QUARTERLY REPORT

TO 30 JUNE 2014

Q2 — 30 JUNE 2014

BMW GROUP

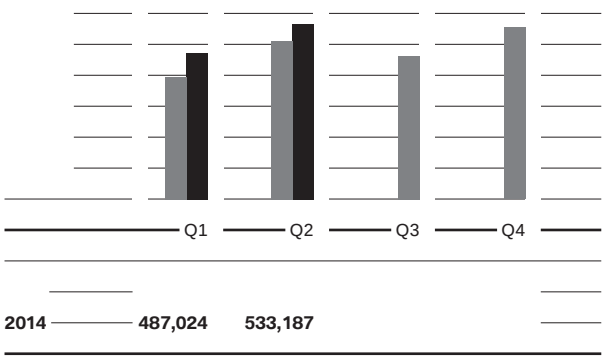
Rolls-Royce
Motor Cars Limited

BMW GROUP IN FIGURES

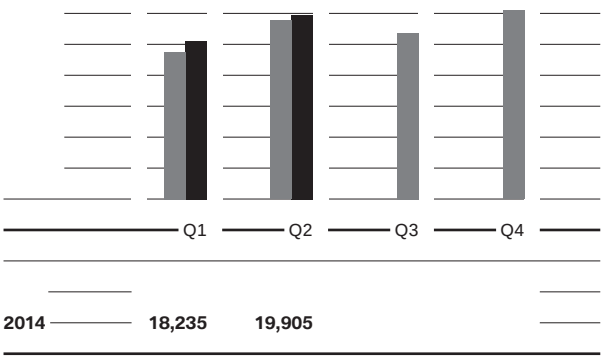
	2nd quarter 2014		
Automotive segment			
Sales volume			
	458,088		
	74,028		
	1,071		
Total	533,187	506,321	5.3
Production			
	476,775		
	74,650		
	1,350		
Total	552,775	519,932	6.3
Motorcycles segment			
Sales volume			
	42,259		
Production			
	36,351		
Financial Services segment			
	380,842		
Workforce to 30 June			
	112,500		
Financial figures			
Operating cash flow Automotive segment	1,370	2,378	–42.4
EBIT margin Automotive segment	11.7	9.6	–
Revenues	19,905	19,552	1.8
	18,504		
	528		
	5,155		
	1		
	–4,283		
Profit before financial result (EBIT)	2,603	2,066	26.0
	2,161		
	55		
	459		
	16		
	–88		
Profit before tax	2,660	2,032	30.9
	2,250		
	54		
	458		
	25		
	–127		
Income taxes	–889	–640	–38.9
Net profit	1,771	1,392	27.2
Earnings per share	2.69/2.70	2.11/2.12	27.5/27.4

	1 January to 30 June 2014		
Automotive segment			
Sales volume			
	886,347		
	131,896		
	1,968		
Total	1,020,211	954,521	6.9
Production			
	937,871		
	132,324		
	2,504		
Total	1,072,699	1,002,094	7.0
Motorcycles segment			
Sales volume			
	70,978		
Production			

