the USA) and in raw materials prices could have a positive impact on the financial result of the BMW Group. Developments on the financial markets are closely monitored, in order to identify and make the best use of any opportunities that may arise. Financial opportunities are managed by employing the same processes and methodologies used to manage financial risks. The principal objective of these management processes is to reduce risk by improving forecasting reliability. Currency and raw material price opportunities could have a material impact on the earnings performance of the BMW Group.

Further information in conjunction with financial instruments is provided in note 42 to the Group Financial Statements.

Opportunities arising in conjunction with the provision of financial services

The principal risks arising in the Financial Services segment, namely credit and residual value risks, are closely

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linked to economic trends. If economies develop more favourably than assumed in the outlook, there is a chance that credit losses may be reduced and earnings improved accordingly. Similarly, higher used car selling prices could result in better-than-forecasted earnings for the Financial Services segment. Positive interest rate developments could reduce interest rate risks and therefore have a positive impact on forecast earnings. The potential significance of opportunities arising in conjunction with the provision of financial services, in particular opportunities related to residual value risks, are classified by the BMW Group as material.

Overall assessment of the risk and opportunities situation

No risks have been identified that could jeopardise the BMW Group's future existence. Based on the risks and opportunities described above, expected probabilities of occurrence and current business prospects, no individual or aggregated risks have been identified that could endanger the BMW Group's going-concern status.

Identified risks are considered to be manageable, but could – just like opportunities – have an impact on the BMW Group's forecasts. The assessment of the overall risk situation has not changed significantly compared with the previous year. The BMW Group's liquidity is stable and all cash requirements are currently covered by available funds and accessible credit lines.

Internal Control System* and Risk Management System Relevant for the Consolidated Financial Reporting Process

The internal control system in place throughout the BMW Group is aimed at ensuring the effectiveness of operations. It makes an important contribution towards ensuring compliance with the laws that apply to the BMW Group as well as providing assurance on the propriety and reliability of internal and external financial reporting. The internal control system is therefore a significant factor in the management of process risks. The principal features of the internal control system and the risk management system, as far as they relate to individual entity and Group financial reporting processes, are described below.

Information and communication

One component of the internal control system is that of "Information and Communication". It ensures that all the information needed to achieve the objectives set for the internal control system is made available to those responsible in an appropriate and timely manner. The requirements relating to the provision of information relevant for financial reporting at the level of BMW AG, other consolidated Group entities and the BMW Group are primarily set out in organisational manuals, in guidelines covering internal and external financial reporting issues, in accounting manuals and through training. These instructions, which can be accessed at all levels via the BMW Group's intranet system, provide the framework for ensuring that the relevant rules are applied consistently throughout the Group. The quality and relevance of these instructions are ensured by regular review as well as by continuous communication between the relevant departments.

Organisational measures

All financial reporting processes (including Group financial reporting processes) are structured in organisational terms in accordance with the principle of segregation of duties. These structures allow errors to be identified at an early stage and prevent potential wrongdoing. Regular comparison of internal forecasts and external financial reports improves the quality of financial reporting. The internal audit department serves as a process-independent function, testing and assessing the effectiveness of the internal control system and proposing improvements when appropriate.

Controls

Extensive controls are carried out by management in all financial reporting processes at an individual entity and Group level, thus ensuring that legal requirements and internal guidelines are complied with and that all business transactions are properly executed. Controls are also carried out with the aid of IT applications, thus reducing the incidence of process risks.

IT authorisations

All IT applications used in financial reporting processes throughout the BMW Group are subject to access restrictions, allowing only authorised persons to gain access to systems and data in a controlled environment. Access authorisations are allocated on the basis of the nature of the duties to be performed. In addition, IT processes are designed and authorisations allocated using the dual control principle, as a result of which, for instance, requests cannot be submitted and approved by the same person.

Internal control training for employees

All employees are appropriately trained to carry out their duties and kept informed of any changes in regulations or processes that affect them. Managers and staff also have access to detailed best-practice descriptions relating to risks and controls in the various processes, thus increasing risk awareness at all levels. As a consequence, the internal control system can be evaluated regularly and further improved as necessary. Employees can, at any time and independently, deepen their understanding of control methods and design using an information platform that is accessible throughout the entire Group.

Evaluating the effectiveness of the internal control system

Responsibilities for ensuring the effectiveness of the internal control system in relation to individual entity and Group financial reporting processes are clearly defined and allocated to the relevant managers and process owners. The BMW Group assesses the design and effectiveness of the internal control system on the basis of internal review procedures (e.g. management self-audits, internal audit findings). Continuous revision and further development of the internal control system ensures its continued effectiveness. Group entities are required to confirm regularly as part of their reporting duties that the internal control system is functioning properly. Effective measures are implemented whenever weaknesses are identified and reported.

* Disclosures pursuant to § 289 (5) HGB and § 315 (2) no. 5 HGB.

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Composition of subscribed capital

The subscribed capital (share capital) of BMW AG amounted to €656,254,983 at 31 December 2013 (2012: €655,989,413) and, in accordance with Article 4 (1) of the Articles of Incorporation, is sub-divided into 601,995,196 shares of common stock (91.73 %) (2012: 601,995,196; 91.77 %) and 54,259,787 shares of non-voting preferred stock (8.27 %) (2012: 53,994,217; 8.23 %), each with a par value of €1. The Company's shares are issued to bearer. The rights and duties of shareholders derive from the German Stock Corporation Act (AktG) in conjunction with the Company's Articles of Incorporation, the full text of which is available at www.bmwgroup.com. The right of shareholders to have their shares evidenced is excluded in accordance with the Articles of Incorporation. The voting power attached to each share corresponds to its par value. Each €1 of par value of share capital represented in a vote entitles the holder to one vote (Article 18 (1) of the Articles of Incorporation). The Company's shares of preferred stock are shares within the meaning of § 139 et seq. AktG, which carry a cumulative preferential right in terms of the allocation of profit and for which voting rights are normally excluded. These shares only confer voting rights in exceptional cases stipulated by law, in particular when the preference amount has not been paid or has not been fully paid in one year and the arrears are not paid in the subsequent year alongside the full preference amount due for that year. With the exception of voting rights, holders of shares of preferred stock are entitled to the same rights as holders of shares of common stock. Article 24 of the Articles of Incorporation confers preferential treatment to the non-voting shares of preferred stock with regard to the appropriation of the Company's unappropriated profit. Accordingly, the unappropriated profit is required to be appropriated in the following order:

(a) subsequent payment of any arrears on dividends on non-voting preferred shares in the order of accruement,
(b) payment of an additional dividend of €0.02 per €1 par value on non-voting preferred shares and
(c) uniform payment of any other dividends on shares on common and preferred stock, provided the shareholders do not resolve otherwise at the Annual General Meeting.

Restrictions affecting voting rights or the transfer of shares

As well as shares of common stock, the Company has also issued non-voting shares of preferred stock. Further information relating to this can be found above in the section "Composition of subscribed capital".

When the Company issues non-voting shares of preferred stock to employees in conjunction with its Employee Share Scheme, these shares are subject as a general rule to a Company-imposed vesting period of four years, measured from the beginning of the calendar year in which the shares are issued.

Contractual holding period arrangements also apply to shares of common stock required to be acquired by Board of Management members and certain senior department heads in conjunction with share-based remuneration programmes (Compensation Report of the Corporate Governance section; note 19 to the Group Financial Statements).

Direct or indirect investments in capital exceeding 10 % of voting rights

Based on the information available to the Company, the following direct or indirect holdings exceeding 10 % of the voting rights at the end of the reporting period were held at the date stated:[2]

	Direct share of voting rights (%)	Indirect share of voting rights (%)
AQTON SE, Bad Homburg v. d. Höhe, Germany	17.4	
Stefan Quandt, Bad Homburg v. d. Höhe, Germany		17.4
Johanna Quandt, Bad Homburg v. d. Höhe, Germany	0.4	16.3
Johanna Quandt GmbH, Bad Homburg v. d. Höhe, Germany		16.3
Johanna Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe, Germany	16.3	
Susanne Klatten, Munich, Germany		12.6
Susanne Klatten Beteiligungs GmbH, Bad Homburg v. d. Höhe, Germany	12.6	

[1] Disclosures pursuant to § 289 (4) HGB and § 315 (4) HGB

[2] Based on voluntary balance notifications provided by the listed shareholders at 31 December 2012.

The voting power percentages disclosed above may have changed subsequent to the stated date if these changes were not required to be reported to the Company. Due to the fact that the Company's shares are issued to bearer, the Company is generally only aware of changes in shareholdings if such changes are subject to mandatory notification rules.

Shares with special rights which confer control rights
There are no shares with special rights which confer control rights.

System of control over voting rights when employees participate in capital and do not exercise their control rights directly
The shares issued in conjunction with the Employee Share Scheme are shares of non-voting preferred stock which are transferred solely and directly to employees. Like all other shareholders, employees exercise their control rights over these shares on the basis of relevant legal provisions and the Company's Articles of Incorporation.

Statutory regulations and Articles of Incorporation provisions with regard to the appointment and removal of members of the Board of Management and changes to the Articles of Incorporation
The appointment or removal of members of the Board of Management is based on the rules contained in § 84 et seq. AktG in conjunction with § 31 of the German Co-Determination Act (MitbestG).

Amendments to the Articles of Incorporation must comply with § 179 et seq. AktG. All amendments must be decided upon by the shareholders at the Annual General Meeting (§ 119 (1) no. 5, § 179 (1) AktG). The Supervisory Board is authorised to approve amendments to the Articles of Incorporation which only affect its wording (Article 14 no. 3 of the Articles of Incorporation); it is also authorised to change Article 4 of the Articles of Incorporation in line with the relevant utilisation of Authorised Capital 2009. Resolutions are passed at the Annual General Meeting by simple majority of shares unless otherwise explicitly required by binding provisions of law or, when a majority of share capital is required, by simple majority of shares represented in the vote (Article 20 of the Articles of Incorporation).

Authorisations given to the Board of Management in particular with respect to the issuing or buying back of shares
The Board of Management is authorised to buy back shares and sell repurchased shares in situations specified in § 71 AktG, e.g. to avert serious and imminent damage to the Company and/or to offer shares to persons employed or previously employed by BMW AG or one of its affiliated companies. In accordance with Article 4 no. 5 of the Articles of Incorporation, the Board of Management is authorised – with the approval of the Supervisory Board – to increase BMW AG's share capital during the period until 13 May 2014 by up to €2,936,375 for the purposes of an Employee Share Scheme by issuing new non-voting shares of preferred stock, which carry the same rights as existing non-voting preferred stock, in return for cash contributions (Authorised Capital 2009). Existing shareholders may not subscribe to the new shares. No conditional capital is in place at the reporting date.

Significant agreements entered into by the Company subject to control change clauses in the event of a takeover bid
The BMW AG is party to the following major agreements which contain provisions for the event of a change in control or the acquisition of control as a result of a takeover bid:
- An agreement concluded with an international consortium of banks relating to a syndicated credit line (which was not being utilised at the balance sheet date) entitles the lending banks to give extraordinary notice to terminate the credit line (such that all outstanding amounts, including interest, would fall due immediately) if one or more parties jointly acquire direct or indirect control of BMW AG. The term "control" is defined as the acquisition of more than 50 % of the share capital of BMW AG, the right to receive more than 50 % of the dividend or the right to direct the affairs of the Company or appoint the majority of members of the Supervisory Board.
- A cooperation agreement concluded with Peugeot SA relating to the joint development and production of a new family of small (1 to 1.6 litre) petrol-driven engines entitles each of the cooperation partners to give extraordinary notification of termination in the event of a competitor acquiring control over the other contractual party and if any concerns of the other contractual party concerning the impact of the change of control on the cooperation arrangements are not allayed during the subsequent discussion process.
- BMW AG acts as guarantor for all obligations arising from the joint venture agreement relating to BMW Brilliance Automotive Ltd. in China. This agreement grants an extraordinary right of termination to either joint venture partner in the event that, either directly or indirectly, more than 25 % of the shares of the other party are acquired by a third party or the other party is merged with another legal entity. The termi-

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nation of the joint venture agreement may result in the sale of the shares to the other joint venture partner or in the liquidation of the joint venture entity.

– Framework agreements are in place with financial institutions and banks (ISDA Master Agreements) with respect to trading activities with derivative financial instruments. Each of these agreements includes an extraordinary right of termination which triggers the immediate settlement of all current transactions in the event that the creditworthiness of the party involved is materially weaker following a direct or indirect acquisition of beneficially owned equity capital which confers the power to elect a majority of the Supervisory Board of a contractual party or any other ownership interest that enables the acquirer to exercise control over a contractual party or which constitutes a merger or a transfer of net assets.
– Financing agreements in place with the European Investment Bank (EIB) entitle the EIB to request early repayment of the loan in the event of an imminent or actual change in control at the level of BMW AG (partially in the capacity of guarantor and partially in the capacity of borrower), if the EIB has reason to assume – after the change of control has taken place or 30 days after it has requested to discuss the situation – that the change in control could have a material adverse effect, or, in all but two cases as an additional alternative, if the borrower refuses to hold such discussions. A change in control of BMW AG arises if one or more individuals take over or lose control of BMW AG, with control being defined in the above-mentioned financing agreements as (i) holding or having control over more than 50 % of the voting rights, (ii) the right to stipulate the majority of the members of the Board of Management or Supervisory Board, (iii) the right to receive more than 50 % of dividends payable, or, in all but two cases as an additional alternative (iv) other comparable controlling influence over BMW AG.
– BMW AG is party to an agreement with SGL Carbon SE, Wiesbaden, relating to the joint ventures SGL Automotive Carbon Fibers LLC, Delaware, USA and SGL Automotive Carbon Fibers GmbH & Co. KG, Munich. The agreement includes call and put rights in case – directly or indirectly – 50 % or more of the voting rights relating to the relevant other shareholder of the joint ventures are acquired by a third party, or if 25 % of such voting rights have been acquired by a third party if that third party is a competitor of the party that has not been affected by the acquisition of the voting rights. In the event of such acquisitions of voting rights by a third party, the non-affected shareholder has the right to purchase the shares of the joint ventures from the affected shareholder or to require the affected party to acquire the other shareholder's shares.
– An engine supply agreement between BMW AG and Toyota Motor Europe SA relating to the sale of diesel engines entitles each of the contractual parties to give extraordinary notification of termination in the event that one of the contractual parties merges with another company or is taken over by another company.

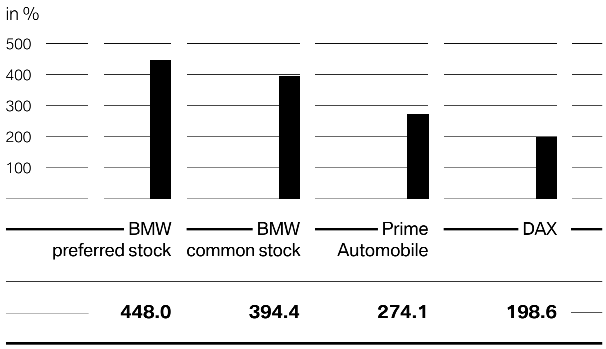
Compensation agreements with members of the Board of Management or with employees in the event of a takeover bid

The BMW Group has not concluded any compensation agreements with members of the Board of Management or with employees for situations involving a takeover offer.

BMW Stock and Capital Markets in 2013

BMW stocks reached a new all-time high during the period under report, when the price of BMW common stock was quoted at €85.69 per share. The BMW Group has the best rating in the European automobile sector, thus giving it excellent access to international capital markets.

Development of BMW stock compared to stock exchange indices since 30 December 2008



Good year for stock markets on account of expansionary monetary policies

Favourable economic prospects and the expansionary monetary policies applied by the US Federal Bank (FED) and the European Central Bank (ECB) helped to make 2013 a good year for stock markets. Within a highly volatile climate, the German stock index, the DAX, was able to pick up where it left off in 2012 and climbed to new heights in 2013.

Having got off to a positive start, the mood on the markets was dampened towards the end of the first quarter by political uncertainties caused by elections in Italy and the threat of state bankruptcy in Cyprus. In April the DAX reached its low for the year at 7,418.36 points. Share prices came under pressure in June following the FED's announcement of its intention to bring its bond-buying programme to an end over the course of the year and on rumours of a possible credit squeeze in China. Good corporate and employment figures in the USA helped to improve the mood considerably at the beginning of the third quarter, only then for concerns about political instability in the Middle East to cause quite large substantial price drops towards the end of August. The ongoing expansionary monetary policies of the ECB and the FED, combined with more favourable economic data from Europe and the USA, helped the DAX to reach a new high of 8,770.10 by the end of September. Agreement in the US federal budget dispute and the FED's decision not to taper its bond-buying programme resulted in a strong final quarter. Despite some intermediate profit-taking, the DAX recorded a new all-time high of 9,594.35 points on 30 December 2013, before closing the stock market year on the same day at 9,552.16 points, marginally below its high for the year, but 1,939.77 points or 25.5 % up over the twelve-month period.

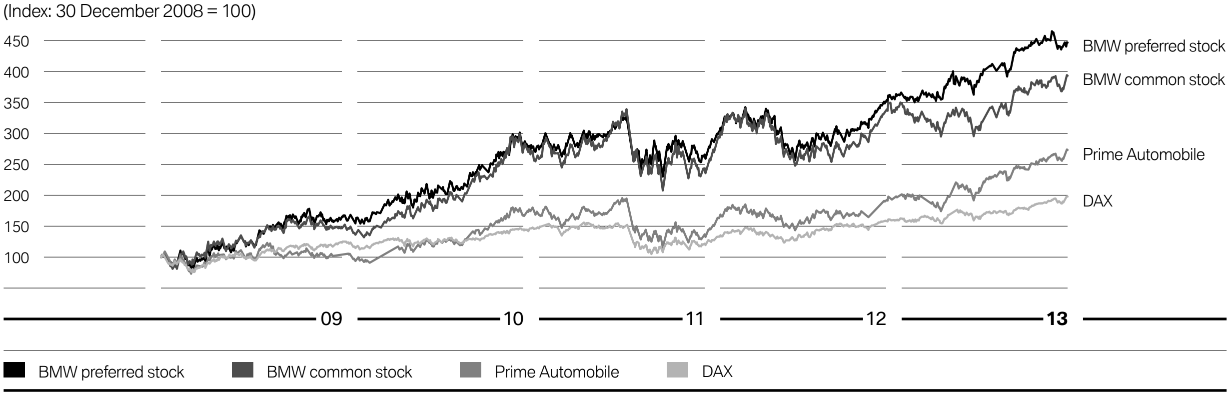
The Prime Automobile Performance Index did even better, climbing by 417 points over the year under report to reach 1,393 points, 42.8 % higher than one year earlier.

The EURO STOXX 50 finished the stock market year 17.9 % up at 3,109 points.

Both categories of BMW stock performed exceedingly well within the volatile stock market environment described above. After a good start to the year, BMW common stock reached a new high of €76.16 in January. Partly as a reflection of the sharp rise in 2012, the share price then fell as a result of profit-taking. The low for the year of €63.27 was recorded in April. It was only in the second half of the year that BMW common stock

Development of BMW stock compared to stock exchange indices

(Index: 30 December 2008 = 100)



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returned to profitable ground, finishing the year at €85.22, a gain of 16.9 % compared to the end of the previous year. A new all-time high of €85.69 was recorded on the final trading day of the stock market year. BMW preferred stock gained 27.4 % in value year-on-year. Its price at the end of the stock market year was €62.09. A new all-time high of €65.00 was recorded on 27 November.

Employee share scheme

BMW AG has enabled its employees to participate in its success for more than 30 years. Since 1989 this participation has taken the form of an employee share scheme. In total, 266,152 shares of preferred stock were issued to employees in 2013 as part of this scheme.

In this context, and with the approval of the Supervisory Board, BMW AG's share capital was increased by the Board of Management by €265,570 from €655,989,413 to €656,254,983 by the issue of 265,570 new non-voting shares of preferred stock. This increase was executed on the basis of Authorised Capital 2009 in Article 4 (5) of the Articles of Incorporation. The new shares of preferred stock carry the same rights as existing shares of preferred stock and were issued to enable employees to obtain an equity participation in the Company. In addition, 582 shares of preferred stock were bought back via the stock market in order to service the employee share scheme.

Dividend proposal envisages increase

In view of the strong earnings performance for the year, the Board of Management and the Supervisory Board will propose to the Annual General Meeting to use BMW AG's unappropriated profit of €1,707 million to pay a dividend of €2.60 for each share of common stock (2012: €2.50) and a dividend of €2.62 for each share of preferred stock (2012: €2.52). These figures correspond to a distribution rate of 32.0 % for 2013, unchanged from the previous year.

BMW stock

	2013	2012	2011	2010	2009
Common stock					
Number of shares in 1,000	**601,995**	601,995	601,995	601,995	601,995
Stock exchange price in €[1]					
Year-end closing price	**85.22**	72.93	51.76	58.85	31.80
High	**85.42**	73.76	73.52	64.80	35.94
Low	**63.93**	53.16	45.04	28.65	17.61
Preferred stock					
Number of shares in 1,000	**54,260**	53,994	53,571	53,163	52,665
Stock exchange price in €[1]					
Year-end closing price	**62.09**	48.76	36.55	38.50	23.00
High	**64.65**	49.23	45.98	41.90	24.79
Low	**48.69**	35.70	32.01	21.45	11.05
Key data per share in €					
Dividend					
Common stock	**2.60**[2]	2.50	2.30	1.30	0.30
Preferred stock	**2.62**[2]	2.52	2.32	1.32	0.32
Earnings per share of common stock[3,6]	**8.10**	7.75	7.45	4.91	0.31
Earnings per share of preferred stock[4,6]	**8.12**	7.77	7.47	4.93	0.33
Cash flow[5]	**14.41**	13.98	12.38	12.45	7.53
Equity	**54.31**	46.66[6]	41.34	36.53	30.42

[1] Xetra closing prices.
[2] Proposed by management.
[3] Annual average weighted amount.
[4] Stock weighted according to dividend entitlements.
[5] Cash inflow from operating activities of the Automotive segment.
[6] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Further improvement in rating

In December 2013 the rating agency Standard & Poor's raised BMW AG's long-term rating from A (stable outlook) to A+ (stable outlook). BMW AG is the only European automobile manufacturer with this high rating. The short-term rating remained at A-1, also the highest level for the sector.

Following the change in Standard & Poor's rating criteria in November, the BMW Group received particularly good marks for its financial strength. In terms of financial risk, the BMW Group was given the best classification (risk category: minimal) thanks to its ability to generate strong cash flows, its leading position in the premium segment and the excellent financial indicators it enjoys on the automotive side of the business. The rating agency Moody's also set the BMW Group on a pedestal again by giving it the best rating of all European automobile manufacturers, unchanged from the previous year. Since July 2011, BMW AG's long-term and short-term ratings are A2 and P-1 respectively.

These rating assessments underline the BMW Group's robust financial profile and excellent creditworthiness. Thanks to these attributes, it not only has good access to international capital markets, it also benefits from attractive refinancing conditions, which are particularly helpful for the BMW Group's Financial Services business.

Regular communication with capital markets continued

The BMW Group's investor relations activities again received high praise in the renowned Extel Survey conducted by Thomson Reuters and in the specialist publication Institutional Investor. Analysts, institutional investors and rating agencies were kept up to date with regular quarterly and year-end financial reports. Roadshows and numerous one-on-one as well as group discussions were held, sometimes attended by members of the Board of Management. This comprehensive communication with relevant capital market participants was supplemented by specialist socially responsible investment (SRI) roadshows for investors who wish to incorporate sustainability criteria in their investment decisions as well as debt roadshows for capital debt investors and credit analysts. The Investor Relations team again handled a great many inquiries from private investors regarding BMW stock and bonds during the period under report. One important focus of communication in 2013 was on the BMW i brand and particularly on BMW i3 and BMW i8 vehicles. In addition to the interest shown in innovation days at the BMW plant in Leipzig, the test driving event in Amsterdam and showroom events in London and Paris, BMW i was a subject of practically all discussions with analysts and investors.

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Income Statements for Group and Segments

in € million

	Note	Group 2013	Group 2012[1]	Automotive (unaudited supplementary information) 2013	Automotive (unaudited supplementary information) 2012[1]
Revenues	9	**76,058**	76,848	**70,629**	70,208
Cost of sales	10	**–60,784**	–61,354	**–57,771**	–56,525
Gross profit		**15,274**	**15,494**	**12,858**	**13,683**
Selling and administrative expenses	11	**–7,255**	–7,032	**–6,112**	–5,862
Other operating income	12	**841**	829	**741**	673
Other operating expenses	12	**–874**	–1,016	**–830**	–895
Profit/loss before financial result		**7,986**	**8,275**	**6,657**	**7,599**
Result from equity accounted investments	13	**398**	271	**398**	271
Interest and similar income	14	**184**	224	**303**	353
Interest and similar expenses	14	**–449**	–375	**–534**	–552
Other financial result	15	**–206**	–592	**–263**	–501
Financial result		**–73**	**–472**	**–96**	**–429**
Profit/loss before tax		**7,913**	**7,803**	**6,561**	**7,170**
Income taxes	16	**–2,573**	–2,692	**–2,153**	–2,453
Net profit/loss		**5,340**	**5,111**	**4,408**	**4,717**
Attributable to minority interest	34	**26**	26	**17**	24
Attributable to shareholders of BMW AG	34	**5,314**	**5,085**	**4,391**	**4,693**
Basic earnings per share of common stock in €	17	**8.10**	7.75		
Basic earnings per share of preferred stock in €	17	**8.12**	7.77		
Dilutive effects		**–**	–		
Diluted earnings per share of common stock in €	17	**8.10**	7.75		
Diluted earnings per share of preferred stock in €	17	**8.12**	7.77		

[1] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.
[2] Includes impact of exceptional items relating to the sale of the Husqvarna Group.

Statement of Comprehensive Income for Group

in € million

	Note	2013[1]	2012[1,2]
Net profit		**5,340**	**5,111**
Remeasurement of the net defined benefit liability for pension plans	35	**1,308**	–1,914
Deferred taxes		**–372**	538
Items not expected to be reclassified to the income statement in the future		**936**	**–1,376**
Available-for-sale securities		**8**	214
Financial instruments used for hedging purposes		**1,357**	1,302
Other comprehensive income from equity accounted investments		**–7**	111
Deferred taxes		**–407**	–511
Currency translation foreign operations		**–635**	–123
Items expected to be reclassified to the income statement in the future		**316**	**993**
Other comprehensive income for the period after tax	20	**1,252**	**–383**
Total comprehensive income		**6,592**	**4,728**
Total comprehensive income attributable to minority interests		**26**	26
Total comprehensive income attributable to shareholders of BMW AG	34	**6,566**	**4,702**

[1] Presentation adjusted in accordance with revised IAS 1.
[2] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Motorcycles (unaudited supplementary information)		Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2013	2012[1,2]	**2013**	2012[1]	**2013**	2012[1]	**2013**	2012	
1,504	1,490	**19,874**	19,550	**6**	5	**–15,955**	–14,405	Revenues
–1,253	–1,236	**–17,270**	–16,984	**–**	–	**15,510**	13,391	Cost of sales
251	**254**	**2,604**	**2,566**	**6**	**5**	**–445**	**–1,014**	**Gross profit**
–177	–181	**–953**	–980	**–23**	–18	**10**	9	Selling and administrative expenses
7	8	**57**	101	**115**	122	**–79**	–75	Other operating income
–2	–72	**–65**	–129	**–54**	–51	**77**	131	Other operating expenses
79	**9**	**1,643**	**1,558**	**44**	**58**	**–437**	**–949**	**Profit/loss before financial result**
–	–	**–**	–	**–**	–	**–**	–	Result from equity accounted investments
–	–	**5**	1	**1,340**	1,542	**–1,464**	–1,672	Interest and similar income
–3	–3	**–7**	–5	**–1,279**	–1,499	**1,374**	1,684	Interest and similar expenses
–	–	**–2**	7	**59**	–98	**–**	–	Other financial result
–3	**–3**	**–4**	**3**	**120**	**–55**	**–90**	**12**	Financial result
76	**6**	**1,639**	**1,561**	**164**	**3**	**–527**	**–937**	**Profit/loss before tax**
–25	–22	**–527**	–545	**–68**	5	**200**	323	Income taxes
51	**–16**	**1,112**	**1,016**	**96**	**8**	**–327**	**–614**	**Net profit/loss**
–	–	**8**	1	**1**	1	**–**	–	Attributable to minority interest
51	**–16**	**1,104**	**1,015**	**95**	**7**	**–327**	**–614**	**Attributable to shareholders of BMW AG**
								Basic earnings per share of common stock in €
								Basic earnings per share of preferred stock in €
								Dilutive effects
								Diluted earnings per share of common stock in €
								Diluted earnings per share of preferred stock in €

BMW Group
Balance Sheets for Group and Segments at 31 December

Assets

in € million	Note	Group 2013	Group 31.12.2012* (adjusted)	Group 1.1.2012* (adjusted)	Automotive (unaudited supplementary information) 2013	Automotive (unaudited supplementary information) 2012*
Intangible assets	22	**6,179**	5,207	5,238	**5,646**	4,648
Property, plant and equipment	23	**15,113**	13,341	11,685	**14,808**	13,053
Leased products	24	**25,914**	24,468	23,112	**19**	128
Investments accounted for using the equity method	25	**652**	514	302	**652**	514
Other investments	25	**553**	548	561	**5,253**	4,789
Receivables from sales financing	26	**32,616**	32,309	29,331	**–**	–
Financial assets	27	**2,593**	2,148	1,702	**1,183**	759
Deferred tax	16	**1,620**	1,967	1,881	**2,226**	2,217
Other assets	29	**954**	803	577	**2,797**	3,862
Non-current assets		**86,194**	**81,305**	**74,389**	**32,584**	**29,970**
Inventories	30	**9,585**	9,725	9,638	**9,259**	9,366
Trade receivables	31	**2,449**	2,543	3,286	**2,184**	2,305
Receivables from sales financing	26	**21,501**	20,605	20,014	**–**	–
Financial assets	27	**5,559**	4,612	3,751	**4,479**	2,746
Current tax	28	**1,151**	966	1,194	**1,002**	775
Other assets	29	**4,265**	3,664	3,374	**15,480**	16,162
Cash and cash equivalents	32	**7,664**	8,370	7,776	**6,768**	7,484
Assets held for sale	33	**–**	45	–	**–**	–
Current assets		**52,174**	**50,530**	**49,033**	**39,172**	**38,838**
Total assets		**138,368**	**131,835**	**123,422**	**71,756**	**68,808**

Equity and liabilities

in € million	Note	Group 2013	Group 31.12.2012* (adjusted)	Group 1.1.2012* (adjusted)	Automotive (unaudited supplementary information) 2013	Automotive (unaudited supplementary information) 2012*
Subscribed capital	34	**656**	656	655		
Capital reserves	34	**1,990**	1,973	1,955		
Revenue reserves	34	**33,167**	28,544	26,343		
Accumulated other equity	34	**–358**	–674	–1,674		
Equity attributable to shareholders of BMW AG	34	**35,455**	30,499	27,279		
Minority interest	34	**188**	107	65		
Equity		**35,643**	**30,606**	**27,344**	**30,909**	**28,202**
Pension provisions	35	**2,303**	3,813	1,996	**938**	2,358
Other provisions	36	**3,772**	3,441	3,081	**3,075**	3,103
Deferred tax	16	**3,554**	3,081	3,315	**1,072**	492
Financial liabilities	38	**39,450**	39,095	37,597	**1,604**	1,775
Other liabilities	39	**3,603**	3,404	2,911	**3,584**	3,394
Non-current provisions and liabilities		**52,682**	**52,834**	**48,900**	**10,273**	**11,122**
Other provisions	36	**3,411**	3,246	3,069	**3,039**	2,605
Current tax	37	**1,237**	1,482	1,363	**1,021**	1,269
Financial liabilities	38	**30,854**	30,412	30,380	**725**	1,289
Trade payables	40	**7,475**	6,433	5,340	**6,764**	5,669
Other liabilities	39	**7,066**	6,792	7,026	**19,025**	18,652
Liabilities in conjunction with assets held for sale	33	**–**	30	–	**–**	–
Current provisions and liabilities		**50,043**	**48,395**	**47,178**	**30,574**	**29,484**
Total equity and liabilities		**138,368**	**131,835**	**123,422**	**71,756**	**68,808**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

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Assets	Motorcycles (unaudited supplementary information) 2013	Motorcycles 2012	Financial Services (unaudited supplementary information) 2013	Financial Services 2012	Other Entities (unaudited supplementary information) 2013	Other Entities 2012*	Eliminations (unaudited supplementary information) 2013	Eliminations 2012
Intangible assets	**63**	72	**469**	486	**1**	1	**–**	–
Property, plant and equipment	**271**	242	**34**	46	**–**	–	**–**	–
Leased products	**–**	–	**30,230**	28,060	**–**	–	**–4,335**	–3,720
Investments accounted for using the equity method	**–**	–	**–**	–	**–**	–	**–**	–
Other investments	**–**	–	**6**	7	**5,754**	5,761	**–10,460**	–10,009
Receivables from sales financing	**–**	–	**32,616**	32,309	**–**	–	**–**	–
Financial assets	**–**	–	**276**	126	**1,779**	1,730	**–645**	–467
Deferred tax	**–**	–	**285**	279	**290**	349	**–1,181**	–878
Other assets	**–**	–	**1,436**	1,330	**18,627**	16,995	**–21,906**	–21,384
Non-current assets	**334**	**314**	**65,352**	**62,643**	**26,451**	**24,836**	**–38,527**	**–36,458**
Inventories	**318**	348	**8**	11	**–**	–	**–**	–
Trade receivables	**120**	114	**145**	123	**–**	1	**–**	–
Receivables from sales financing	**–**	–	**21,501**	20,605	**–**	–	**–**	–
Financial assets	**–**	–	**826**	813	**936**	1,480	**–682**	–427
Current tax	**–**	–	**89**	132	**60**	59	**–**	–
Other assets	**–**	31	**3,530**	3,573	**32,775**	30,285	**–47,520**	–46,387
Cash and cash equivalents	**–**	–	**879**	797	**17**	89	**–**	–
Assets held for sale	**–**	45	**–**	–	**–**	–	**–**	–
Current assets	**438**	**538**	**26,978**	**26,054**	**33,788**	**31,914**	**–48,202**	**–46,814**
Total assets	**772**	**852**	**92,330**	**88,697**	**60,239**	**56,750**	**–86,729**	**–83,272**

Equity and liabilities	Motorcycles (unaudited supplementary information) 2013	Motorcycles 2012	Financial Services (unaudited supplementary information) 2013	Financial Services 2012*	Other Entities (unaudited supplementary information) 2013	Other Entities 2012*	Eliminations (unaudited supplementary information) 2013	Eliminations 2012
Subscribed capital								
Capital reserves								
Revenue reserves								
Accumulated other equity								
Equity attributable to shareholders of BMW AG								
Minority interest								
Equity	**–**	**–**	**8,407**	**7,633**	**10,805**	**8,466**	**–14,478**	**–13,695**
Pension provisions	**29**	29	**40**	88	**1,296**	1,338	**–**	–
Other provisions	**141**	135	**257**	173	**299**	30	**–**	–
Deferred tax	**–**	–	**5,266**	4,777	**6**	5	**–2,790**	–2,193
Financial liabilities	**–**	–	**14,376**	14,174	**24,115**	23,613	**–645**	–467
Other liabilities	**318**	246	**20,084**	19,653	**68**	18	**–20,451**	–19,907
Non-current provisions and liabilities	**488**	**410**	**40,023**	**38,865**	**25,784**	**25,004**	**–23,886**	**–22,567**
Other provisions	**57**	114	**309**	289	**3**	235	**3**	3
Current tax	**–**	–	**123**	136	**93**	77	**–**	–
Financial liabilities	**–**	–	**16,006**	16,830	**14,805**	12,720	**–682**	–427
Trade payables	**204**	277	**502**	474	**5**	13	**–**	–
Other liabilities	**23**	21	**26,960**	24,470	**8,744**	10,235	**–47,686**	–46,586
Liabilities in conjunction with assets held for sale	**–**	30	**–**	–	**–**	–	**–**	–
Current provisions and liabilities	**284**	**442**	**43,900**	**42,199**	**23,650**	**23,280**	**–48,365**	**–47,010**
Total equity and liabilities	**772**	**852**	**92,330**	**88,697**	**60,239**	**56,750**	**–86,729**	**–83,272**

BMW Group
Cash Flow Statements for Group and Segments

	Note	Group	
in € million		**2013**	2012[1,2]
Net profit		**5,340**	5,111
Reconciliation between net profit and cash inflow/outflow from operating activities			
Current tax		**2,435**	2,908
Other interest and similar income/expenses		**126**	–4
Depreciation and amortisation of other tangible, intangible and investment assets		**3,830**	3,716
Change in provisions		**479**	443
Change in leased products		**–2,048**	–1,421
Change in receivables from sales financing		**–4,501**	–3,988
Change in deferred taxes		**138**	–216
Other non-cash income and expense items		**–551**	407
Gain/loss on disposal of tangible and intangible assets and marketable securities		**–22**	–16
Result from equity accounted investments		**–398**	–271
Changes in working capital		**983**	1,755
Change in inventories		**–192**	–108
Change in trade receivables		**22**	744
Change in trade payables		**1,153**	1,119
Change in other operating assets and liabilities		**453**	–1,065
Income taxes paid		**–2,787**	–2,462
Interest received		**137**	179
Cash inflow/outflow from operating activities	43	**3,614**	**5,076**
Investment in intangible assets and property, plant and equipment		**–6,669**	–5,236
Proceeds from the disposal of intangible assets and property, plant and equipment		**22**	42
Expenditure for investments		**–90**	–171
Proceeds from the disposal of investments		**137**	107
Cash payments for the purchase of marketable securities		**–3,631**	–1,265
Cash proceeds from the sale of marketable securities		**3,250**	1,090
Cash inflow/outflow from investing activities	43	**–6,981**	**–5,433**
Issue / buy-back of treasury shares		**–**	–
Payments into equity		**17**	19
Payment of dividend for the previous year		**–1,653**	–1,516
Intragroup financing and equity transactions		**–**	–
Interest paid		**–122**	–102
Proceeds from the issue of bonds		**8,982**	7,977
Repayment of bonds		**–7,242**	–6,727
Proceeds from new non-current other financial liabilities		**6,626**	7,427
Repayment of non-current other financial liabilities		**–4,996**	–5,498
Change in current other financial liabilities		**–721**	230
Change in commercial paper		**1,812**	–858
Cash inflow/outflow from financing activities	43	**2,703**	**952**
Effect of exchange rate on cash and cash equivalents		**–89**	**–14**
Effect of changes in composition of Group on cash and cash equivalents		**47**	**13**
Change in cash and cash equivalents	43	**–706**	**594**
Cash and cash equivalents as at 1 January		**8,370**	7,776
Cash and cash equivalents as at 31 December		**7,664**	**8,370**

[1] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.
[2] Prior year figures have been adjusted in accordance with the change in presentation described in note 43.
[3] Interest relating to financial services business is classified as revenues / cost of sales.