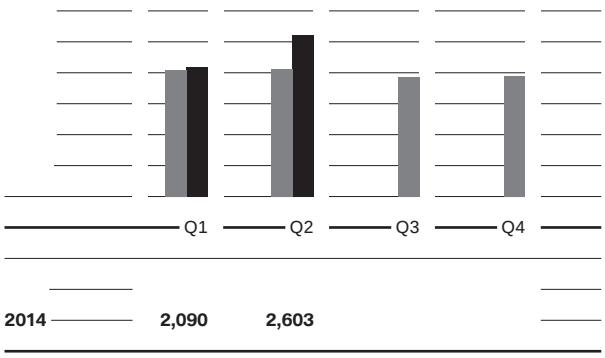
Sales volume of automobiles



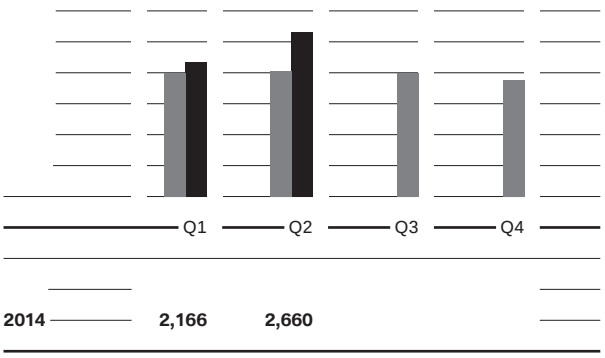
Revenues



Profit before financial result



Profit before tax



BMW Group remains on course

The BMW Group continued to perform well throughout the period under report, recording its best-ever sales volume figures – both for a quarter and for a six-month period. The previous year's second-quarter sales figure was topped once again, with 533,187[1] units delivered to customers (+5.3%). Six-month sales were also up solidly (1,020,211[1] units; +6.9%), surpassing the one-million threshold for the first time in the first half of a year.

BMW Motorrad sold 42,259 BMW motorcycles worldwide in the period from April to June 2014 (+5.1%), bringing the total for the six-month period to 70,978 units (+9.3%). These figures represent the best quarterly and six-month sales volume performances in the 90-year history of BMW motorcycle manufacturing.

The Financial Services segment concluded 380,842 new lease and financing contracts with retail customers during the second quarter (–1.9%). The number of new contracts signed during the six-month period (728,914 units) remained at a similar level to the figure recorded one year earlier.

Revenues and earnings up on previous year

Revenues edged up in the second quarter 2014 to €19,905 million (+1.8%), despite the increase being negatively impacted by exchange rate factors. Group EBIT performed particularly well on the back of an improved model and regional mix, and, at €2,603 million, surpassed the previous year's equivalent figure by 26.0%. Profit before tax jumped to €2,660 million (+30.9%), marking the best-ever quarterly result in the Group's history.

For the reasons indicated above, Group revenue only grew slightly in the first half of 2014 (€38,140 million; +2.8%). EBIT rose by €589 million to €4,693 million (+14.4%), due to the sales mix factors referred to above. Profit before tax totalled €4,826 million, 19.6% higher than one year earlier. At both levels, these figures represent the BMW Group's best ever six-month earnings performance.

Workforce enlarged

The BMW Group had a workforce of 112,500 employees at 30 June 2014 (+5.3%). The increase was attributable firstly to the growing need for engineers and skilled workers in order to keep pace with the continued strong demand for vehicles and secondly to the necessity to push ahead with innovations and develop new technologies.

Bayerische Motoren Werke Aktiengesellschaft (BMW AG) is based in Munich, Germany and the parent company of the BMW Group. The primary business object of the BMW Group is to develop, manufacture and sell engines as well as various types of vehicles that are equipped with these engines. The BMW Group is sub-divided into the Automotive, Motorcycles, Financial Services and Other Entities segments (the latter primarily comprising holding companies and Group financing companies). The BMW Group operates on a global scale and is represented in more than 140 countries worldwide. Its research and innovation network is spread over twelve locations in five countries. Currently, the Group's production network consisted of 29 sites located in 14 countries.

Long-term thinking and responsible action have long been the sturdy cornerstones of our enduring success. Constant striving for ecological and social sustainability along the entire value-added chain, complete responsibility for our products and an unequivocal commitment to preserving resources are prime objectives firmly embedded in our corporate strategies. Our unswerving dedication to outstanding performance has repeatedly placed us among the most sustainable companies in the automobile industry for many years.

Further information regarding the BMW Group's business model and its internal management system can be found in the chapter "General Information on the BMW Group" in the Annual Report 2013 (pages 18 et seq.).

Automobile markets

International car markets generally performed well during the first half of 2014. Most markets in Europe again began to record positive figures after several years of contraction, whereas some of the emerging markets lagged behind their previous year's figures.

After a slow start to the year, the US car market had more than made up for lost ground by the end of the six-month period and new registrations were up by 4.4% in an economy that remains buoyant.

Europe's car markets appear to have left the doldrums, growing by 6.1% overall in the first half of the year. The fastest growth rates were recorded by the same countries which suffered the greatest contractions in recent years. New registrations in Spain and Portugal, for instance, rose significantly by 17.8% and 37.7% respectively. Italy on the other hand, in a similar trend to France and Germany, only saw a relatively moderate increase of 3.4%. The cyclical upturn in the United Kingdom continued to have a positive impact on car registrations, which increased sharply by 10.6% in the first half of the year.

The car market in Japan benefited at the beginning of the year from purchases brought forward in view of the value-added tax hike, which took effect on 1 April. The ensuing decrease in the second quarter 2014 was relatively moderate, however, and growth was still as high as 10.7% for the six-month period.

Car sales in China rose sharply by 14.8% in the first half of the year, driven by resilient demand from retail customers. In a contrasting trend, decreases in registrations were recorded in Brazil (–7.8%), India (–3.2%) and Russia (–7.2%).

Motorcycle markets

International motorcycle markets in the 500 cc plus class continued to perform well overall during the second quarter. Worldwide motorcycle sales in this class were 5.0% up for the six-month period. New registrations rose by 8.4% in Europe. The German motorcycle market grew by 7.5% compared to the previous year. The markets in France (+4.7%) and Italy (+5.5%) also performed well over the six-month period. The number of new registrations in the USA remained more or less at the previous year's level (–0.1%).

Financial Services sector

In the eurozone, reduced pressure on prices and deflationary trends induced the European Central Bank (ECB) to adopt a new raft of monetary measures, including reducing the reference interest rate to a new low of 0.15% and imposing a negative deposit interest rate to encourage banks to increase their level of lending to businesses.

The US Reserve Bank (FED) also reacted to the positive economic trend in the USA by further reining in its bond-purchasing programme and thereby continuing with its strategy of gradually tightening US monetary policy. In Japan, the increase in value-added tax from 5% to 8% was implemented in a further endeavour to increase the rate of inflation. Emerging markets managed to recover from the turbulence seen on the world's capital markets in the first few months of the year, thereby preventing any further depreciation in their currencies.

Interest rates around the world developed diversely. Rates of return in the USA and the UK, for instance, are now on the rise, while interest rates in the eurozone and Japan are now at historically low levels.

Credit default rates remained more or less stable in all regions compared to the previous quarter. Conditions on the world's used car markets also remained constant, with selling prices fluctuating within normal ranges.

One million cars sold in the first six months of the year for the first time

BMW, MINI and Rolls-Royce brand car sales figures rose to total of 533,187[2] units in the second quarter 2014, surpassing the previous best figure recorded for a single quarter (2013: 506,321[2] units; +5.3%). Sales in the second quarter comprised 458,088[2] BMW brand cars (2013: 422,844[2] units; +8.3%), 74,028 MINI brand cars (2013: 82,644 units; –10.4%) and 1,071 Rolls-Royce brand cars (2013: 833 units; +28.6%).

During the first six months of 2014, the BMW Group handed over 1,020,211[5] units of the Group's three brands to customers, thus surpassing the one million threshold for the first time in the first half of a year (2013: 954,521[5] units; +6.9%). Sales in the period from January to June comprised 886,347[5] BMW brand cars (2013: 804,248[5] units; +10.2%), 131,896 MINI brand cars (2013: 148,798 units; –11.4%) and 1,968 Rolls-Royce brand cars (2013: 1,475 units; +33.4%).

Renewed double-digit growth in Asia

Second-quarter sales volume in Asia rose significantly to 164,361[2] units (2013: 142,724[2] units; +15.2%). Over the six-month period, we sold 322,943[5] BMW, MINI and Rolls-Royce brand cars in this region, 18.3% more than in the previous year (2013: 272,943[5] units). China accounted for a significant portion of this excellent performance, with second-quarter sales rising to 117,347[2] units (2013: 96,984[2] units; +21.0%) and six-month sales of the three Group brands climbing to 225,490[5] units (2013: 183,208[5] units; +23.1%).

Sales in Europe were up slightly, both for the second quarter (231,978 units; +1.1%; 2013: 229,466 units) and for the six-month period (446,188 units; +2.2%; 2013: 436,709 units). In a German market, showing signs of recovery, we recorded sales volume of 71,806 units in the second quarter, 2.5% more than one year earlier (2013: 70,035 units). At 134,308 units, the number of cars sold during the six-month period remained on a par with the previous year (2013: 133,454 units; +0.6%). In Great Britain, both the second-quarter (49,680 units; +2.1%; 2013: 48,677 units) and six-month performances (96,180 units; +1.8%; 2013: 94,434 units) were slightly up on the previous year's high levels.