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Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)		
2013	2012[1,2]	**2013**	2012[2]	
4,408	4,717	**1,112**	1,016	Net profit
				Reconciliation between net profit and cash inflow/outflow from operating activities
2,516	3,026	**–137**	–104	Current tax
153	104	**–3**[3]	–[3]	Other interest and similar income/expenses
3,745	3,679	**20**	38	Depreciation and amortisation of other tangible, intangible and investment assets
373	267	**153**	–2	Change in provisions
109	23	**–2,895**	–2,256	Change in leased products
–	–	**–4,501**	–3,988	Change in receivables from sales financing
–239	–391	**678**	497	Change in deferred taxes
–55	265	**54**	–13	Other non-cash income and expense items
–22	–14	**–**	–2	Gain/loss on disposal of tangible and intangible assets and marketable securities
–398	–271	**–**	–	Result from equity accounted investments
1,015	1,622	**24**	18	Changes in working capital
–226	–54	**4**	–	Change in inventories
53	722	**–25**	19	Change in trade receivables
1,188	954	**45**	–1	Change in trade payables
141	–1,918	**269**	743	Change in other operating assets and liabilities
–2,487	–2,191	**–132**	–139	Income taxes paid
191	249	**–**[3]	–[3]	Interest received
9,450	**9,167**	**–5,358**	**–4,192**	**Cash inflow/outflow from operating activities**
–6,575	–5,074	**–9**	–37	Investment in intangible assets and property, plant and equipment
15	35	**7**	7	Proceeds from the disposal of intangible assets and property, plant and equipment
–528	–384	**–**	–	Expenditure for investments
137	65	**163**	–	Proceeds from the disposal of investments
–3,445	–1,167	**–179**	–97	Cash payments for the purchase of marketable securities
2,908	995	**342**	95	Cash proceeds from the sale of marketable securities
–7,488	**–5,530**	**324**	**–32**	**Cash inflow/outflow from investing activities**
–	–	**–**	–	Issue/buy-back of treasury shares
17	19	**–**	–	Payments into equity
–1,653	–1,516	**–**	–	Payment of dividend for the previous year
–582	–833	**3,844**	1,505	Intragroup financing and equity transactions
–149	–157	**–**[3]	–[3]	Interest paid
–	–	**1,099**	1,189	Proceeds from the issue of bonds
–	–	**–1,383**	–842	Repayment of bonds
85	600	**6,015**	6,523	Proceeds from new non-current other financial liabilities
–26	–127	**–4,940**	–5,101	Repayment of non-current other financial liabilities
125	35	**517**	231	Change in current other financial liabilities
–489	–4	–	–	Change in commercial paper
–2,672	**–1,983**	**5,152**	**3,505**	**Cash inflow/outflow from financing activities**
–53	**–11**	**–36**	**–3**	**Effect of exchange rate on cash and cash equivalents**
47	**12**	**–**	**1**	**Effect of changes in composition of Group on cash and cash equivalents**
–716	**1,655**	**82**	**–721**	**Change in cash and cash equivalents**
7,484	5,829	**797**	1,518	Cash and cash equivalents as at 1 January
6,768	**7,484**	**879**	**797**	**Cash and cash equivalents as at 31 December**

BMW Group
Group Statement of Changes in Equity

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves[1,2]
1 January 2012, as originally reported	34	**655**	**1,955**	**26,102**
Impact of application of revised IAS 19		–	–	241
1 January 2012 (adjusted)	34	**655**	**1,955**	**26,343**
Dividends paid		–	–	–1,508
Net profit		–	–	5,085
Other comprehensive income for the period after tax		–	–	–1,376
Comprehensive income 31 December 2012		**–**	**–**	**3,709**
Subscribed share capital increase out of Authorised Capital		1	–	–
Premium arising on capital increase relating to preferred stock		–	18	–
Other changes		–	–	–
31 December 2012 (adjusted)	34	**656**	**1,973**	**28,544**

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in € million	Note	Subscribed capital	Capital reserves	Revenue reserves[1,2]
1 January 2013, as originally reported	34	**656**	**1,973**	**28,340**
Impact of application of revised IAS 19		–	–	204
1 January 2013 (adjusted)	34	**656**	**1,973**	**28,544**
Dividends paid		–	–	–1,640
Net profit		–	–	5,314
Other comprehensive income for the period after tax		–	–	936
Comprehensive income 31 December 2013		**–**	**–**	**6,250**
Subscribed share capital increase out of Authorised Capital		–	–	–
Premium arising on capital increase relating to preferred stock		–	17	–
Other changes		–	–	13
31 December 2013	34	**656**	**1,990**	**33,167**

[1] With effect from the first quarter of the financial year 2013, other revenue reserves and the effect of pension obligations recognised directly in equity are presented on a net basis.
[2] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Accumulated other equity			Equity attributable to shareholders of BMW AG[2]	Minority interest	Total[2]	
Translation differences	Securities	Derivative financial instruments				
–863	**–61**	**–750**	**27,038**	**65**	**27,103**	**1 January 2012**, as originally reported
–	–	–	241	–	**241**	Impact of application of revised IAS 19
–863	**–61**	**–750**	**27,279**	**65**	**27,344**	**1 January 2012** (adjusted)
–	–	–	–1,508	–	**–1,508**	Dividends paid
–	–	–	5,085	26	**5,111**	Net profit
–128	169	952	–383	–	**–383**	Other comprehensive income for the period after tax
–128	**169**	**952**	**4,702**	**26**	**4,728**	**Comprehensive income 31 December 2012**
–	–	–	1	–	**1**	Subscribed share capital increase out of Authorised Capital
–	–	–	18	–	**18**	Premium arising on capital increase relating to preferred stock
7	–	–	7	16	**23**	Other changes
–984	**108**	**202**	**30,499**	**107**	**30,606**	**31 December 2012** (adjusted)

Accumulated other equity			Equity attributable to shareholders of BMW AG	Minority interest	Total	
Translation differences	Securities	Derivative financial instruments				
–984	**108**	**202**	**30,295**	**107**	**30,402**	**1 January 2013**, as originally reported
–	–	–	204	–	**204**	Impact of application of revised IAS 19
–984	**108**	**202**	**30,499**	**107**	**30,606**	**1 January 2013** (adjusted)
–	–	–	–1,640	–	**–1,640**	Dividends paid
–	–	–	5,314	26	**5,340**	Net profit
–645	27	934	1,252	–	**1,252**	Other comprehensive income for the period after tax
–645	**27**	**934**	**6,566**	**26**	**6,592**	**Comprehensive income 31 December 2013**
–	–	–	–	–	**–**	Subscribed share capital increase out of Authorised Capital
–	–	–	17	–	**17**	Premium arising on capital increase relating to preferred stock
–	–	–	13	55	**68**	Other changes
–1,629	**135**	**1,136**	**35,455**	**188**	**35,643**	**31 December 2013**

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1 – Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW Group Financial Statements or Group Financial Statements) at 31 December 2013 have been drawn up in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU. The designation "IFRSs" also includes all valid International Accounting Standards (IASs). All Interpretations of the IFRS Interpretations Committee (IFRICs) mandatory for the financial year 2013 are also applied.

The Group Financial Statements comply with § 315a of the German Commercial Code (HGB). This provision, in conjunction with the Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, relating to the application of International Financial Reporting Standards, provides the legal basis for preparing consolidated financial statements in accordance with international standards in Germany and applies to financial years beginning on or after 1 January 2005.

The BMW Group and segment income statements are presented using the cost of sales method. The Group and segment balance sheets correspond to the classification provisions contained in IAS 1 (Presentation of Financial Statements).

In order to improve clarity, various items are aggregated in the income statement and balance sheet. These items are disclosed and analysed separately in the notes.

A Statement of Comprehensive Income is presented at Group level reconciling the net profit to comprehensive income for the year.

In order to provide a better insight into the net assets, financial position and performance of the BMW Group and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include balance sheets and income statements for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by statements of cash flows for the Automotive and Financial Services segments. This supplementary information is unaudited.

In order to facilitate the sale of its products, the BMW Group provides various financial services – mainly loan and lease financing – to both retail customers and dealers. The inclusion of the financial services activities of the Group therefore has an impact on the Group Financial Statements.

Inter-segment transactions – relating primarily to internal sales of products, the provision of funds and the related interest – are eliminated in the "Eliminations" column. Further information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in note 49.

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well-established instrument used by industrial companies. These transactions usually take the form of asset-backed financing transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to "service" the receivables and receives an appropriate fee for these services. In accordance with IAS 27 (Consolidated and Separate Financial Statements) and Interpretation SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group Financial Statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. The balance sheet volume of the assets sold at 31 December 2013 totalled €10.1 billion (2012: €9.4 billion).

In addition to credit financing and leasing contracts, the Financial Services segment also brokers insurance business via cooperation arrangements entered into with local insurance companies. These activities are not material to the BMW Group as a whole.

The Group currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise.

Bayerische Motoren Werke Aktiengesellschaft has its seat in Munich, Petuelring 130, and is registered in the Commercial Register of the District Court of Munich under the number HRB 42243.

All consolidated subsidiaries have the same year-end as BMW AG with the exception of BMW India Private Ltd., Gurgaon, and BMW India Financial Services Private Ltd., Gurgaon, both of whose year-ends are 31 March.

The Group Financial Statements, drawn up in accordance with § 315a HGB, and the Combined Management Report for the financial year ended 31 December 2013 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. Printed copies will also be made available on request. In addition the Group Financial Statements and the Combined Management Report can be downloaded from the BMW Group website at www.bmwgroup.com/ir.

The Board of Management authorised the Group Financial Statements for issue on 20 February 2014.

2 Consolidated companies

The BMW Group Financial Statements include, besides BMW AG, all material subsidiaries, five special purpose securities funds and 32 special purpose trusts (almost all used for asset-backed financing transactions).

The number of subsidiaries – including special purpose securities funds and special purpose trusts – consolidated in the Group Financial Statements changed in 2013 as follows:

	Germany	Foreign	**Total**
Included at 31 December 2012	24	164	**188**
Included for the first time in 2013	1	12	**13**
No longer included in 2013	1	9	**10**
Included at 31 December 2013	**24**	**167**	**191**

48 subsidiaries (2012: 51), either dormant or generating a negligible volume of business, are not consolidated on the grounds that their inclusion would not influence the economic decisions of users of the Group Financial Statements. Non-inclusion of operating subsidiaries reduces total Group revenues by 1.0 % (2012: 0.9 %).

The joint ventures SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, as well as BMW Brilliance Automotive Ltd., Shenyang, are accounted for using the equity method. Similarly, the joint ventures DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, are accounted for using the equity method. Six (2012: four) participations are not consolidated using the equity method on the grounds of immateriality. They are included in the balance sheet in the line "Other investments", measured at cost less, where applicable, accumulated impairment losses.

A "List of Group Investments" pursuant to § 313 (2) HGB will be submitted to the operator of the electronic version of the German Federal Gazette. This list, along with the "List of Third Party Companies which are not of Minor Importance for the Group", will also be posted on the BMW Group website at www.bmwgroup.com/ir. The List of Group Investments, the List of Third Party Companies which are not of Minor Importance for the Group and the full list of consolidated companies are also posted as appendices on the BMW Group website.

No subsidiaries were consolidated for the first time in the financial year 2013. BMW Peugeot Citroën Electrification GmbH, Munich, which was not part of the Group reporting entity at 31 December 2012, was merged with BMW AG, Munich, with retrospective effect from 1 January 2013. In addition, Laja Mobilien Verwaltungs GmbH, Grünwald, which was not part of the Group reporting entity at 31 December 2012, was merged with BMW Finanz Verwaltungs GmbH, Munich, in the fourth quarter of 2013.

Husqvarna Motorcycles S.r.l., Cassinetta di Biandronno, and Husqvarna Motorcycles NA, LLC, Wilmington, DE, were sold and therefore ceased to be consolidated companies. Alphabet International B.V., Amsterdam, was merged with Alphabet Nederland B.V., Breda, with retrospective effect from 1 January 2013 and hence ceased to be a consolidated company. GVK Gesellschaft für Vermietung und Verwaltung von Kraftfahrzeugen mbH, Munich, was merged with BMW Finanz Verwaltungs GmbH, Munich, in the fourth quarter and therefore ceased to be a consolidated company.

The Group reporting entity also changed by comparison to the previous year as a result of the first-time consolidation of twelve special purpose trusts and one special purpose securities fund and the deconsolidation of six special purpose trusts.

The changes to the composition of the Group do not have a material impact on the results of operations, financial position or net assets of the Group.

3 — Consolidation principles

The equity of subsidiaries is consolidated in accordance with IFRS 3 (Business Combinations). IFRS 3 requires that all business combinations are accounted for using the acquisition method, whereby identifiable assets and liabilities acquired are measured at their fair value at acquisition date. An excess of acquisition cost over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities is recognised as goodwill as a separate balance sheet line item and allocated to the relevant cash-generating unit (CGU). Goodwill of €91 million which arose prior to 1 January 1995 remains netted against reserves.

Receivables, payables, provisions, income and expenses and profits between consolidated companies (intra-group profits) are eliminated on consolidation.

Under the equity method, investments are measured at the BMW Group's share of equity taking account of fair value adjustments. Any difference between the cost of investment and the Group's share of equity is accounted for in accordance with the acquisition method. Investments in other companies are accounted for as a general rule using the equity method when significant influence can be exercised (IAS 28 Investments in Associates). As a general rule, there is a rebuttable assumption that the Group has significant influence if it holds between 20 % and 50 % of the associated company's and/or joint venture's voting power.

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4 — Foreign currency translation

The financial statements of consolidated companies which are drawn up in a foreign currency are translated using the functional currency concept (IAS 21 The Effects of Changes in Foreign Exchange Rates) and the modified closing rate method. The functional currency of a subsidiary is determined as a general rule on the basis of the primary economic environment in which it operates and corresponds therefore usually to the relevant local currency. Income and expenses of foreign subsidiaries are translated in the Group Financial Statements at the average exchange rate for the year, and assets and liabilities are translated at the closing rate. Exchange differences arising from the translation of shareholders' equity are offset directly against accumulated other equity. Exchange differences arising from the use of different exchange rates to translate the income statement are also offset directly against accumulated other equity.

Foreign currency receivables and payables in the single entity accounts of BMW AG and subsidiaries are recorded, at the date of the transaction, at cost. At the end of the reporting period, foreign currency receivables and payables are translated at the closing exchange rate. The resulting unrealised gains and losses as well as the subsequent realised gains and losses arising on settlement are recognised in the income statement in accordance with the underlying substance of the relevant transactions.

The exchange rates of those currencies which have a material impact on the Group Financial Statements were as follows:

	Closing rate		Average rate	
	31.12.2013	31.12.2012	**2013**	2012
US Dollar	**1.38**	1.32	**1.33**	1.29
British Pound	**0.83**	0.81	**0.85**	0.81
Chinese Renminbi	**8.34**	8.23	**8.16**	8.11
Japanese Yen	**144.55**	114.10	**129.70**	102.63
Russian Rouble	**45.29**	40.41	**42.34**	39.91

5 — Accounting policies

The financial statements of BMW AG and of its subsidiaries in Germany and elsewhere have been prepared for consolidation purposes using uniform accounting policies in accordance with IAS 27 (Consolidated and Separate Financial Statements).

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods are transferred to the dealer or 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. Interest income from finance leases and from customer and dealer financing are recognised using the effective interest method and reported as revenues within the line item "Interest income on loan financing". 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 relevant service period. Amounts are normally recognised as income by reference to the pattern of related expenditure.

Profits arising on the sale of vehicles for which a Group company retains a repurchase commitment (buy-back contracts) are not recognised until such profits have been realised. The vehicles are included in inventories and stated at cost.

Cost of sales 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 (including depreciation on leased products) 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.

In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), **public sector grants** are not recognised until there is reasonable assurance that the conditions attaching to them have been complied with and the grants will be received. They are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share). Basic earnings per share are calculated for common and preferred stock by dividing the net profit after minority interests, as attributable to each category of stock, by the average number of outstanding shares. The net profit is accordingly allocated to the different categories of stock. The portion of the Group net profit for the year which is not being distributed is allocated to each category of stock based on the number of outstanding shares. Profits available for distribution are determined directly on the basis of the dividend resolutions passed for common and preferred stock. Diluted earnings per share would have to be disclosed separately.

Share-based remuneration programmes which are expected to be settled in shares are, in accordance with IFRS 2 (Share-based Payments), measured at their fair value at grant date. The related expense is recognised in the income statement (as personnel expense) over the vesting period, with a contra (credit) entry recorded against capital reserves.

Share-based remuneration programmes expected to be settled in cash are revalued to their fair value at each balance sheet date between the grant date and the settlement date (and on the settlement date itself). The expense for such programmes is recognised in the income statement (as personnel expense) over the vesting period of the programmes and recognised in the balance sheet as a provision.

The share-based remuneration programme for Board of Management members and senior heads of department entitles BMW AG to elect whether to settle its commitments in cash or with shares of BMW AG common stock. Following the decision to settle in cash, this programme is accounted for as a cash-settled share-based transaction. Further information on share-based remuneration programmes is provided in note 19.

Purchased and internally-generated **intangible assets** are recognised as assets in accordance with IAS 38 (Intangible Assets), where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably. Such assets are measured at acquisition and/or manufacturing cost and, to the extent that they have a finite useful life, amortised over their estimated useful lives. With the exception of capitalised development costs, intangible assets are generally amortised over their estimated useful lives of between three and six years.

Development costs for vehicle and engine projects are capitalised at manufacturing cost, to the extent that attributable costs can be measured reliably and both technical feasibility and successful marketing are assured. It must also be probable that the development expenditure will generate future economic benefits. Capitalised development costs comprise all expenditure that can be attributed directly to the development process, including development-related overheads. Capitalised development costs are amortised systematically over the estimated product life (usually four to eleven years) following start of production.

Goodwill arises on first-time consolidation of an acquired business when the cost of acquisition exceeds the Group's share of the fair value of the individually identifiable assets acquired and liabilities and contingent liabilities assumed.

All items of **property, plant 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, plant and equipment reflects the pattern of their usage and is generally computed using the straight-line method. Components of items of property, plant and equipment with different useful lives are depreciated separately.

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

in years	
Factory and office buildings, residential buildings, fixed installations in buildings and outside facilities	8 to 50
Plant and machinery	3 to 21
Other equipment, factory and office equipment	2 to 25

For machinery used in multiple-shift operations, depreciation rates are increased to account for the additional utilisation.

The cost of internally constructed plant and equipment comprises all costs which are directly attributable to the manufacturing process and an appropriate proportion of production-related overheads. This includes production-related depreciation and an appropriate proportion of administrative and social costs.

As a general rule, borrowing costs are not included in acquisition or manufacturing cost. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as a part of the cost of that asset in accordance with IAS 23 (Borrowing Costs).

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

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

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Where Group products are recognised by BMW Group entities 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. Changes in residual value expectations are recognised – in situations where the recoverable amount of the lease exceeds the carrying amount of the asset – by adjusting scheduled depreciation prospectively over the remaining term of the lease contract. If the recoverable amount is lower than the expected residual value, an impairment loss is recognised for the shortfall. A test is carried out at each balance sheet date to determine whether an impairment loss recognised 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.

If there is any evidence of **impairment of non-financial assets** (except inventories and deferred taxes), or if an annual impairment test is required to be carried out – i.e. for intangible assets not yet available for use, intangible assets with an indefinite useful life and goodwill acquired as part of a business combination – an impairment test pursuant to IAS 36 (Impairment of Assets) is performed. Each individual asset is tested separately unless the asset generates cash flows that are largely independent of the cash flows from other assets or groups of assets (cash-generating units/CGUs). For the purposes of the impairment test, the asset's carrying amount is compared with its recoverable amount, the latter defined as the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised when the recoverable amount is lower than the asset's carrying amount. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The value in use corresponds to the present value of future cash flows expected to be derived from an asset or groups of assets.

The first step of the impairment test is to determine the value in use of an asset. If the calculated value in use is lower than the carrying amount of the asset, then its fair value less costs to sell are also determined. If the latter is also lower than the carrying amount of the asset, then an impairment loss is recorded, reducing the carrying amount to the higher of the asset's value in use or fair value less costs to sell. The value in use is determined on the basis of a present value computation. Cash flows used for the purposes of this calculation are derived from long-term forecasts approved by management. The long-term forecasts themselves are based on detailed forecasts drawn up at an operational level and, based on a planning period of six years, correspond roughly to a typical product's life-cycle. For the purposes of calculating cash flows beyond the planning period, the asset's assumed residual value does not take growth into account. Forecasting assumptions are continually brought up to date and regularly compared with external sources of information. The assumptions used take account in particular of expectations of the profitability of the product portfolio, future market share developments, macro-economic developments (such as currency, interest rate and raw materials) as well as the legal environment and past experience. Cash flows of the Automotive and Motorcycles CGUs are discounted using a risk-adjusted pre-tax weighted average cost of capital (WACC) of 12.0 % (2012: 12.0 %). In the case of the Financial Services CGU, a sector-compatible pre-tax cost of equity capital of 13.4 % (2012: 13.4 %) is applied. In conjunction with the impairment tests for CGUs, sensitivity analyses are performed for the main assumptions. Analyses performed in the year under report confirmed, as in the previous year, that no impairment loss was required to be recognised.

If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed up to the level of the recoverable amount, capped at the level of rolled-forward amortised cost. This does not apply to goodwill: previously recognised impairment losses on goodwill are not reversed.

Investments accounted for using the equity method are (except when the investment is impaired) measured at the Group's share of equity taking account of fair value adjustments on acquisition. Investments accounted for using the equity method comprise joint ventures and significant associated companies.

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Investments in non-consolidated Group companies and interests in associated companies not accounted for using the equity method are reported as **Other investments** and measured at cost or, if lower, at their fair value.

Participations are measured at their fair value. If this value is not available or cannot be determined reliably, participations are measured at cost.

Non-current marketable securities are measured according to the category of financial asset to which they are classified. No held-for-trading financial assets are included under this heading.

A **financial instrument** is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Once the BMW Group becomes party to such to a contract, the financial instrument is recognised either as a financial asset or as a financial liability.

Financial assets are accounted for on the basis of the settlement date. On initial recognition, they are measured at their fair value. Transaction costs are included in the fair value unless the financial assets are allocated to the category "financial assets measured at fair value through profit or loss".

Subsequent to initial recognition, available-for-sale and held-for-trading financial assets are measured at their fair value. When market prices are not available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques e.g. discounted cash flow analysis based on market information available at the balance sheet date.

Available-for-sale assets include non-current investments, securities and investment fund shares. This category includes all non-derivative financial assets which are not classified as "loans and receivables" or "held-to-maturity investments" or as items measured "at fair value through profit and loss".

Loans and receivables which are not held for trading and held-to-maturity financial investments with a fixed term are measured at amortised cost using the effective interest method. All financial assets for which published price quotations in an active market are not available and whose fair value cannot be determined reliably are required to be measured at cost.

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.

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 Group 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 BMW Group recognises impairment losses on the basis of individual assets. Within the retail customer 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.

Derivative financial instruments are only used within the BMW Group for hedging purposes in order to reduce currency, interest rate, fair value and market price risks from operating activities and related financing requirements.

All derivative financial instruments (such as interest, currency and combined interest/currency swaps, forward currency and forward commodity contracts) are measured in accordance with IAS 39 at their fair value, irrespective of their purpose or the intention for which they are held.

If there are no quoted prices on active markets for derivative financial instruments, credit risk is taken into account as an adjustment to the fair value of the financial instrument. The BMW Group applies the option of measuring the credit risk for a group of financial assets and financial liabilities on the basis of its net exposure. Portfolio-based value adjustments to the individual financial assets and financial liabilities are allocated using the relative fair value approach (net method).

Derivative financial instruments are measured using market information and recognised valuation techniques. In those cases where hedge accounting is applied, changes in fair value are recognised either in income or directly in equity under accumulated other equity, depending on whether the transactions are classified as fair value hedges or cash flow hedges. In the case of fair value hedges, the results of the fair value measurement of the derivative financial instruments and the related hedged items are recognised in the income statement. In the case of fair value changes in cash flow hedges which are used to mitigate the future cash flow risk on a recognised asset or liability or on forecast transactions, unrealised gains and losses on the hedging instrument are recognised initially directly in accumulated other equity. Any such gains or losses are recognised subsequently in the income statement when the hedged item (usually external revenue) is recognised in the income statement. The portion of the gains or losses from fair value measurement not relating to the hedged item is recognised immediately in the income statement. If, contrary to the normal case within the BMW Group, hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the income statement.

In accordance with IAS 12 (Income Taxes), **deferred taxes** are recognised on all temporary differences between the tax and accounting bases of assets and liabilities and on consolidation procedures. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax losses available for carryforward to the extent that future usage is probable. Deferred taxes are computed using enacted or planned tax rates which are expected to apply in the relevant national jurisdictions when the amounts are recovered.

Inventories of raw materials, supplies and goods for resale are stated at the lower of average acquisition cost and net realisable value.

Work in progress and finished goods are stated at the lower of average manufacturing cost and net realisable value. Manufacturing cost comprises all costs which are directly attributable to the manufacturing process and an appropriate proportion of production-related overheads. This includes production-related depreciation

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and an appropriate proportion of administrative and social costs.

Borrowing costs are not included in the acquisition or manufacturing cost of inventories.

Cash and cash equivalents comprise mainly cash on hand and cash at bank with an original term of up to three months.

Assets held for sale and **disposal groups held for sale** are presented separately in the balance sheet in accordance with IFRS 5, if the carrying amount of the relevant assets will be recovered principally through a sale transaction rather than through continuing use. This situation only arises if the assets can be sold immediately in their present condition, the sale is expected to be completed within one year from the date of classification and the sale is highly probable. At the date of classification, property, plant and equipment, intangible assets and disposal groups which are being held for sale are measured at the lower of their carrying amount and their fair value less costs to sell and scheduled depreciation/amortisation ceases. This does not apply, however, to items within the disposal group which are not covered by the measurement rules contained in IFRS 5. Simultaneously, liabilities directly related to the sale are presented separately on the equity and liabilities side of the balance sheet as "**Liabilities in conjunction with assets held for sale**".

Provisions for pensions and similar obligations are recognised using the projected unit credit method in accordance with IAS 19 (Employee Benefits). Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of various input factors which are evaluated on a prudent basis. The calculation is based on an independent actuarial valuation which takes into account all relevant biometric factors.

Remeasurements of the net defined benefit liability for pension plans are recognised, net of deferred tax, directly in equity (revenue reserves).

Net interest expense on the net defined benefit liability and/or net interest income on the net defined benefit asset are presented separately within the financial result. All other costs relating to allocations to pension provisions are allocated to costs by function in the income statement.

Other provisions are recognised when the BMW Group has a present obligation (legal or constructive) arising from past events, the settlement of which is probable and when a reliable estimate can be made of the amount of the obligation. Measurement of provisions is based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Non-current provisions with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period.

Financial liabilities are measured on first-time recognition at cost which corresponds to the fair value of the consideration given. Transaction costs are also taken into account except for financial liabilities allocated to the category "financial liabilities measured at fair value through profit or loss". Subsequent to initial recognition, liabilities are – with the exception of derivative financial instruments – measured at amortised cost using the effective interest method. The BMW Group has no liabilities which are held for trading. Liabilities from finance leases are stated at the present value of the future lease payments and disclosed under other financial liabilities.

6 — Assumptions, judgements and estimations

The preparation of the Group Financial Statements in accordance with IFRSs requires management to make certain **assumptions and judgements** and to use **estimations** that can affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. Judgements have to be made in particular when assessing whether the risks and rewards incidental to ownership of a leased asset have been transferred and, hence, the classification of leasing arrangements. Major items requiring assumptions and estimations are described below. The assumptions used are continuously checked for their validity. Actual amounts could differ from the assumptions and estimations used if business conditions develop differently to the Group's expectations.

Estimations are required to assess the **recoverability of a cash-generating unit (CGU)**. If the recoverability of an asset is being tested at the level of a CGU, assumptions must be made with regard to future cash inflows and outflows, involving in particular an assessment of the forecasting period to be used and of developments after that period. For the purposes of determining future cash inflows and outflows, management applies forecasting assumptions which are continually brought up to date and regularly compared with external sources of information. The assumptions used take account in particular of expectations of the profitability of the product portfolio, future market share developments, macroeconomic developments (such as currency, interest rate and raw materials) as well as the legal environment and past experience.

The BMW Group regularly checks the **recoverability of its leased products.** One of the main assumptions required for leased products relates to their residual value since this represents a significant portion of future cash inflows. In order to estimate the level of prices likely to be achieved in the future, the BMW Group incorporates internally available historical data, current market data and forecasts of external institutions into its calculations. Internal back-testing is applied to validate the estimations made. Further information is provided in note 24.

The valuation technique used to **measure leased products** was further refined in the year under report at segment level. Data, which can now be collated automatically at a local level for each individual contract, is aggregated at the level of individual entities. The impact of the change, which was recognised in the income statement for the year ended 31 December 2013, was not material. Similarly, the shift in earnings between the Eliminations column and the Financial Services segment in 2013 was also not material. Further information is provided in note 24.

The bad debt risk relating to **receivables from sales financing** is assessed regularly by the BMW Group. For these purposes, the main factors taken into consideration are past experience, current market data (such as the level of financing business arrears), rating classes and scoring information. Further information is provided in note 26.

The **disposal of an asset** or of a **disposal group** pursuant to IFRS 5 is considered to be highly probable by the BMW Group if management is committed to a sales plan, an active programme to locate a buyer has begun, the price offered is reasonable in relation to the fair value of the asset/disposal group concerned and it is expected at the date of classification that the final negotiations with the buyer and completion of the sale will take place within one year. Further details can be found in note 33.

Estimations are required for the purposes of recognising and measuring **provisions for warranty obligations (statutory, contractual and voluntary).** In addition to statutorily prescribed manufacturer warranties, the BMW Group also offers various categories of warranty depending on the product and sales market concerned. Warranty provisions are recognised when the risks and rewards of ownership of the goods are transferred to the dealer or retail customer or when a new category of warranty is introduced. In order to determine the level of the provision, various factors are taken into consideration, including estimations based on past experience with the nature and amount of claims. These estimations also involve assessing the future level of potential repair costs and price increases per product and market. Provisions for warranties are adjusted regularly to take account of new circumstances and the impact of any changes recognised in the income statement. Further information is provided in note 36.

In the event of involvement in legal proceedings or when claims are brought against a Group entity, **provisions for litigation and liability risks** are recognised when an outflow of resources is probable and a reliable estimate can be made of the amount of the obligation. Management is required to make assumptions with respect to the probability of occurrence, the amount involved and the duration of the legal dispute. For these reasons, the recognition and measurement of provisions for litigation and liability risks are subject to uncertainty. Further information is provided in note 36.

The calculation of **pension provisions** requires assumptions to be made with regard to discount factors, salary trends, employee fluctuation and the life expectancy of employees. As in previous years, discount factors are determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The salary level trend refers to the expected rate of salary increase which is estimated annually depending on inflation and the career development of employees within the Group. Further information is provided in note 35.

The calculation of **deferred tax assets** requires assumptions to be made with regard to the level of future taxable income and the timing of recovery of deferred tax assets. These assumptions take account of forecast operating results and the impact on earnings of the reversal of taxable temporary differences. Since future business developments cannot be predicted with certainty and to some extent cannot be influenced by the BMW Group, the measurement of deferred tax assets is subject to uncertainty. Further information is provided in note 16.

7 — Adjustments as a result of IAS 19 (revised 2011)

In June 2011 the IASB published amendments to IAS 19 (Employee Benefits), in particular in relation to post-retirement benefits and pensions. The revised Standard was endorsed by the EU in June 2012. The revised version of IAS 19 is mandatory for annual periods beginning on or after 1 January 2013.

As a result of the revised Standard, the BMW Group has made amendments mainly in connection with the measurement of obligations for pensions and pre-retirement part-time working arrangements.

The change in the measurement of pension obligations relates primarily to the treatment of other expected administrative costs, which may no longer be included in the measurement of the obligation. In addition, more extensive disclosure requirements now apply.

The requirement to recognise past service cost immediately as expense (rather than spread such costs over the term) also results in an adjustment to pension provisions.

The adjustments to the provision for pre-retirement part-time working arrangements result from a change in the measurement of top-up amounts, which are now required, in accordance with revised IAS 19.8, to be recognised as other long-term employee benefits. Under the new rules, the expense for top-up amounts is required to be recognised in instalments with effect from the contract date up to the end of working phase of such arrangements and then released over the period of the work-free phase (rather than recognising the full amount as a provision at the start of the working phase).

The revised version of IAS 19 also changes the presentation of financial result in the income statement. As a result of the fact that net interest is now required to be computed on the basis of the net defined benefit liability for pension plans, the expense arising from unwinding the interest on pension obligations is now offset against interest income from plan assets. The statement of total comprehensive income now includes the line item “Remeasurement of the net defined benefit liability for pension plans”. In previous financial statements (up to the Group Financial Statements for the year ended 31 December 2012), the corresponding amounts were designated as actuarial gains and losses on defined benefit pension benefits, similar obligations and plan assets.

The removal of the corridor method and other amendments to IAS 19 do not have any impact on the BMW Group.

The new rules are required to be applied retrospectively. For this reason, the opening balance sheet at 1 January 2012, the comparative figures and the opening balance sheet at 1 January 2013 were adjusted and made comparable.

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The following tables show the impact on the opening balance sheet at 1 January 2012, on the balance sheet at 31 December 2012, as well as on the income statement and statement of comprehensive income for the financial year 2012:

Change in Group Balance Sheet presentation

1 January 2012 in € million	As originally reported	Adjustment	As reported
Total assets	123,429	–7	123,422
Total non-current assets	74,425	–36	74,389
thereof deferred taxes	1,926	–45	1,881
thereof non-current other assets[1]	568	9	577
Total current assets	49,004	29	49,033
thereof current other assets[1]	3,345	29	3,374
Total equity	27,103	241	27,344
thereof equity attributable to shareholders of BMW AG	27,038	241	27,279
thereof revenue reserves[2]	26,102	241	26,343
Total non-current provisions and liabilities	49,113	–213	48,900
thereof pension provisions	2,183	–187	1,996
thereof non-current other provisions[1]	3,149	–68	3,081
thereof deferred taxes[3]	3,273	42	3,315
Total current provisions and liabilities	47,213	–35	47,178
thereof current other provisions[1]	3,104	–35	3,069

[1] Adjustments relating to contracts for pre-retirement part-time working arrangements.
[2] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €98 million.
[3] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €43 million.

31 December 2012 in € million	As originally reported	Adjustment	As reported
Total assets	131,850	–15	131,835
Total non-current assets	81,336	–31	81,305
thereof deferred taxes	2,001	–34	1,967
thereof non-current other assets[1]	800	3	803
Total current assets	50,514	16	50,530
thereof current other assets[1]	3,648	16	3,664
Total equity	30,402	204	30,606
thereof equity attributable to shareholders of BMW AG	30,295	204	30,499
thereof revenue reserves[2]	28,340	204	28,544
Total non-current provisions and liabilities	53,017	–183	52,834
thereof pension provisions	3,965	–152	3,813
thereof non-current other provisions[1]	3,513	–72	3,441
thereof deferred taxes[3]	3,040	41	3,081
Total current provisions and liabilities	48,431	–36	48,395
thereof current other provisions[1]	3,282	–36	3,246

[1] Adjustments relating to contracts for pre-retirement part-time working arrangements.
[2] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €88 million.
[3] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €39 million.

Change in Group Income Statement presentation

1 January to 31 December 2012 in € million	As originally reported	Adjustment	As reported
Selling and administrative expenses[1]	–7,007	–25	–7,032
Profit before financial result	8,300	–25	8,275
Interest and similar income	753	–529	224
Interest and similar expenses	–913	538	–375
Financial result	–481	9	–472
Profit before tax	7,819	–16	7,803
Income tax[2]	–2,697	5	–2,692
Net profit	5,122	–11	5,111
Profit attributable to shareholders of BMW AG	5,096	–11	5,085
Basic earnings per share of common stock in €	7.77	–0.02	7.75
Basic earnings per share of preferred stock in €	7.79	–0.02	7.77
Diluted earnings per share of common stock in €	7.77	–0.02	7.75
Diluted earnings per share of preferred stock in €	7.79	–0.02	7.77

[1] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €–14 million.
[2] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €4 million.

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Change in presentation of the Statement of Comprehensive Income*

1 January to 31 December 2012 in € million	As originally reported	Adjustment	As reported
Net profit	5,122	–11	5,111
Remeasurement of the net defined benefit liability for pension plans	–1,881	–33	–1,914
Deferred taxes	531	7	538
Items not expected to be reclassified to the income statement in the future	–1,350	–26	–1,376
Other comprehensive income for the period after tax	–357	–26	–383
Total comprehensive income	4,765	–37	4,728
Total comprehensive income attributable to shareholders of BMW AG	4,739	–37	4,702

* Presentation adjusted in accordance with revised IAS 1.

The adjustments resulting from revised IAS 19 do not have any cash flow impact. For this reason, there are no changes in the overall operating cash flow for the Group and the segments in the financial year 2012. There are, however, some shifts between individual reconciliation line items within operating activities.

The following tables show the impact on the balance sheet at 31 December 2013 and on the income statement and statement of comprehensive income for the financial year 2013 of applying IAS 19 in its 2008 version:

Impact on the Group Balance Sheet if IAS 19 (2008) were still applied

31 December 2013 in € million	IAS 19 (2011)	Adjustment	IAS 19 (2008)
Total assets	138,368	39	138,407
Total non-current assets	86,194	50	86,244
thereof deferred taxes	1,620	58	1,678
thereof non-current other assets[1]	954	–8	946
Total current assets	52,174	–11	52,163
thereof current other assets[1]	4,265	–11	4,254
Total equity	35,643	–339	35,304
thereof equity attributable to shareholders of BMW AG	35,455	–339	35,116
thereof revenue reserves[2]	33,167	–339	32,828
Total non-current provisions and liabilities	52,682	334	53,016
thereof pension provisions	2,303	311	2,614
thereof non-current other provisions[1]	3,772	79	3,851
thereof deferred taxes[3]	3,554	–56	3,498
Total current provisions and liabilities	50,043	44	50,087
thereof current other provisions[1]	3,411	44	3,455

[1] Adjustments relating to contracts for pre-retirement part-time working arrangements.
[2] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €–99 million.
[3] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €–43 million.

Impact on the Group Income Statement if IAS 19 (2008) were still applied

1 January to 31 December 2013 in € million	IAS 19 (2011)	Adjustment	IAS 19 (2008)
Selling and administrative expenses[1]	–7,255	–17	–7,272
Profit before financial result	7,986	–17	7,969
Interest and similar income	184	438	622
Interest and similar expenses	–449	–435	–884
Financial result	–73	3	–70
Profit before tax	7,913	–14	7,899
Income tax[2]	–2,573	3	–2,570
Net profit	5,340	–11	5,329
Profit attributable to shareholders of BMW AG	5,314	–11	5,303
Basic earnings per share of common stock in €	8.10	–0.02	8.08
Basic earnings per share of preferred stock in €	8.12	–0.02	8.10
Diluted earnings per share of common stock in €	8.10	–0.02	8.08
Diluted earnings per share of preferred stock in €	8.12	–0.02	8.10

[1] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €–15 million.
[2] Thereof adjustments relating to contracts for pre-retirement part-time working arrangements €4 million.