In the Americas region, a total of 121,440 customers opted in the second quarter for a vehicle manufactured by the BMW Group (2013: 117,379 units; +3.5%). Over the six-

Automotive

	2nd quarter 2014
	533,187
	552,775
	18,504
	2,161
	2,250
	11.7

	1 January to 30 June 2014
	1,020,211
	1,072,699
	35,063
	3,741
	3,893
	10.7
	102,506

month period, we handed over the keys of 221,280 units (2013: 213,867 units; +3.5%) in the region. The USA accounted for sales of 100,760 units in the second quarter (2013: 94,039 units; +7.1%), while in the period from January to June, sales climbed by 5.1% to 182,008 units (2013: 173,156 units).

BMW sales up on previous year*

The BMW brand enjoyed both the best quarter and the best six-month period in the Group's history, enabling BMW to retain pole position in the premium segment of the world's car markets. Good contributions to this performance were made by the BMW X5 as well as by the 3, 5 and 6 Series, each of which achieved top spot in their relevant segments.

As expected, six-month sales of the BMW 1 Series dipped to 97,802 units (2013: 109,703 units; –10.8%). The decrease reflects the fact that the Coupé and Convertible body variants are now part of the 2 Series and therefore counted separately. The Coupé and Convertible previously included in the BMW 3 Series are now also counted as part of the BMW 4 Series. For this reason, at 236,289 units, the BMW 3 Series fell just short of the previous year's figure (2013: 237,700 units; –0.6%) for the six-month period. The BMW 4 Series has been in high demand since its market launch in autumn 2013, including 47,031 units sold in the six-month period under report. 193,560 customers worldwide took delivery of a BMW 5 Series vehicle (2013: 179,833 units; +7.6%).

Sales volume of BMW vehicles by model variant

	1 January to 30 June 2014		
	97,802		
	11,067		
	236,289		
	47,031		
	193,560		
	13,734		
	26,378		
	79,344		
	82,830		
	352		
	68,283		
	18,033		
	6,239		
	5,405		
BMW total	**886,347**	**804,248**	**10.2**

The various models of the BMW X family continued to enjoy great popularity throughout the first half of 2014. The BMW X1 achieved sales volume of 79,344 units (2013: 79,061 units; +0.4%) in the period from January to June, while sales of the BMW X3 grew by 6.2% to 82,830 units (2013: 77,959 units) during the same period. Growth was particularly strong for the BMW X5, with sales up significantly by almost one third to 68,283 units (2013: 52,651 units; +29.7%).

MINI sales volume influenced by model change

Due to the model change, sales of the MINI Hatch fell by 25.3% to 47,056 units (2013: 62,958 units) in the first half of the year. The MINI Countryman achieved sales volume of 53,363 units in the period under report (2013: 50,669 units; +5.3%).

Sales volume of MINI vehicles by model variant

	1 January to 30 June 2014		
	47,056		
	8,852		
	9,285		
	53,363		
	1,988		
	2,795		
	8,557		
MINI total	**131,896**	**148,798**	**–11.4**

Rolls-Royce shows strong upward trend
Rolls-Royce Motor Cars increased its sales volume by approximately one third (1,968 units; +33.4%; 2013: 1,475 units) in the first six months of 2014, a new sales record for this exclusive brand. 734 customers worldwide took delivery of a Rolls-Royce Ghost during the same period (2013: 1,092 units; –32.8%). A total of 953 customers decided for the Rolls-Royce Wraith, which was launched in autumn 2013.

Sales volume of Rolls-Royce vehicles by model variant

	1 January to 30 June 2014		
Rolls-Royce			
	281		
	734		
	953		
Rolls-Royce total	**1,968**	**1,475**	**33.4**

Model offensive continued in second quarter 2014
The new BMW M3 Sedan and BMW M4 Coupé have been available since June. These were followed in the same month by the BMW i8 high-performance sports car and the BMW 4 Series Gran Coupé. The new BMW X4 and the BMW X3 model revision reached the showrooms at the beginning of July. The completely new BMW 2 Series Active Tourer and the BMW M4 Convertible will be launched in September 2014.