Impact on the Group Statement of Comprehensive Income if IAS 19 (2008) were still applied*

1 January to 31 December 2013 in € million	IAS 19 (2011)	Adjustment	IAS 19 (2008)
Net profit	5,340	–11	5,329
Remeasurement of the net defined benefit liability for pension plans	1,308	–160	1,148
Deferred taxes	–372	36	–336
Items not expected to be reclassified to the income statement in the future	936	–124	812
Other comprehensive income for the period after tax	1,252	–124	1,128
Total comprehensive income	6,592	–135	6,457
Total comprehensive income attributable to shareholders of BMW AG	6,566	–135	6,431

* Presentation adjusted in accordance with revised IAS 1.

The amounts shown as adjustments for the current period also include the impact of the first-time application of IFRS 13. Based on the measurement rules contained in IFRS 13, plan assets are €136 million higher than they would have been in accordance with IAS 19 (2008). The adjustment relates to pension provisions (negative adjustment of €136 million), remeasurements of the net defined benefit liability for pension plans (positive adjustment of €136 million) and related deferred taxes (negative adjustment of €27 million).

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8 New financial reporting rules

(a) Financial reporting rules applied for the first time in the financial year 2013

The following Standards, Revised Standards, Amendments and Interpretations were applied for the first time in the financial year 2013:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Expected impact on BMW Group
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	Insignificant
IFRS 7	Notes Disclosures: Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2013	1.1.2013	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	Amendments to Deferred Taxes: Realisation of Underlying Assets	20.12.2010	1.1.2012	1.1.2013	Insignificant
IAS 19	Changes in Accounting for Employee Benefits, in particular for Termination Benefits and Pensions	16.6.2011	1.1.2013	1.1.2013	Significant in principle
IAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	29.5.2013	1.1.2014	1.1.2014	Insignificant
IFRIC 20	Stripping Costs in the Production Phase of a Mine	19.10.2011	1.1.2013	1.1.2013	None
	Annual Improvements to IFRS 2009–2011	17.5.2012	1.1.2013	1.1.2013	Insignificant

* Mandatory application in annual periods beginning on or after 1 July 2012.

IFRS 13 (Fair Value Measurement) provides a uniform definition of fair value which applies across all Standards. The uniform requirements set out in IFRS 13 must now be applied to all fair value measurements required in other Standards. The only Standards to which IFRS 13 does not apply are IFRS 2 (Share-based Payment) and IAS 17 (Leases). The Standard also replaces and supplements disclosures about fair value measurement.

Fair value is defined in IFRS 13 as an exit price, in other words as the price that would be received to sell an asset or paid to transfer a liability. Fair value measurement must take account of the characteristics of the asset or liability and be based on a market perspective. Similar to the approach already taken to the fair value measurement of financial instruments, a fair value hierarchy has been introduced that categorises into three levels the inputs to valuation techniques used to measure fair value. Categorisation is determined on the basis of how near the inputs are to the market. The Standard also sets out the rules for selecting appropriate valuation techniques to measure fair value.

In accordance with the transition requirements of IFRS 13, the BMW Group has applied the new rules for fair value measurement prospectively in the financial year 2013 and has not disclosed comparative figures for the previous year. Apart from the adjustments made in conjunction with amended IAS 19, as described in note 7 above, the introduction of IFRS 13 did not have any further material impact on the measurements of assets and liabilities within the BMW Group.

The Amendment to IAS 1 changes the presentation of other comprehensive income in the statement of total comprehensive income. Items reported in other comprehensive income which will subsequently be reclassified to the income statement ("recycling") are now reported separately from those that will never be recycled. If items are presented gross (i.e. without offset of the deferred tax impact), deferred taxes are also allocated to the two groups of items (and not shown as a single amount).

The BMW Group has complied with the new disclosure requirements and amended comparative figures accordingly.

The Amendment to IAS 36 has been applied early, without having any impact on the results of operations, financial position and net assets of the BMW Group.

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

The following Standards, Revised Standards, Amendments and Interpretations issued by the IASB during previous accounting periods, were not mandatory for the period under report and were not applied in the financial year 2013:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Expected impact on BMW Group
IFRS 9	Financial Instruments	12.11.2009 / 28.10.2010 / 16.12.2011 / 19.11.2013	Open	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 Interests 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 12 and IAS 27)	31.10.2012	1.1.2014	1.1.2014	Insignificant
IFRS 14	Regulatory Deferral Accounts	30.1.2014	1.1.2016	No	Insignificant

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Expected impact on BMW Group
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	21.11.2013	1.7.2014	No	Insignificant
IAS 27	Separate Financial Statements	12.5.2011	1.1.2013	1.1.2014	None
IAS 28	Investments in Associates and Joint Ventures	12.5.2011	1.1.2013	1.1.2014	None
IAS 32	Presentation – Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2014	1.1.2014	Insignificant
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	27.6.2013	1.1.2014	1.1.2014	Insignificant
IFRIC 21	Levies	20.5.2013	1.1.2014	No	Insignificant
	Annual Improvements to IFRS 2010–2012	12.12.2013	1.7.2014	No	Insignificant
	Annual Improvements to IFRS 2011–2013	12.12.2013	1.7.2014	No	Insignificant

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

It applies a uniform approach, under which financial assets must be measured either at amortised cost or fair value, thus replacing the various rules contained in IAS 39 as well as reducing the number of valuation categories for financial instruments on the assets side of the balance sheet.

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

In October 2010, additional rules for financial liabilities were added to IFRS 9. The requirements for financial liabilities contained in IAS 39 remain unchanged with the exception of new requirements relating to the measurement of an entity's own credit risk at fair value. A package of amendments to IFRS 9 was announced on 19 November 2013. On the one hand, the amendments overhaul the requirements for hedge accounting by introducing a new hedge accounting model. They also enable entities to change the accounting for liabilities they have elected to measure at fair value, before applying any other requirements in IFRS 9, such that fair value changes due to changes in "own credit risk" would not require to be recognised in profit or loss. The mandatory effective date of 1 January 2015 was removed and a new application date left undecided. The BMW Group will not apply IFRS 9 early. The impact of adoption of the Standard on the Group Financial Statements is currently being assessed.

In May 2011 the IASB issued three new Standards – IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosure of Interests in Other Entities) – as well as amendments to IAS 27 (Consolidated and Separate Financial Statements) and to IAS 28 (Investments in Associates and Joint Ventures) all relating to accounting for business combinations. The Standards are mandatory for the first time for annual periods beginning on or after 1 January 2013. Early adoption is permitted. The new Standards are required to be applied retrospectively. EU endorsement stipulates a later mandatory date (from 1 January 2014) due to increased implementation expense.

IFRS 10 replaces the consolidation guidelines contained in IAS 27 and SIC-12 (Consolidation – Special Purpose

Entities). The requirements for separate financial statements remain unchanged in the revised version of IAS 27.

IFRS 10 introduces a uniform model which establishes control as the basis for consolidation – control of a subsidiary entity by a parent entity – and which can be applied to all entities. The control concept must therefore be applied both to parent-subsidiary relationships based on voting rights as well as to parent-subsidiary relationships arising from other contractual arrangements. Under the control concept established in IFRS 10, an investor controls another entity when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 supersedes IAS 31 (Interests in Joint Ventures) and SIC-13 (Jointly Controlled Entities – Non-Monetary Contributions by Ventures). This Standard sets out the requirements for accounting for joint arrangements and places the emphasis on the rights and obligations that arise from such arrangements. IFRS 11 distinguishes between two types of joint arrangements, namely joint operations and joint ventures, and therefore results in a change in the classification of joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires joint operators to account for their share of assets and liabilities in the joint operation (and their share of income and expenses). Joint venturers are required to account for their investment using the equity method. The withdrawal of IAS 31 means the removal of the option to account for joint ventures using either the proportionate consolidation or the equity method. The equity method must be applied in accordance with amended IAS 28.

IFRS 12 sets out the requirements for disclosures relating to all types of interests in other entities, including joint arrangements, associated companies, structured entities and unconsolidated entities.

The amendments to the transitional regulations in IFRS 10, IFRS 11 and IFRS 12 have the objective of making it easier for entities to apply the Standards retrospectively. The amendments also restrict the requirement to disclose comparative amounts to the immediately preceding reporting period at the date of first-time application.

IFRS 10 is not expected to have any significant impact on the BMW Group reporting entity. The removal of the option for accounting for joint ventures (as stipulated by IFRS 11) will not have any impact since the BMW Group accounts for joint ventures using the equity method. There will, however, be a change in the classification of joint arrangements in accordance with IFRS 11. With effect from the first quarter of the financial year 2014, the investments in SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE – previously accounted for as equity accounted investments – will be classified as joint operations, with the result that the BMW Group will then only account for its own share of assets, liabilities, revenues and expenses of the joint operations. If IFRS 11 were to have been applied in the financial year 2013, changes in presentation of the individual balance sheet line items affected would have resulted in the balance sheet total increasing in a low double-digit range (million). In the Group Income Statement, there would only have been a shift between the individual line items.

Application of IFRS 12 will have an impact on the notes to the BMW Group Financial Statements, in particular as a result of the requirement to disclose more detailed financial information with respect to significant joint ventures. The BMW Group will not adopt the Amendments early.

9 – Revenues

Revenues by activity comprise the following:

in € million	2013	2012
Sales of products and related goods	**56,811**	58,039
Income from lease instalments	**7,296**	6,900
Sale of products previously leased to customers	**6,412**	6,399
Interest income on loan financing	**2,868**	2,954
Other income	**2,671**	2,556
Revenues	**76,058**	**76,848**

An analysis of revenues by business segment and geographical region is shown in the segment information in note 49.

10 – Cost of sales

Cost of sales comprises:

in € million	2013	2012
Manufacturing costs	**36,572**	37,648
Research and development expenses	**4,117**	3,993
Warranty expenditure	**1,243**	1,200
Cost of sales directly attributable to financial services	**14,044**	13,370
Interest expense relating to financial services business	**1,483**	1,819
Expense for risk provisions and write-downs for financial services business	**435**	798
Other cost of sales	**2,890**	2,526
Cost of sales	**60,784**	**61,354**

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Cost of sales include €15,962 million (2012: €15,987 million) relating to Financial Services business.

As in the previous year, manufacturing costs do not contain any impairment losses on intangible assets and property, plant and equipment. Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to €45 million (2012: €45 million).

Total research and development expenditure, comprising research costs, development costs not recognised as assets on the one hand and capitalised development costs excluding the scheduled amortisation thereof on the other, was as follows:

in € million	2013	2012
Research and development expenses	**4,117**	3,993
Amortisation	**–1,069**	–1,130
New expenditure for capitalised development costs	**1,744**	1,089
Total research and development expenditure	**4,792**	**3,952**

11 – Selling and administrative expenses

Selling expenses amounted to €4,885 million (2012: €5,147 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative expenses amounted to €2,370 million (2012*: €1,885 million) and comprise expenses for administration not attributable to development, production or sales functions.

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

12 — Other operating income and expenses

in € million	2013	2012
Exchange gains	**346**	385
Income from the reversal of provisions	**183**	114
Income from the reversal of impairment losses and write-downs	**13**	4
Gains on the disposal of assets	**53**	41
Sundry operating income	**246**	285
Other operating income	**841**	**829**
Exchange losses	**–323**	–386
Expense for additions to provisions	**–265**	–309
Expenses for impairment losses and write-downs	**–37**	–22
Losses on the disposal of assets	**–27**	–38
Sundry operating expenses	**–222**	–261
Other operating expenses	**–874**	**–1,016**
Other operating income and expenses	**–33**	**–187**

Other operating income includes public-sector grants of €73 million (2012: €19 million).

13 — Result from equity accounted investments

The profit from equity accounted investments amounted to €398 million (2012: €271 million) and includes the results from the BMW Group's interests in the joint ventures BMW Brilliance Automotive Ltd., Shenyang, SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE. Similarly, the BMW Group's share of earnings of the joint ventures DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, is also included in the result from equity accounted investments.

14 — Net interest result

in € million	2013	2012*
Net interest income on the net defined benefit liability for pension plans	**–**	–
Other interest and similar income	**184**	224
— thereof from subsidiaries: €20 million (2012: €19 million)		
Interest and similar income	**184**	**224**
Net interest expense on the net defined benefit liability for pension plans	**–127**	–90
Expense from reversing the discounting of other long-term provisions	**–5**	–74
Write-downs on current marketable securities	**–7**	–
Other interest and similar expenses	**–310**	–211
— thereof to subsidiaries: €–6 million (2012: €–7 million)		
Interest and similar expenses	**–449**	**–375**
Net interest result	**–265**	**–151**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

15 — Other financial result

in € million	2013	2012
Income from investments in subsidiaries and participations	**12**	5
thereof from subsidiaries: €8 million (2012: €1 million)		
Impairment losses on investments in subsidiaries and participations	**−91**	−175
Expenses from investments in subsidiaries	**−2**	–
Result on investments	**−81**	**−170**
Losses and gains relating to financial instruments	**−125**	−422
Sundry other financial result	**−125**	**−422**
Other financial result	**−206**	**−592**

The result from investments in 2013 was negatively impacted by an impairment loss on other investments amounting to €73 million (2012: €166 million).

The improvement in other financial result was primarily attributable to fair value gains on interest rate and commodity derivatives.

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16 — Income taxes

Taxes on income comprise the following:

in € million	2013	2012*
Current tax expense	**2,435**	2,908
Deferred tax expense/income	**138**	−216
Income taxes	**2,573**	**2,692**

Current tax expense includes €222 million (2012: €128 million) relating to prior periods.

A deferred tax expense of €23 million (2012*: income of €729 million) is attributable to new temporary differences and the reversal of temporary differences brought forward.

As in the previous year, tax expense was reduced by €5 million as a result of utilising tax losses/tax credits brought forward, for which deferred assets had not previously been recognised.

The change in the valuation allowance on deferred tax assets relating to tax losses available for carryforward and temporary differences resulted in a tax expense of €7 million (2012: expense of €3 million).

Deferred taxes are computed using enacted or planned **tax rates** which are expected to apply in the relevant national jurisdictions when the amounts are recovered. A uniform corporation tax rate of 15.0 % plus solidarity surcharge of 5.5 % applies in Germany, giving a tax rate of 15.8 %. After taking account of an average municipal trade tax multiplier rate (Hebesatz) of 420.0 %, the municipal trade tax rate for German entities is 14.7 %. The overall income tax rate in Germany is therefore 30.5 %. All of these German tax rates are unchanged from the previous year. Deferred taxes for non-German entities are calculated on the basis of the relevant country-specific tax rates and remained in a range of between 12.5 % and 46.9 % once again in the financial year 2013. Changes in tax rates resulted in a deferred tax expense of €2 million (2012: €21 million).

The actual tax expense for the financial year 2013 of €2,573 million (2012*: €2,692 million) is €160 million (2012*: €312 million) higher than the expected tax expense of €2,413 million (2012*: €2,380 million) which would theoretically arise if the tax rate of 30.5 %, applicable for German companies, was applied across the Group.

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

The difference between the expected and actual tax expense is explained in the following **reconciliation:**

in € million	2013	2012*
Profit before tax	**7,913**	7,803
Tax rate applicable in Germany	**30.5%**	30.5%
Expected tax expense	**2,413**	**2,380**
Variances due to different tax rates	**–131**	–56
Tax increases (+)/tax reductions (–) as a result of non-deductible expenses and tax-exempt income	**164**	302
Tax expense (+)/benefits (–) for prior years	**222**	128
Other variances	**–95**	–62
Actual tax expense	**2,573**	**2,692**
Effective tax rate	**32.5%**	34.5%

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Tax increases as a result of non-deductible expenses were significantly lower than in the previous year, mainly in connection with the impact of non-recoverable withholding taxes and intragroup transfer pricing issues. Tax reductions due to tax-exempt income amounted to €117 million (2012: €89 million).

The line "Other variances" comprises primarily reconciling items relating to the Group's share of results of equity accounted investments.

The allocation of deferred tax assets and liabilities to balance sheet line items at 31 December is shown in the following table:

	Deferred tax assets		Deferred tax liabilities	
in € million	2013	2012*	2013	2012*
Intangible assets	**9**	5	**1,571**	1,356
Property, plant and equipment	**26**	37	**264**	260
Leased products	**436**	441	**5,779**	5,837
Investments	**6**	11	**5**	11
Other assets	**1,078**	1,067	**3,747**	3,503
Tax loss carryforwards	**725**	923	**–**	–
Provisions	**3,220**	3,219	**47**	95
Liabilities	**2,928**	2,984	**449**	350
Eliminations	**2,570**	2,729	**661**	626
	10,998	**11,416**	**12,523**	**12,038**
Valuation allowance	**–409**	–492	**–**	–
Netting	**–8,969**	–8,957	**–8,969**	–8,957
Deferred taxes	**1,620**	**1,967**	**3,554**	**3,081**
Net			**1,934**	1,114

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Deferred tax assets on tax loss carryforwards and capital losses before allowances totalled €725 million (2012: €923 million). After valuation allowances of €409 million (2012: €492 million), their carrying amount stood at €316 million (2012: €431 million).

Tax **losses available for carryforward** – for the most part usable without restriction – decreased to €0.9 billion (2012: €1.3 billion). This includes an amount of €42 million (2012: €92 million), for which a valuation allowance of €14 million (2012: €27 million) was recognised on the related deferred tax asset. For entities with tax losses available for carryforward, a net surplus of deferred tax assets over deferred tax liabilities is reported at 31 December 2013 amounting to €192 million (2012: €204 million). Deferred tax assets are recognised on the basis of management's assessment of whether it is probable that the relevant entities will generate sufficient future taxable profits, against which deductible temporary differences can be offset.

Capital losses available for carryforward in the United Kingdom which do not relate to ongoing operations amounted to €2.0 billion at the end of the reporting period, unchanged from one year earlier. As in previous years, deferred tax assets recognised on these tax losses – amounting to €395 million at the end of the reporting period after tax rate changes in 2013 (2012: €465 million) – were fully written down since they can only be utilised against future capital gains.

Netting relates to the offset of deferred tax assets and liabilities within individual separate entities or tax groups to the extent that they relate to the same tax authorities.

Deferred taxes recognised directly in **equity** amounted to €451 million (2012: €1,222 million), a decrease of €771 million (2012*: increase of €27 million) compared to the previous year. The change includes a reduction in deferred taxes recognised in conjunction with currency translation amounting to €1 million (2012: reduction of €3 million).

Changes in deferred tax assets and liabilities during the reporting period can be summarised as follows:

in € million	2013	2012*
Deferred taxes at 1 January	**1,114**	1,347
Deferred tax expense/income recognised through income statement	**138**	–216
Change in deferred taxes recognised directly in equity	**770**	–30
Exchange rate impact and other changes	**–88**	13
Deferred taxes at 31 December	**1,934**	**1,114**

Changes in deferred taxes include changes relating to items recognised either through the income statement or directly in equity as well as the impact of exchange rate and first-time consolidations. Deferred taxes recognised directly in equity increased in total by €770 million (2012*: decrease of €30 million). Of this amount, €421 million (2012: €498 million) related to the fair value measurement of derivative financial instruments and marketable securities (recognised directly in equity), shown in the summary above in the line items "Other assets" and "Liabilities". A further €349 million (2012*: decrease of €528 million) related to the remeasurements of the net defined benefit liability for pension plans, shown in the summary above in the line item "Provisions".

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Deferred taxes are not recognised on retained profits of €28.0 billion (2012: €24.8 billion) of foreign subsidiaries, as it is intended to invest these profits to maintain and expand the business volume of the relevant companies. A computation was not made of the potential impact of income taxes on the grounds of disproportionate expense.

The tax returns of BMW Group entities are checked regularly by German and foreign tax authorities. Taking account of a variety of factors – including existing interpretations, commentaries and legal decisions taken relating to the various tax jurisdictions and the BMW Group's past experience – adequate provision has, as far as identifiable, been made for potential future tax obligations.

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17 — Earnings per share

		2013	2012*
Net profit for the year after minority interest	€ million	**5,314.4**	5,084.9
Profit attributable to common stock	€ million	**4,876.0**	4,668.4
Profit attributable to preferred stock	€ million	**438.4**	416.5
Average number of common stock shares in circulation	number	**601,995,196**	601,995,196
Average number of preferred stock shares in circulation	number	**53,993,635**	53,571,312
Basic earnings per share of common stock	€	**8.10**	7.75
Basic earnings per share of preferred stock	€	**8.12**	7.77
Dividend per share of common stock	€	**2.60**	2.50
Dividend per share of preferred stock	€	**2.62**	2.52

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Basic earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years. As in the previous year, diluted earnings per share correspond to basic earnings per share.

18 — Other disclosures relating to the income statement

The income statement includes personnel costs as follows:

in € million	2013	2012*
Wages and salaries	**7,396**	7,100
Social security, retirement and welfare costs	**1,590**	1,437
— thereof pension costs: €958 million (2012*: €845 million)		
Personnel expenses	**8,986**	**8,537**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Personnel costs include €48 million (2012: €59 million) of expenditure incurred to adjust the workforce size.

The average number of employees during the year was:

	2013	2012
Employees	**99,961**	95,748
Apprentices and students gaining work experience	**7,162**	6,484
	107,123	**102,232**

The number of employees at the end of the reporting period is disclosed in the Combined Management Report.

The fee expense pursuant to § 314 (1) no. 9 HGB recognised in the financial year 2013 for the Group auditors amounted to €26 million (2012: €26 million) and consists of the following:

in € million	2013	2012
Audit of financial statements	**14**	14
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	3	3
Other attestation services	**3**	4
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	2	2
Tax advisory services	**7**	6
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	3	3
Other services	**2**	2
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	1	–
Fee expense	**26**	**26**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	9	8

The total fee comprises expenses recorded by BMW AG, Munich, and all consolidated subsidiaries.

The fee expense shown for KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, relates only to services provided on behalf of BMW AG, Munich, and its German subsidiaries.

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19 — Share-based remuneration

The BMW Group operates three share-based remuneration schemes, namely the Employee Share Scheme (for entitled employees), share-based commitments to members of the Board of Management and share-based commitments to senior heads of department.

In the case of the Employee Share Scheme, non-voting shares of preferred stock in BMW AG were granted to qualifying employees during the financial year 2013 at favourable conditions (see note 34 for the number and price of issued shares). The holding period for these shares is up to 31 December 2016. The BMW Group recorded a personnel expense of €5 million (2012: €5 million) for the Employee Share Scheme in 2013, corresponding to the difference between the market price and the reduced price of the shares of preferred stock purchased by employees. The Board of Management reserves the right to decide anew each year with respect to an Employee Share Scheme.

For financial years beginning after 1 January 2011, BMW AG has added a share-based remuneration component to the existing compensation system for Board of Management members.

Each Board of Management member is required to invest 20 % of his/her total bonus (after tax) in shares of BMW AG common stock, which are recorded in a separate custodian account for each member concerned (annual tranche). Each annual tranche is subject to a holding period of four years (vesting period). Once the holding period is fulfilled, BMW AG grants one additional share of BMW AG common stock for each three held or, at its discretion, pays the equivalent amount in cash (share-based remuneration component) provided that the term of office has not been terminated before the end of the agreed contract period (except in the case of death or invalidity).

With effect from the financial year 2012, qualifying department heads are also entitled to opt for a share-based remuneration component, which, in most respects, is comparable to the share-based remuneration arrangements for Board of Management members.

The share-based remuneration component is measured at its fair value at each balance sheet date between grant and settlement date, and on the settlement date itself. The appropriate amounts are recognised as personnel expense on a straight-line basis over the vesting period and reported in the balance sheet as a provision.

The cash-settlement obligation for the share-based remuneration component is measured at its fair value at the balance sheet date (based on the closing price of BMW AG common stock in Xetra trading at 31 December 2013).

The total carrying amount of the provision for the share-based remuneration component of Board of Management members and department heads at 31 December 2013 was €1,647,188 (2012: €657,276).

The total expense recognised in 2013 for the share-based remuneration component of Board of Management members and department heads was €989,912 (2012: €542,162).

The fair value of the two programmes at the date of grant of the share-based remuneration components was €1,453,500 (2012: €1,379,723), based on a total of 19,196 shares (2012: 22,915 shares) of BMW AG common stock or a corresponding cash-based settlement measured at the relevant market share price prevailing on the grant date.

Further details on the remuneration of the Board of Management are provided in the 2013 Compensation Report, which is part of the Combined Management Report.

20 Disclosures relating to total comprehensive income

Other comprehensive income for the period after tax comprises the following:

in € million	2013[1]	2012[1,2]
Remeasurement of the net defined benefit liability for pension plans	**1,308**	–1,914
Deferred taxes	**–372**	538
Items not expected to be reclassified to the income statement in the future	**936**	**–1,376**
Available-for-sale securities	**8**	214
thereof gains/losses arising in the period under report	**48**	174
thereof reclassifications to the income statement	**–40**	40
Financial instruments used for hedging purposes	**1,357**	1,302
thereof gains/losses arising in the period under report	**1,536**	770
thereof reclassifications to the income statement	**–179**	532
Other comprehensive income from equity accounted investments	**–7**	111
Deferred taxes	**–407**	–511
Currency translation foreign operations	**–635**	–123
Items expected to be reclassified to the income statement in the future	**316**	**993**
Other comprehensive income for the period after tax	**1,252**	**–383**

[1] Presentation adjusted in accordance with revised IAS 1.
[2] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Deferred taxes on components of other comprehensive income are as follows:

in € million	2013			2012*		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net defined benefit liability for pension plans	**1,308**	**–372**	**936**	–1,914	538	–1,376
Available-for-sale securities	**8**	**19**	**27**	214	–45	169
Financial instruments used for hedging purposes	**1,357**	**–425**	**932**	1,302	–437	865
Other comprehensive income for the period from equity accounted investments	**–7**	**–1**	**–8**	111	–29	82
Exchange differences on translating foreign operations	**–635**	**–**	**–635**	–123	–	–123
Other comprehensive income	**2,031**	**-779**	**1,252**	**–410**	**27**	**–383**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

The result from equity accounted investments is reported in the Statement of Changes in Equity in the line item "Exchange differences on translating foreign operations" with a negative amount of €10 million (2012: negative amount of €5 million) and in the line item "Financial instruments used for hedging purposes" with a positive amount of €2 million (2012: positive amount of €87 million).

21 — Analysis of changes in Group tangible, intangible and investment assets 2013

	Acquisition and manufacturing cost						
in € million	1. 1. 2013[1]	Adjustment[2]	Translation differences	Additions	Reclassifications	Disposals	**31. 12. 2013**
Development costs	8,488	–	–	1,744	–	565	**9,667**
Goodwill	374	–	–	–	–	–	**374**
Other intangible assets	1,008	–	–6	473	–	22	**1,453**
Intangible assets	**9,870**	**–**	**–6**	**2,217**	**–**	**587**	**11,494**
Land, titles to land, buildings, including buildings on third party land	8,169	–	–124	485	224	51	**8,703**
Plant and machinery	26,808	–	–211	2,202	975	961	**28,813**
Other facilities, factory and office equipment	2,314	–	–55	178	15	121	**2,331**
Advance payments made and construction in progress	2,608	–	–37	1,605	–1,214	3	**2,959**
Property, plant and equipment	**39,899**	**–**	**–427**	**4,470**	**–**	**1,136**	**42,806**
Leased products[3]	**31,412**	**–46**	**–734**	**13,192**	**–**	**11,338**	**32,486**
Investments accounted for using the equity method	**514**	**–**	**–**	**364**	**–**	**226**	**652**
Investments in non-consolidated subsidiaries	205	–	–1	66	–	30	**240**
Participations	571	–	–	6	–	2	**575**
Non-current marketable securities	–	–	–	–	–	–	**–**
Other investments	**776**	**–**	**–1**	**72**	**–**	**32**	**815**

[1] Including mergers.
[2] Amended for the effect of refining the accounting policy for leased products as described in note 6.
[3] This line includes the amendments described in note 24.
[4] Including assets under construction of €2,569 million.

Analysis of changes in Group tangible, intangible and investment assets 2012

	Acquisition and manufacturing cost					
in € million	1. 1. 2012[1]	Translation differences	Additions	Reclassifications	Disposals	**31. 12. 2012**
Development costs	8,393	–	1,089	–	994	**8,488**
Goodwill	374	–	–	–	–	**374**
Other intangible assets	1,040	–3	123	3	156	**1,007**
Intangible assets	**9,807**	**–3**	**1,212**	**3**	**1,150**	**9,869**
Land, titles to land, buildings, including buildings on third party land	7,776	–26	366	74	24	**8,166**
Plant and machinery	25,625	–24	1,311	407	517	**26,802**
Other facilities, factory and office equipment	2,170	–11	218	21	86	**2,312**
Advance payments made and construction in progress	992	–8	2,133	–504	8	**2,605**
Property, plant and equipment	**36,563**	**–69**	**4,028**	**–2**	**635**	**39,885**
Leased products[2]	**30,073**	**–74**	**13,297**	**–1**	**11,883**	**31,412**
Investments accounted for using the equity method	**302**	**–**	**350**	**–13**	**125**	**514**
Investments in non-consolidated subsidiaries	221	–1	89	13	117	**205**
Participations	501	–	70	–	–	**571**
Non-current marketable securities	–	–	–	–	–	**–**
Other investments	**722**	**–1**	**159**	**13**	**117**	**776**

[1] Including impact of first-time consolidations.
[2] This line includes the amendments described in note 24.
[3] Including assets under construction of €2,205 million.

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Depreciation and amortisation 1.1.2013[1]	Adjustment[2]	Translation differences	Current year	Changes not effecting net income	Disposals	31.12. 2013	Carrying amount 31.12. 2013	31.12. 2012	
4,141	–	–	1,069	–	565	**4,645**	**5,022**	4,347	Development costs
5	–	–	–	–	–	**5**	**369**	369	Goodwill
516	–	–11	178	–	18	**665**	**788**	491	Other intangible assets
4,662	**–**	**–11**	**1,247**	**–**	**583**	**5,315**	**6,179**	**5,207**	**Intangible assets**
3,667	–	–53	251	–	34	**3,831**	**4,872**	4,502	Land, titles to land, buildings, including buildings on third party land
21,098	–	–166	2,082	–	946	**22,068**	**6,745**	5,705	Plant and machinery
1,784	–	–40	159	–	109	**1,794**	**537**	530	Other facilities, factory and office equipment
–	–	–	–	–	–	**–**	**2,959**[4]	2,604	Advance payments made and construction in progress
26,549	**–**	**–259**	**2,492**	**–**	**1,089**	**27,693**	**15,113**	**13,341**	**Property, plant and equipment**
6,944	**–175**	**–132**	**3,215**	**–**	**3,280**	**6,572**	**25,914**	**24,468**	**Leased products**[3]
–	**–**	**–**	**–**	**–**	**–**	**–**	**652**	**514**	**Investments accounted for using the equity method**
58	–	–	16	–	–	**74**	**166**	147	Investments in non-consolidated subsidiaries
170	–	–	75	–57	–	**188**	**387**	401	Participations
–	–	–	–	–	–	**–**	**–**	–	Non-current marketable securities
228	**–**	**–**	**91**	**–57**	**–**	**262**	**553**	**548**	**Other investments**

Depreciation and amortisation 1.1.2012[1]	Translation differences	Current year	Reclassifications	Changes not effecting net income	Disposals	31.12. 2012	Carrying amount 31.12. 2012	31.12. 2011	
4,004	–	1,130	–	–	993	**4,141**	**4,347**	4,388	Development costs
5	–	–	–	–	–	**5**	**369**	369	Goodwill
558	–2	113	2	–	155	**516**	**491**	481	Other intangible assets
4,567	**–2**	**1,243**	**2**	**–**	**1,148**	**4,662**	**5,207**	**5,238**	**Intangible assets**
3,433	–9	251	–	–	11	**3,664**	**4,502**	4,335	Land, titles to land, buildings, including buildings on third party land
19,728	–20	1,886	–	–	497	**21,097**	**5,705**	5,896	Plant and machinery
1,706	–9	161	–2	–	74	**1,782**	**530**	463	Other facilities, factory and office equipment
1	–	–	–	–	–	**1**	**2,604**[3]	991	Advance payments made and construction in progress
24,868	**–38**	**2,298**	**–2**	**–**	**582**	**26,544**	**13,341**	**11,685**	**Property, plant and equipment**
6,960	**–10**	**4,239**	**–**	**–**	**4,245**	**6,944**	**24,468**	**23,112**	**Leased products**[2]
–	**–**	**–**	**–**	**–**	**–**	**–**	**514**	**302**	**Investments accounted for using the equity method**
90	–	9	–	–	41	**58**	**147**	132	Investments in non-consolidated subsidiaries
72	–	166	–	–68	–	**170**	**401**	429	Participations
–	–	–	–	–	–	**–**	**–**	–	Non-current marketable securities
162	**–**	**175**	**–**	**–68**	**41**	**228**	**548**	**561**	**Other investments**

22 — Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects, software and purchased customer bases. Amortisation on intangible assets is presented in cost of sales, selling expenses and administrative expenses.

In addition, intangible assets include a brand-name right amounting to €43 million (2012: €44 million), goodwill of €33 million (2012: €33 million) allocated to the Automotive cash-generating unit (CGU) and goodwill of €336 million (2012: €336 million) allocated to the Financial Services CGU.

Intangible assets amounting to €43 million (2012: €44 million) are subject to restrictions on title.

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on intangible assets in 2013.

No borrowing costs were recognised as a cost component of intangible assets during the year under report.

An analysis of changes in intangible assets is provided in note 21.

23 — Property, plant and equipment

No borrowing costs were recognised as a cost component of property, plant and equipment during the year under report.

As in the previous year, there was no requirement to recognise impairment losses in 2013.

A break-down of the different classes of property, plant and equipment disclosed in the balance sheet and changes during the year are shown in the analysis of changes in Group tangible, intangible and investment assets in note 21.

Property, plant and equipment include a total of €42 million (2012: €46 million) relating to land and operational buildings used by BMW AG, BMW Tokyo Corp., BMW Osaka Corp., and BMW of North America LLC, for which economic ownership is attributable to the BMW Group due to the nature of the lease arrangements (finance leases). The leases to which BMW AG is party, with a carrying amount of €37 million (2012: €39 million) run for periods up to 2028 at the latest and contain price adjustment clauses as well as extension and purchase options. The asset leased by BMW Tokyo Corp. has a carrying amount of €2 million (2012: €3 million) under a lease with a remaining term of 18 years. BMW Osaka Corp. is party to finance leases running until 2022 for operational buildings with a carrying amount of €2 million at 31 December 2013 (2012: €2 million). The finance lease contract accounted for at the level of BMW of North America LLC has a remaining term of two years and includes a purchase and a renewal option for the underlying asset which has a carrying amount of €1 million at the end of the reporting period (2012: €1 million).

Minimum lease payments of the relevant leases are as follows:

in € million	**31.12.2013**	31.12.2012
Total of future minimum lease payments		
due within one year	**14**	5
due between one and five years	**13**	23
due later than five years	**44**	52
	71	**80**
Interest portion of the future minimum lease payments		
due within one year	**3**	3
due between one and five years	**7**	8
due later than five years	**13**	17
	23	**28**
Present value of future minimum lease payments		
due within one year	**11**	2
due between one and five years	**6**	15
due later than five years	**31**	35
	48	**52**

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24 — Leased products

The BMW Group, as lessor, leases out its own products and those of other manufacturers as part of its financial services business. Minimum lease payments of €12,906 million (2012: €12,797 million) from non-cancellable operating leases fall due as follows:

in € million	31.12.2013	31.12.2012
within one year	**6,314**	6,215
between one and five years	**6,587**	6,570
later than five years	**5**	12
Minimum lease payments	**12,906**	**12,797**

Contingent rents of €171 million (2012: €166 million), based principally on the distance driven, were recognised in income. Some of the agreements contain price adjustment clauses as well as extension and purchase options.

Impairment losses recognised on leased products totalled €139 million.

Based on data collated at local level for each individual contract, the historical acquisition/manufacturing costs of leased assets and historical depreciation thereon were adjusted, without any impact on carrying amounts.

An analysis of changes in leased products is provided in note 21.

25 — Investments accounted for using the equity method and other investments

Investments accounted for using the equity method comprise the Group's investments in the joint ventures BMW Brilliance Automotive Ltd., Shenyang, SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, SGL Automotive Carbon Fibers LLC, Dover, DE, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich.

The Group's share of results of joint ventures and its accumulated interest in investments accounted for using the equity method are as follows:

in € million	31.12.2013	31.12.2012
Disclosures relating to the income statement		
Income	**4,531**	3,516
Expenses	**–4,133**	–3,245
Profit	**398**	**271**
Disclosures relating to the balance sheet		
Non-current assets	**1,426**	1,018
Current assets	**1,389**	991
Equity	**951**	663
Non-current liabilities	**169**	117
Current liabilities	**1,695**	1,229
Balance sheet total	**2,815**	**2,009**

Capital commitments to the joint ventures SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, at the end of the reporting period totalled €139 million (2012: €95 million).

Other investments relate to investments in non-consolidated subsidiaries, interests in associated companies not accounted for using the equity method, participations and non-current marketable securities.

Additions to investments in non-consolidated subsidiaries relate primarily to capital increases at the level of BMW Milano S.r.l., Milan, BMW Retail Nederland B.V., Haaglanden, and BMW i Ventures B.V., Rijswijk.

Additions to participations relate primarily to the purchase of available-for-sale marketable securities.

The impairment loss of €16 million on investments in non-consolidated subsidiaries relates mainly to investments in dealerships.

Disposals of investments in subsidiaries result primarily from the deconsolidation of the Husqvarna Group.

Impairment losses on participations – recognised with income statement effect – related mainly to the investment in SGL Carbon SE, Wiesbaden, which was written down on the basis of objective criteria.

A break-down of the different classes of other investments disclosed in the balance sheet and changes during the year are shown in the analysis of changes in Group tangible, intangible and investment assets in note 21.

If the Group's share of the at-equity result of BMW Brilliance Automotive Ltd., Shenyang, were reported as part of the Automotive segment's EBIT, the EBIT margin would increase by 0.6 percentage points to 10.0 %.

26 — Receivables from sales financing

Receivables from sales financing, totalling €54,117 million (2012: €52,914 million), comprise €40,841 million (2012: €40,650 million) for credit financing for retail customers and dealers and €13,276 million (2012: €12,264 million) for finance leases. Finance leases are analysed as follows:

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in € million	**31.12.2013**	31.12.2012
Gross investment in finance leases		
due within one year	**4,816**	4,580
due between one and five years	**9,748**	8,938
due later than five years	**98**	118
	14,662	**13,636**
Present value of future minimum lease payments		
due within one year	**4,378**	4,094
due between one and five years	**8,813**	8,060
due later than five years	**85**	110
	13,276	**12,264**
Unrealised interest income	**1,386**	**1,372**

Contingent rents recognised as income (generally relating to the distance driven) amounted to €3 million (2012: €3 million). Write-downs on finance leases amounting to €159 million (2012: €149 million) were measured and recognised on the basis of specific credit risks. Non-guaranteed residual values that fall to the benefit of the lessor amounted to €120 million (2012: €85 million).

Receivables from sales financing include €32,616 million (2012: €32,309 million) with a remaining term of more than one year.

Allowance for impairment and credit risk

in € million	**31.12.2013**	31.12.2012
Gross carrying amount	**55,697**	54,593
Allowance for impairment	**–1,580**	–1,679
Net carrying amount	**54,117**	**52,914**

Allowances for impairment on receivables from sales financing developed as follows during the year under report:

2013 in € million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January	1,268	411	**1,679**
Allocated / reversed	194	104	**298**
Utilised	–302	–15	**–317**
Exchange rate impact and other changes	–61	–19	**–80**
Balance at 31 December	**1,099**	**481**	**1,580**

2012 in € million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January*	1,355	262	**1,617**
Allocated / reversed	298	113	**411**
Utilised	–314	–21	**–335**
Exchange rate impact and other changes	–71	57	**–14**
Balance at 31 December	**1,268**	**411**	**1,679**

* Including entities consolidated for the first time during the financial year.

At the end of the reporting period, impairment allowances of €481 million (2012: €411 million) were recognised on a group basis on gross receivables from sales financing totalling €30,155 million (2012: €30,813 million). Impairment allowances of €1,099 million (2012: €1,268 million) were recognised at 31 December 2013 on a specific item basis on gross receivables from sales financing totalling €12,211 million (2012: €11,149 million).

Receivables from sales financing which were not overdue at the end of the reporting period amounted to €13,331 million (2012: €12,631 million). No impairment losses were recognised for these balances.

The estimated fair value of collateral received for receivables on which impairment losses were recognised totalled €23,689 million (2012: €21,649 million) at the end of the reporting period. This collateral related primarily to vehicles. The carrying amount of assets held as collateral and taken back as a result of payment default amounted to €30 million (2012: €37 million).

27 — Financial assets

Financial assets comprise:

in € million	**31.12.2013**	31.12.2012
Derivative instruments	**4,013**	2,992
Marketable securities and investment funds	**3,060**	2,655
Loans to third parties	**32**	44
Credit card receivables	**222**	234
Other	**825**	835
Financial assets	**8,152**	**6,760**
thereof non-current	**2,593**	2,148
thereof current	**5,559**	4,612

The increase in derivative instruments was primarily attributable to positive market price developments of currency derivatives.

The rise in marketable securities and investment funds mainly reflects an increase in the BMW Group's strategic liquidity reserve.

The amount by which the value of the investment funds exceeds obligations for part-time working arrangements (€44 million; 2012: €57 million) is reported under "Other financial assets". Investment funds are held to secure these obligations. These funds are managed by BMW Trust e.V., Munich, as part of a Contractual Trust Arrangement (CTA) and are therefore netted against the corresponding settlement arrears for pre-retirement part-time work arrangements.

Marketable securities and investment funds relate to available-for-sale financial assets and comprise:

in € million	**31.12.2013**	31.12.2012
Stocks	**87**	52
Fixed income securities	**2,551**	2,566
Other debt securities	**422**	37
Marketable securities and investment funds	**3,060**	**2,655**

The contracted maturities of debt securities are as follows:

in € million	**31.12.2013**	31.12.2012
Fixed income securities		
due within three months	**73**	161
due later than three months	**2,478**	2,405
Other debt securities		
due within three months	**422**	37
due later than three months	**–**	–
Debt securities	**2,973**	**2,603**

Allowance for impairment and credit risk

Receivables relating to credit card business comprise the following:

in € million	**31.12.2013**	31.12.2012
Gross carrying amount	**231**	247
Allowance for impairment	**–9**	–13
Net carrying amount	**222**	**234**

Allowances for impairment losses on receivables relating to credit card business developed as follows during the year under report:

2013 in € million	Allowance for impairment recognised on a specific item basis	 group basis	**Total**
Balance at 1 January	13	–	**13**
Allocated/reversed	6	–	**6**
Utilised	–10	–	**–10**
Exchange rate impact and other changes	–	–	**–**
Balance at 31 December	**9**	**–**	**9**

2012 in € million	Allowance for impairment recognised on a specific item basis	 group basis	**Total**
Balance at 1 January	18	–	**18**
Allocated/reversed	8	–	**8**
Utilised	–13	–	**–13**
Exchange rate impact and other changes	–	–	**–**
Balance at 31 December	**13**	**–**	**13**

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28 — Income tax assets

Income tax assets totalling €1,151 million (2012: €966 million) include claims amounting to €530 million (2012: €638 million) which are expected to be settled after more than twelve months. Some of the claims may be settled earlier than this depending on the timing of proceedings.

29 — Other assets

Other assets comprise:

in € million	31.12.2013	31.12.2012*
Other taxes	**867**	796
Receivables from subsidiaries	**779**	738
Receivables from other companies in which an investment is held	**999**	676
Prepayments	**1,074**	1,043
Collateral receivables	**706**	555
Sundry other assets	**794**	659
Other assets	**5,219**	**4,467**
thereof non-current	**954**	803
thereof current	**4,265**	3,664

Receivables from subsidiaries include trade receivables of €102 million (2012: €189 million) and financial receivables of €677 million (2012: €549 million). They include €253 million (2012: €178 million) with a remaining term of more than one year.

Receivables from other companies in which an investment is held include €911 million (2012: €608 million) due within one year.

Prepayments of €1,074 million (2012*: €1,043 million) relate mainly to prepaid interest, insurance premiums and commission paid to dealers. Prepayments of €565 million (2012*: €588 million) have a maturity of less than one year.

Collateral receivables comprise mainly customary collateral (banking deposits) arising on the sale of receivables.

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

30 — Inventories

Inventories comprise the following:

in € million	31.12.2013	31.12.2012
Raw materials and supplies	**843**	786
Work in progress, unbilled contracts	**850**	827
Finished goods and goods for resale	**7,892**	8,112
Inventories	**9,585**	**9,725**

At 31 December 2013, inventories measured at their net realisable value amounted to €592 million (2012: €639 million) and are included in total inventories of €9,585 million (2012: €9,725 million). Write-downs to net realisable value amounting to €28 million (2012: €21 million) were recognised in 2013. Reversals of write-downs in the year under report amounted to €4 million (2012: €– million).

31 — Trade receivables

Trade receivables amounting in total to €2,449 million (2012: €2,543 million) include €47 million due later than one year (2012: €46 million).

Allowance for impairment and credit risk

in € million	31.12.2013	31.12.2012
Gross carrying amount	2,555	2,654
Allowance for impairment	–106	–111
Net carrying amount	**2,449**	**2,543**

Allowances on trade receivables developed as following during the year under report:

2013 in € million	Allowance for impairment recognised on a specific item basis	 group basis	Total
Balance at 1 January	105	6	111
Allocated/reversed	2	4	6
Utilised	–8	–	–8
Exchange rate impact and other changes	–2	–1	–3
Balance at 31 December	**97**	**9**	**106**

2012 in € million	Allowance for impairment recognised on a specific item basis	 group basis	Total
Balance at 1 January*	95	7	102
Allocated/reversed	20	1	21
Utilised	–6	–2	–8
Exchange rate impact and other changes	–4	–	–4
Balance at 31 December	**105**	**6**	**111**

* Including entities consolidated for the first time during the financial year.

Some trade receivables were overdue for which an impairment loss was not recognised. Overdue balances are analysed into the following time windows:

in € million	31.12.2013	31.12.2012
1–30 days overdue	80	139
31–60 days overdue	30	55
61–90 days overdue	8	22
91–120 days overdue	13	15
More than 120 days overdue	17	16
	148	**247**

Receivables that are overdue by between one and 30 days do not normally result in bad debt losses since the overdue nature of the receivables is primarily attributable to the timing of receipts around the month-end. In the case of trade receivables, collateral is generally held in the form of vehicle documents and bank guarantees so that the risk of bad debt loss is extremely low.

32 — Cash and cash equivalents

Cash and cash equivalents of €7,664 million (2012: €8,370 million) comprise cash on hand and at bank, all with an original term of up to three months.

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33 — Assets held for sale and liabilities in conjunction with assets held for sale

In the financial year 2012 the Board of Management of BMW AG decided to realign the strategic direction of the Motorcycles segment in view of the changing nature of motorcycle markets, demographic developments and stricter environmental requirements. The BMW Group intends to broaden its product range, in particular in the fields of urban mobility and e-mobility, in order to open up future growth opportunities. In line with the decision to focus on the BMW Motorrad brand, and considering the declining size of the relevant markets, it was considered a sensible move to sell the Husqvarna Motorcycles brand.

In December 2012, BMW Group, Munich, and Pierer Industrie AG, Wels, reached agreement with regard to the sale of Husqvarna Motorcycles S.r.l., Cassinetta di Biandronno, and Husqvarna Motorcycles NA LLC, Wilmington, DE, to Pierer Industrie AG, Wels. Following approval of the transaction by the Austrian Merger Control Authorities, the Husqvarna Group was sold on 6 March 2013 and is therefore no longer included in the Group reporting entity. A gain of €4.8 million arising on deconsolidation of the Husqvarna Group was recognised for the Motorcycles segment in the first quarter of 2013 (included in Other operating income).

34 — Equity

Number of shares issued

	Preferred stock		Common stock	
	2013	2012	**2013**	2012
Shares issued/in circulation at 1 January	**53,994,217**	53,571,372	**601,995,196**	601,995,196
Shares issued in conjunction with Employee Share Scheme	**266,152**	422,905	**–**	–
Less: shares repurchased and re-issued	**582**	60	**–**	–
Shares issued/in circulation at 31 December	**54,259,787**	53,994,217	**601,995,196**	601,995,196

At 31 December 2013 common stock issued by BMW AG was divided, as at the end of the previous year, into 601,995,196 shares of common stock with a par-value of €1. Preferred stock issued by BMW AG was divided into 54,259,787 shares (2012: 53,994,217 shares) with a par-value of €1. Unlike the common stock, no voting rights are attached to the preferred stock. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

In 2013, a total of 266,152 shares of preferred stock was sold to employees at a reduced price of €43.79 per share in conjunction with the Company's Employee Share Scheme. These shares are entitled to receive dividends with effect from the financial year 2014. 582 shares of preferred stock were bought back via the stock exchange in conjunction with the Company's Employee Share Scheme.

Further information on share-based remuneration is provided in note 19.

Issued share capital increased by €0.3 million as a result of the issue to employees of 265,570 shares of non-voting preferred stock. The Authorised Capital of BMW AG amounted to €2.9 million at the end of the reporting period. The Company is authorised to issue shares of non-voting preferred stock amounting to nominal €5.0 million prior to 13 May 2014. The share premium of €16.5 million arising on the share capital increase was transferred to capital reserves.

Capital reserves

Capital reserves include premiums arising from the issue of shares and totalled €1,990 million (2012: €1,973 million). The change related to the share capital increase in conjunction with the issue of shares of preferred stock to employees.

Revenue reserves

Revenue reserves comprise the post-acquisition and non-distributed earnings of consolidated companies. In addition, remeasurements of the net defined benefit liability for pension plans are also presented in revenue reserves along with positive and negative goodwill arising on the consolidation of Group companies prior to 31 December 1994. In previous years, revenue reserves were reported in the Consolidated Statement of Changes in Equity separately for pension obligations and for other revenue reserves.

Revenue reserves increased during the financial year 2013 to €33,167 million. The opening balance of revenue reserves increased as of 1 January 2013 by €204 million as a result of the adoption of revised IAS 19*. They were increased by the amount of the net profit attributable to shareholders of BMW AG amounting to €5,314 million (2012*: €5,085 million) and reduced by the payment of the dividend for 2012 amounting to €1,640 million (2011: €1,508 million). Revenue reserves also increased by €936 million (2012*: reduced by €1,376 million) as a result of remeasurements of the net defined benefit liability for pension plans (net of deferred tax recognised directly in equity).

The unappropriated profit of BMW AG at 31 December 2013 amounts to €1,707 million and will be proposed to the Annual General Meeting for distribution. This amount includes €141 million relating to preferred stock. The amount proposed for distribution represents an amount of €2.62 per share of preferred stock and €2.60 per share of common stock. The proposed distribution must be authorised by the shareholders at the Annual General Meeting of BMW AG. It is therefore not recognised as a liability in the Group Financial Statements.

Accumulated other equity

Accumulated other equity comprises all amounts recognised directly in equity resulting from the translation of the financial statements of foreign subsidiaries, the effects of recognising changes in the fair value of derivative financial instruments and marketable securities directly in equity and the related deferred taxes recognised directly in equity.

Minority interests

Equity attributable to minority interests amounted to €188 million (2012: €107 million). This includes a minority interest of €26 million in the results for the year (2012: €26 million).

Capital management disclosures

The BMW Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in the long-term and to provide an adequate return to shareholders.

The BMW Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of the underlying assets.

The BMW Group is not subject to any external minimum equity capital requirements. Within the Financial Services segment, however, there are a number of individual entities which are subject to equity capital requirements set by regulatory banking agencies.

In order to manage its capital structure, the BMW Group uses various instruments including the amount of dividends paid to shareholders and share buy-backs.

Moreover, the BMW Group pro-actively manages debt capital, determining levels of debt capital transactions with a target debt structure in mind. An important aspect of the selection of financial instruments is the objective to achieve matching maturities for the Group's financing requirements. In order to reduce non-systematic risk, the BMW Group uses a variety of financial instruments available on the world's capital markets to achieve optimal diversification.

The capital structure at the end of the reporting period was as follows:

in € million	**31.12.2013**	31.12.2012*
Equity attributable to shareholders of BMW AG	**35,455**	30,499
Proportion of total capital	**33.5%**	30.5%
Non-current financial liabilities	**39,450**	39,095
Current financial liabilities	**30,854**	30,412
Total financial liabilities	**70,304**	69,507
Proportion of total capital	**66.5%**	69.5%
Total capital	**105,759**	**100,006**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

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Equity attributable to shareholders of BMW AG increased during the financial year by 3.0 percentage points, mainly owing to the high net profit recorded for the year.

In December 2013 the rating agency Standard & Poor's raised BMW AG's long-term rating by one notch from A to A+ with stable outlook. This means that BMW AG continues to enjoy the best ratings of all European car manufacturers.

The improved rating and outlook reflects the financial strength of the BMW Group.

Company rating	Moody's	Standard & Poor's
Non-current financial liabilities	A2	A+
Current financial liabilities	P-1	A-1
Outlook	stable	stable

With their current long-term ratings of A+ (Standard & Poor's) and A2 (Moody's), the agencies continue to confirm BMW AG's robust creditworthiness for debt with a term of more than one year. BMW AG's creditworthiness for short-term debt is also classified by the rating agencies as very good, thus enabling it to obtain refinancing funds on competitive conditions.

35 **Pension provisions**

Pension provisions are recognised as a result of commitments to pay future vested pension benefits and current pensions to present and former employees of the BMW Group and their dependants. Depending on the legal, economic and tax circumstances prevailing in each country, various pension plans are used, based generally on the length of service, salary and remuneration structure of the employees involved. Due to similarity of nature, the obligations of BMW Group companies in the USA and of BMW (South Africa) (Pty) Ltd., Pretoria, for post-retirement medical care are also accounted for as pension provisions in accordance with IAS 19.

Post-retirement benefit plans are classified as either defined contribution or defined benefit plans. Under **defined contribution plans** an enterprise pays fixed contributions into a separate entity or fund and does not assume any other obligations. The total pension expense for defined contribution plans of the BMW Group amounted to €51 million (2012: €47 million). Employer contributions paid to state pension insurance schemes totalled €470 million (2012: €444 million).

Under **defined benefit plans** the enterprise is required to pay the benefits granted to present and past employees. Defined benefit plans may be funded or unfunded, the latter sometimes covered by accounting provisions. Pension commitments in Germany are mostly covered by assets contributed to BMW Trust e.V. (CTA). The main other countries with funded plans were the UK, the USA, Switzerland, the Netherlands, Belgium, South Africa, Japan and Norway.

In the case of externally funded plans, the defined benefit obligation is offset against plan assets measured at their fair value. Where the plan assets exceed the pension obligations and the BMW Group has a right of reimbursement or a right to reduce future contributions, it reports an asset (within "Other financial assets") at an amount equivalent to the present value of the future economic benefits attached to the plan assets. If the plan is externally funded, a liability is recognised under pension provisions where the benefit obligation exceeds fund assets.

Remeasurements of the net liability arise from changes in the present value of the defined benefit obligation, the fair value of the plan assets or the asset ceiling. Reasons for remeasurements include changes in financial and demographic assumptions as well as changes in the detailed composition of beneficiaries. Remeasurements are recognised immediately in "Other comprehensive income" and hence directly in equity (within revenue reserves).

Past service cost arises where a BMW Group company introduces a defined benefit plan or changes the benefits payable under an existing plan. These costs are recognised immediately in the income statement. Similarly, gains and losses arising on the settlement of a defined benefit plan are recognised immediately in the income statement.

The defined benefit obligation is calculated on an actuarial basis. The actuarial computation requires the use of estimates and assumptions, which depend on the economic situation in each particular country. The most important assumptions applied by the BMW Group are shown below. The following weighted average values have been used for Germany, the United Kingdom and other countries:

31 December	Germany		United Kingdom		Other	
in %	**2013**	2012	**2013**	2012	**2013**	2012
Discount rate	**3.50**	3.00	**4.40**	4.25	**4.46**	3.82
Pension level trend	**2.00**	2.18	**3.32**	2.31	**0.05**	0.09

The following mortality tables are applied in countries, in which the BMW Group has significant defined benefit plans:

Germany	Mortality Table 2005 G issued by Prof. K. Heubeck (with invalidity rates reduced by 50%)
United Kingdom	S1PA tables weighted accordingly, and S1NA tables minus 2 years, both with a minimum long term annual improvement allowance
USA	RP2000 Mortality Table Projected with Scale AA

In Germany, the so-called “pension entitlement trend” (Festbetragstrend) also represents a significant actuarial assumption for the purposes of determining benefits payable at retirement and was left unchanged at 2.0%. The salary level trend is a less sensitive assumption within the BMW Group. The calculation of the pension level trend was reviewed in conjunction with the application of the revised IAS 19 and brought onto a standardised footing worldwide. In this context, the assumption applied in the UK now also takes account of restrictions due to caps and floors. For the purposes of calculating the average rate, countries with pension payments not linked to inflation or with one-off payments are also now included. The assumptions applied in the previous year were adjusted accordingly.

Based on the measurement principles contained in IAS 19, the following balance sheet **carrying amounts** apply to the Group’s pension plans:

31 December	Germany		United Kingdom		Other		Total	
in € million	**2013**	2012	**2013**	2012*	**2013**	2012*	**2013**	2012*
Present value of defined benefit obligations	**7,400**	7,974	**7,409**	7,137	**949**	1,144	**15,758**	16,255
Fair value of plan assets	**6,749**	6,064	**6,076**	5,782	**636**	601	**13,461**	12,447
Effect of limiting net defined benefit asset to asset ceiling	**–**	–	**–**	–	**4**	4	**4**	4
Carrying amounts at 31 December	**651**	**1,910**	**1,333**	**1,355**	**317**	**547**	**2,301**	**3,812**
thereof pension provision	**652**	1,910	**1,333**	1,355	**318**	548	**2,303**	3,813
thereof assets	**–1**	–	**–**	–	**–1**	–1	**–2**	–1

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

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The decrease in defined benefit obligations results mainly from the change in the discount rate used for the actuarial calculations in Germany and the USA. In the UK, the positive impact arising from using a higher discount rate was more than offset by the negative impact of higher expected inflation levels. The maximum future economic benefits relating to the asset ceiling will be available in the form of reimbursements.

The provision for pension-like obligations for post-employment medical care in the USA and South Africa amounts to €45 million (2012*: €113 million) and is determined on a similar basis to the measurement of pension obligations in accordance with IAS 19. The medical care plan for pensioners in the USA was amended in 2013. Instead of taking over costs, the US entities will in future pay a subsidy, which the plan participants can use to acquire supplementary insurance coverage from external providers. As a consequence, cost increases no longer have a direct impact on the obligation. In the case of South Africa, however, it was assumed that costs would increase in the long term by 8.1 % (2012: 7.5 %) p.a. Income arising in connection with obligations for post-employment medical care totalled €40 million in the year under report (2012*: expense of €12 million).

Numerous **defined benefit plans** are in place throughout the BMW Group, the most significant of which are described below.

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Germany

Both employer- and employee-funded benefit plans are in place in Germany. Benefits paid in conjunction with these plans comprise old-age retirement pensions as well as invalidity and surviving dependants' benefits.

The Deferred Remuneration Retirement Plan is an employee-financed defined contribution plan with a minimum rate of return. The fact that the plan involves a minimum rate of return means that it is classified as a defined benefit plan. Employees have the option to waive payment of certain remuneration components in return for a future benefit. Any employer social security contributions saved are credited in the following year to the individual's benefits account. The converted remuneration components and the social security contributions saved are invested on capital markets. When the benefit falls due, it is paid on the basis of the higher of the value of the depot account or a guaranteed minimum amount.

Defined benefit obligations also remain in Germany, for which benefits are determined either by multiplying a fixed amount by the number of years of service or on the basis of an employee's final salary. The defined benefit plans have been closed to new entrants. With effect from 1 January 2014, new employees receive a defined contribution entitlement with minimum rate of return.

The assets of the German pension plans are administered by BMW Trust e.V. (German registered association) in accordance with a CTA. The representative bodies of BMW Trust e.V. are the Board of Directors and the Members' General Meeting. BMW Trust e.V. currently has seven members and three Board of Directors members elected by the Members' General Meeting. The Board of Directors is responsible for BMW Trust e.V.'s investments, drawing up and deciding on investment guidelines as well as monitoring compliance with those guidelines. The members of the association can be employees, senior executives and members of the Board of Directors. An ordinary Members' General Meeting takes place once every calendar year, and deals with a range of matters, including receiving and approving the association's annual report, ratifying the activities of the Board of Directors and adopting changes to the association's statutes.

United Kingdom

In the United Kingdom, the BMW Group has defined benefit plans, which are primarily employer-funded combined with employee-funded components based on the conversion of employee remuneration. These plans are subject to statutory minimum recovery requirements. Benefits paid in conjunction with these plans comprise old-age retirement pensions as well as invalidity and surviving dependants' benefits. These defined benefit plans have been closed to new entrants, who, with effect from 1 January 2014, will be covered by a defined contribution plan.

The pension plans are administered by BMW Pension Trustees Limited and BMW (UK) Trustees Limited, both trustee companies which act independently of the BMW Group. BMW (UK) Trustees Limited is represented by 14 trustees and BMW Pension Trustees Limited by five trustees. A minimum of one third of the trustees must be elected by plan participants. The trustees represent the interests of plan participants and decide on investment strategies and plan amendments. Recovery contributions to the funds are determined in agreement with the BMW Group.

USA

The BMW Group's defined benefit plans in the USA are primarily employer-funded and include final salary pension plans and a post-retirement medical care plan. Benefits paid in conjunction with these plans comprise old-age retirement pensions, early retirement benefits, surviving dependants' benefits as well as post-retirement medical care benefits.

Statutory minimum funding requirements apply to the final salary pension plans. Plan participants are represented by a committee consisting of six members, which is authorised to take all decisions pertaining to the relevant pension plan, including plan structure, investments and selection of investment managers as well as regular and recovery contributions to the plan. The committee members are nominated by the management of the relevant participating US entities. Plan committees act in a fiduciary capacity and are subject to statutory framework conditions.

The **change in the net defined benefit liability for pension plans*** can be derived as follows:

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

in € million	Defined benefit obligation	Plan assets	**Total**	Limitation of the net defined benefit asset to the asset ceiling	**Net defined benefit liability**
1 January 2013	16,255	–12,447	**3,808**	4	**3,812**
Expense / income					
Current service cost	362	–	**362**	–	**362**
Interest expense (+) / income (–)	565	–438	**127**	–	**127**
Past service cost	–53	–	**–53**	–	**–53**
Gains (–) or losses (+) arising from settlements	2	–	**2**	–	**2**
Remeasurements					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	–481	**–481**	–	**–481**
Gains (–) or losses (+) arising from changes in demographic assumptions	4	–	**4**	–	**4**
Gains (–) or losses (+) arising from changes in financial assumptions	–818	–	**–818**	–	**–818**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	1	**1**
Gains (–) or losses (+) arising from experience adjustments	34	–	**34**	–	**34**
Transfers to fund	–	–509	**–509**	–	**–509**
Employee contributions	64	–64	**–**	–	**–**
Pensions and other benefits paid	–460	324	**–136**	–	**–136**
Translation differences and other changes	–197	154	**–43**	–1	**–44**
31 December 2013	**15,758**	**–13,461**	**2,297**	**4**	**2,301**
thereof pension provision					2,303
thereof assets					–2

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in € million	Defined benefit obligation	Plan assets	**Total**	Limitation of the net defined benefit asset to the asset ceiling	**Net defined benefit liability**
1 January 2012	13,030	–11,038	**1,992**	3	**1,995**
Effect of first-time consolidation	2	–	**2**	–	**2**
Expense / income					
Current service cost	253	–	**253**	–	**253**
Interest expense (+) / income (–)	618	–528	**90**	–	**90**
Past service cost	–3	–	**–3**	–	**–3**
Gains (–) or losses (+) arising from settlements	–1	–	**–1**	–	**–1**
Remeasurements					
Gains (–) or losses (+) on plan assets, excluding amounts included in interest income	–	–671	**–671**	–	**–671**
Gains (–) or losses (+) arising from changes in demographic assumptions	128	–	**128**	–	**128**
Gains (–) or losses (+) arising from changes in financial assumptions	2,712	–	**2,712**	–	**2,712**
Changes in the limitation of the net defined benefit asset to the asset ceiling	–	–	**–**	2	**2**
Gains (–) or losses (+) arising from experience adjustments	–278	–	**–278**	–	**–278**
Transfers to fund	–	–313	**–313**	–	**–313**
Employee contributions	60	–60	**–**	–	**–**
Pensions and other benefits paid	–434	320	**–114**	–	**–114**
Translation differences and other changes	168	–157	**11**	–1	**10**
31 December 2012	**16,255**	**–12,447**	**3,808**	**4**	**3,812**
thereof pension provision					3,813
thereof assets					–1

Net interest expense on the net defined benefit liability is presented within the financial result. All other components of pension expense are presented in the income statement under costs by function.

Remeasurements on the obligations side gave rise to a negative amount of €780 million (2012: positive amount of €2,562 million) and related mainly to the higher discount rates used in Germany and the USA.

The level of the pension obligations differs depending on the pension system applicable in each country. Since the state pension system in the UK only provides a low fixed amount benefit, old-age retirement benefits are largely organised in the form of company pensions on the one hand and arrangements financed by the individual on the other. The pension benefits in the UK therefore contain contributions made by the employee.

The **net defined benefit liability for pension plans** in Germany, the UK and other countries changed as follows:

Germany

in € million	Defined benefit obligation 2013	Defined benefit obligation 2012	Plan assets 2013	Plan assets 2012	Net liability 2013	Net liability 2012
1 January	**7,974**	5,618	**–6,064**	–5,178	**1,910**	440
Expense/income	**483**	414	**–183**	–247	**300**	167
Remeasurements	**–946**	2,046	**–174**	–466	**–1,120**	1,580
Payments to external funds	**–**	–	**–301**	–153	**–301**	–153
Employee contributions	**42**	39	**–42**	–39	**–**	–
Payments on account and pension payments	**–154**	–143	**15**	19	**–139**	–124
Other changes	**1**	–	**–**	–	**1**	–
31 December	**7,400**	**7,974**	**–6,749**	**–6,064**	**651**	**1,910**

United Kingdom

in € million	Defined benefit obligation 2013	Defined benefit obligation 2012*	Plan assets 2013	Plan assets 2012	Net liability 2013	Net liability 2012*
1 January	**7,137**	6,499	**–5,782**	–5,376	**1,355**	1,123
Expense/income	**345**	368	**–233**	–260	**112**	108
Remeasurements	**330**	346	**–305**	–170	**25**	176
Payments to external funds	**–**	–	**–135**	–93	**–135**	–93
Employee contributions	**18**	17	**–18**	–17	**–**	–
Payments on account and pension payments	**–261**	–269	**269**	280	**8**	11
Translation differences and other changes	**–160**	176	**128**	–146	**–32**	30
31 December	**7,409**	**7,137**	**–6,076**	**–5,782**	**1,333**	**1,355**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Other

in € million	Defined benefit obligation 2013	Defined benefit obligation 2012*	Plan assets 2013	Plan assets 2012*	Effect of limiting the net defined benefit asset to the asset ceiling 2013	Effect of limiting the net defined benefit asset to the asset ceiling 2012	Net liability 2013	Net liability 2012*
1 January	**1,144**	913	**–601**	–484	**4**	3	**547**	432
Effect of first-time consolidation	**–**	2	**–**	–	**–**	–	**–**	2
Expense/income	**48**	85	**–22**	–21	**–**	–	**26**	64
Remeasurements	**–164**	170	**–2**	–35	**1**	2	**–165**	137
Payments to external funds	**–**	–	**–73**	–67	**–**	–	**–73**	–67
Employee contributions	**4**	4	**–4**	–4	**–**	–	**–**	–
Payments on account and pension payments	**–45**	–22	**40**	21	**–**	–	**–5**	–1
Translation differences and other changes	**–38**	–8	**26**	–11	**–1**	–1	**–13**	–20
31 December	**949**	**1.144**	**–636**	**–601**	**4**	**4**	**317**	**547**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Depending on the cash flow profile and risk structure of the pension obligations involved, pension plan assets are invested in various investment classes. In accordance with the requirements of revised IAS 19, new investment classes were included in the breakdown of plan assets.

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Plan assets in Germany, the UK and other countries comprised the following:

Components of plan assets

	Germany		United Kingdom		Other		Total	
in € million	**2013**	2012	**2013**	2012	**2013**	2012*	**2013**	2012*
Equity instruments	**1,718**	1,462	**1,030**	1,055	**133**	137	**2,881**	2,654
Debt instruments	**4,143**	3,905	**3,333**	3,079	**263**	251	**7,739**	7,235
thereof investment grade	**2,987**	3,030	**3,160**	2,901	**243**	231	**6,390**	6,162
thereof non-investment grade	**1,156**	875	**173**	178	**20**	20	**1,349**	1,073
Real estate	**–**	–	**3**	3	**19**	6	**22**	9
Money market funds	**89**	65	**113**	191	**43**	37	**245**	293
Absolute return funds	**–**	–	**21**	21	**–**	–	**21**	21
Other	**–**	–	**26**	19	**1**	2	**27**	21
Total with quoted market price	**5,950**	**5,432**	**4,526**	**4,368**	**459**	**433**	**10,935**	**10,233**
Debt instruments	**177**	170	**310**	423	**12**	19	**499**	612
thereof investment grade	**177**	170	**136**	383	**9**	3	**322**	556
thereof non-investment grade	**–**	–	**174**	40	**3**	16	**177**	56
Real estate	**99**	87	**570**	550	**64**	58	**733**	695
Cash and cash equivalents	**1**	18	**–**	3	**1**	–	**2**	21
Absolute return funds	**361**	232	**454**	369	**–**	–	**815**	601
Other	**161**	125	**216**	69	**100**	91	**477**	285
Total without quoted market price	**799**	**632**	**1,550**	**1,414**	**177**	**168**	**2,526**	**2,214**
31 December	**6,749**	**6,064**	**6,076**	**5,782**	**636**	**601**	**13,461**	**12,447**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Employer contributions to plan assets are expected to amount to €415 million in the coming year. Plan assets of the BMW Group include own transferable financial instruments amounting to €4 million (2012: €2 million).

The BMW Group is exposed to **risks** arising from defined benefit plans on the one hand and defined contribution plans with a minimum return guarantee on the other. Pension obligations to employees under such plans are measured on the basis of actuarial reports. Future pension payments are discounted by reference to market yields on high quality corporate bonds. These yields are subject to market fluctuation and influence the level of pension obligations. Furthermore, changes in other actuarial parameters, such as expected rates of inflation, also have an impact on pension obligations.

A substantial portion of plan assets is invested in debt instruments in order to minimise the effect of capital market fluctuations on the net liability. The asset portfolio also includes equity instruments, property and alternative investments – asset classes capable of generating the higher rates of return necessary to cover risks (such as changes in mortality tables) not taken into account in the actuarial assumptions applied. The financial risk of longer-than-assumed life expectancy is hedged for the BMW Group's largest pension plan in the UK by means of a so-called "longevity hedge".

In order to reduce currency exposures, a substantial portion of plan assets are either invested in the same currency as the underlying plan or hedged by means of currency derivatives.

Pension fund assets are monitored continuously and managed from a risk-and-yield perspective. Risk is reduced by ensuring a broad spread of investments. In this context, the BMW Group continuously monitors the degree of coverage of pension plans as well as adherence to the stipulated investment strategy.

As part of the reporting procedures and for internal management purposes, financial risks relating to the pension plans are reported on using a deficit-value-at-risk approach. The investment strategy is also subjected to regular review together with investment consultants, with the aim of ensuring that investments are structured to coincide with the timing of pension payments and the expected pattern of pension obligations. In their own way, each of these measures helps to reduce fluctuations in pension funding shortfalls.

Most of the BMW Group's pension assets are administered separately and kept legally segregated from company assets using trust fund arrangements. As a consequence, the level of funds required to finance pension payments out of operations will be substantially reduced in the future, since most of the Group's pension obligations are settled out of the assets of pension funds/trust fund arrangements.

The defined benefit obligation relates to current employees, former employees with vested benefits and pensioners as follows:

31 December	Germany		United Kingdom		Other	
in € million	**2013**	2012	**2013**	2012*	**2013**	2012*
Current employees	**4,715**	5,157	**1,604**	1,344	**723**	872
Pensioners	**2,297**	2,384	**3,651**	3,752	**141**	176
Former employees with vested benefits	**388**	433	**2,154**	2,041	**85**	96
Defined benefit obligation	**7,400**	**7,974**	**7,409**	**7,137**	**949**	**1,144**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

The **sensitivity analysis** provided below shows the extent to which the defined benefit obligation would have been affected by changes in the relevant assumptions that were reasonably possible at the end of the reporting period, if the other assumptions used in the calculation were kept constant. As permitted in IAS 19.173(b), disclosures for the comparative period are not provided. The defined benefit obligation amounted to €15,758 million at 31 December 2013.

31 December 2013		Change in defined benefit obligation in € million	Change in defined benefit obligation in %
Discount rate	increase of 0.75 %	–2,028	–12.9
	decrease of 0.75 %	2,528	16.0
Pension level trend	increase of 0.25 %	506	3.2
	decrease of 0.25 %	–479	–3.0
Average life expectancy	increase of 1 year	510	3.2
	decrease of 1 year	–514	–3.3
Pension entitlement trend	increase of 0.25 %	101	0.6
	decrease of 0.25 %	–97	–0.6

In the UK, the sensitivity analysis for the pension level trend also takes account of restrictions due to caps and floors.

The **weighted duration of all pension obligations** in Germany, the UK and other countries (based on present values of the defined benefit obligation) developed as follows:

31 December	Germany		United Kingdom		Other	
in years	**2013**	2012	**2013**	2012	**2013**	2012
Weighted duration of all pension obligations	**19.6**	21.0	**18.3**	18.4	**14.9**	18.8

Statutory minimum funding and recovery requirements apply in the UK and the USA which may have an effect on future amounts. Valuations are performed regularly to measure the level of funding. In conjunction with these valuations, funding plans are drawn up and the amount of any special allocations determined.

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36 — Other provisions

Other provisions comprise the following items:

in € million	31.12.2013 Total	31.12.2013 thereof due within one year	31.12.2012* Total	31.12.2012* thereof due within one year
Obligations for personnel and social expenses	**1,697**	**1,299**	1,611	1,198
Obligations for ongoing operational expenses	**3,468**	**1,076**	3,177	924
Other obligations	**2,018**	**1,036**	1,899	1,124
Other provisions	**7,183**	**3,411**	**6,687**	**3,246**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

Provisions for obligations for personnel and social expenses comprise mainly performance-related remuneration components, early retirement part-time working arrangements and employee long-service awards. Obligations for performance-related remuneration components are normally settled in the following financial year. Provisions for obligations for on-going operational expenses relate primarily to warranty obligations and comprise both statutorily prescribed manufacturer warranties and other guaranties offered by the BMW Group. Depending on when claims are made, it is possible that the BMW Group may be called upon to fulfil obligations over the whole period of the warranty or guarantee. Provisions for other obligations cover numerous specific risks and obligations of uncertain timing and amount, in particular for litigation and liability risks.

Other provisions changed during the year as follows:

in € million	1.1.2013*	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2013
Obligations for personnel and social expenses	1,616	–12	1,310	–	–1,194	–23	**1,697**
Obligations for ongoing operational expenses	3,181	–117	1,486	13	–1,010	–85	**3,468**
Other obligations	1,879	–48	854	–8	–450	–209	**2,018**
Other provisions	**6,676**	**–177**	**3,650**	**5**	**–2,654**	**–317**	**7,183**

* Prior year figures adjusted in accordance with the revised IAS 19, see note 7, and include mergers.

Income from the reversal of other provisions amounting to €134 million (2012: €129 million) is included in costs by function in the income statement.

37 — Income tax liabilities

Current income tax liabilities totalling €1,237 million (2012: €1,482 million) include obligations amounting to €823 million (2012: €806 million) which are expected to be settled after more than twelve months. Some of the liabilities may be settled earlier than this depending on the timing of proceedings.

Current tax liabilities of €1,237 million (2012: €1,482 million) comprise €197 million (2012: €438 million) for taxes payable and €1,040 million (2012: €1,044 million) for tax provisions. Tax provisions totalling €44 million were reversed in the year under report (2012: €23 million).

38 — Financial liabilities

Financial liabilities include all liabilities of the BMW Group at the relevant balance sheet dates relating to financing activities. Financial liabilities comprise the following:

31 December 2013 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	7,166	20,329	2,875	**30,370**
Liabilities to banks	4,326	4,146	118	**8,590**
Liabilities from customer deposits (banking)	9,342	3,115	–	**12,457**
Commercial paper	6,292	–	–	**6,292**
Asset backed financing transactions	2,579	7,517	32	**10,128**
Derivative instruments	426	632	45	**1,103**
Other	723	307	334	**1,364**
Financial liabilities	**30,854**	**36,046**	**3,404**	**70,304**

31 December 2012 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	7,427	17,234	5,191	**29,852**
Liabilities to banks	4,595	4,232	657	**9,484**
Liabilities from customer deposits (banking)	10,076	2,942	–	**13,018**
Commercial paper	4,577	–	–	**4,577**
Asset backed financing transactions	2,097	7,212	102	**9,411**
Derivative instruments	865	903	22	**1,790**
Other	775	233	367	**1,375**
Financial liabilities	**30,412**	**32,756**	**6,339**	**69,507**

The BMW Group uses various short-term and long-term refinancing instruments on money and capital markets to finance its operations. This diversification enables it to obtain attractive market conditions.