The MINI Countryman and MINI Paceman model revisions have been available since the beginning of July. The Rolls-Royce Ghost Series II is due to go on sale in autumn.

Car production increased
In total, 552,775[1] BMW, MINI and Rolls-Royce brand cars rolled off production lines between April and June this year (2013: 519,932[1] units; +6.3%). The figure includes 476,775[1] BMW brand vehicles (2013: 429,912[1] units; +10.9) and 74,650 MINI brand vehicles (2013: 89,389 units; –16.5%). Production volume of Rolls-Royce brand cars more than doubled to 1,350 units (2013: 631 units) in the second quarter.

A total of 1,072,699[2] units of the Group's three brands was produced during the first half of the year (2013: 1,002,094[2] units; +7.0%). This figure comprises 937,871[2] BMW brand cars (2013: 840,838[2] units; +11.5%), 132,324 MINI brand cars (2013: 159,838 units; –17.2%) and 2,504 Rolls-Royce brand cars (2013: 1,418 units; +76.6%). The drop in MINI production figures is attributable to the MINI Hatch model change.

At the beginning of July, the BMW Group announced its plan to build a plant in Mexico – with an annual production capacity of up to 150,000 units. Manufacturing is scheduled to begin in 2019. In order to provide the Chinese market with even better service going into the future, the BMW Group also intends to increase the number of models produced there from three to six. All of these measures are part of the BMW Group's strategy aimed at achieving balanced global growth.

Segment revenue and earnings increased

The Automotive segment recorded its best-ever quarterly and six-month revenue figures, despite the fact that the translation of the financial statements of foreign subsidiaries held down the scale of the increase in both periods. Second-quarter segment revenues grew to €18,504 million (2013: €18,201 million; +1.7%), while six-month revenues were up by 2.8% to €35,063 million (2013: €34,108 million).

Automotive segment earnings rose significantly, not least due to the impact of changes in the sales mix. Second-quarter EBIT* improved by 23.1% to €2,161 million (2013: €1,755 million), resulting in an EBIT margin of 11.7% (2013: 9.6%). The segment's pre-tax profit increased accordingly to €2,250 million (2013: €1,648 million; +36.5%). Six-month EBIT* came in at €3,741 million (2013: €3,335 million; +12.2%). The EBIT margin for the first six months of the year was 10.7% (2013: 9.8%). The segment's pre-tax profit jumped to €3,893 million (2013: €3,164 million; +23.0%).

Automotive segment workforce increased

At the end of the reporting period, the Automotive segment employed a workforce of 102,506 people (30 June 2013: 97,549 employees), 5.1% more than one year earlier.

Sharp motorcycle sales volume rise

The Motorcycles segment increased sales volume to 42,259 units (2013: 40,209 units; +5.1%) in the second quarter, and to 70,978 units (2013: 64,941[2] units; +9.3%) over the six-month period. These figures represented the best quarterly and six-month sales volume performances in BMW Motorrad's 90-year history.

Sales volume in Europe grew by 9.1% to 43,588 units in the first six months of the year (2013: 39,952 units). We handed over 12,019 motorcycles to customers in Germany (2013: 11,827 units; +1.6%) and 6,531 units to customers in France (2013: 6,129 units; +6.6%). Growth in Italy was even more pronounced, wi8(20)]TIb5(v)24(enpb)9.5(y 4.6( )]TJ- Tc 0 Tw 8.9 0 0 8.9 215.2756 511.8574 Tm(9

Financial Services segment at a high level
Worldwide demand for the Financial Services segment's attractive products remained high. At 30 June 2014, the segment was managing a portfolio of 4,218,318 lease and credit financing contracts with dealers and retail customers, an increase of 5.8% compared to one year earlier (2013: 3,986,306 contracts).

In balance sheet terms, the business volume stood at €87,534 million, solidly higher than in the previous year (2013: €84,347 million; +3.8%).

Slight decrease in new business
The BMW Group places great emphasis on profitable growth. The current low level of market interest rates has resulted in greater competition among banks and financial services providers for offering attractive financing arrangements. In this context, the number of new leasing and financing contracts fell slightly (–1.9%) to a total of 380,842 contracts (2013: 388,290 contracts).