The main instruments used are corporate bonds, asset-backed financing transactions, liabilities to banks and liabilities from customer deposits (banking).

Customer deposit liabilities arise in the BMW Group's banks in Germany and the USA, both of which offer a range of investment products.

Bonds comprise:

Issuer	Interest	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in years)	Weighted average nominal interest rate (in %)
BMW Finance N.V., The Hague	variable	EUR 2,975 million	2.2	0.5
	variable	GBP 100 million	1.0	0.7
	variable	HKD 300 million	3.0	1.3
	variable	JPY 3,500 million	3.0	0.8
	variable	SEK 1,800 million	2.0	1.4
	variable	USD 605 million	1.7	0.6
	fixed	AUD 600 million	3.5	4.9
	fixed	CHF 300 million	6.0	1.8
	fixed	EUR 13,494 million	6.4	3.2
	fixed	GBP 1,050 million	6.0	3.0
	fixed	HKD 836 million	3.0	2.0
	fixed	JPY 15,000 million	3.0	0.4
	fixed	NOK 6,400 million	3.1	3.7
	fixed	NZD 100 million	3.0	4.8

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Issuer	Interest	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in years)	Weighted average nominal interest rate (in %)
BMW Finance N.V., The Hague	fixed	SEK 1,000 million	3.0	3.8
BMW (UK) Capital plc, Bracknell	fixed	CHF 500 million	5.0	2.1
	fixed	GBP 300 million	8.0	5.0
BMW US Capital, LLC, Wilmington, DE	variable	EUR 305 million	2.3	0.3
	variable	GBP 300 million	1.0	0.5
	variable	SEK 1,000 million	2.2	0.9
	variable	USD 480 million	4.0	0.2
	fixed	CHF 325 million	7.0	3.6
	fixed	EUR 3,500 million	5.6	3.1
	fixed	JPY 6,000 million	2.0	0.3
	fixed	AUD 200 million	3.2	4.0
	fixed	NOK 1,500 million	3.0	2.4
	fixed	USD 1,295 million	7.4	3.8
BMW Australia Finance Ltd., Melbourne, Victoria	variable	EUR 150 million	2.3	0.5
	variable	USD 335 million	2.3	0.8
	fixed	AUD 175 million	3.0	6.5
	fixed	JPY 17,500 million	2.0	0.4
Other	variable	JPY 15,000 million	3.0	0.3
	fixed	INR 8,000 million	3.6	10.1
	fixed	CAD 1,975 million	3.7	2.5
	fixed	JPY 38,000 million	4.6	0.6
	fixed	KRW 220,000 million	4.1	3.6

The following details apply to the commercial paper:

Issuer	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in days)	Weighted average nominal interest rate (in %)
BMW Finance N.V., The Hague	EUR 2,127 million	47.3	0.2
	GBP 800 million	50.0	0.5
	USD 779 million	79.8	0.2
BMW Malta Finance Ltd., St. Julians	EUR 300 million	38.0	0.1
BMW US Capital, LLC, Wilmington, DE	USD 3,225 million	27.5	0.1

39 — Other liabilities

Other liabilities comprise the following items:

31 December 2013 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Other taxes	729	1	15	**745**
Social security	60	11	3	**74**
Advance payments from customers	528	77	–	**605**
Deposits received	274	93	14	**381**
Payables to subsidiaries	157	–	–	**157**
Payables to other companies in which an investment is held	72	–	–	**72**
Deferred income	1,666	3,069	191	**4,926**
Other	3,580	121	8	**3,709**
Other liabilities	**7,066**	**3,372**	**231**	**10,669**

31 December 2012 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Other taxes	697	1	15	**713**
Social security	46	23	7	**76**
Advance payments from customers	603	65	–	**668**
Deposits received	355	91	20	**466**
Payables to subsidiaries	236	–	–	**236**
Payables to other companies in which an investment is held	1	–	–	**1**
Deferred income	1,496	2,704	312	**4,512**
Other	3,358	157	9	**3,524**
Other liabilities	**6,792**	**3,041**	**363**	**10,196**

Deferred income comprises the following items:

in € million	**31.12.2013**		31.12.2012	
	Total	thereof due within one year	Total	thereof due within one year
Deferred income from lease financing	**1,774**	**761**	1,743	791
Deferred income relating to service contracts	**2,855**	**837**	2,478	615
Grants	**193**	**20**	196	28
Other deferred income	**104**	**48**	95	62
Deferred income	**4,926**	**1,666**	**4,512**	**1,496**

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Deferred income relating to service contracts relates to service and repair work to be provided under commitments given at the time of the sale of a vehicle (multi-component arrangements). Grants comprise primarily public sector funds to promote regional structures and which have been invested in the production plants in Leipzig and Berlin. The grants are subject to holding periods for the assets concerned of up to five years and minimum employment figures. All conditions attached to the grants were complied with at 31 December 2013. In accordance with IAS 20, grant income is recognised over the useful lives of the assets to which they relate.

40 — Trade payables

31 December 2013 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Trade payables	7,283	192	–	**7,475**

31 December 2012 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Trade payables	6,424	9	–	**6,433**

The total amount of financial liabilities, other liabilities and trade payables with a maturity later than five years amounts to €3,635 million (2012: €6,702 million).

41 — Contingent liabilities and other financial commitments

Contingent liabilities

No provisions were recognised for the following contingent liabilities (stated at estimated amounts), since an outflow of resources is not considered to be probable:

in € million	**31.12.2013**	31.12.2012
Guarantees	**33**	6
Performance guarantees	**4**	–
Other	**39**	60
Contingent liabilities	**76**	**66**

Contingent liabilities relate entirely to non-group entities.

Other financial commitments

In addition to liabilities, provisions and contingent liabilities, the BMW Group also has other financial commitments, primarily under lease contracts for land, buildings, plant and machinery, tools, office and other facilities. The leases run for periods of one to 45 years and in some cases contain extension and/or purchase options. In 2013 an amount of €320 million (2012: €296 million) was recognised as an expense in conjunction with operating leases. All of these amounts relate to minimum lease payments.

The total of future minimum lease payments under non-cancellable and other operating leases can be analysed by maturity as follows:

in € million	**31.12.2013**	31.12.2012
Nominal total of future minimum lease payments		
due within one year	**335**	320
due between one and five years	**852**	805
due later than five years	**587**	585
Other financial obligations	**1,774**	**1,710**

Other financial commitments include €10 million (2012: €19 million) in respect of obligations to non-consolidated subsidiaries and €1 million (2012: €2 million) for back-to-back operating leases.

Purchase commitments amounted to €2,661 million (2012: €3,010 million) for property, plant and equipment and €446 million (2012: €440 million) for intangible assets.

42 – Financial instruments

The carrying amounts and fair values of financial instruments are assigned to IAS 39 categories and cash funds as follows:[1, 2]

31 December 2013 in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets						
Other investments	–	–	–	–	–	–
Receivables from sales financing	–	–	55,536	54,117	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	250	250	–	–
Loans to third parties	–	–	32	32	–	–
Credit card receivables	–	–	222	222	–	–
Other	–	–	825	825	–	–
Cash and cash equivalents	7,664	7,664	–	–	–	–
Trade receivables	–	–	2,449	2,449	–	–
Other assets						
Receivables from subsidiaries	–	–	779	779	–	–
Receivables from companies in which an investment is held	–	–	999	999	–	–
Collateral receivables	–	–	382	382	–	–
Other	–	–	172	172	–	–
Total	**7,664**	**7,664**	**61,646**	**60,227**	**–**	**–**

31 December 2013 in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Liabilities						
Financial liabilities						
Bonds	–	–	–	–	–	–
Liabilities to banks	–	–	–	–	–	–
Liabilities from customer deposits (banking)	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Asset backed financing transactions	–	–	–	–	–	–
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Other	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Other liabilities						
Payables to subsidiaries	–	–	–	–	–	–
Payables to other companies in which an investment is held	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**

[1] The carrying amounts of cash flow and fair value hedges are allocated to the category “Held for trading” for the sake of clarity.
[2] Based on the fact that maturities are generally short, it is assumed for some items that fair value corresponds to the carrying amount.
[3] Carrying amount corresponds to market value.
[4] Optimised system-based fair value measurement for items whose market value differs from their carrying amount.

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Other liabilities: Fair value	Other liabilities: Carrying amount	Available-for-sale: Carrying amount[3]	Fair value option: Carrying amount[3]	Held for trading: Carrying amount[3]	
					Assets
–	–	553	–	–	Other investments
–	–	–	–	–	Receivables from sales financing
					Financial assets
					Derivative instruments
–	–	–	–	1,914	Cash flow hedges
–	–	–	–	1,050	Fair value hedges
–	–	–	–	1,049	Other derivative instruments
–	–	2,810	–	–	Marketable securities and investment funds
–	–	–	–	–	Loans to third parties
–	–	–	–	–	Credit card receivables
–	–	–	–	–	Other
–	–	–	–	–	Cash and cash equivalents
–	–	–	–	–	Trade receivables
					Other assets
–	–	–	–	–	Receivables from subsidiaries
–	–	–	–	–	Receivables from companies in which an investment is held
–	–	324	–	–	Collateral receivables
–	–	–	–	–	Other
–	**–**	**3,687**	**–**	**4,013**	**Total**

Other liabilities: Fair value[4]	Other liabilities: Carrying amount	Available-for-sale: Carrying amount[3]	Fair value option: Carrying amount[3]	Held for trading: Carrying amount[3]	
					Liabilities
					Financial liabilities
30,860	30,370	–	–	–	Bonds
8,671	8,590	–	–	–	Liabilities to banks
12,471	12,457	–	–	–	Liabilities from customer deposits (banking)
6,292	6,292	–	–	–	Commercial paper
10,173	10,128	–	–	–	Asset backed financing transactions
					Derivative instruments
–	–	–	–	317	Cash flow hedges
–	–	–	–	321	Fair value hedges
–	–	–	–	465	Other derivative instruments
1,364	1,364	–	–	–	Other
7,475	7,475	–	–	–	Trade payables
					Other liabilities
157	157	–	–	–	Payables to subsidiaries
72	72	–	–	–	Payables to other companies in which an investment is held
4,126	4,126	–	–	–	Other
81,661	**81,031**	**–**	**–**	**1,103**	**Total**

31 December 2012[1,2] in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets						
Other investments	–	–	–	–	–	–
Receivables from sales financing	–	–	54,374	52,914	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	–	–	–	–
Loans to third parties	–	–	44	44	–	–
Credit card receivables	–	–	234	234	–	–
Other	–	–	835	835	–	–
Cash and cash equivalents	8,370	8,370	–	–	–	–
Trade receivables	–	–	2,543	2,543	–	–
Other assets						
Receivables from subsidiaries	–	–	738	738	–	–
Receivables from companies in which an investment is held	–	–	676	676	–	–
Collateral receivables	398	398	–	–	–	–
Other	–	–	205	205	–	–
Total	**8,768**	**8,768**	**59,649**	**58,189**	**–**	**–**

31 December 2012 in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Liabilities						
Financial liabilities						
Bonds	–	–	–	–	–	–
Liabilities to banks	–	–	–	–	–	–
Liabilities from customer deposits (banking)	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Asset backed financing transactions	–	–	–	–	–	–
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Other	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Other liabilities						
Payables to subsidiaries	–	–	–	–	–	–
Payables to other companies in which an investment is held	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**

[1] The carrying amounts of cash flow and fair value hedges are allocated to the category "Held for trading" for the sake of clarity.
[2] Based on the fact that maturities are generally short, it is assumed for some items that fair value corresponds to the carrying amount.
[3] Carrying amount corresponds to market value.

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Other liabilities: Fair value	Other liabilities: Carrying amount	Available-for-sale: Carrying amount[3]	Fair value option: Carrying amount[3]	Held for trading: Carrying amount[3]	
					Assets
–	–	548	–	–	Other investments
–	–	–	–	–	Receivables from sales financing
					Financial assets
					Derivative instruments
–	–	–	–	925	Cash flow hedges
–	–	–	–	1,457	Fair value hedges
–	–	–	–	610	Other derivative instruments
–	–	2,655	–	–	Marketable securities and investment funds
–	–	–	–	–	Loans to third parties
–	–	–	–	–	Credit card receivables
–	–	–	–	–	Other
–	–	–	–	–	Cash and cash equivalents
–	–	–	–	–	Trade receivables
					Other assets
–	–	–	–	–	Receivables from subsidiaries
–	–	–	–	–	Receivables from companies in which an investment is held
–	–	157	–	–	Collateral receivables
–	–	–	–	–	Other
–	**–**	**3,360**	**–**	**2,992**	**Total**

Other liabilities: Fair value	Other liabilities: Carrying amount	Available-for-sale: Carrying amount[3]	Fair value option: Carrying amount[3]	Held for trading: Carrying amount[3]	
					Liabilities
					Financial liabilities
29,966	29,852	–	–	–	Bonds
9,484	9,484	–	–	–	Liabilities to banks
13,098	13,018	–	–	–	Liabilities from customer deposits (banking)
4,577	4,577	–	–	–	Commercial paper
9,369	9,411	–	–	–	Asset backed financing transactions
					Derivative instruments
–	–	–	–	701	Cash flow hedges
–	–	–	–	320	Fair value hedges
–	–	–	–	769	Other derivative instruments
1,375	1,375	–	–	–	Other
6,433	6,433	–	–	–	Trade payables
					Other liabilities
236	236	–	–	–	Payables to subsidiaries
1	1	–	–	–	Payables to other companies in which an investment is held
4,084	4,084	–	–	–	Other
78,623	**78,471**	**–**	**–**	**1,790**	**Total**

Fair value measurement of financial instruments

The fair values shown are computed using market information available at the balance sheet date, on the basis of prices quoted by the contract partners or 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:

ISO Code in %	EUR	USD	GBP	JPY	CNY
Interest rate for six months	0.28	0.26	0.54	0.20	5.66
Interest rate for one year	0.40	0.31	0.71	0.21	5.80
Interest rate for five years	1.27	1.77	2.17	0.40	5.80
Interest rate for ten years	2.22	3.17	3.09	0.95	5.86

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 are taken into account in the measurement of derivative financial instruments. The methodology for collating data used in the fair values computation model was refined during the second quarter of 2013, particularly with respect to the way interest rate curves are employed and the use of additional market data (tenor and currency basis spreads), thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on their disposal. In addition, the Group's own default risk and that of counterparties is taken into account in the form of credit default swap (CDS) contracts which have matching terms and 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) or
3. using input factors not based on observable market data (Level 3).

The following table shows the amounts allocated to each measurement level at the end of the reporting period:

31 December 2013	Level hierarchy in accordance with IFRS 13		
in € million	Level 1	Level 2	Level 3
Marketable securities, investment fund shares and collateral assets – available-for-sale	3,134	–	–
Other investments – available-for-sale	379	–	–
Derivative instruments (assets)			
Cash flow hedges	–	1,914	–
Fair value hedges	–	1,050	–
Other derivative instruments	–	1,049	–
Derivative instruments (liabilities)			
Cash flow hedges	–	317	–
Fair value hedges	–	321	–
Other derivative instruments	–	465	–

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31 December 2012 in € million	Level hierarchy in accordance with IFRS 13 Level 1	 Level 2	 Level 3
Marketable securities, investment fund shares and collateral assets – available-for-sale	2,812	–	–
Other investments – available-for-sale	391	–	–
Derivative instruments (assets)			
Cash flow hedges	–	925	–
Fair value hedges	–	1,457	–
Other derivative instruments	–	610	–
Derivative instruments (liabilities)			
Cash flow hedges	–	701	–
Fair value hedges	–	320	–
Other derivative instruments	–	769	–

Other investments (available-for-sale) amounting to €174 million (2012: €157 million) are measured at amortised cost since quoted market prices are not available or cannot be determined reliably. These are therefore not included in the level hierarchy shown above. In addition, other investments amounting to €379 million (2012: €391 million) are measured at fair value since quoted market prices are available. These items are included in Level 1.

As in the previous year, there were no reclassifications within the level hierarchy during the financial year 2013.

In situations where a fair value was required to be measured for a financial instrument only for disclosure purposes, this was achieved using the discounted cash flow method and taking account of the BMW Group's own default risk; for this reason, the fair values calculated can be allocated to Level 2.

Offsetting of financial instruments

In the BMW Group, financial assets and liabilities relating to derivative financial instruments would normally be required to be offset. No offsetting takes place for accounting purposes, however, since the necessary criteria are not met. Since legally enforceable master netting agreements or similar contracts are in place, actual offsetting would be possible in principle, for instance in the case of insolvency. Offsetting would have the following impact on the carrying amounts of derivatives:

in € million	**31.12.2013**		31.12.2012	
	Reported on assets side	Reported on equity and liabilities side	Reported on assets side	Reported on equity and liabilities side
Balance sheet amounts as reported	**4,013**	**1,103**	2,992	1,790
Gross amount of derivatives which can be offset in case of insolvency	**–710**	**–710**	–1,004	–1,004
Net amount after offsetting	**3,303**	**393**	1,988	786

Gains and losses on financial instruments

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

in € million	2013	2012
Held for trading		
Gains/losses from the use of derivative instruments	**571**	–278
Available-for-sale		
Gains and losses on sale and fair value measurement of marketable securities held for sale (including investments in subsidiaries and participations measured at cost)	**–57**	–145
Net income from participations and investments	**10**	5
Accumulated other equity		
Balance at 1 January	**108**	–61
Total change during the year	**27**	169
thereof recognised in the income statement during the period under report	**–40**	40
Balance at 31 December	**135**	108
Loans and receivables		
Impairment losses/reversals of impairment losses	**–310**	–440
Other income/expenses	**126**	–61
Other liabilities		
Income/expenses	**–235**	–115

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Gains/losses from the use of derivatives relate primarily to fair value gains or losses arising on stand-alone derivatives.

Net interest income from interest rate and interest rate/currency swaps amounted to €126 million (2012: €111 million).

Impairment losses of €73 million (2012: €166 million) on available-for-sale marketable securities, for which fair value changes were previously recognised directly in equity, were recognised as expenses in 2013. Reversals of impairment losses on marketable securities amounting to €70 million (2012: €– million) were recognised directly in equity.

The disclosure of interest income resulting from the unwinding of interest on future expected receipts would normally only be relevant for the BMW Group where assets have been discounted as part of the process of determining impairment losses. However, as a result of the assumption that most of the income that is subsequently recovered is received within one year and the fact that the impact is not material, the BMW Group does not discount assets for the purposes of determining impairment losses.

Cash flow hedges

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

in € million	2013	2012
Balance at 1 January	**202**	–750
Total changes during the year	**934**	952
thereof reclassified to the income statement	**–179**	532
Balance at 31 December	**1,136**	**202**

Fair value gains and losses recognised on derivatives and recorded initially in accumulated other equity are reclassified to cost of sales when the derivatives mature.

No gains/losses were recognised in "Financial Result" in 2013 in connection with forecasting errors and the resulting over-hedging of currency exposures (2012: net positive amount of €1 million). In the previous year, the impact arose primarily as a result of changes in sales forecasts in foreign currencies. Gains attributable to the ineffective portion of hedging instruments amounting to €8 million were recognised in "Financial Result" (2012: €– million). No gains/losses were recognised in 2013 in connection with forecasting errors relating to cash flow hedges for commodities (2012: negative impact of €8 million). However, losses attributable to the ineffective portion of commodity hedges amounting to €8 million (2012: gain of €67 million) were recognised in "Financial Result".

At 31 December 2013 the BMW Group held derivative financial instruments (mainly option and forward currency contracts) with terms of up to 60 months (2012: 72 months), as a general rule in order to hedge currency risks attached to future transactions. These derivative instruments are intended to hedge forecast sales denominated in a foreign currency over the coming 60 months. The income statement impact of the hedged cash flows will be recognised as a general rule in the same periods in which external revenues are recognised. It is expected that €162 million of net gains, recognised in equity at the end of the reporting period, will be reclassified to the income statement (2012: €26 million).

At 31 December 2013 the BMW Group held derivative financial instruments (mostly interest rate swaps) with terms of up to 13 months (2012: 25 months) to hedge interest rate risks. These derivative instruments are intended to hedge interest-rate risks arising on financial instruments with variable interest payments over the coming 13 months. The income statement impact of the hedged cash flows will be recognised as a general rule in the same periods over which the relevant interest rates are fixed. It is not expected that any net gains or net losses, recognised in equity at the end of the reporting period, will be reclassified to the income statement in the coming financial year (2012: €– million).

At 31 December 2013 the BMW Group held derivative financial instruments (mostly commodity swaps) with terms of up to 60 months (2012: 60 months) to hedge raw materials price risks attached to future transactions over the coming 60 months. The income statement impact of the hedged cash flows will be recognised as a general rule in the same period in which the derivative instruments mature. It is expected that €60 million of net losses, recognised in equity at the end of the reporting period, will be reclassified to the income statement in the coming financial year (2012: net gains of €5 million).

Fair value hedges

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

in € million	**31.12.2013**	31.12.2012
Gains / losses on hedging instruments designated as part of a fair value hedge relationship	**–525**	127
Gains / loss from hedged items	**503**	–140
Ineffectiveness of fair value hedges	**–22**	**–13**

The difference between the gains/losses on hedging instruments (mostly interest rate swaps) and the results recognised on hedged items represents the ineffective portion of fair value hedges.

Fair value hedges are mainly used to hedge the market prices of bonds, other financial liabilities and receivables from sales financing.

Bad debt risk

Notwithstanding the existence of collateral accepted, the carrying amounts of financial assets generally take account of the maximum credit risk arising from the possibility that the counterparties will not be able to fulfil their contractual obligations. The maximum credit risk for irrevocable credit commitments relating to credit card business amounts to €943 million (2012: €969 million). The equivalent figure for dealer financing is €19,856 million (2012: €18,157 million).

In the case of performance relationships underlying non-derivative financial instruments, collateral will be required, information on the credit-standing of the counterparty obtained or historical data based on the existing business relationship (i.e. payment patterns to date) reviewed in order to minimise the credit risk, all depending on the nature and amount of the exposure that the BMW Group is proposing to enter into.

Within the financial services business, the financed items (e.g. vehicles, equipment and property) in the retail customer and dealer lines of business serve as first-ranking collateral with a recoverable value. Security is also put up by customers in the form of collateral asset pledges, asset assignment and first-ranking mortgages, supplemented where appropriate by warranties and guarantees. If an item previously accepted as collateral is acquired, it undergoes a multi-stage process of repossession and disposal in accordance with the legal situation prevailing in the relevant market. The assets involved are generally vehicles which can be converted into cash at any time via the dealer organisation.

Impairment losses are recorded as soon as credit risks are identified on individual financial assets, using a methodology specifically designed by the BMW Group. More detailed information regarding this methodology is provided in the section on accounting policies (note 5).

Creditworthiness testing is an important aspect of the BMW Group's credit risk management. Every borrower's creditworthiness is tested for all credit financing and lease contracts entered into by the BMW Group. In the case of retail customers, creditworthiness is assessed using validated scoring systems integrated into the purchasing process. In the area of dealer financing, creditworthiness is assessed by means of ongoing credit monitoring and an internal rating system that takes account not only of the tangible situation of the borrower but also of qualitative factors such as past reliability in business relations.

The credit risk relating to derivative financial instruments is minimised by the fact that the Group only enters into such contracts with parties of first-class credit standing. The general credit risk on derivative financial instruments utilised by the BMW Group is therefore not considered to be significant.

A concentration of credit risk with particular borrowers or groups of borrowers has not been identified in conjunction with financial instruments.

Further disclosures relating to credit risk – in particular with regard to the amounts of impairment losses recognised – are provided in the explanatory notes to the relevant categories of receivables in notes 26, 27 and 31.

Liquidity risk

The following table shows the maturity structure of expected contractual cash flows (undiscounted) for financial liabilities:

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31 December 2013 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	–7,933	–21,434	–3,043	**–32,410**
Liabilities to banks	–4,686	–4,328	–126	**–9,140**
Liabilities from customer deposits (banking)	–9,405	–3,243	–	**–12,648**
Commercial paper	–6,294	–	–	**–6,294**
Asset backed financing transactions	–2,814	–7,614	–32	**–10,460**
Derivative instruments	–426	–659	–80	**–1,165**
Trade payables	–7,283	–195	–	**–7,478**
Other financial liabilities	–210	–361	–367	**–938**
Total	**–39,051**	**–37,834**	**–3,648**	**–80,533**

31 December 2012 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	–8,482	–18,375	–5,071	**–31,928**
Liabilities to banks	–4,866	–4,469	–678	**–10,013**
Liabilities from customer deposits (banking)	–10,139	–3,028	–	**–13,167**
Commercial paper	–4,578	–	–	**–4,578**
Asset backed financing transactions	–2,170	–7,346	–137	**–9,653**
Derivative instruments	–1,146	–1,085	–1	**–2,232**
Trade payables	–6,424	–9	–	**–6,433**
Other financial liabilities*	–86	–248	–424	**–758**
Total	**–37,891**	**–34,560**	**–6,311**	**–78,762**

* Previous year's figures adjusted.

The cash flows shown comprise principal repayments and the related interest. The amounts disclosed for derivatives comprise only cash flows relating to derivatives that have a negative fair value at the balance sheet date. At 31 December 2013 irrevocable credit commitments to dealers which had not been called upon at the end of the reporting period amounted to €6,760 million (2012: €6,044 million).

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 minimise risk by matching maturities for the Group's financing requirements within the framework of the target debt structure. 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 Standard & Poor's.

Short-term liquidity is managed primarily by issuing money market instruments (commercial paper). In this area too, competitive refinancing conditions can be achieved thanks to Moody's and Standard & Poor's short-term ratings of P-1 and A-1 respectively.

Also reducing liquidity risk, additional secured and unsecured lines of credit are in place with first-class international banks, including a syndicated credit line totalling €6 billion (2012: €6 billion). Intra-group cash flow fluctuations are evened out by the use of daily cash pooling arrangements.

Market risks

The principal market risks to which the BMW Group is exposed are currency risk, interest rate risk and raw materials price risk.

Protection against such risks is provided in the first instance through natural hedging which arises when the values of non-derivative financial instruments have matching maturities and amounts (netting). Derivative financial instruments are used to reduce the risk remaining after netting. Financial instruments are only used to hedge underlying positions or forecast transactions.

The scope of permitted transactions, responsibilities, financial reporting procedures and control mechanisms used for financial instruments are set out in internal guidelines. This includes, above all, a clear separation of duties between trading and processing. Currency, interest rate and raw materials price risks of the BMW Group are managed at a corporate level.

Further information is provided in the "Report on outlook, risks and opportunities" section of the Combined Management Report.

Currency risk

As an enterprise with worldwide operations, business is conducted in a variety of currencies, from which currency risks arise. Since a significant portion of Group revenues is generated outside the euro currency region and the procurement of production material and funding is also organised on a worldwide basis, the currency risk is an extremely important factor for Group earnings.

At 31 December 2013 derivative financial instruments, mostly in the form of option and forward currency contracts, were in place to hedge the main currencies.

A description of the management of this risk is provided in the Combined Management Report. The BMW Group measures currency risk using a cash-flow-at-risk model.

The starting point for analysing currency risk with this model is the identification of forecast foreign currency transactions or "exposures". At the end of the reporting period, the principal exposures for the relevant coming year were as follows:

in € million	**31.12.2013**	31.12.2012
Euro/Chinese Renminbi	**10,691**	8,429
Euro/US Dollar	**4,401**	5,311
Euro/British Pound	**3,852**	3,206
Euro/Russian Rouble	**1,738**	1,638
Euro/Japanese Yen	**1,469**	1,585

In the next stage, these exposures are compared to all hedges that are in place. The net cash flow surplus represents an uncovered risk position. The cash-flow-at-risk approach involves allocating the impact of potential exchange rate fluctuations to operating cash flows on the basis of probability distributions. Volatilities and correlations serve as input factors to assess the relevant probability distributions.

The potential negative impact on earnings is computed for each currency for the following financial year on the basis of current market prices and exposures to a confidence level of 95 % and a holding period of up to one year. Correlations between the various currencies are taken into account when the risks are aggregated, thus reducing the overall risk.

The following table shows the potential negative impact for the BMW Group – measured on the basis of the cash-flow-at-risk approach – attributable to unfavourable changes in exchange rates. The impact for the principal currencies, in each case for the following financial year, is as follows:

in € million	**31.12.2013**	31.12.2012
Euro/Chinese Renminbi	**197**	246
Euro/US Dollar	**65**	163
Euro/British Pound	**80**	65
Euro/Russian Rouble	**109**	69
Euro/Japanese Yen	**44**	15

Currency risk for the BMW Group is concentrated on the currencies referred to above.

Interest rate risk

The BMW Group's financial management system involves the use of standard financial instruments such as short-term deposits, investments in variable and fixed-income securities as well as securities funds. The BMW Group is therefore exposed to risks resulting from changes in interest rates. These risks arise when funds with differing fixed-rate periods or differing terms are borrowed and invested. All items subject to, or bearing, interest are exposed to interest rate risk. Interest rate risks can affect either side of the balance sheet.

The fair values of the Group's interest rate portfolios for the five main currencies were as follows at the end of the reporting period:

in € million	**31.12.2013**	31.12.2012
Euro	**14,265**	12,736
US Dollar	**11,931**	10,489
British Pound	**3,960**	3,814
Chinese Renminbi	**1,787**	1,179
Japanese Yen	**189**	435

Interest rate risks can be managed by the use of interest rate derivatives. The interest rate contracts used for hedging purposes comprise mainly swaps which are accounted for on the basis of whether they are designated as a fair value hedge or as a cash flow hedge. A description of the management of interest rate risks is provided in the Combined Management Report.

As stated there, the BMW Group applies a group-wide value-at-risk approach for internal reporting purposes and to manage interest rate risks. This is based on a state-of-the-art historical simulation, in which the potential future fair value losses of the interest rate portfolios are compared across the Group with expected amounts measured on the basis of a holding period of 250 days and a confidence level of 99.98 %. Aggregation of these results creates a risk reduction effect due to correlations between the various portfolios.

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In the following table the potential volumes of fair value fluctuations – measured on the basis of the value-at-risk approach – are compared with the expected value for the interest rate relevant positions of the BMW Group for the five main currencies:

in € million	31.12.2013	31.12.2012
Euro	**214**	269
US Dollar	**246**	271
British Pound	**62**	44
Chinese Renminbi	**11**	17
Japanese Yen	**6**	12

Raw materials price risk

The BMW Group is exposed to the risk of price fluctuations for raw materials. A description of the management of these risks is provided in the Combined Management Report.

The first step in the analysis of the raw materials price risk is to determine the volume of planned purchases of raw materials (and components containing those raw materials). These amounts, which represent the gross exposure, were as follows at each reporting date for the following financial year:

in € million	31.12.2013	31.12.2012
Raw materials price exposures	**4,550**	3,370

In the next stage, these exposures are compared to all hedges that are in place. The net cash flow surplus represents an uncovered risk position. The cash-flow-at-risk approach involves allocating the impact of potential raw materials fluctuations to operating cash flows on the basis of probability distributions. Volatilities and correlations serve as input factors to assess the relevant probability distributions.

The potential negative impact on earnings is computed for each raw material category for the following financial year on the basis of current market prices and exposure to a confidence level of 95 % and a holding period of up to one year. Correlations between the various categories of raw materials are taken into account when the risks are aggregated, thus reducing the overall risk.

The following table shows the potential negative impact for the BMW Group – measured on the basis of the cash-flow-at-risk approach – attributable to fluctuations in prices across all categories of raw materials. The risk at each reporting date for the following financial year was as follows:

in € million	31.12.2013	31.12.2012
Cash flow at risk	**405**	350

Other risks

A further exposure relates to the residual value risk on vehicles returned to the BMW Group at the end of lease contracts. The risk in this context was not material to the Group in the past and/or at the end of the reporting period. A description of the management of this risk is provided in the Combined Management Report. Information regarding the residual value risk from operating leases is provided in the section on accounting policies in note 5.

43 – Explanatory notes to the cash flow statements

The cash flow statements show how the cash and cash equivalents of the BMW Group and of the Automotive and Financial Services segments 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 Group. The changes in balance sheet positions shown in the cash flow statement do not therefore agree directly with the amounts shown in the Group and segment balance sheets.

Cash inflows and outflows relating to operating leases, where the BMW Group is the lessor, are aggregated and shown on the line "Change in leased products" within cash flows from operating activities.

The net change in receivables from sales financing (including finance leases, where the BMW Group is the lessor) is also reported within cash flows from operating activities.

Income taxes paid and interest received are classified as cash flows from operating activities in accordance with IAS 7.31 and IAS 7.35. Interest paid is presented on a separate line within cash flows from financing activities. Dividends received in the financial year 2013 amounted to €4 million (2012: €4 million).

The presentation of cash flows from financing activities has been changed in the Group Financial Statements for the year ended 31 December 2013. Previously, changes in financial liabilities were offset on a single line in the Cash Flow Statement. Following the change, cash inflows and outflows for non-current other financial liabilities are shown separately. The change in current other financial liabilities is also shown separately. The previous year's figures were restated in the interest of comparability. Non-current other financial liabilities resulted in the previous year in a cash inflow of €7,427 million for new debt raised and a cash outflow of €5,498 million for repayments. The change in current other financial liabilities was a net cash inflow of €230 million.

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44 — Related party relationships

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities which have the ability to control the BMW Group or which are controlled by the BMW Group, must be disclosed unless such parties are not already included in the Group Financial Statements of BMW AG as consolidated companies. Control is defined as ownership of more than one half of the voting power of BMW AG or the power to direct, by statute or agreement, the financial and operating policies of the management of the BMW Group.

In addition, the disclosure requirements of IAS 24 also cover transactions with associated companies, joint ventures and individuals that have the ability to exercise significant influence over the financial and operating policies of the BMW Group. This also includes close relatives and intermediary entities. Significant influence over the financial and operating policies of the BMW Group is presumed when a party holds 20% or more of the voting power of BMW AG. In addition, the requirements contained in IAS 24 relating to key management personnel and close members of their families or intermediary entities are also applied. In the case of the BMW Group, this applies to members of the Board of Management and Supervisory Board.

In the financial year 2013, the disclosure requirements contained in IAS 24 affect the BMW Group with regard to business relationships with non-consolidated subsidiaries, joint ventures and associated companies as well as with members of the Board of Management and Supervisory Board of BMW AG.

The BMW Group maintains normal business relationships with non-consolidated subsidiaries. Transactions with these companies are small in scale, arise in the normal course of business and are conducted on the basis of arm's length principles.

Transactions of BMW Group companies with the joint venture BMW Brilliance Automotive Ltd., Shenyang, all arise in the normal course of business and are conducted on the basis of arm's length principles. Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during 2013 for an amount of €3,588 million (2012: €2,962 million). At 31 December 2013, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, totalled €898 million (2012: €608 million). Payables of Group companies to BMW Brilliance Automotive Ltd., Shenyang, amounted to €66 million (2012: €– million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, in 2013 for an amount of €31 million (2012: €26 million).

All relationships of BMW Group entities with the joint ventures SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, SGL Automotive Carbon Fibers GmbH

& Co. KG, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, arise in the normal course of business. All transactions with these entities were conducted on the basis of arm's length principles. At 31 December 2013 receivables of Group companies for loans disbursed to the joint ventures amounted to €101 million (2012: €68 million). Realised interest income earned on these intragroup loans amounted to €3 million (2012: €2 million). Goods and services received by Group companies from the joint ventures during the period under report totalled €36 million (2012: €9 million). Payables of Group companies to the joint ventures at the end of the reporting period amounted to €6 million (2012: €1 million).

All relationships of BMW Group entities with the joint ventures DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, are conducted on the basis of arm's length principles. Transactions with these entities arise in the normal course of business and are small in scale.

The BMW Group maintains normal business relationships with associated companies. Transactions with these companies are small in scale, arise in the normal course of business and are conducted on the basis of arm's length principles.

Stefan Quandt is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v.d.H., which, via its subsidiaries, performed logistic-related services for the BMW Group during the financial year 2013. In addition, companies of the DELTON Group acquired vehicles from the BMW Group on the basis of arm's length principles, mostly in the form of leasing contracts. Stefan Quandt is also the majority shareholder of Solarwatt GmbH, Dresden. Cooperation arrangements within the field of electromobility have been in place between BMW AG and Solarwatt GmbH, Dresden, since the second quarter 2013. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. Solarwatt GmbH leased vehicles from the BMW Group in 2013. The service, cooperation and lease contracts referred to above are not material for the BMW Group. They all arise in the normal course of business and are conducted on the basis of arm's length principles.

Susanne Klatten is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairman of the Supervisory Board of Altana AG, Wesel. Altana AG, Wesel, acquired vehicles from the BMW Group during the financial year 2013, mostly in the form of lease contracts. These contracts are not material for the BMW Group, arise in the course of ordinary activities and are made, without exception, on the basis of arm's length principles.

Apart from the transactions referred to above, companies of the BMW Group did not enter into any contracts with members of the Board of Management or Supervisory Board of BMW AG. The same applies to close members of the families of those persons.

BMW Trust e.V., Munich, administers assets on a trustee basis to secure obligations relating to pensions and pre-retirement part-time work arrangements in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity, which is a registered association (eingetragener Verein) under German law, does not have any assets of its own. It did not have any income or expenses during the period under report. BMW AG bears expenses on a minor scale and renders services on behalf of BMW Trust e.V., Munich.

45 — Declaration with respect to the Corporate Governance Code

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft have issued the prescribed Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act. It is reproduced in the Annual Report 2013 of the BMW Group and is also available to shareholders on the BMW Group website at www.bmwgroup.com/ir.

46 — Shareholdings of members of the Board of Management and Supervisory Board

The members of the Supervisory Board of BMW AG hold in total 27.62 % (2012: 27.63 %) of the issued common and preferred stock shares, of which 16.07 % (2012: 16.08 %) relates to Stefan Quandt, Bad Homburg v. d. H. and 11.55 % (2012: 11.55 %) to Susanne Klatten, Munich. As at the end of the previous financial year, shareholdings of members of the BMW AG Board of Management account, in total, for less than 1 % of issued shares.

47 — Compensation of members of the Board of Management and Supervisory Board

The total compensation of the current members of the Board of Management and the Supervisory Board of BMW AG amounted to €40.6 million (2012: €36.4 million) and comprised the following:

in € million	2013	2012
Short-term employment benefits	38.4	35.2
Post-employment benefits	2.2	1.2
Compensation	**40.6**	**36.4**

The total compensation of the current Board of Management members for 2013 amounted to €34.5 million (2012: €31.4 million). This comprised fixed components of €7.9 million (2012: €7.5 million), variable components of €25.9 million (2012: €23.2 million) and a share-based compensation component totalling €0.7 million (2012: €0.7 million).

In addition, an expense of €2.2 million (2012: €1.2 million) was recognised for current members of the Board of Management for the period after the end of their employment relationship. This relates to the expense for allocations to pension provisions. Pension obligations to current members of the Board of Management are covered by pension provisions amounting to €24.8 million (2012: €29.4 million), computed in accordance with IAS 19 (Employee Benefits).

The remuneration of former members of the Board of Management and their dependants amounted to €4.7 million (2012: €3.8 million).

Pension obligations to former members of the Board of Management and their surviving dependants are fully covered by pension provisions amounting to €58.0 million (2012: €61.2 million), computed in accordance with IAS 19.

The compensation of the members of the Supervisory Board for the financial year 2013 amounted to €4.6 million (2012: €4.5 million). This comprised fixed components of €2.0 million (2012: €1.6 million) and variable components of €2.6 million (2012: €2.9 million).

The compensation systems for members of the Supervisory Board do not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components. Apart from vehicle lease contracts entered into on customary market conditions, no advances or loans were granted to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Further details about the remuneration of current members of the Board of Management and the Supervisory Board can be found in the Compensation Report, which is part of the Combined Management Report.

48 — Application of exemptions pursuant to § 264 (3) and § 264b HGB

A number of companies and incorporated partnerships (as defined by § 264 a HGB) which are consolidated subsidiaries of BMW AG and for which the Group Financial Statements of BMW AG represent exempting consolidated financial statements, apply the exemptions available in § 264 (3) and § 264b HGB with regard to the drawing up of a management report. The exemptions have been applied by:

- Bavaria Wirtschaftsagentur GmbH, Munich
- BMW Fahrzeugtechnik GmbH, Eisenach
- BMW Hams Hall Motoren GmbH, Munich
- BMW M GmbH Gesellschaft für individuelle Automobile, Munich
- Rolls-Royce Motor Cars GmbH, Munich

In addition, the following entities apply the exemption available in § 264 (3) and § 264b HGB with regard to publication:

- Bavaria Wirtschaftsagentur GmbH, Munich
- Alphabet International GmbH, Munich
- BMW Hams Hall Motoren GmbH, Munich
- BMW M GmbH Gesellschaft für individuelle Automobile, Munich
- BMW INTEC Beteiligungs GmbH, Munich
- BMW Verwaltungs GmbH, Munich
- Rolls-Royce Motor Cars GmbH, Munich

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49 — Explanatory notes to segment information

Information on reportable segments

For the purposes of presenting segment information, the activities of the BMW Group are divided into operating segments in accordance with IFRS 8 (Operating Segments). Operating segments are identified on the same basis that is used internally to manage and report on performance and takes account of the organisational structure of the BMW Group based on the various products and services of the reportable segments.

The activities of the BMW Group are broken down into the operating segments Automotive, Motorcycles, Financial Services and Other Entities.

The Automotive segment develops, manufactures, assembles and sells cars and off-road vehicles, under the brands BMW, MINI and Rolls-Royce as well as spare parts and accessories. BMW and MINI brand products are sold in Germany through branches of BMW AG and by independent, authorised dealers. Sales outside Germany are handled primarily by subsidiary companies and, in a number of markets, by independent import companies. Rolls-Royce brand vehicles are sold in the USA, China and Russia via subsidiary companies and elsewhere by independent, authorised dealers.

The BMW Motorcycles segment develops, manufactures, assembles and sells motorcycles as well as spare parts and accessories.

The principal lines of business of the Financial Services segment are car leasing, fleet business, retail customer and dealer financing, customer deposit business and insurance activities.

Holding and Group financing companies are included in the Other Entities segment. This segment also includes operating companies – BMW Services Ltd., Bracknell, BMW (UK) Investments Ltd., Bracknell, Bavaria Lloyd Reisebüro GmbH, Munich, and MITEC Mikroelektronik Mikrotechnik Informatik GmbH, Dingolfing – which are not allocated to one of the other segments.

Eliminations comprise the effects of eliminating business relationships between the operating segments.

Internal management and reporting

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. The only exception to this general principle is the treatment of inter-segment warranties, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business. Inter-segment receivables and payables, provisions, income, expenses and profits are eliminated in the column "Eliminations". Inter-segment sales take place at arm's length prices.

The role of "chief operating decision maker" with respect to resource allocation and performance assessment of the reportable segment is embodied in the full Board of Management. In order to assist the decision-taking process, various measures of segment performance as well as segment assets have been set for the various operating segments.

The performance of the Automotive and Motorcycles segments is managed on the basis of return on capital employed (RoCE). The measure of segment results used is therefore profit before financial result. Capital employed is the corresponding measure of segment assets used to determine how to allocate resources and comprises all current and non-current operational assets 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 return on equity (RoE), with profit before tax therefore representing the most important measure of segment earnings. For this reason the measure of segment assets in the Financial Services segment corresponds to net assets, defined as total assets less total liabilities.

The performance of the Other Entities segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Other Entities segment is total assets less tax receivables and investments.

Segment information by operating segment is as follows:

Segment information by operating segment

in € million	Automotive 2013	Automotive 2012*	Motorcycles 2013	Motorcycles 2012
External revenues	**56,285**	57,499	**1,495**	1,478
Inter-segment revenues	**14,344**	12,709	**9**	12
Total revenues	**70,629**	**70,208**	**1,504**	**1,490**
Segment result	**6,657**	7,599	**79**	9
Capital expenditure on non-current assets	**6,635**	5,325	**85**	125
Depreciation and amortisation on non-current assets	**3,655**	3,437	**65**	69

in € million	Automotive 31.12.2013	Automotive 31.12.2012*	Motorcycles 31.12.2013	Motorcycles 31.12.2012
Segment assets	**10,265**	10,991	**488**	405

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

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Financial Services 2013	Financial Services 2012	Other Entities 2013	Other Entities 2012*	Reconciliation to Group figures 2013	Reconciliation to Group figures 2012*	Group 2013	Group 2012*	
18,276	17,869	**2**	2	**–**	–	**76,058**	76,848	External revenues
1,598	1,681	**4**	3	**–15,955**	–14,405	**–**	–	Inter-segment revenues
19,874	**19,550**	**6**	**5**	**–15,955**	**–14,405**	**76,058**	**76,848**	**Total revenues**
1,639	1,561	**164**	3	**–626**	–1,369	**7,913**	7,803	Segment result
17,484	15,988	**–**	–	**–4,325**	–2,901	**19,879**	18,537	Capital expenditure on non-current assets
7,021	6,112	**–**	–	**–3,787**	–1,838	**6,954**	7,780	Depreciation and amortisation on non-current assets

Financial Services 31.12.2013	Financial Services 31.12.2012*	Other Entities 31.12.2013	Other Entities 31.12.2012	Reconciliation to Group figures 31.12.2013	Reconciliation to Group figures 31.12.2012*	Group 31.12.2013	Group 31.12.2012*	
8,407	7,633	**54,250**	50,685	**64,958**	62,121	**138,368**	131,835	Segment assets

The segment result of the Motorcycles segment in the previous year was negatively impacted by an impairment loss of €13 million on property, plant and equipment in accordance with IFRS 5 and by an expense of €57 million for an allocation to provisions at 31 December 2012.

Interest and similar income of the Financial Services segment is included in segment result and totalled €5 million (2012*: €1 million). Interest and similar expenses of the Financial Services segment amounted to €7 million (2012*: €5 million). Financial Services segment result was negatively impacted by impairment losses totalling €139 million recognised on leased products.

The Other Entities segment result includes interest and similar income amounting to €1,340 million (2012*: €1,542 million) and interest and similar expenses amounting to €1,279 million (2012*: €1,499 million). As in the previous year, the result from equity accounted investments did not have any impact on the segment result of the Other Entities segment. The segment result is stated after an impairment loss on other investments amounting to €7 million (2012: €7 million).

As in the previous year, segment assets of the Other Entities segment do not contain any investments accounted for using the equity method.

The information disclosed for capital expenditure and depreciation and amortisation relates to non-current property, plant and equipment, intangible assets and leased products.

Segment figures can be reconciled to the corresponding Group figures as follows:

in € million	2013	2012*
Reconciliation of segment result		
Total for reportable segments	**8,539**	9,172
Financial result of Automotive segment and Motorcycles segment	**–99**	–432
Elimination of inter-segment items	**–527**	–937
Group profit before tax	**7,913**	**7,803**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	**24,204**	21,438
Elimination of inter-segment items	**–4,325**	–2,901
Total Group capital expenditure on non-current assets	**19,879**	**18,537**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	**10,741**	9,618
Elimination of inter-segment items	**–3,787**	–1,838
Total Group depreciation and amortisation on non-current assets	**6,954**	**7,780**

in € million	31.12.2013	31.12.2012*
Reconciliation of segment assets		
Total for reportable segments	**73,410**	69,714
Non-operating assets – Other Entities segment	**5,989**	6,065
Operating liabilities – Financial Services segment	**83,923**	81,064
Interest-bearing assets – Automotive and Motorcycles segments	**37,364**	36,321
Liabilities of Automotive and Motorcycles segments not subject to interest	**24,411**	21,943
Elimination of inter-segment items	**–86,729**	–83,272
Total Group assets	**138,368**	**131,835**

* Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.

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In the case of information by geographical region, external sales are based on the location of the customer's registered office. Revenues with major customers were not material overall. The information disclosed for non-current assets relates to property, plant and equipment, intangible assets and leased products. The reconciling item disclosed for non-current assets relates to leased products.

Information by region

	External revenues		Non-current assets	
in € million	**2013**	2012	**2013**	2012
Germany	**11,796**	12,186	**25,309**	22,954
USA	**12,691**	13,447	**12,867**	11,195
China	**15,348**	14,448	**21**	15
Rest of Europe	**22,552**	22,971	**10,651**	9,887
Rest of the Americas	**3,103**	2,824	**1,668**	1,548
Other	**10,568**	10,972	**1,025**	1,137
Eliminations	**–**	–	**–4,335**	–3,720
Group	**76,058**	**76,848**	**47,206**	**43,016**

Munich, 20 February 2014

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer

Milagros Caiña Carreiro-Andree

Dr.-Ing. Herbert Diess

Dr.-Ing. Klaus Draeger

Dr. Friedrich Eichiner

Harald Krüger

Dr. Ian Robertson (HonDSc)

Peter Schwarzenbauer

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Good corporate governance – acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis – is an essential requirement for the BMW Group embracing all areas of the business. Corporate culture within the BMW Group is founded on transparent reporting and internal communication, a policy of corporate governance aimed at the interests of stakeholders, fair and open dealings between the Board of Management, the Supervisory Board and employees and compliance with the law. The Board of Management reports in this declaration, also on behalf of the Supervisory Board, on important aspects of corporate governance pursuant to § 289a HGB and section 3.10 of the German Corporate Governance Code (GCGC).

Information on the Company's Governing Constitution
The designation "BMW Group" comprises Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and its group entities. BMW AG is a stock corporation (Aktiengesellschaft) based on the German Stock Corporation Act (Aktiengesetz) and has its registered office in Munich, Germany. It has three representative bodies: the Annual General Meeting, the Supervisory Board and the Board of Management. The duties and authorities of those bodies derive from the Stock Corporation Act and the Articles of Incorporation of BMW AG. Shareholders, as the owners of the business, exercise their rights at the Annual General Meeting. The Annual General Meeting also provides an opportunity to shareholders to engage in dialogue with the Board of Management and the Supervisory Board. The Annual General Meeting decides in particular on the utilisation of unappropriated profit, the ratification of the acts of the members of the Board of Management and of the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation, specified capital measures and elects the shareholders' representatives to the Supervisory Board. The Board of Management manages the enterprise under its own responsibility. Within this framework, it is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, at any time, revoke an appointment if there is an important reason. The Board of Management keeps the Supervisory Board informed of all significant matters regularly, promptly and comprehensively, following the principles of conscientious and faithful accountability and in accordance with prevailing law and the reporting duties allocated to it by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain major transactions. The Supervisory Board is not, however, authorised to undertake management measures itself.

In accordance with the requirements of the German Co-determination Act for companies that generally employ more than 20,000 people, the Supervisory Board of BMW AG is required to comprise ten shareholder representatives elected at the Annual General Meeting (Supervisory Board members representing equity or shareholders) and ten employees elected in accordance with the provisions of the Co-determination Act (Supervisory Board members representing employees). The ten Supervisory Board members representing employees comprise seven Company employees, including one executive staff representative, and three members elected following nomination by unions.

The close interaction between the Board of Management and the Supervisory Board in the interests of the enterprise as described above is also known as a "two-tier board structure".

Declaration of Compliance and the BMW Group Corporate Governance Code
Management and supervisory boards of companies listed in Germany are required by law (§ 161 German Stock Corporation Act) to report once a year whether the officially published and relevant recommendations issued by the "German Government Corporate Governance Code Commission", as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been or are not being applied, stating the reason or reasons. The full text of the declaration, together with explanatory comments, is shown on the following page of this Annual Report.

The Board of Management and the Supervisory Board approved the Group's own Corporate Governance Code based on the GCGC in previous years in order to provide interested parties with a comprehensive and standalone document covering the corporate governance practices applied by the BMW Group. A coordinator responsible for all corporate governance issues reports directly and on a regular basis to the Board of Management and Supervisory Board.

The Corporate Governance Code for the BMW Group, together with the Declaration of Compliance, Articles of Incorporation and other information, can be viewed and/or downloaded from the BMW Group's website at www.bmwgroup.com/ir under the menu items "Corporate Facts" and "Corporate Governance".

Declaration by the Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft with respect to the Recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with § 161 German Stock Corporation Act

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft ("BMW AG") declare the following regarding the recommendations of the "Government Commission on the German Corporate Governance Code":

1. Since filing the last declaration of 14 May 2013, BMW AG has complied with all of the recommendations officially published on 15 June 2012 in the Federal Gazette (Code version of 15 May 2012).

2. BMW AG will in future comply with all of the recommendations officially published on 10 June 2013 in the Federal Gazette (Code version of 13 May 2013) as of the date when they apply.

Munich, December 2013

Bayerische Motoren Werke
Aktiengesellschaft

On behalf of the Supervisory Board	On behalf of the Board of Management
Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg Chairman	Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer Chairman

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer (born 1956)
Chairman

Mandates
— Henkel AG & Co. KGaA

Frank-Peter Arndt (born 1956)
(until 31. 03. 2013)
Production

Mandates
— BMW Motoren GmbH (Chairman) (until 31. 03. 2013)
— TÜV Süd AG
— BMW (South Africa) (Pty) Ltd. (Chairman) (until 31. 03. 2013)
— Leipziger Messe GmbH

Milagros Caiña Carreiro-Andree (born 1962)
Human Resources, Industrial Relations Director

Dr.-Ing. Herbert Diess (born 1958)
Development

Dr.-Ing. Klaus Draeger (born 1956)
Purchasing and Supplier Network

Dr. Friedrich Eichiner (born 1955)
Finance

Mandates
— Allianz Deutschland AG
— FESTO Aktiengesellschaft (since 30. 07. 2013)
— BMW Brilliance Automotive Ltd. (Deputy Chairman)
— FESTO Management Aktiengesellschaft (since 30. 07. 2013)

Harald Krüger (born 1965)
MINI, Motorcycles, Rolls-Royce,
Aftersales BMW Group (until 31. 03. 2013)
Production (since 01. 04. 2013)

Mandates
— Rolls-Royce Motor Cars Limited (Chairman) (until 31. 03. 2013)
— BMW (South Africa) (Pty) Ltd. (Chairman) (since 01. 04. 2013)
— BMW Motoren GmbH (since 01. 04. 2013) (Chairman since 07. 06. 2013)

Dr. Ian Robertson (HonDSc) (born 1958)
Sales and Marketing BMW,
Sales Channels BMW Group

Mandates
— Dyson James Group Limited

Peter Schwarzenbauer (born 1959)
(since 01. 04. 2013)
MINI, Motorcycles, Rolls-Royce,
Aftersales BMW Group

Mandates
— Rolls-Royce Motor Cars Limited (Chairman) (since 01. 04. 2013)

General Counsel:
Dr. Dieter Löchelt

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— Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.

Members of the Supervisory Board

Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg (born 1943)
Chairman
Former Chairman of the Board of Management of BMW AG

Chairman of the Presiding Board, Personnel Committee and Nomination Committee; member of Audit Committee and the Mediation Committee

Mandates
— Bertelsmann Management SE (Deputy Chairman)
— Bertelsmann SE & Co. KGaA (Deputy Chairman)
— FESTO Aktiengesellschaft (Chairman until 19. 04. 2013) (Deputy Chairman since 19. 04. 2013)
— Deere & Company
— FESTO Management Aktiengesellschaft (Chairman until 19. 04. 2013) (Deputy Chairman since 19. 04. 2013)

Manfred Schoch[1] (born 1955)
Deputy Chairman
Chairman of the European and General Works Council
Industrial Engineer

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

Stefan Quandt (born 1966)
Deputy Chairman
Entrepreneur

Member of the Presiding Board, Personnel Committee, Audit Committee, Nomination Committee and Mediation Committee

Mandates
— DELTON AG (Chairman)
— AQTON SE (Chairman)
— DataCard Corp.

Stefan Schmid[1] (born 1965)
Deputy Chairman
Chairman of the Works Council, Dingolfing

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

Dr. jur. Karl-Ludwig Kley (born 1951)
Deputy Chairman
Chairman of the Executive Management of Merck KGaA

Chairman of the Audit Committee and Independent Finance Expert; member of the Presiding Board, Personnel Committee and Nomination Committee

Mandates
— Bertelsmann Management SE
— Bertelsmann SE & Co. KGaA
— Deutsche Lufthansa Aktiengesellschaft (since 07. 05. 2013)
— 1. FC Köln GmbH & Co. KGaA (Chairman) (until 30. 06. 2013)

Bertin Eichler[2] (born 1952)
Former Executive Member of the Executive Board of IG Metall

Mandates
— BGAG Beteiligungsgesellschaft der Gewerkschaften GmbH (Chairman)
— Luitpoldhütte AG (since 03. 12. 2013)
— ThyssenKrupp AG (Deputy Chairman) (until 17. 01. 2014)

[1]Employee representatives (company employees).
[2]Employee representatives (union representatives).
[3]Employee representative (member of senior management).
— Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.

Franz Haniel (born 1955)
Engineer, MBA

Mandates

- **—** DELTON AG (Deputy Chairman)
- **—** Franz Haniel & Cie. GmbH (Chairman)
- **—** Heraeus Holding GmbH
- **—** Metro AG (Chairman)
- **—** secunet Security Networks AG
- — Giesecke & Devrient GmbH
- — TBG Limited

Prof. Dr. rer. nat. Dr. h. c. Reinhard Hüttl (born 1957)
Chairman of the Executive Board of Helmholtz-Zentrum Potsdam Deutsches GeoForschungsZentrum – GFZ
University Professor

Prof. Dr. rer. nat. Dr.-Ing. E. h. Henning Kagermann (born 1947)
President of acatech – Deutsche Akademie der Technikwissenschaften e. V.

Mandates

- **—** Deutsche Bank AG
- **—** Deutsche Post AG
- **—** Franz Haniel & Cie GmbH
- **—** Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München
- — Nokia Corporation
- — Wipro Limited

Susanne Klatten (born 1962)
Entrepreneur

Member of the Nomination Committee

Mandates

- **—** ALTANA AG (Deputy Chairman)
- **—** SGL Carbon SE (Chairman since 30. 04. 2013)
- — UnternehmerTUM GmbH (Chairman)

Prof. Dr. rer. pol. Renate Köcher (born 1952)
Director of Institut für Demoskopie Allensbach Gesellschaft zum Studium der öffentlichen Meinung mbH

Mandates

- **—** Allianz SE
- **—** Infineon Technologies AG
- **—** Nestlé Deutschland AG
- **—** Robert Bosch GmbH

Dr. h. c. Robert W. Lane (born 1949)
Former Chairman and Chief Executive Officer of Deere & Company

Mandates

- — General Electric Company
- — Northern Trust Corporation
- — Verizon Communications Inc.

Horst Lischka[2] (born 1963)
General Representative of IG Metall Munich

Mandates

- **—** KraussMaffei GmbH
- **—** MAN Truck & Bus AG

Willibald Löw[1] (born 1956)
Chairman of the Works Council, Landshut

Wolfgang Mayrhuber (born 1947)
Chairman of the Supervisory Board of Deutsche Lufthansa Aktiengesellschaft

Mandates

- **—** Deutsche Lufthansa Aktiengesellschaft (Chairman) (since 07. 05. 2013)
- **—** Infineon Technologies AG (Chairman)
- **—** Lufthansa Technik Aktiengesellschaft (until 30. 06. 2013)
- **—** Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München
- — Austrian Airlines AG (until 27. 06. 2013)
- — HEICO Corporation
- — Österreichische Luftverkehrs-Holding-GmbH (Chairman) (until 27. 06. 2013)
- — UBS AG (until 02. 05. 2013)

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[1] Employee representatives (company employees).
[2] Employee representatives (union representatives).
[3] Employee representative (member of senior management).
— Membership of other statutory supervisory boards.
— Membership of equivalent national or foreign boards of business enterprises.

Dr. Dominique Mohabeer[1] (born 1963)
Member of the Works Council, Munich

Brigitte Rödig[1] (born 1963)
(since 10. 07. 2013)
Member of the Works Council, Dingolfing

Maria Schmidt[1] (born 1954)
(until 30. 06. 2013)
Member of the Works Council, Dingolfing

Dr. Markus Schramm[3] (born 1963)
(since 01. 04. 2013)
Head of Development Aftersales
Business Management and
Mobility Services BMW Group

Jürgen Wechsler[2] (born 1955)
Regional Head of IG Metall Bavaria
Mandates
— Schaeffler AG (Deputy Chairman)

Werner Zierer[1] (born 1959)
Chairman of the Works Council, Regensburg

Oliver Zipse[3] (born 1964)
(until 31. 03. 2013)
Head of Corporate Planning and Product Strategy

Composition and work procedures of the Board of Management of BMW AG and its committees
The Board of Management governs the enterprise under its own responsibility, acting in the interests of the BMW Group with the aim of achieving sustainable growth in value. The interests of shareholders, employees and other stakeholders are also taken into account in the pursuit of this aim.

The Board of Management determines the strategic orientation of the enterprise, agrees upon it with the Supervisory Board and ensures its implementation. The Board of Management is responsible for ensuring that all provisions of law and internal regulations are complied with. Further details about compliance within the BMW Group can be found in the "Corporate Governance" section of the Annual Report. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

During their period of employment for BMW AG, members of the Board of Management are bound by a comprehensive non-competition clause. They are required to act in the enterprise's best interests and may not pursue personal interests in their decisions or take advantage of business opportunities intended for the enterprise. They may only undertake ancillary activities, in particular supervisory board mandates outside the BMW Group, with the approval of the Supervisory Board's Personnel Committee. Each member of the Board of Management of BMW AG is obliged to disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

Following the appointment of a new member to the Board of Management, the BMW Corporate Governance Officer informs the new member of the framework conditions under which the board member's duties are to be carried out – in particular those enshrined in the BMW Group's Corporate Governance Code – as well as the duty to cooperate when a transaction or event triggers reporting requirements or requires the approval of the Supervisory Board.

The Board of Management consults and takes decisions as a collegiate body in meetings of the Board of Management, the Sustainability Board, the Operations Committee and the Committee for Executive Management Matters. At its meetings, the Board of Management defines the overall framework for business strategies and the use of resources, takes decisions regarding the implementation of strategies and deals with issues of particular importance to the BMW Group. The full board also takes decisions at a basic policy level relating to the Group's automobile product strategies and product projects inasmuch as these are relevant for all brands. The Board of Management and its committees may, as required and depending on the subject matters being discussed, invite non-voting advisers to participate at meetings.

Terms of reference approved by the Board of Management contain a planned allocation of divisional responsibilities between the individual board members. These terms of reference also incorporate the principle that the full Board of Management bears joint responsibility for all matters of particular importance and scope. In addition, members of the Board of Management manage the relevant portfolio of duties under their responsibility, whereby case-by-case rules can be put in place for cross-divisional projects. Board members continually provide the Chairman of the Board of Management with all information regarding major transactions and developments within their area of responsibility. The Chairman of the Board of Management coordinates cross-divisional matters with the overall targets and plans of the BMW Group, involving other board members to the extent that divisions within their area of responsibility are affected.

The Board of Management takes its decisions at meetings generally held on a weekly basis which are convened, coordinated and headed by the Chairman of the Board of Management. At the request of the Chairman, decisions can also be taken outside of board meetings if none of the board members object to this procedure. A meeting is quorate if all Board of Management members are invited to the meeting in good time. Members unable to attend any meeting are entitled to vote in writing, by fax or by telephone. Votes cast by phone must be subsequently confirmed in writing. Except in urgent cases, matters relating to a division for which the responsible board member is not present will only be discussed and decided upon with that member's consent.

Unless stipulated otherwise by law or in BMW AG's statutes, the Board of Management makes decisions on the basis of a simple majority of votes cast at meetings. Outside of board meetings, decisions are taken on the basis of a simple majority of board members. In the event of a tied vote, the Chairman of the Board of Management has the casting vote. Any changes to the board's terms of reference must be passed unanimously. A board meeting may only be held if more than half of the board members are present.

In the event that the Chairman of the Board of Management is not present or is unable to attend a meeting, the

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Member of the Board responsible for Finances will represent him.

Minutes are taken of all meetings and the Board of Management's resolutions and signed by the Chairman. Decisions taken by the Board of Management are binding for all employees.

The rules relating to meetings and resolutions taken by the full Board of Management are also applicable for its committees.

Members of the Board of Management not represented in a committee are provided with the agendas and minutes of committee meetings. Committee matters are dealt with in full board meetings if the committee considers it necessary or at the request of a member of the Board of Management.

A secretariat for Board of Management matters has been established to assist the Chairman and other board members with the preparation and follow-up work connected with board meetings.

At meetings of the Operations Committee (generally held three times a month), decisions are reached in connection with automobile product projects, based on the strategic orientation and decision framework stipulated at Board of Management meetings. The Operations Committee comprises the Board of Management member responsible for Development (who also chairs the meetings), together with the board members responsible for the following areas: Purchases and Supplier Network; Production; Sales and Marketing BMW, Sales Channels BMW Group; and MINI, Motorcycles, Rolls-Royce, Aftersales BMW Group. If the committee chairman is not present or unable to attend a meeting, the Member of the Board responsible for Production represents him. Resolutions taken at meetings of the Operations Committee are made online.

The full board usually convenes twice a year in its function as Sustainability Board in order to define strategy with regard to sustainability and decide upon measures to implement that strategy. The Head of Group Communication and the Group Representative for Sustainability and Environmental Protection participate in these meetings in an advisory capacity.

The Board's Committee for Executive Management Matters deals with enterprise-wide issues affecting executive managers of the BMW Group, either in their entirety or individually (such as the executive management structure, potential candidates for executive management, nominations for or promotions to senior management positions). This committee has, on the one hand, an advisory and preparatory role (e.g. making suggestions for promotions to the two remuneration groups below board level and preparing decisions to be taken at board meetings with regard to human resources principles with the emphasis on executive management issues) and a decision-taking function on the other (e.g. deciding on appointments to senior management positions and promotions to higher remuneration groups or the wording of human resources principles decided on by the full board). The Committee has two members who are entitled to vote at meetings, namely the Chairman of the Board of Management (who also chairs the meetings) and the board member responsible for Human Resources. The Head of Human Resources, Personnel Network and Human Resources International and the Head of Human Resources Executive Management also participate in an advisory function. At the request of the Chairman, resolutions may also be passed outside of committee meetings by casting votes in writing, by fax or by telephone if the other member entitled to vote does not object immediately. As a general rule, between five and ten meetings are held each year.

The Board of Management is represented by its Chairman in its dealings with the Supervisory Board. The Chairman of the Board of Management maintains regular contact with the Chairman of the Supervisory Board and keeps him informed of all important matters. The Supervisory Board has passed a resolution specifying the information and reporting duties of the Board of Management. As a general rule, in the case of reports required by dint of law, the Board of Management submits its reports to the Supervisory Board in writing. To the extent possible, documents required as a basis for taking decisions are sent to the members of the Supervisory Board in good time before the relevant meeting. Regarding transactions of fundamental importance, the Supervisory Board has stipulated specific transactions which require the approval of the Supervisory Board. Whenever necessary, the Chairman of the Board of Management obtains the approval of the Supervisory Board and ensures that reporting duties to the Supervisory Board are complied with. In order to fulfil these tasks, the Chairman is supported by all members of the Board of Management. The fundamental principle followed when reporting to the Supervisory Board is that the latter should be kept informed regularly, without delay and comprehensively of all significant matters relating to planning, business performance, risk exposures, risk management and compliance, as well as any major variances between actual and budgeted figures.

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Composition and work procedures of the Supervisory Board of BMW AG and its committees

BMW AG's Supervisory Board, comprising ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected by employees in accordance with the German Co-determination Act), has the task of advising and supervising the Board of Management in its governance of the BMW Group. It is involved in all decisions of fundamental importance for the BMW Group. The Supervisory Board appoints the members of the Board of Management and decides upon the level of compensation they are to receive. The Supervisory Board can revoke appointments for important reasons.

Together with the Personnel Committee and the Board of Management, the Supervisory Board ensures that long-term successor planning is in place. In their assessment of candidates for a post on the Board of Management, the underlying criteria applied by the Supervisory Board for determining the suitability of candidates are their expertise in the relevant area of board responsibility, outstanding leadership qualities, a proven track record and an understanding of the BMW Group's business. The Supervisory Board takes diversity into account when assessing, on balance, which individual will best complement the Board of Management as a representative body of the Company. "Diversity" in the context of the decision process is understood by the Supervisory Board to encompass different, complementary individual profiles, work and life experiences, at both a national and international level, as well as appropriate representation of both genders. The Supervisory Board strives to ensure appropriate female representation on the Board of Management. The Board of Management reports accordingly to the Personnel Committee – at regular intervals and, on request, prior to personnel decisions being taken by the Supervisory Board – on the proportion of, and changes in, management positions held by women, in particular below senior executive level and at uppermost management level. When actually selecting an individual for a post on the Board of Management, the Supervisory Board decides in the best interests of the Company and after taking account of all relevant circumstances.

The Supervisory Board holds a minimum of two meetings in each of the first and second six-month periods of the calendar year. Normally, five plenary meetings are held per calendar year. One meeting each year is planned to cover a number of days and is used, among other things, to enable an in-depth exchange on strategic and technological matters. The main emphases of meetings in the period under report are described in the Report of the Supervisory Board. As a general rule, the shareholder representatives and employee representatives prepare the Supervisory Board meetings separately and, if necessary, together with members of the Board of Management. Members of the Supervisory Board are in particular legally bound to maintain confidentiality with respect to any confidential reports they receive and any confidential discussions in which they partake.

The Chairman of the Supervisory Board coordinates work within the Supervisory Board, chairs its meetings, handles the external affairs of the Supervisory Board and represents it in its dealings with the Board of Management.

The Supervisory Board is quorate if all members have been invited to the meeting and at least half of its members participate in the vote on a particular resolution. A resolution relating to an agenda item not included in the invitation is only valid if none of the members of the Supervisory Board who were not present at the meeting object to the resolution and a minimum of two-thirds of the members are present.

As a basic rule, resolutions are passed by the Supervisory Board by simple majority. The German Co-determination Act contains specific requirements with regard to majority voting and technical procedures, particularly with regard to the appointment and revocation of appointment of management board members and the election of a supervisory board chairman or deputy chairman. In the event of a tied vote in the Supervisory Board, the Chairman of the Supervisory Board has two votes in a renewed vote, even if this also results in a tied vote.

In practice, resolutions are taken by the Supervisory Board and its committees at the relevant meetings. A Supervisory Board member who is not present at a meeting can have his/her vote cast by another Supervisory Board member if an appropriate request has been made in writing, by fax or in electronic form. This rule also applies to the casting of the second vote by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board can also accept the retrospective casting of votes by any members not present at a meeting if this is done within the time limit previously set. In special cases, resolutions may also be taken outside of meetings, i.e. in writing, by fax or by electronic means. Minutes are taken of each meeting and any resolutions made are signed by the Chairman of the Supervisory Board.

After its meetings, the Supervisory Board is generally provided information on new vehicle models in the form of a short presentation.

Following the election of a new Supervisory Board member, the BMW Corporate Governance Officer informs the new member of the principal issues affecting his or her duties – in particular those enshrined in the BMW Group Corporate Governance Code – including the duty to cooperate when a transaction or event triggers reporting requirements or is subject to the approval of the Supervisory Board.

All members of the Supervisory Board of BMW AG are required to ensure that they have sufficient time to perform their mandate. If members of the Supervisory Board of BMW AG are also members of the management board of a listed company, they may not accept more than a total of three mandates on non-BMW Group supervisory boards of listed companies or in other bodies with comparable requirements.

The Supervisory Board examines the efficiency of its activities on a regular basis. Joint discussions are also held at plenum meetings, prepared on the basis of a questionnaire previously devised by and distributed to the members of the Supervisory Board. The Chairman of the Supervisory Board is open to suggestions for improvement at all times.

Each member of the Supervisory Board of BMW AG is bound to act in the enterprise's best interests. Members of the Supervisory Board may not pursue personal interests in their decisions or take advantage of business opportunities intended for the benefit of the enterprise.

Members of the Supervisory Board are obliged to inform the full Supervisory Board of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners, enabling the Supervisory Board to report to the shareholders at the Annual General Meeting on how it has dealt with such issues. Material conflicts of interest and those which are not merely temporary in nature result in the termination of the mandate of the relevant Supervisory Board member.

With regard to nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board in its entirety has the required knowledge, skills and expert experience to perform its tasks in a proper manner.

The Supervisory Board has set out specific targets for its own composition (see section "Composition targets for the Supervisory Board").

The members of the Supervisory Board are responsible for undertaking appropriate basic and further training measures such as that may be necessary to carry out the tasks assigned to them. The Company provides appropriate assistance to members of the Supervisory Board in this respect.

The ability of the Supervisory Board to supervise and advise the Board of Management independently is also assisted by the fact that the Supervisory Board is required, based on its own assessment, to have an appropriate number of independent members. Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg is the only person on the Supervisory Board to have previously served on the Board of Management, of which he ceased to be a member in 2002. Supervisory Board members do not exercise directorships or similar positions or undertake advisory tasks for important competitors of the BMW Group.

Taking into account the specific circumstances of the BMW Group and the number of board members, the Supervisory Board has set up a Presiding Board and four committees, namely the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee (see "Overview of Supervisory Board Committees, Meetings"). Such committees serve to raise the efficiency of the Supervisory Board's work and facilitate the handling of complex issues. The establishment and function of a mediation committee is prescribed by law. The person chairing a committee reports in detail on its work at each plenum meeting.

The composition of the Presiding Board and the various committees is based on legal requirements, BMW AG's Articles of Incorporation, terms of reference and corporate governance principles. The expertise and technical skills of its members are also taken into account.

According to the relevant terms of reference, the Chairman of the Supervisory Board is, in this capacity, automatically a member of the Presiding Board, the Personnel Committee and the Nomination Committee, and also chairs these committees.

The number of meetings held by the Presiding Board and the committees depends on current requirements. The Presiding Board, the Personnel Committee and the Audit Committee normally hold several meetings in the course of the year (see "Overview of Supervisory Board Committees, Meetings" for details of the number of meetings held in the period under report).

In line with the terms of reference for the activities of the plenum, the Supervisory Board has also set terms of reference for the Presiding Board and the various committees. The committees are only quorate if all members are present. Resolutions taken by the committees are passed by simple majority unless stipulated otherwise by law. Minutes are also taken at the meetings and for the resolutions of the committees and the Presiding Board, and signed by the person chairing the particular meeting. This person also represents the committee in any dealings it may have with the Board of Management or third parties.

Members of the Supervisory Board may not delegate their duties. The Supervisory Board, the Presiding Board and committees may call on experts and other suitably informed persons to attend meetings to give advice on specific matters.

The Supervisory Board, the Presiding Board and the committees also meet without the Board of Management if necessary.

BMW AG ensures that the Supervisory Board and its committees are sufficiently equipped to carry out their duties. This includes the services provided by a centralised secretariat to support the chairmen in coordinating the work of the Supervisory Board.

In accordance with the relevant terms of reference, the Presiding Board comprises the Chairman of the Supervisory Board and board deputies. The Presiding Board prepares Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee. This includes, for example, preparing the annual Declaration of Compliance with the German Corporate Governance Code and the Supervisory Board's efficiency examination.

The Personnel Committee prepares the decisions of the Supervisory Board with regard to the appointment and revocation of appointment of members of the Board of Management and, together with the full Supervisory Board and the Board of Management, ensures that long-term successor planning is in place. The Personnel Committee also prepares the decisions of the Supervisory Board with regard to the Board of Management's compensation and the Supervisory Board's regular review of the Board of Management's compensation system. In conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management, the Personnel Committee is responsible for drawing up, amending and revoking service/employment contracts or, when necessary, other relevant contracts with members of the Board of Management. In specified cases, the Personnel Committee also has the authority to give the necessary approval for a particular transaction (instead of the Supervisory Board). This includes loans to members of the Board of Management or Supervisory Board, specified contracts with members of the Supervisory Board (in each case taking account of the consequences of related party transactions), as well as other activities of members of the Board of Management, including the acceptance of non-BMW Group supervisory board mandates.

The Audit Committee deals in particular with issues relating to the supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements and compliance. It also monitors the external audit, auditor independence and any additional work performed by the external auditor. It prepares the proposal for the election of the external auditor at the Annual General Meeting, makes a recommendation regarding the election of the external auditor, issues the audit engagement letter and agrees on points of audit focus as well as the auditor's fee. The Audit Committee prepares the Supervisory Board's resolution relating to the Company and Group Financial Statements and discusses interim reports with the Board of Management before publication. The Audit Committee also decides on the Supervisory Board's agreement to use the Authorised Capital 2009 (Article 4 no. 5 of the Articles of Incorporation) and on amendments to the Articles of Incorporation which only affect its wording.

In line with the recommendations of the German Corporate Governance Code, the Chairman of the Audit Committee is independent and not a former Chairman of the Board of Management and has specific know-how and experience in applying financial reporting standards and internal control procedures. He also fulfils the requirements of being an independent financial expert as defined by § 100 (5) and § 107 (4) AktG.

The Nomination Committee is charged with the task of finding suitable candidates for election to the Supervisory Board (as shareholder representatives) and for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting. In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.

The establishment and composition of a mediation committee are required by the German Co-determination Act. The Mediation Committee has the task of making proposals to the Supervisory Board if a resolution for the appointment of a member of the Board of Management has not been carried by the necessary two-thirds majority of members' votes. In accordance with statutory requirements, the Mediation Committee comprises the Chairman and the Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.