Credit financing was down by 4.0% and leasing business up by 2.3%. 728,914 new contracts were signed during the period from January to June (2013: 728,618 contracts). Credit financing and leasing business accounted for 66.4% and 33.6% of total new business respectively.

The ratio of new BMW Group vehicles[1] leased or financed by the Financial Services segment for the six-month period was 40.9%, down by 3.6 percentage points for the reasons given above.

The volume of used car financing for BMW and MINI brand cars increased solidly again during the first half of the year, with the number of new contracts signed up by 6.5% to 166,904 contracts (2013: 156,669 contracts).

The total volume of all credit financing and leasing contracts signed with retail customers during the first half of 2014 amounted to €19,491 million, 0.6% down on the previous year's figure (2013: €19,599 million).

At the end of the second quarter, a total of 3,888,137 contracts was in place with retail customers (2013: 3,671,904 contracts; +5.9%). The increase was spread across all regions. The contract portfolio rose by 7.5% in the Europe/Middle East/Africa region, 3.4% in the Americas region and 1.4% in the EU Bank region. The

Financial Services

	2nd quarter 2014
	380,842
	5,155
	459
	458
	1 January to 30 June 2014
	728,914
	10,045
	924
	918
	7,058
	30.6.2014
	87,534

steepest increase was recorded in the Asia/Pacific region (+20.7%).

Fleet business remains on growth course
The BMW Group offers international and multi-brand fleet services under the name "Alphabet" and is one of the top four fleet management and leasing companies in Europe. In total, 541,977 fleet contracts were in place at the end of the reporting period (2013: 517,156 contracts; + 4.8%).

Decrease in multi-brand financing
In the multi-brand financing line of business, a total of 83,938 new contracts were signed during the first six months of 2014, 9.5% fewer than in the previous year (2013: 92,788 contracts), partly reflecting the impact of fierce competition. At 30 June 2014, 462,276 contracts were in place, 5.1% more than one year earlier (2013: 439,890 contracts).

Dealer financing up on previous year
In addition to retail customer financing, the Financial Services segment also provides financing products for the Group's dealer organisation. The volume of business managed at the end of the period under report stood at €13,311 million, 6.9% up on the previous year (2013: €12,451 million).

Deposit business down on previous year
The segment's deposit volume worldwide stood at €12,099 million at the end of the reporting period, 8.7% down on the previous year (2013: €13,258 million).

Insurance business continues to grow steadily
The Financial Services segment again recorded growth in its insurance line of business during the first half of 2014. New business in the form of 527,262 contracts was slightly up on the previous year (2013: 513,648 contracts; +2.7%). Worldwide, a total of 2,695,159 contracts were being managed at the end of the period under report (2013: 2,376,842 contracts; +13.4%).

Six-month earnings at previous year's level
Second-quarter revenues edged up by 1.9% to €5,155 million (2013: €5,058 million). EBIT for the quarter amounted to €459 million (2013: €468 million; –1.9%), while profit before tax came in at €458 million (2013: €467 million; –1.9%).

Segment revenues for the period from January to June went up by 1.6% to €10,045 million (2013: €9,888 million), which also helped to nudge up EBIT to €924 million (2013: €918 million; +0.7%). The segment's pre-tax profit for the six-month period increased to €918 million (2013: €916 million; +0.2%).

Workforce increased
At 30 June 2014, the Financial Services segment had 7,058 employees, an increase of 9.0% on the previous year (2013: 6,474 employees). The increase related primarily to the growth of business in Asia.

Earnings performance*

The BMW Group increased sales of BMW, MINI and Rolls-Royce brand cars in the first half of 2014 by 6.9% to 1,020,211 units compared to the corresponding period one year earlier. This figure includes 132,501 units (2013: 95,132 units) manufactured by the joint venture, BMW Brilliance Automotive Ltd., Shenyang.

The BMW Group had a workforce of 112,500 employees at 30 June 2014 (2013: 106,870; +5.3%). The increase was attributable firstly to the growing need for engineers and skilled workers in order to keep pace with the continued strong demand for vehicles and secondly to the necessity to push ahead with innovations and develop new technologies.