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Overview of Supervisory Board Committees, Meetings

Principal duties, basis for activities	Members	Number of meetings 2013	Average attendance
Presiding Board			
– preparation of Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee – activities based on terms of reference	Joachim Milberg[1] Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley	4	95%
Personnel Committee			
– preparation of decisions relating to the appointment and revocation of appointment of members of the Board of Management, the compensation and the regular review of the Board of Management's compensation system – conclusion, amendment and revocation of employment contracts (in conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management) and other contracts with members of the Board of Management – decisions relating to the approval of ancillary activities of Board of Management members, including acceptance of non-BMW Group supervisory mandates as well as the approval of transactions requiring Supervisory Board approval by dint of law (e.g. loans to Board of Management or Supervisory Board members) – set up in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Joachim Milberg[1] Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley	4	95%
Audit Committee			
– supervision of the financial reporting process, effectiveness of the internal control system, risk management system, internal audit arrangements and compliance – supervision of external audit, in particular auditor independence and additional work performed by external auditor – preparation of proposals for election of external auditor at Annual General Meeting, engagement of external auditor and compliance of audit engagement, determination of areas of audit emphasis and fee agreements with external auditor – preparation of Supervisory Board's resolution on Company and Group Financial Statements – discussion of interim reports with Board of Management prior to publication – decision on approval for utilisation of Authorised Capital 2009 – amendments to Articles of Incorporation only affecting wording – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Karl-Ludwig Kley[1,2] Joachim Milberg Manfred Schoch Stefan Quandt Stefan Schmid	4 plus 3 telephone conferences	94%
Nomination Committee			
– identification of suitable candidates (male/female) as shareholder representatives on the Supervisory Board to be put forward for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Joachim Milberg[1] Susanne Klatten Karl-Ludwig Kley Stefan Quandt (In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.)	2	87.5%
Mediation Committee			
– proposal to Supervisory Board if resolution for appointment of Board of Management member has not been carried by the necessary two-thirds majority of Supervisory Board members' votes – committee required by law	Joachim Milberg Manfred Schoch Stefan Quandt Stefan Schmid (In accordance with statutory requirements, the Mediation Committee comprises the Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.)	–	–

[1] Chair.
[2] Independent financial expert within the meaning of § 100 (5) AktG and § 107 (4) AktG.

Composition objectives of the Supervisory Board

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, skills and experience required to properly complete its tasks. To this end, the Supervisory Board has formally specified the following concrete objectives regarding its composition, taking into account the recommendations contained in the German Corporate Governance Code:

- At least four of the members of the Supervisory Board should have international experience or specialist knowledge with regard to one or more of the non-German markets important to the Company.
- If possible, the Supervisory Board should include seven members who have acquired in-depth knowledge and experience from within the enterprise. The Supervisory Board should not, however, include more than two former members of the Board of Management.
- At least three of the shareholder representatives in the Supervisory Board should be entrepreneurs or persons who have already gained experience in the management or supervision of another medium or large-sized company.
- Ideally, three members of the Supervisory Board should be figures from the worlds of business, science or research who have gained experience in areas relevant to the BMW Group, e.g. chemistry, energy supply, information technology, or who have acquired specialist knowledge in subjects relevant for the future of the BMW Group, e.g. customer requirements, mobility, resources and sustainability.
- When seeking suitably qualified individuals for the Supervisory Board whose specialist skills and leadership qualities are most likely to strengthen the Board as a whole, consideration should also be given to diversity. When preparing nominations, the extent to which the work of the Supervisory Board would benefit from diversified professional and personal backgrounds (including international aspects) and from an appropriate representation of both genders should also be taken into account. In view of the proportion of women in the workforce at 31 December 2013 (BMW AG: 14.5 %; BMW Group 17.4 %), the Supervisory Board is of the opinion that a proportion of three female members out of a total of 20 members (15 %) is satisfactory as far as gender mix is concerned, but that the inclusion of at least four female members (20 %) is desirable. The Supervisory Board therefore considers it appropriate that opportunities available in conjunction with selection procedures through to the end of the ordinary Annual General Meeting in 2015 should be used to maintain the current proportion of 20 % female representation. The Supervisory Board believes it is the joint responsibility of all persons and groupings participating in the nomination and election process to ensure that the Supervisory Board comprises an appropriate number of qualified women.
- At least twelve of the 20 members of the Supervisory Board should be independent members within the meaning of section 5.4.2 of the German Corporate Governance Code, including at least six members representing the Company's shareholders. Two independent members in the Supervisory Board should have expert knowledge of accounting or auditing.
- No persons carrying out directorship functions or advisory tasks for important competitors of the BMW Group may belong to the Supervisory Board. In compliance with prevailing legislation, the members of the Supervisory Board will strive to ensure that no persons will be nominated for election with whom serious conflicts of interest could arise (other than temporarily) due to other activities and functions carried out by them outside the BMW Group; this includes in particular advisory activities or directorships with customers, suppliers, creditors or other business partners.
- As a general rule, the age limit for membership of the Supervisory Board should be set at 70 years. In exceptional cases, members may be allowed to remain on the Board up until the end of the Annual General Meeting following their 73rd birthday in order to fulfil legal requirements or to facilitate smooth succession in the case of persons with key roles or specialist qualifications.

The time schedule set by the Supervisory Board for achieving the above-mentioned composition targets is the Annual General Meeting in 2015, by which time elections will have taken place for all positions on the Supervisory Board. Future proposals for nomination made by the Supervisory Board at the Annual General Meeting – insofar as they apply to shareholder Supervisory Board members – should take account of these objectives in such a way that they can be achieved with the support of the appropriate resolutions at the Annual General Meeting. The Annual General Meeting is not bound by nominations for election proposed by the Supervisory Board. The freedom of employees to vote for the employee members of the Supervisory Board is also protected. Under the procedural rules stipulated by the German Co-Determination Act, the Supervisory Board does not have the right to nominate employee representatives for election. The objectives which the Supervisory Board has set itself with regard to its compo-

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sition are therefore not intended to be instructions to those entitled to vote or restrictions on their freedom to vote. More to the point, they reflect the composition which the current Supervisory Board believes should be striven for in future by those entitled to nominate and elect board members, in view of the advisory and supervisory needs of BMW AG's Supervisory Board.

In the Supervisory Board's opinion, its own composition at 31 December 2013 fulfils the composition objectives detailed above. Brief curricula vitae of the current members of the Supervisory Board can be found on the Company's website at www.bmwgroup.com.

Information on corporate governance practices applied beyond mandatory requirements

Core principles

Within the BMW Group, the Board of Management, the Supervisory Board and the employees base their actions on twelve core principles which are the cornerstone of the success of the BMW Group:

Customer focus

The success of our Company is determined by our customers. They are at the heart of everything we do. The results of all our activities must be valued in terms of the benefits they will generate for our customers.

Peak performance

We aim to be the best – a challenge to which all of us must rise. Each and every employee must be prepared to deliver peak performance. We strive to be among the elite, but without being arrogant. It is the Company and its products that count – and nothing else.

Responsibility

Every BMW Group employee has the personal responsibility for the Company's success. When working in a team, each employee must assume personal responsibility for his or her actions. We are fully aware that we are working to achieve the Company's goals. For this reason, we work together in the best interests of the Company.

Effectiveness

The only results that count for the Company are those which have a sustainable impact. In assessing leadership, we must consider the effectiveness of performance on results.

Adaptability

In order to ensure our long-term success we must adapt to new challenges with speed and flexibility. We therefore see change as an opportunity – adaptability is essential to be able to capitalise on it.

Frankness

As we strive to find the best solution, it is each employee's duty to express any opposing opinions they may have. The solutions we agree upon will then be consistently implemented by all those involved.

Respect, trust, fairness

We treat each other with respect. Leadership is based on mutual trust. Trust is rooted in fairness and reliability.

Employees

People make companies. Our employees are the strongest factor in our success, which means our personnel decisions will be among the most important we ever make.

Leading by example

Every manager must lead by example.

Sustainability

In our view, sustainability constitutes a lasting contribution to the success of the Company. This is the basis upon which we assume ecological and social responsibility.

Society

Social responsibility is an integral part of our corporate self-image.

Independence

We secure the corporate independence of the BMW Group through sustained profitable growth.

The core principles are also available at www.bmwgroup.com under the menu items "Responsibility" and "Employees".

Social responsibility towards employees and along the supplier chain

The BMW Group stands by its social responsibilities. Our corporate culture combines the drive for success with a willingness to be open, trustworthy and transparent. We are well aware of our responsibility towards society. Our models for sustainable social responsibility towards employees and for ensuring compliance with international social standards are based on various internationally recognised guidelines. The BMW Group is committed to adhering to the OECD's guidelines for multinational companies and the contents of the ICC Business Charter for Sustainable Development. Details of the contents of these guidelines and other relevant information can be found at www.oecd.org and www.iccwbo.org. The Board of Management signed the United Nations Global Compact in 2001 and, in 2005, together with employee representatives, issued a "Joint Declaration on Human Rights and Working Conditions in the BMW Group". This Joint Declaration was reconfirmed in 2010. With the signature of these documents, we have given our commitment to abide worldwide by internationally recognised human rights and with the fundamental working standards of the International Labour Organization (ILO). The most important of these are freedom of employment, the prohibition of discrimination, the freedom of association and the right to collective bargaining, the prohibition of child labour, the right to appropriate remuneration, regulated working times and compliance with work and safety regulations. The complete text of the UN Global Compact and the recommendations of the ILO and other relevant information can be found at www.unglobalcompact.org and www.ilo.org. The Joint Declaration on Human Rights and Working Conditions in the BMW Group can be found at www.bmwgroup.com under the menu item "Responsibility" (Services/downloads/topics: "Employees and Society").

Further information regarding employees is provided in the "Personnel" section of the Combined Management Report.

It goes without saying that the BMW Group abides by these fundamental principles and rights worldwide. Employees have therefore been sensitised to this issue since 2005 by means of regular internal communications and further training on recent developments in this area. Two dedicated helplines – the "Human Rights Contact" and the "BMW Group SpeakUP Line" – are available to employees wishing to raise queries or complaints relating to human rights issues. The UN Guiding Principles provide a framework for critical reflection and continuous improvement in our endeavours to ensure that human rights are respected throughout the organisation.

Activities can only be sustainable, however, if they encompass the entire value-added chain. That is why the BMW Group not only makes high demands of itself but also expects its suppliers and partners to meet the ecological and social standards it sets and strives continually to improve the efficiency of processes, measures and activities.

Sustainability criteria play an integral part in all aspects of our purchasing terms and conditions as well as for the purposes of evaluating suppliers. Potential suppliers must submit a full disclosure when completing BMW's modularly structured sustainability questionnaire, an inherent component of the acceptance procedure for potential new suppliers. The BMW Group expects suppliers to ensure that the BMW Group's sustainability criteria are also adhered to by sub-suppliers. Purchasing terms and conditions and other information relating to purchasing can be found in the publicly available section of the BMW Group Partner Portal at https://b2b.bmw.com.

We foster close relations with our suppliers, providing encouragement and practical assistance to those interested in wishing to make progress in the area of sustainability.

Compliance in the BMW Group

Responsible and lawful conduct is fundamental to the success of the BMW Group. This approach is an integral part of our corporate culture and is the reason why customers, shareholders, business partners and the general public place their trust in us. The Board of Management and the employees of the BMW Group are obliged to act responsibly and in compliance with applicable laws and regulations.

This principle has been embedded in BMW's internal rules of conduct for many years. In order to protect itself systematically against compliance-related and reputational risks, the Board of Management created a Compliance Committee several years ago, mandated to establish a worldwide Compliance Management System throughout the BMW Group.

The BMW Group Compliance Committee comprises the heads of the following departments: Legal Affairs, Corporate and Governmental Affairs, Corporate Audit, Organisational Development and Corporate Human Resources. It manages and monitors activities necessary to avoid non-compliance with the law (Legal Compliance). These activities include training,

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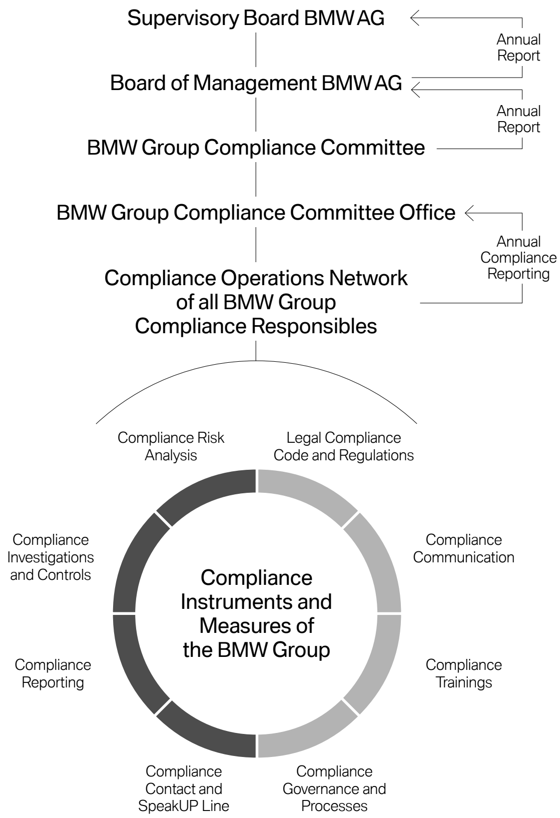
information and communication measures, compliance controls and following up cases of non-compliance.

The BMW Group Compliance Committee reports regularly to the Board of Management on all compliance-related issues, including the progress made in developing the BMW Group Compliance Organisation, details of investigations performed, known infringements of the law, sanctions imposed and corrective/preventative measures implemented. The decisions taken by the BMW Group Compliance Committee are drafted in concept, and implemented operationally, by the BMW Group Compliance Committee Office. The BMW Group Compliance Committee Office comprises ten employees and is allocated in organisational terms to the Chairman of the Board of Management.

BMW Group Compliance Organisation



The Chairman of the BMW Group Compliance Committee keeps the Audit Committee of the Supervisory Board informed on the current status of compliance activities within the BMW Group, both on a regular and a case-by-case basis as the need arises.

The Board of Management keeps track of and analyses compliance-related developments and trends on the basis of the Group's compliance reporting and input from the BMW Group Compliance Committee. Measures to improve the Compliance Management System are initiated on the basis of identified requirements.

A coordinated set of instruments and measures are employed to ensure that the BMW Group, its representative bodies, its managers and its staff act in a lawful manner. Particular emphasis has been placed on compliance with antitrust legislation and the avoidance of corruption risks. Compliance measures are supplemented by a whole range of internal policies, guidelines and instructions, which in part reflect applicable legislation. The BMW Group Policy "Corruption Prevention" deserves particular mention: this document deals with lawful handling of gifts and benefits and defines appropriate assessment criteria and approval procedures for specified actions.

Compliance measures are determined and prioritised on the basis of a group-wide compliance risk assessment covering all 276 business units and functions worldwide within the BMW Group. The assessment of compliance risks is updated annually. Measures are realised with the aid of a regionally structured compliance management team covering all parts of the BMW Group and overseeing more than 170 Compliance Responsibles.

The various elements of the BMW Group Compliance Organisation are shown in the diagram on the left and are applicable for all BMW Group entities worldwide. To the extent that additional compliance requirements apply to individual countries or specific lines of business, these are covered by supplementary compliance measures.

The BMW Group Legal Compliance Code is the cornerstone of the Group's Compliance Organisation, spelling out the Board of Management's acknowledgement of the fact that compliance is a joint responsibility ("Tone from the Top"). This document, which explains the significance of legal compliance and provides an overview of the various areas relevant for the BMW Group, is available both as a printed brochure and to download in German and English. In addition, translations into eleven other languages are available (Dutch, French, Italian, Japanese, Korean, Mandarin, Polish, Portuguese, Russian, Spanish and Thai).

Managers in particular bear a high degree of responsibility and must set a good example in the process of preventing infringements. Managers throughout the BMW Group accept this principle by signing a written declaration, in which they also undertake to inform staff working for them of the content and significance of the Legal Compliance Code and to make staff aware of legal risks. Managers must, at regular intervals and on their own initiative, check compliance with the law and communicate regularly with staff on this issue. Any indication of non-compliance with the law must be rigorously investigated.

More than 20,300 managers and staff worldwide have received training in compliance basics since the introduction of the BMW Group Compliance Organisation. The training material is available on an Internet-based training platform in German and English and includes a final test. Successful participation in the training programme, which is documented by a certificate, is mandatory for all BMW Group managers. Appropriate processes are in place to ensure that all newly recruited managers and promoted staff undergo compliance training. In this way, the BMW Group ensures full training coverage for its managers in compliance matters.

In addition to this basic training, in-depth training is also provided to certain groups of staff on specific compliance issues. This includes a training programme (Compliance Advanced – Competition and Antitrust Law), which was expanded in 2013 and is aimed at employees who come into contact with antitrust-related issues as a result of their functions within sales, purchasing, production or development. Anti-trust law training has also been mandatory for all BMW AG employees delegated to work abroad since the start of 2013. A total of 2,300 employees have already completed this training. The relevant divisions also introduced further measures and processes in 2013 to make employees who participate in meetings with competitors sufficiently aware of anti-trust risks.

Additional Compliance Market Coachings have also been implemented in local markets since late 2012. These multi-day classroom seminars strengthen the understanding of compliance in selected units and enhance cooperation between the central BMW Group Compliance Committee Office and decentralised compliance offices. In 2013, market coaching was performed for Financial Services and national sales companies in Argentina, Brazil, China, Mexico and Singapore.

In order to avoid legal risks, all members of staff are expected to discuss compliance matters with their managers and with the relevant departments within the BMW Group, in particular Legal Affairs, Corporate Audit and Corporate Security. The BMW Group Compliance Contact serves as a further point of contact for both employees and non-employees for any questions regarding compliance.

Employees also have the opportunity to submit information – anonymously and confidentially – via the BMW Group SpeakUP Line about possible breaches of the law within the Company. The BMW Group SpeakUP Line is available in a total of 34 languages and can be reached via local toll-free numbers in all countries in which BMW Group employees carry out activities.

Compliance-related queries and concerns are documented and followed up by the BMW Group Compliance Committee Office using an electronic Case Management System. If necessary, Corporate Audit, Corporate Security, the Works Council and Legal Affairs may be called upon to assist in the investigation process.

Through the group-wide reporting system, Compliance Responsibles throughout the BMW Group report on compliance-relevant issues to the Compliance Committee on a regular basis, and, if necessary, on an ad hoc

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basis. This includes reporting on the compliance status of the relevant entities, on identified legal risks and incidences of non-compliance as well as on corrective/preventative measures implemented.

Compliance with and implementation of the Legal Compliance Code are audited regularly by Corporate Audit and subjected to control checks by Corporate Security and the BMW Group Compliance Committee Office. As part of its regular activities, Corporate Audit carries out on-site audits. The BMW Group Compliance Committee also engages Corporate Audit to perform compliance-specific checks. In addition, sample checks (BMW Group Compliance Spot Checks) specifically designed to identify potential corruption risks are carried out. In 2013, three Compliance Spot Checks were performed in different units. Compliance control activities are coordinated by the BMW Group Panel Compliance Controls. Any necessary follow-up measures are organised by the BMW Group Compliance Committee Office.

It is essential that employees are aware of and comply with applicable legal regulations. The BMW Group does not tolerate violations of the law by its employees. Culpable violations of the law result in employment-contract sanctions and may involve personal liability consequences for the employee involved.

To avoid this, BMW Group employees are kept fully informed of the instruments and measures used by the Compliance Organisation via various internal channels. The central means of communication is the Compliance website within the BMW Group's intranet, where employees can find compliance-related information and have access to training materials in both German and English. The website contains a special service area where various practical tools and aids are made available to employees, which help them deal with typical compliance-related matters. BMW Group employees also have access on the website to an electronically supported approval process for invitations in connection with business partners. The results of the group-wide employee survey in 2013 showed that, thanks to extensive communications activities, BMW Group employees have an excellent understanding of the topic of compliance and its significance to the Company.

In the same way that the BMW Group is committed to lawful and responsible conduct, it also expects no less from its business partners. During 2012 the BMW Group developed a new Business Relations Compliance programme aimed at ensuring the reliability of its business relations. Relevant business partners are checked and evaluated with a view to identifying potential compliance risks. These procedures are particularly relevant for relations with sales partners and service providers, such as agencies and consultants. Depending on the results of the evaluation, appropriate measures – such as communication measures, training and possible monitoring – are implemented to manage compliance risks. The Business Relations Compliance programme has already been launched in 12 units since 2012 and, over the coming years, will be rolled out successively throughout the BMW Group's worldwide sales organisation. In 2013, the company also began introducing compliance clauses to protect contractual relationships into dealer and importer contracts.

Compliance is also an important factor in terms of safeguarding the future of the BMW Group's workforce. With this in mind, the Board of Management and the national and international employee representative bodies of the BMW Group have agreed on a binding set of Joint Principles for Lawful Conduct. In doing so, all parties involved gave a commitment to the principles contained in the BMW Group Legal Compliance Code and to trustful cooperation in all matters relating to compliance. Employee representatives are therefore regularly involved in the process of developing compliance measures within the BMW Group.

In the interest of investor protection and to ensure that the BMW Group complies with regulations relating to potential insider information, as early as 1994 the Board of Management appointed an Ad Hoc Committee, consisting of representatives of various specialist departments, whose members examine the relevance of issues for ad hoc disclosure purposes. All persons working on behalf of the company who have access to insider information in accordance with existing rules have been, and continue to be, included in a corresponding, regularly updated list and informed of the duties arising from insider rules.

Reportable securities transactions ("Directors Dealings")

Pursuant to § 15a of the German Securities Trading Act (WpHG), members of the Board of Management and the Supervisory Board and any persons related to those members are required to give notice to BMW AG and the Federal Agency for the Supervision of Financial Services of transactions with BMW stock or related financial instruments if the total sum of such transactions reaches or exceeds an amount of €5,000 during any given calendar year. No securities transactions pursuant to § 15a WpHG were notified to the Company during the 2013 financial year.

Shareholdings of members of the Board of Management and the Supervisory Board

The members of the Supervisory Board of BMW AG hold in total 27.62 % of the Company's shares of common and preferred stock (2012: 27.63 %), of which 16.07 % (2012: 16.08 %) relates to Stefan Quandt, Bad Homburg v. d. H. and 11.55 % (2012: 11.55 %) to Susanne Klatten, Munich. The shareholding of the members of the Board of Management totals less than 1 % of the issued shares.

Share-based remuneration schemes for employees and Board of Management members

Three share-based remuneration schemes were in place at BMW AG during the year under report, namely the Employee Share Scheme (under which entitled employees of BMW AG have been able to participate in the enterprise's success since 1989 in the form of non-voting shares of preferred stock) and two share-based remuneration schemes for Board of Management members and for department heads (relating to shares of common stock). The share-based remuneration scheme for Board of Management members is described in detail in the Compensation Report (see also the Compensation Report and note 19 to the Group Financial Statements).

The share-based remuneration scheme for qualifying department heads, introduced with effect for financial years beginning after 1 January 2012, is closely based on the scheme for Board of Management members and is aimed at rewarding a long-term, entrepreneurial approach to running the business on a sustainable basis.

Under the terms of this scheme, participants give a commitment to invest an amount equivalent to 20 % of their performance-based bonus in BMW common stock and to hold the shares so acquired for four years. In return for this commitment, BMW AG pays 100 % of the investment amount as a net subsidy. Once the four-year holding period requirement has been fulfilled, the participants receive – for each three shares of common stock held and at the Company's option – one further share of common stock or the equivalent amount in cash.

Under the terms of the Employee Share Scheme, employees were able in 2013 to acquire packages of between five and 13 shares of non-voting preferred stock with a discount of €19.23 (2012: €12.50) per share compared to the market price (average closing price in Xetra trading during the period from 7 November to 13 November 2013: €63.02). All employees of BMW AG and its wholly owned German subsidiaries (if agreed to by the directors of those entities) were entitled to participate in the scheme. Employees were required to have been in an uninterrupted employment relationship with BMW AG or the relevant subsidiary for at least one year at the date on which the allocation for the year was announced. Shares of preferred stock acquired in conjunction with the Employee Share Scheme are subject to a vesting period of four years, starting from 1 January of the year in which the employees acquired the shares. A total of 266,152 (2012: 422,905) shares of preferred stock were acquired by employees under the scheme in 2013; 265,570 (2012: 422,845) of these shares were drawn from the Authorised Capital 2009, the remainder were bought back via the stock exchange. Every year the Board of Management of BMW AG decides whether the scheme is to be continued. Further information is provided in notes 19 and 34 to the Group Financial Statements.

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Compensation Report

The following section describes the principles relating to the compensation of the Board of Management and the stipulations set out in the statutes relating to the compensation of the Supervisory Board. In addition to discussing the compensation system, the components of compensation are also disclosed in absolute figures. Furthermore, the compensation of each member of the Board of Management and the Supervisory Board for the financial year 2013 is disclosed by individual and analysed into components.

1. Board of Management compensation

Responsibilities

The Supervisory Board is responsible for determining and regularly reviewing the Board of Management's compensation. The Personnel Committee plays a preparatory role in this process.

Principles of compensation

The compensation system for the Board of Management at BMW AG is designed to encourage a management approach focused on sustainable development. One important principle applied when designing remuneration systems at BMW is that of consistency at different levels. In other words, compensation systems for the Board of Management, senior management and employees of BMW AG should all have a similar structure and contain similar components. The Supervisory Board carries out regular checks to ensure that all Board of Management compensation components are appropriate, both individually and in total, and do not encourage the Board of Management to take inappropriate risks for the BMW Group. At the same time, the compensation model used for the Board of Management should be attractive in the context of the competitive environment for highly qualified executives.

The compensation of members of the Board of Management is determined by the full Supervisory Board on the basis of performance criteria and after taking into account any remuneration received from Group companies. The principal performance criteria are the nature of the tasks allocated to each member of the Board of Management, the economic situation and the performance and future prospects of the BMW Group. The Supervisory Board sets demanding and relevant parameters as the basis for variable compensation. It also takes care to ensure that variable components based on multi-year assessment criteria take account of both positive and negative developments and that the package as a whole encourages a long-term approach to business performance. Targets and other parameters may not be changed retrospectively.

The Supervisory Board reviews the appropriateness of the compensation system annually. The Personnel Committee also makes use of remuneration studies. The Supervisory Board reviews the appropriateness of the compensation system in horizontal terms by comparing compensation paid by DAX companies and in vertical terms by comparing board compensation with the salaries of executive managers and with the average salaries of employees of BMW AG in Germany, in both cases in terms of level and changes over time. Recommendations made by an independent external remuneration expert and suggestions made by investors and analysts are also considered in the consultative process.

Compensation system, compensation components

The compensation of the Board of Management comprises both fixed and variable remuneration as well as a share-based component. Retirement and surviving dependants' benefit entitlements are also in place.

Fixed compensation

Fixed remuneration consists of a base salary (paid monthly) and other remuneration elements. Other remuneration elements comprise mainly the use of Company and lease cars as well as the payment of insurance premiums, contributions towards security systems and an annual medical check-up. Members of the Board of Management are also entitled to purchase vehicles and other services of the BMW Group at conditions that also apply in each relevant case for employees.

The basic remuneration of members of the Board of Management is unchanged from the previous year, namely €750,000 p. a. for a board member during the first period of office, €900,000 p. a. for a board member from the second period or fourth year of office onwards and €1,500,000 p. a. for the Chairman of the Board of Management.

Variable remuneration

The variable remuneration of Board of Management members comprises variable cash remuneration on the one hand and a share-based remuneration component on the other.

Variable cash remuneration, in particular bonuses

Variable cash remuneration consists of a cash bonus and share-based remuneration component equivalent to 20 % of a board member's total bonus after taxes, which the board member is required to invest in BMW AG common stock. Taxes and social insurance relating to the share-based remuneration are also borne by the Company. In substantiated cases, the Supervisory Board also has the option of paying an additional special bonus.

The bonus is made up of two components, each equally weighted, namely a corporate earnings-related bonus and a personal performance-related bonus. The target bonus (100 %) for a Board of Management member, for both components of variable compensation, totals €1.5 million p. a., rising to €1.75 million p. a. with effect from the second term of appointment or the fourth year in office. The equivalent figure for the Chairman of the Board of Management is €3 million p. a. The amount of bonus is capped for all Board of Management members. For the financial year 2013, the upper limits were 250 % of the relevant target bonus. For financial years commencing after 1 January 2014, the upper limits are 200 % of the relevant target bonus.

The corporate earnings-related bonus is based on the BMW Group's net profit and post-tax return on sales (which are combined in a single earnings factor) and the level of the dividend (common stock). The corporate earnings-related bonus is derived by multiplying the target amount fixed for each member of the Board of Management by the earnings factor and by the dividend factor. In exceptional circumstances, for instance when there have been major acquisitions or disposals, the Supervisory Board may adjust the level of the corporate earnings-related bonus.

An earnings and dividend factor of 1.00 would give rise to an earnings-based bonus of €0.75 million for the financial year 2013 for a member of the Board of Management during the first period of office and one of €0.875 million during the second term of appointment or from the fourth year in office. The equivalent bonus for the Chairman of the Board of Management is €1.5 million. The earnings factor is 1.00 in the event of a Group net profit of €3.1 billion and a post-tax return on sales of 5.6 %. The dividend factor is 1.00 in the event that the dividend paid on the shares of common stock is between 101 and 110 cents. If the Group net profit is below €1 billion or if the post-tax return on sales is less than 2 %, the earnings factor for the financial year 2013 would be zero. In this case, no corporate earnings-related bonus would be paid. Based on the principle of consistency at all levels, this rule is also applicable in determining the corporate earnings-related variable compensation components of all managers and staff of BMW AG.

The personal performance-related bonus is derived by multiplying the target amount set for each member of the Board of Management by a performance factor. The Supervisory Board sets the performance factor on the basis of its assessment of the contribution of the relevant Board of Management member to sustainable and long-term oriented business development. In setting the factor, consideration is given equally to personal performance and decisions taken in previous forecasting periods, key decisions affecting the future development of the business and the effectiveness of measures taken in response to changing external conditions as well as other activities aimed at safeguarding the future viability of the business to the extent not included directly in the basis of measurement. Performance factor criteria include innovation (economic and ecological, e.g. reduction of carbon emissions), customer focus, ability to adapt, leadership accomplishments, contributions to the Company's attractiveness as an employer, progress in implementing the diversity concept and activities that foster corporate social responsibility. The target bonus and the key figures used to determine the corporate earnings-related bonus are fixed in advance for a period of three financial years, during which time they may not be amended retrospectively.

Share-based remuneration programme

The compensation system includes a share-based remuneration programme, in which the level of share-based remuneration is based on the amount of the bonus paid. The system is aimed at creating further long-term incentives to encourage sustainable governance.

This programme envisages a share-based remuneration component equivalent to 20 % of the board member's total bonus after taxes, which the board member is required to invest in BMW AG common stock. Taxes and social insurance relating to the share-based remuneration component are also borne by the Company. As a general rule, the shares must be held for a minimum of four years. As part of a matching plan, the Board of Management members will, at the end of the holding period, receive from the Company either one additional share of common stock or an equivalent cash amount for three shares of common stock held, to be decided at the discretion of the Company (share-based remuneration component/matching component), unless the

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employment relationship was ended before expiry of the agreed contractual period (except where caused by death or invalidity). Special rules apply in the case of death or invalidity of a Board of Management member before fulfilment of the holding period.

Retirement and surviving dependants' benefits

The provision of retirement and surviving dependants' benefits for Board of Management members was changed to a defined contribution system with a guaranteed minimum return with effect from 1 January 2010. However, given the fact that board members appointed for the first time prior to 1 January 2010 had a legal right to receive the benefits already promised to them, these board members were given the option to choose between the previous system and the new one.

In the event of the termination of mandate, Board of Management members appointed for the first time prior to 1 January 2010 are entitled to receive certain defined benefits in accordance with the old pension scheme rules. Pensions are paid to former members of the Board of Management who have either reached the age of 65 or, if their mandate was terminated earlier and not extended, to members who have either reached the age of 60 or who are unable to work due to ill health or accident, or who have entered into early retirement in accordance with a special arrangement. The amount of the pension is unchanged from the previous year and comprises a basic monthly amount of €10,000 or €15,000 (Chairman of the Board of Management) plus a fixed amount. The fixed amount is made up of approximately €75 for each year of service in the Company before becoming a member of the Board of Management plus between €400 and €600 for each full year of service on the board (up to a maximum of 15 years). Pension payments are adjusted by analogy to the rules applicable for the adjustment of civil servants' pensions: the pensions of members of the Board of Management are adjusted when the civil servants remuneration level B6 (excluding allowances) is increased by more than 5% or in accordance with the Company Pension Act.

When a mandate is terminated, the new defined contribution system provides entitlements which can be paid either (a) in the case of death or invalidity as a one-off amount or over a maximum of ten years or (b) on retirement – depending on the wish of the ex-board member concerned – in the form of a lifelong monthly pension, as a one-off amount, in a maximum of ten annual instalments, or in a combined form (e.g. a combination of a one-off payment and a proportionately reduced lifelong monthly pension). Pensions are paid to former members of the Board of Management who have either reached the statutory retirement age for the state pension scheme in Germany or, if their mandate had terminated earlier and had not been extended, to members who have either reached the age of 60 or are permanently unable to work, or who have entered into early retirement in accordance with a special arrangement. In addition, following the death of a retired board member who has elected to receive a lifelong pension, 60% of that amount is paid as a lifelong widow's pension. Pensions are increased annually by an amount of at least 1%.

The amount of the retirement pension to be paid is determined on the basis of the amount accrued in each board member's individual pension savings account. The amount on this account arises from annual contributions paid in plus interest earned depending on the type of investment.

Depending on the length of membership in the Board of Management and previous activities, the annual contribution to be paid amounts to between €350,000 and €400,000 (2012: €300,000) for each member of the Board of Management and €700,000 (2012: €525,000) for the Chairman of the Board of Management. The contributions are credited, along with interest earned, to the personal savings accounts of board members in monthly amounts. The guaranteed minimum rate of return p.a. corresponds to the maximum interest rate used to calculate insurance reserves for life insurance policies (guaranteed interest on life insurance policies). A Board of Management member entering office at 50 years of age and serving as member of the Board of Management to the age of 60 can reckon on a retirement savings capital of €4.2 million.

In the case of invalidity or death, a minimum contribution of the potential annual contributions will be paid until the person concerned would have reached the age of 60.

Contributions falling due under the defined contribution scheme are paid into an external fund in conjunction with a trust model that is also used to fund pension obligations to employees.

Income earned on an employed or a self-employed basis up to the age of 63 is offset against the pension

Overview of compensation system and compensation components

Component	Parameter / measurement base
Salary p. a.	
	Member of the Board of Management: – €0.75 million (first term of appointment) – €0.90 million (from second term of appointment onwards or fourth year in office) Chairman of the Board of Management: – €1.50 million
Variable compensation	
Bonus	Target bonuses p. a. (if target is 100 % achieved): – €1.50 million (first term of appointment) – €1.75 million (from second term of appointment onwards or fourth year in office) – €3.00 million (Chairman of the Board of Management) – Upper limit: 250 % (until 31 December 2013)
a) Corporate earnings-related bonus (corresponds to 50 % of target bonus if target is 100 % achieved)	– Quantitative criteria fixed in advance for a period of three financial years – Formula: 50 % of target bonus x earnings factor x dividend factor (common stock) – The earnings factor is derived from the Group net profit and the Group post-tax return on sales
b) Performance-related bonus (corresponds to 50 % of target bonus if target is 100 % achieved)	– Primarily qualitative criteria, expressed in terms of a performance factor aimed at measuring the board members' contribution to sustainable and long-term performance and the future viability of the business – Formula: 50 % of target bonus x performance factor – Criteria for the performance factor also include: innovation (economic and ecological, e.g. reduction of CO_2 emissions), customer orientation, ability to adapt, leadership accomplishments and attractiveness as employer, progress in implementing the diversity concept and activities that foster corporate social responsibility
Special bonus payments	May be paid in justified circumstances on an appropriate basis, contractual basis, no entitlement
Share-based remuneration programme	– Requirement for Board of Management members to each invest an amount equivalent to 20 % of their total bonus (after tax) in BMW AG common stock
a) Cash remuneration component	– Earmarked cash remuneration equivalent to the amount required to be invested in BMW AG shares, plus taxes and social insurance contributions
b) Share-based remuneration component (matching component)	– Once the four-year holding period requirement is fulfilled, Board of Management members receive for each three common stock shares held either – at the Company's option – one further share of common stock or the equivalent amount in cash, unless the employment relationship was ended before expiry of the agreed contractual period (except where caused by death or invalidity).
Other remuneration	
	Contractual agreement, main points: use of company cars, insurance premiums, contributions towards security systems, medical check-up
Compensation entitlements on termination of contract, compensation entitlements in event of change of control or takeover bid	
	No contractual entitlements

Retirement and surviving dependants' benefits

Model	Principal features
a) Defined benefits (only applies to board members appointed for the first time before 1 January 2010; based on legal right to receive the benefits already promised to them, this group of persons is entitled to opt between (a) and (b))	Pension of €120,000 (Chairman: €180,000) p. a. plus fixed amounts based on length of Company and board service
b) Defined contribution system with guaranteed minimum rate of return	Pension based on amounts credited to individual savings accounts for contributions paid and interest earned, various forms of disbursement Pension contributions p. a.: Member of the Board of Management: €350,000 – €400,000 Chairman of the Board of Management: €700,000

Remuneration caps

since 1 January 2014 in € p.a.	Bonus	Share-based remuneration programme: Cash remuneration for share acquisition	Share-based remuneration programme: Monetary value of matching component	Possible special bonus	Total*
Member of the Board of Management in the first term of appointment	3,000,000	700,000	700,000	1,000,000	4,925,000
Member of the Board of Management in the second term of appointment or from fourth year in office	3,500,000	800,000	800,000	1,200,000	5,500,000
Chairman of the Board of Management	6,000,000	1,400,000	1,400,000	1,500,000	9,850,000

* Including basic remuneration, other fixed remuneration elements and pension contribution. The overall cap is lower than the sum of the maximum amounts for each of the individual components.

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entitlement. In addition, certain circumstances have been specified, in the event of which the Company no longer has any obligation to pay benefits. In such cases, no transitional payments will be made, either.

Board of Management members who retire immediately after their service on the board and who draw a retirement pension are entitled to purchase vehicles and other services of the BMW Group at conditions that also apply in each relevant case for pensioners and to lease BMW Group vehicles in accordance with the guidelines applicable to senior heads of departments.

Termination benefits on premature termination of board activities, benefits paid by third parties

In connection with the premature termination of Mr Arndt's activities on the Board of Management with effect from 31 March 2013 due to health reasons, it was decided to continue his contract of employment through to its scheduled end on 31 August 2014 and to honour all fixed remuneration components, i.e. basic remuneration of €900,000 p. a. on a pro rata basis and other fixed remuneration elements contained in the contract of employment, including company car usage and pension contributions, also on a pro rata basis. Accordingly, for the period from April to December 2013, Mr Arndt received pro rata basic remuneration of €675,000 and other remuneration amounting to €24,197. No entitlement to variable remuneration arose for the period between the premature termination of board mandate and contract expiry. This does not apply, however, to entitlements already earned in relation to the matching component payable in conjunction with the share-based remuneration scheme (subject to fulfilment of the stipulated holding period requirement). In view of the agreed curtailment of contractual retirement benefits, and in settlement of all other contractual entitlements arising from Mr Arndt's service contract, the Company gave a commitment to make a one-off payment of €800,000 on contract expiry in 2014.

Apart from this, there are no contractual commitments to pay compensation if a board member's mandate is terminated prematurely. Similarly, there are no commitments to pay compensation for premature termination in the event of a change of control or a takeover offer. No members of the Board of Management received any payments or benefits from third parties in 2013 on account of their activities as members of the Board of Management of BMW AG.

Remuneration caps

In 2013, and with effect for financial years beginning after 1 January 2014, the Supervisory Board stipulated caps for all variable remuneration components and for the remuneration of Board of Management members in total. The caps are shown in the overview of the compensation system and compensation components.

Compensation of the Board of Management for the financial year 2013 (2012) (total)

The total compensation of the current members of the Board of Management of BMW AG for the financial year 2013 amounted to €34.5 million (2012: €31.4 million), of which €7.9 million (2012: €7.5 million) relates to fixed components (including other remuneration). Variable components amounted to €25.9 million (2012: €23.2 million) and share-based remuneration components to €0.7 million (2012: €0.7 million).

In addition, an expense of €4.3 million (2012: €1.2 million) was recognised in the financial year 2013 for current members of the Board of Management, including Mr Arndt, for the period after the end of their service relationship. This relates to the expense for allocations to pension provisions and for benefits relating to the termination of activity of a Board of Management member.

in € million	**2013**		2012	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	**7.9**	**22.9**	7.5	23.9
Variable cash compensation	**25.9**	**75.1**	23.2	73.9
Share-based compensation component*	**0.7**	**2.0**	0.7	2.2
Total compensation	**34.5**	**100.0**	**31.4**	**100.0**

* Matching component; provisional number or provisional monetary value calculated at grant date (date on which the entitlement became binding in law). The final number of matching shares is determined in each case when the requirement to invest in BMW AG common stock has been fulfilled.

The amount paid to former members of the Board of Management and their dependants for the financial year 2013 was €4.7 million (2012: €3.8 million). The figure for 2013 includes continued payment of the fixed remuneration of Mr Arndt after leaving the Board of Management amounting to €699,197. Pension obligations to former members of the Board of Management, including Mr Arndt, and their surviving dependants are fully covered by pension provisions amounting to €58.0 million (2012: €61.2 million), computed in accordance with IAS 19.

Compensation of the individual members of the Board of Management for the financial year 2013 (2012)

in € or number of matching shares	Fixed compensation: Basic compensation	Fixed compensation: Other compensation	Fixed compensation: Total	Variable cash compensation	Share-based compensation component (matching component)[1]: Number	Share-based compensation component (matching component)[1]: Monetary value	**Compensation Total**	Expense for share-based compensation component in year under report in accordance with HGB and IFRS	Provision at 31.12.2013 for share-based remuneration component in accordance with HGB and IFRS[2]
Norbert Reithofer	1,500,000	119,232	1,619,232	5,270,400	1,886	143,204	**7,032,836**	122,700	219,970
	(1,500,000)	(112,835)	(1,612,835)	(4,881,600)	(2,495)	(132,634)	(6,627,069)	(75,826)	(97,269)
Frank-Peter Arndt[3]	225,000	10,434	235,434	640,500	0	0	**875,934**	69,008	157,864
	(900,000)	(27,336)	(927,336)	(2,847,600)	(1,455)	(77,348)	(3,852,284)	(70,099)	(88,856)
Milagros Caiña Carreiro-Andree	750,000	98,213	848,213	2,635,200	1,012	76,841	**3,560,254**	49,469	55,717
	(375,000)	(11,526)	(386,526)	(1,220,400)	(514)	(35,569)	(1,642,495)	(6,248)	(6,248)
Herbert Diess	900,000	19,210	919,210	3,074,400	1,181	89,673	**4,083,283**	91,437	162,052
	(900,000)	(22,007)	(922,007)	(2,847,600)	(1,563)	(83,089)	(3,852,696)	(55,238)	(70,615)
Klaus Draeger	900,000	26,374	926,374	3,074,400	1,181	89,673	**4,090,447**	125,097	215,602
	(900,000)	(22,948)	(922,948)	(2,847,600)	(1,563)	(83,089)	(3,853,637)	(71,283)	(90,505)
Friedrich Eichiner	900,000	24,225	924,225	3,074,400	1,181	89,673	**4,088,298**	104,017	182,455
	(900,000)	(27,366)	(927,366)	(2,847,600)	(1,563)	(83,089)	(3,858,055)	(61,522)	(78,437)
Harald Krüger	900,000	18,588	918,588	3,074,400	1,100	83,523	**4,076,511**	60,843	108,375
	(900,000)	(19,036)	(919,036)	(2,847,600)	(1,455)	(77,348)	(3,843,984)	(37,608)	(47,532)
Ian Robertson	900,000	14,401	914,401	3,074,400	1,181	89,673	**4,078,474**	79,152	141,210
	(900,000)	(14,881)	(914,881)	(2,847,600)	(1,563)	(83,089)	(3,845,570)	(48,583)	(62,058)
Peter Schwarzenbauer[4]	562,500	13,424	575,924	1,976,400	812	57,603	**2,609,927**	10,380	10,380
	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Total	**7,537,500**	**344,101**	**7,881,601**	**25,894,500**	**9,534**	**719,863**	**34,495,964**	**712,103**	**1,253,625**
	(7,275,000)	(257,935)	(7,532,935)	(23,187,600)	(12,171)	(655,255)	(31,375,790)	(426,407)	(541,520)

[1] Provisional number or provisional monetary value calculated at grant date (date on which the entitlement became binding in law). The final number of matching shares is determined in each case when the requirement to invest in BMW AG common stock has been fulfilled. See note 19 to the Group Financial Statements for a description of the accounting treatment of the share-based compensation component.
[2] Monetary value calculated on the basis of the closing price of BMW common stock in the XETRA trading system on 31 December 2013 (€85.22) (fair value at reporting date).
[3] Member of the Board of Management until 31 March 2013.
[4] Member of the Board of Management since 1 April 2013.

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Pension benefits of the individual members of the Board of Management

in €	Service cost IFRS[1]	Service cost HGB[1]	Present value of pension obligations (defined benefit plans), in accordance with IFRS[2]	Present value of pension obligations (defined benefit plans), in accordance with HGB[2]
Norbert Reithofer	313,038	233,100	7,234,887	6,036,606
	(217,462)	(204,520)	(7,770,956)	(5,263,483)
Milagros Caiña Carreiro-Andree	369,827	372,277	555,847	555,190
	(150,000)	(168,361)	(169,119)	(168,608)
Herbert Diess	211,774	407,705	3,294,607	3,062,183
	(145,829)	(260,723)	(3,459,608)	(2,407,993)
Klaus Draeger	162,426	407,482	4,086,628	3,694,976
	(114,531)	(227,386)	(4,357,273)	(3,078,164)
Friedrich Eichiner	174,279	407,482	4,683,637	3,827,095
	(127,028)	(183,671)	(4,443,313)	(3,203,857)
Harald Krüger	143,734	358,325	2,648,384	2,516,021
	(88,004)	(346,582)	(2,911,534)	(1,934,608)
Ian Robertson	395,507	274,357	2,025,994	1,771,848
	(281,416)	(283,003)	(1,872,190)	(1,274,502)
Peter Schwarzenbauer[3]	262,500	262,500	289,681	289,308
	(–)	(–)	(–)	(–)
Total[4]	**2,033,085**	**2,723,228**	**24,819,665**	**21,753,227**
	(1,233,039)	(1,947,143)	(29,374,854)	(20,589,637)
Frank-Peter Arndt[5]	149,808	307,482	4,153,128	3,783,361
	(108,769)	(272,897)	(4,390,861)	(3,258,422)

[1] Service cost differs due to the different valuation bases used to measure pension obligations for HGB purposes (expected settlement amount) and for IFRS purposes (present value of the defined benefit obligation).
[2] Based on legal right to receive the benefits already promised to them, Board of Management members appointed for the first time prior to 1 January 2010 were given the option of choosing between the old and new models at the time the Company changed from a defined benefit to a defined contribution system.
[3] Member of the Board of Management since 1 April 2013. The pension expense for Peter Schwarzenbauer in the financial year 2013 corresponds to the defined contribution amount.
[4] The previous year's figures include amounts relating to Frank-Peter Arndt.
[5] Member of the Board of Management until 31 March 2013.

2. Supervisory Board compensation

Responsibilities, regulation pursuant to Articles of Incorporation

The compensation of the Supervisory Board is specified by resolution of the shareholders at the Annual General Meeting or in the Articles of Incorporation. The compensation regulation valid for the financial year 2013 was resolved by shareholders at the Annual General Meeting on 14 May 2013 and is set out in Article 15 of BMW AG's Articles of Incorporation, which can be viewed and/or downloaded at www.bmwgroup.com\ir under the menu items "Corporate Facts" and "Corporate Governance".

Compensation principles, compensation components

The Supervisory Board of BMW AG receives a fixed compensation component as well as a corporate performance-related compensation component which is oriented toward sustainable growth, based on a multi-year assessment. The corporate performance-related component is based on average earnings per share of common stock for the remuneration year and the two preceding financial years.

These two interacting components are intended to ensure that the compensation of Supervisory Board members is commensurate overall in relation to the tasks performed and the Company's financial condition and also takes account of business performance over several years.

In accordance with the rule contained in BMW AG's Articles of Incorporation since the beginning of the 2013 financial year, each member of the Supervisory Board receives, in addition to the reimbursement of reasonable expenses, a fixed amount of €70,000 (payable at the end of the year) as well as a corporate performance-related compensation of €170 for each full €0.01 by which the average amount of (basic) earnings per share (EPS) of common stock reported in the Group Financial Statements for the remuneration year and the two preceding financial years exceeds a minimum amount of €2.00 (payable after the Annual General Meeting held in the following year). An upper limit corresponding to twice the amount of the fixed compensation (€140,000) is in place for the corporate performance-related compensation.

With this combination of fixed compensation elements and a corporate performance-related compensation component oriented toward sustainable growth, the compensation structure in place for BMW AG's Supervisory Board complies with the recommendation on supervisory board compensation contained in section 5.4.6 paragraph 2 sentence 2 of the German Corporate Governance Code (version dated 13 May 2013).

The German Corporate Governance Code also recommends in section 5.4.6 paragraph 1 sentence 2 that the exercising of chair and deputy chair positions in the Supervisory Board as well as the chair and membership of committees should also be considered when determining the level of compensation.

Accordingly, the Articles of Incorporation of BMW AG stipulate that the Chairman of the Supervisory Board receives three times the amount and each Deputy Chairman shall receive twice the amount of the remuneration of a Supervisory Board member. Provided the relevant committee convened for meetings on at least three days during the financial year, each chairman of the Supervisory Board's committees receives twice the amount and each member of a committee receives one and a half times the amount of the remuneration of a Supervisory Board member. If a member of the Supervisory Board exercises more than one of the functions referred to above, the compensation is measured only on the basis of the function which is remunerated with the highest amount.

In addition, each member of the Supervisory Board receives an attendance fee of €2,000 for each full meeting of the Supervisory Board (Plenum) which the member has attended (payable at the end of the financial year). Attendance at more than one meeting on the same day is not remunerated separately.

The Company also reimburses to each member of the Supervisory Board reasonable expenses and any value-added tax arising on the member's remuneration. The amounts disclosed below are net amounts.

In order to be able to perform his duties, the Chairman of the Supervisory Board is provided with secretariat and chauffeur services.

Compensation of the Supervisory Board for the financial year 2013 (total)

In accordance with § 15 of the Articles of Incorporation, the compensation of the Supervisory Board for activities during the financial year 2013 amounted to €4.6 million (2012: €4.5 million). This comprises fixed compensation of €2.0 million (2012: €1.6 million) and variable compensation of €2.6 million (2012: €2.9 million).

in € million	2013		2012	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	**2.0**	**43.5**	1.6	35.6
Variable compensation	**2.6**	**56.5**	2.9	64.4
Total compensation	**4.6**	**100.0**	**4.5**	**100.0**

Supervisory Board members did not receive any further compensation or benefits from the BMW Group for advisory and agency services personally rendered.

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Compensation of the individual members of the Supervisory Board for the financial year 2013 (2012)

in €	Fixed compensation	Attendance fee	Variable compensation	**Total**
Joachim Milberg (Chairman)	210,000 (165,000)	10,000 (10,000)	294,270 (330,000)	**514,270** (505,000)
Manfred Schoch (Deputy Chairman)[1]	140,000 (110,000)	10,000 (10,000)	196,180 (220,000)	**346,180** (340,000)
Stefan Quandt (Deputy Chairman)	140,000 (110,000)	10,000 (10,000)	196,180 (220,000)	**346,180** (340,000)
Stefan Schmid (Deputy Chairman)[1]	140,000 (110,000)	10,000 (10,000)	196,180 (220,000)	**346,180** (340,000)
Karl-Ludwig Kley (Deputy Chairman)	140,000 (110,000)	8,000 (8,000)	196,180 (220,000)	**344,180** (338,000)
Bertin Eichler[1]	70,000 (55,000)	10,000 (10,000)	98,090 (110,000)	**178,090** (175,000)
Franz Haniel	70,000 (55,000)	10,000 (10,000)	98,090 (110,000)	**178,090** (175,000)
Reinhard Hüttl	70,000 (55,000)	10,000 (10,000)	98,090 (110,000)	**178,090** (175,000)
Henning Kagermann	70,000 (55,000)	10,000 (10,000)	98,090 (110,000)	**178,090** (175,000)
Susanne Klatten	70,000 (55,000)	10,000 (8,000)	98,090 (110,000)	**178,090** (173,000)
Renate Köcher	70,000 (55,000)	10,000 (8,000)	98,090 (110,000)	**178,090** (173,000)
Robert W. Lane	70,000 (55,000)	10,000 (6,000)	98,090 (110,000)	**178,090** (171,000)
Horst Lischka[1]	70,000 (55,000)	10,000 (10,000)	98,090 (110,000)	**178,090** (175,000)
Willibald Löw[1]	70,000 (55,000)	10,000 (10,000)	98,090 (110,000)	**178,090** (175,000)
Wolfgang Mayrhuber	70,000 (55,000)	8,000 (8,000)	98,090 (110,000)	**176,090** (173,000)
Dominique Mohabeer[1]	70,000 (32,158)	10,000 (6,000)	98,090 (64,317)	**178,090** (102,475)
Brigitte Rödig[1,2]	33,370 (–)	6,000 (–)	46,761 (–)	**86,131** (–)
Maria Schmidt[1,3]	34,712 (55,000)	4,000 (8,000)	48,642 (110,000)	**87,354** (173,000)
Markus Schramm[4]	52,740 (–)	8,000 (–)	73,903 (–)	**134,643** (–)
Jürgen Wechsler[1]	70,000 (55,000)	6,000 (10,000)	98,090 (110,000)	**174,090** (175,000)
Werner Zierer[1]	70,000 (55,000)	10,000 (10,000)	98,090 (110,000)	**178,090** (175,000)
Oliver Zipse[5]	17,260 (9,167)	2,000 (2,000)	24,187 (18,333)	**43,447** (29,500)
Total[6]	**1,818,082** (1,430,000)	**192,000** (186,000)	**2,547,653** (2,860,000)	**4,557,735** (4,476,000)

[1] These employee representatives have – in line with the guidelines of the Deutsche Gewerkschaftsbund – requested that their remuneration be paid into the Hans-Böckler-Foundation.
[2] Member of the Supervisory Board since 10 July 2013.
[3] Member of the Supervisory Board until 30 June 2013.
[4] Member of the Supervisory Board since 1 April 2013.
[5] Member of the Supervisory Board until 31 March 2013.
[6] Figures for the previous year include the remuneration of members of the Supervisory Board who left office during the financial year 2012.

3. Other

Apart from vehicle lease contracts entered into on customary market conditions, no advances or loans were granted by the Company to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Statement pursuant to § 37y No. 1 of the Securities Trading Act (WpHG) in conjunction with § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (HGB)
"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Munich, 20 February 2014

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer

Milagros Caiña Carreiro-Andree

Dr.-Ing. Herbert Diess

Dr.-Ing. Klaus Draeger

Dr. Friedrich Eichiner

Harald Krüger

Dr. Ian Robertson (HonDSc)

Peter Schwarzenbauer

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BMW Group Auditor's Report

We have audited the consolidated financial statements prepared by Bayerische Motoren Werke Aktiengesellschaft, comprising the income statement for group and statement of comprehensive income for group, the balance sheet for group, cash flow statement for group, group statement of changes in equity and the notes to the group financial statements and its report on the position of the Company and the Group for the business year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and Group Management Report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 5 March 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pastor	Huber-Straßer
Wirtschaftsprüfer	Wirtschaftsprüferin

BMW Group Ten-year Comparison

		2013	2012	2011	2010
Sales volume					
Automobiles	units	**1,963,798**	1,845,186	1,668,982	1,461,166
Motorcycles[2]	units	**115,215**	106,358	104,286	98,047
Production volume					
Automobiles	units	**2,006,366**	1,861,826	1,738,160	1,481,253
Motorcycles[2]	units	**110,127**	113,811	110,360	99,236
Financial Services					
Contract portfolio	contracts	**4,130,002**	3,846,364	3,592,093	3,190,353
Business volume (based on balance sheet carrying amounts)[3]	€ million	**84,347**	80,974	75,245	66,233
Income Statement					
Revenues	€ million	**76,058**	76,848	68,821	60,477
Gross profit margin Group[4]	%	**20.1**	20.2	21.1	18.1
Profit before financial result	€ million	**7,986**	8,275[5]	8,018	5,111
Profit before tax	€ million	**7,913**	7,803[5]	7,383	4,853
Return on sales (earnings before tax / revenues)	%	**10.4**	10.2	10.7	8.0
Income taxes	€ million	**2,573**	2,692[5]	2,476	1,610
Effective tax rate	%	**32.5**	34.5	33.5	33.1
Net profit for the year	€ million	**5,340**	5,111[5]	4,907	3,243
Balance Sheet					
Non-current assets	€ million	**86,194**	81,305[5]	74,425	67,013
Current assets	€ million	**52,174**	50,530[5]	49,004	43,151
Equity	€ million	**35,643**	30,606[5]	27,103	23,930
Equity ratio Group	%	**25.8**	23.2[5]	22.0	21.7
Non-current provisions and liabilities	€ million	**52,682**	52,834[5]	49,113	46,100
Current provisions and liabilities	€ million	**50,043**	48,395[5]	47,213	40,134
Balance sheet total	€ million	**138,368**	131,835[5]	123,429	110,164
Cash Flow Statement					
Cash and cash equivalents at balance sheet date	€ million	**7,664**	8,370	7,776	7,432
Operating cash flow[6]	€ million	**9,450**	9,167	8,110[7]	8,149
Capital expenditure	€ million	**6,687**	5,240	3,692	3,263
Capital expenditure ratio (capital expenditure / revenues)	%	**8.8**	6.8	5.4	5.4
Personnel					
Workforce at the end of year[8]		**110,351**	105,876	100,306	95,453
Personnel cost per employee	€	**89,895**	89,161[5]	84,887	83,141
Dividend					
Dividend total	€ million	**1,707**	1,640	1,508	852
Dividend per share of common stock / preferred stock	€	**2.60 / 2.62**	2.50 / 2.52	2.30 / 2.32	1.30 / 1.32

[1] Adjusted for the new accounting treatment of pension obligations.
[2] Excluding Husqvarna, sales volume up to 2013: 59,776 units; production up to 2013: 59,426 units.
[3] Amount computed on the basis of balance sheet figures: until 2007 from the Group balance sheet, from 2008 onwards from the Financial Services segment balance sheet.
[4] Research and development expenses included in cost of sales with the effect from 2008.
[5] Prior year figures have been adjusted in accordance with the revised version of IAS 19, see note 7.
[6] Figures are reported in the cash flow statement up to 2006 as cash inflow from operating activities of Industrial Operations and from 2007 as cash inflow from operating activities of the Automotive segment.
[7] Adjusted for reclassifications as described in note 42 of the Financial Statements 2012.
[8] Figures exclude dormant employment contracts, employees in the non-work phases of pre-retirement part-time arrangements and low wage earners.
[9] Adjustment to dividend due to buy-back of treasury shares.

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	2009	2008	2007	2006	2005	2004[1]
Sales volume						
Automobiles	1,286,310	1,435,876	1,500,678	1,373,970	1,327,992	1,208,732
Motorcycles[2]	87,306	101,685	102,467	100,064	97,474	92,266
Production volume						
Automobiles	1,258,417	1,439,918	1,541,503	1,366,838	1,323,119	1,250,345
Motorcycles[2]	82,631	104,220	104,396	103,759	92,012	93,836
Financial Services						
Contract portfolio	3,085,946	3,031,935	2,629,949	2,270,528	2,087,368	1,843,399
Business volume (based on balance sheet carrying amounts)[3]	61,202	60,653	51,257	44,010	40,428	32,556
Income Statement						
Revenues	50,681	53,197	56,018	48,999	46,656	44,335
Gross profit margin Group[4]	10.5	11.4	21.8	23.1	22.9	23.2
Profit before financial result	289	921	4,212	4,050	3,793	3,774
Profit before tax	413	351	3,873	4,124	3,287	3,583
Return on sales (earnings before tax/revenues)	0.8	0.7	6.9	8.4	7.0	8.1
Income taxes	203	21	739	1,250	1,048	1,341
Effective tax rate	49.2	6.0	19.1	30.3	31.9	37.4
Net profit for the year	210	330	3,134	2,874	2,239	2,242
Balance Sheet						
Non-current assets	62,009	62,416	56,619	50,514	47,556	40,822
Current assets	39,944	38,670	32,378	28,543	27,010	26,812
Equity	19,915	20,273	21,744	19,130	16,973	16,534
Equity ratio Group	19.5	20.1	24.4	24.2	22.8	24.4
Non-current provisions and liabilities	45,119	41,526	33,469	31,372	29,509	26,517
Current provisions and liabilities	36,919	39,287	33,784	28,555	28,084	24,583
Balance sheet total	101,953	101,086	88,997	79,057	74,566	67,634
Cash Flow Statement						
Cash and cash equivalents at balance sheet date	7,767	7,454	2,393	1,336	1,621	2,128
Operating cash flow[6]	4,921	4,471	6,246	5,373	6,184	6,157
Capital expenditure	3,471	4,204	4,267	4,313	3,993	4,347
Capital expenditure ratio (capital expenditure/revenues)	6.8	7.9	7.6	8.8	8.6	9.8
Personnel						
Workforce at the end of year[8]	96,230	100,041	107,539	106,575	105,798	105,972
Personnel cost per employee	72,349	75,612	76,704	76,621	75,238	73,241
Dividend						
Dividend total	197	197	694	458	419[9]	419
Dividend per share of common stock/preferred stock	0.30/0.32	0.30/0.32	1.06/1.08	0.70/0.72	0.64/0.66	0.62/0.64

BMW Group Locations

The BMW Group is present in the world markets with 28 production and assembly plants, 42 sales subsidiaries and a research and development network.

— H **Headquarters**

— R Research and Development

BMW Group Research and Innovation Centre (FIZ), Munich, Germany
BMW Group Research and Technology, Munich, Germany
BMW Car IT, Munich, Germany
BMW Innovation and Technology Centre, Landshut, Germany
BMW Diesel Competence Centre, Steyr, Austria
BMW Group Designworks, Newbury Park, USA
BMW Group Technology Office USA, Mountain View, USA
BMW Group Engineering and Emission Test Center, Oxnard, USA
BMW Group ConnectedDrive Lab China, Shanghai, China
BMW Group Engineering China, Beijing, China
BMW Group Engineering Japan, Tokyo, Japan
BMW Group Engineering USA, Woodcliff Lake, USA

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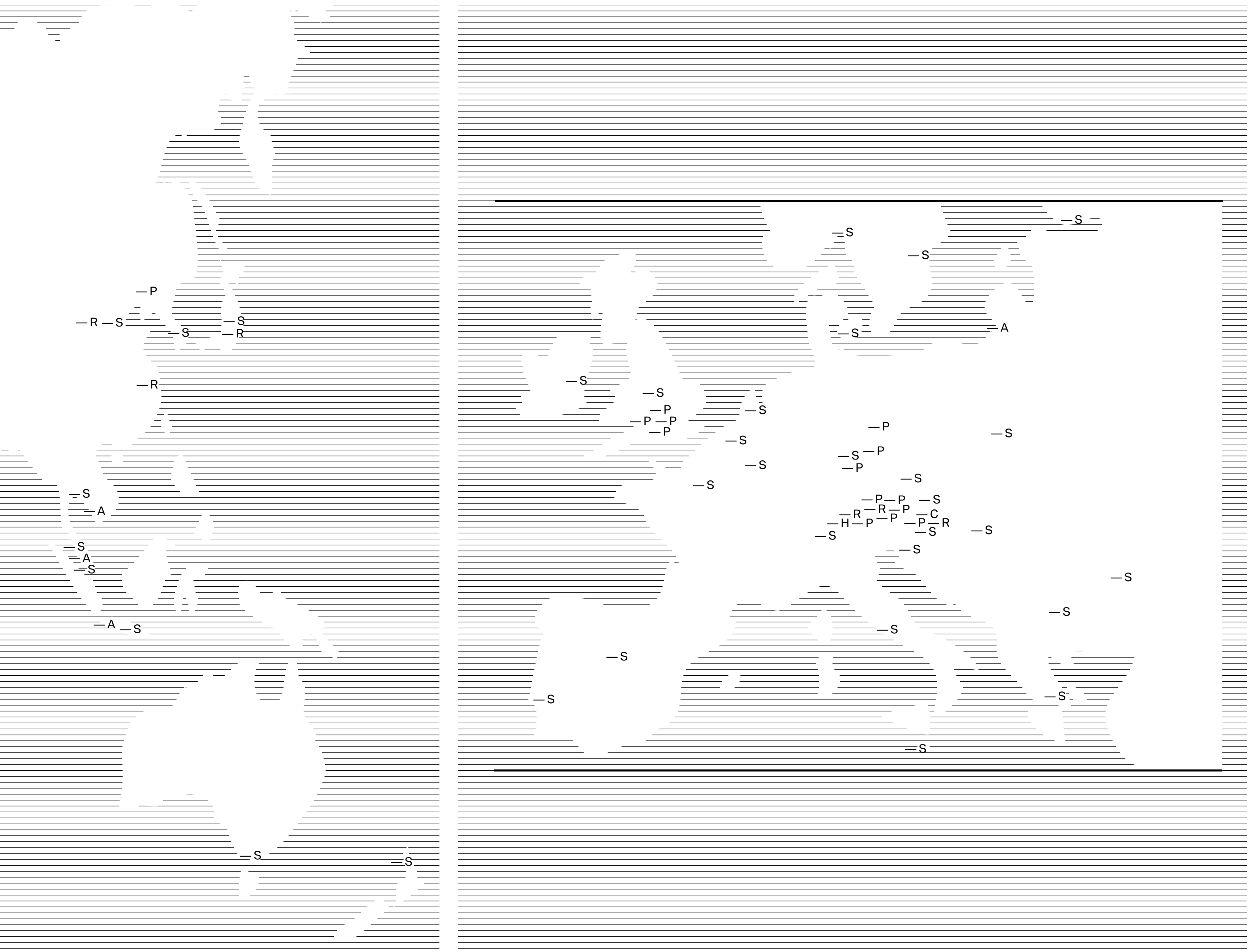

— P Production

Berlin plant
Dingolfing plant
Eisenach plant
Goodwood plant, GB (headquarters of Rolls-Royce Motor Cars Limited)
Hams Hall plant, GB
Landshut plant
Leipzig plant
Munich plant
Oxford plant, GB
Regensburg plant
Rosslyn plant, South Africa
BMW Brilliance Automotive Ltd., Shenyang, China (joint venture with Brilliance China Automotive Holdings – 3 plants)
Spartanburg plant, USA
Steyr plant, Austria
Swindon plant, GB
Wackersdorf plant
BMW – SGL joint venture (2 plants)

— C Contract production

Magna Steyr Fahrzeugtechnik, Austria

— A Assembly plants

CKD production Cairo, Egypt
CKD production Chennai, India
CKD production Jakarta, Indonesia
CKD production Kaliningrad, Russia
CKD production Kulim, Malaysia
CKD production Manaus, Brazil
CKD production Rayong, Thailand

— S Sales subsidiary markets / Locations Financial Services

Argentina
Australia
Austria
Belgium
Brazil
Bulgaria*
China
Canada
Czech Republic*
Denmark
Finland
France
Germany
Great Britain
Greece
Hungary*
India
Indonesia*
Ireland
Italy
Japan
Luxembourg
Malaysia
Malta*
Mexico
Netherlands
New Zealand
Norway
Poland
Portugal
Romania*
Russia
Singapore
Slovakia*
Slovenia*
South Africa
South Korea
Spain
Sweden
Switzerland
Thailand
USA

* Sales locations only.

Glossary

CFRP
Abbreviation for carbon-fibre reinforced polymer. CFRP is a composite material, consisting of carbon-fibres surrounded by a plastic matrix (resin). On a comparative basis, CFRP is approximately 50 % lighter than steel and 30 % lighter than aluminium.

Combined heat and power
Combined heat and power (CHP) or cogeneration is the simultaneous conversion of energy sources into electricity and useful heating. In comparison to separate generation of electricity in conventional power plants, energy is converted more efficiently and with greater flexibility. As a result, this technology helps to reduce CO_2 emissions.

Common stock
Stock with voting rights (cf. preferred stock).

Connected Drive
Under the term Connected Drive, the BMW Group already unites a unique portfolio of innovative features that enhance comfort, raise infotainment to new levels and significantly boost safety in BMW Group vehicles.

Cost of materials
Comprises all expenditure to purchase raw materials and supplies.

DAX
Abbreviation for "Deutscher Aktienindex", the German Stock Index. The index is based on the weighted market prices of the 30 largest German stock corporations (by stock market capitalisation).

Deferred taxes
Accounting for deferred taxes is a method of allocating tax expense to the appropriate accounting period.

Derivatives
Financial products, whose measurement is derived principally from market price, market price fluctuations and expected market price changes of the underlying instrument (e.g. indices, stocks or bonds).

DJSI World
Abbreviation for "Dow Jones Sustainability Index World". A family of indexes created by Dow Jones and the Swiss investment agency SAM Sustainability Group for companies with strategies based on a sustainability concept. The BMW Group has been one of the leading companies in the DJSI since 1999.

EBIT
Abbreviation for "Earnings Before Interest and Taxes". The profit before income taxes, minority interest and financial result.

EBITDA
Abbreviation for "Earnings Before Interest, Taxes, Depreciation and Amortisation". The profit before income taxes, minority interest, financial result and depreciation/amortisation.

Effectiveness
The degree to which offsetting changes in fair value or cash flows attributable to a hedged risk are achieved by the hedging instrument.

Efficient Dynamics
The aim of Efficient Dynamics is to reduce consumption and emissions whilst simultaneously increasing dynamics and performance. This involves a holistic approach to achieving optimum automobile potential, ranging from efficient engine technologies and lightweight construction to comprehensive energy and heat management inside the vehicle.

Equity ratio
The proportion of equity (= subscribed capital, reserves, accumulated other equity and minority interest) to the balance sheet total.

Free cash flow
Free cash flow corresponds to the cash inflow from operating activities of the Automotive segment less the cash outflow for investing activities of the Automotive segment adjusted for net investment in marketable securities.

Gross margin
Gross profit as a percentage of revenues.

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IFRSs

International Financial Reporting Standards, intended to ensure global comparability of financial reporting and consistent presentation of financial statements. The IFRSs are issued by the International Accounting Standards Board and include the International Accounting Standards (IASs), which are still valid.

Indicator for water consumption

The indicators for water consumption refer to the production sites of the BMW Group. The water consumption includes the process water input for the production as well as the general water consumption, e.g. for sanitation facilities.

Operating cash flow

Cash inflow from the operating activities of the Automotive segment.

Preferred stock

Stock which receives a higher dividend than common stock, but without voting rights.

Production network

The BMW Group production network consists worldwide of 17 plants, seven assembly plants and one contract production plant. Within this network, the plants supply one another with systems and components and are all characterised by a high level of productivity, agility and flexibility.

Rating

Standardised evaluation of a company's credit standing which is widely accepted on the global capital markets. Ratings are published by independent rating agencies, e.g. Standard & Poor's or Moody's, based on their analysis of a company.

Return on sales

Pre-tax: Profit before tax as a percentage of revenues.
Post-tax: Profit as a percentage of revenues.

Risk management

An integral component of all business processes. Following enactment of the German Law on Control and Transparency within Businesses (KonTraG), all companies listed on a stock exchange in Germany are required to set up a risk management system. The purpose of this system is to identify risks at an early stage which could have a significant adverse effect on the assets, liabilities, financial position and results of operations, and which could endanger the continued existence of the Company. This applies in particular to transactions involving risk, errors in accounting or financial reporting and violations of legal requirements. The Board of Management is required to set up an appropriate system, to document that system and monitor it regularly with the aid of the internal audit department.

Sales locations

Sales locations include separate legal entities, non-separate entities and regional offices. In addition, 105 markets are serviced by 97 importers.

Subsidiaries

Subsidiaries are those enterprises which, either directly or indirectly, are under the uniform control of the management of BMW AG or in which BMW AG, either directly or indirectly

– holds the majority of the voting rights
– has the right to appoint or remove the majority of the members of the Board of Management or equivalent governing body, and in which BMW AG is at the same time (directly or indirectly) a shareholder
– has control (directly or indirectly) over another enterprise on the basis of a control agreement or a provision in the statutes of that enterprise.

Supplier relationship management

Supplier relationship management (SRM) uses focused procurement strategies to organise networked supplier relationships, optimise processes for supplier qualification and selection, ensure the application of uniform standards throughout the Group and create efficient sourcing and procurement processes along the whole value added chain.

Sustainability

Sustainability, or sustainable development, gives equal consideration to ecological, social and economic development. In 1987 the United Nations "World Commission on Environment and Development" defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The economic relevance of corporate sustainability to the BMW Group is evident in three areas: resources, reputation and risk.

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This version of the Annual Report is a translation from the German version. Only the original German version is binding.

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Annual Accounts Press Conference	19 March 2014
Analyst and Investor Conference	20 March 2014
Quarterly Report to 31 March 2014	6 May 2014
Annual General Meeting	15 May 2014
Quarterly Report to 30 June 2014	5 August 2014
Quarterly Report to 30 September 2014	4 November 2014

Annual Report 2014	18 March 2015
Annual Accounts Press Conference	18 March 2015
Analyst and Investor Conference	19 March 2015
Quarterly Report to 31 March 2015	6 May 2015
Annual General Meeting	13 May 2015
Quarterly Report to 30 June 2015	4 August 2015
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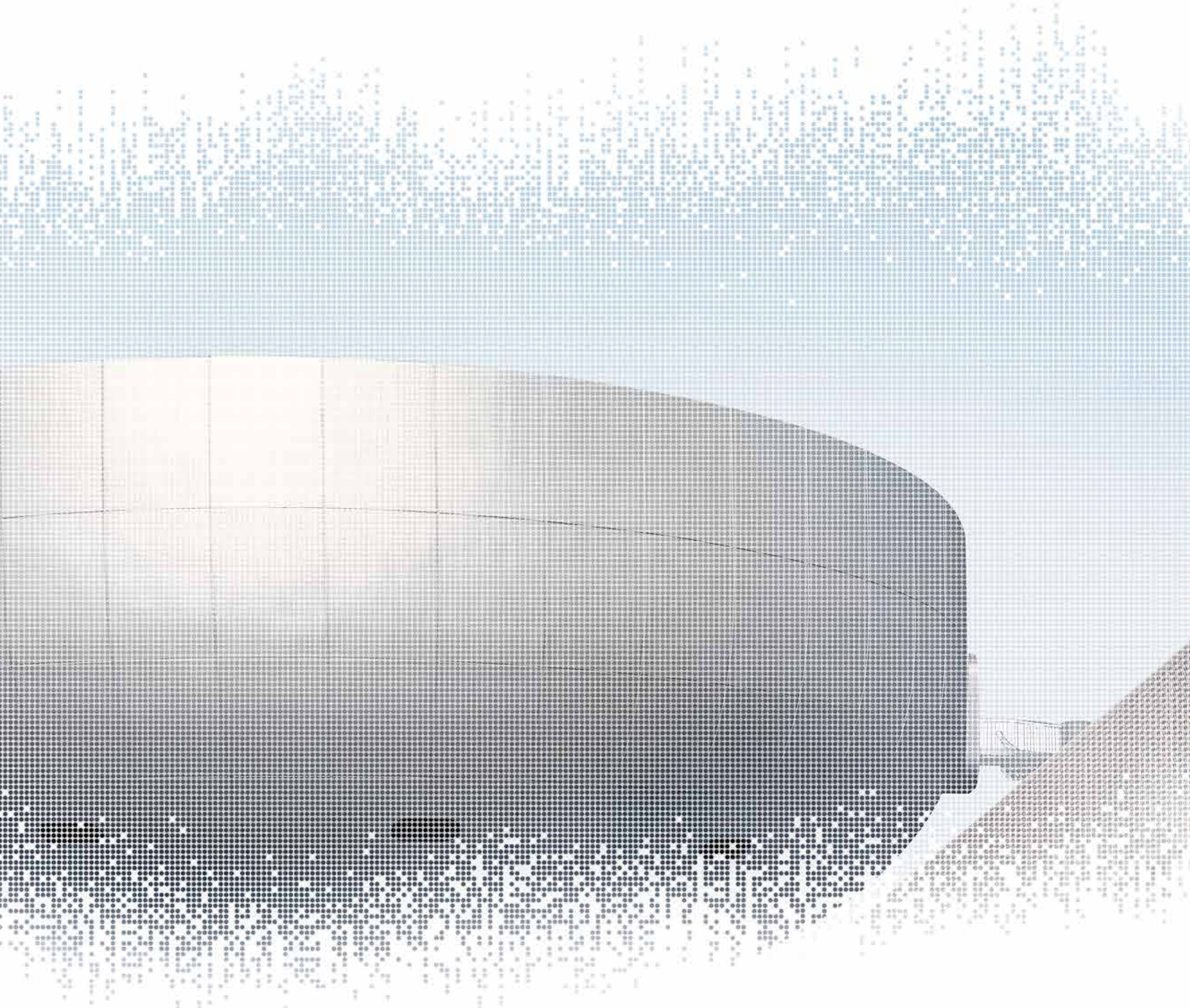
A FURTHER CONTRIBUTION TOWARDS PRESERVING RESOURCES

BMW Group Annual Report 2013 was awarded the Blue Angel eco-label. The paper used was produced, climate-neutrally and without optical brighteners and chlorine bleach, from recycled waste paper. All other production materials used also comply with the requirements of the Blue Angel eco-label (RAL-UZ 14). The Blue Angel is considered to be one of the most stringent eco-labels in the world.

The CO_2 emissions generated through print and production were neutralised by the BMW Group. To this end, the corresponding amount of emissions allowances was erased, with the transaction identifications EU152502 and EU152504 on 14 February 2014.



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