The BMW Group generated a net profit of €3,233 million for the six-month period, €529 million up on the previous year. The post-tax return on sales was 8.5% (2013: 7.3%). Earnings per share of common and preferred stock were €4.91 and €4.92 respectively (2013: €4.10 and €4.11 respectively).

Earnings performance for the second quarter 2014

Second-quarter Group revenues were 1.8% higher at €19,905 million. The increase compared to the previous year was held down by the loss in value of a number of major currencies (including the US dollar, the Chinese renminbi, the Japanese yen and the Russian rouble). Adjusted for exchange rate factors, revenues would have increased by a solid 5.2%.

External revenues from the sale of BMW, MINI and Rolls-Royce brand cars edged up by 1.3%. Adjusted for exchange rate factors, the increase was 4.9%, in line with the 5.3% sales volume rise. External revenues from Motorcycles business climbed significantly (11.0%) compared to the previous year, here too, primarily reflecting sharp sales volume growth. Financial Services operations recorded a 2.6% increase in external revenues. Adjusted for exchange rate factors, revenues of the Motorcycles and Financial Services segments rose by 14.9% and 4.9% respectively.

Group cost of sales came in at a similar level to the previous year (–0.8%) and comprised mainly manufacturing costs (2014: €9,217 million; 2013: €9,391 million), cost of sales directly attributable to financial services (2014: €4,076 million; 2013: €4,048 million) and research and development expenses (2014: €992 million; 2013: €958 million).

Gross profit amounted to €4,461 million, 11.8% up on the previous year and reflecting a favourable change in the model and regional mix. The gross profit margin for the period was 22.4% (2013: 20.4%).

The BMW Group continues to invest heavily in product and technological development, reflected in the fact that second-quarter research and development expenses increased from €958 million to €992 million. As a proportion of revenues, the 5.0% research and development expense ratio was at a similar level to the previous year (2013: 4.9%). Research and development expenses include amortisation of capitalised development costs amounting to €274 million (2013: €263 million). Total research and development expenditure amounting to €1,049 million (2013: €1,005 million) comprises research costs, non-capitalised development costs, capitalised development costs and systematic amortisation of capitalised development costs. The research and development expenditure ratio for the second quarter was 5.3% (2013: 5.1%) and the proportion of development costs recognised as assets was 31.6% (2013: 30.8%).

Revenues by segment in the second quarter

	2014		2014		2014	
	14,611		3,893		18,504	
	525		3		528	
	4,769		386		5,155	
	–		1		1	
	–		–4,283		–4,283	
Group	**19,905**	**19,552**	**–**	**–**	**19,905**	**19,552**

Revenues by segment in the period from 1 January to 30 June

	2014		2014		2014	
	27,864		7,199		35,063	
	994		6		1,000	
	9,281		764		10,045	
	1		2		3	
	–		–7,971		–7,971	
Group	38,140	37,098	–	–	38,140	37,098

Second-quarter selling and administrative expenses went up by €13 million to €1,888 million, partly due to the greater workforce size. Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses amounted to €1,019 million (2013: €920 million).

Other operating income and expenses improved by €79 million to give a net positive amount of €30 million for the second quarter 2014. This improvement was mainly due to income relating to other tax refunds.

Profit before financial result (EBIT) finished at €2,603 million (2013: €2,066 million).

Other financial result was a net positive amount of €57 million, an improvement of €91 million over the second quarter 2013. The result from equity accounted investments – comprising the Group's share of results from interests in the joint venture BMW Brilliance Automotive Ltd., Shenyang, and the two DriveNow joint venture entities – developed very positively. In addition, write-downs on available-for-sale securities, mainly relating to the investment in SGL Carbon SE, Wiesbaden, were lower than one year earlier. Commodity derivatives also contributed to the improved financial result, whereas fair value changes in interest rate and currency derivatives had the opposite effect.

Taking all these factors into consideration, the profit before tax improved to €2,660 million (2013: €2,032 million). The pre-tax return on sales was 13.4% (2013: 10.4%).

Income tax expense amounted to €889 million (2013: €640 million). The effective tax rate in the second quarter was 33.4% (2013: 31.5%), bringing the rate for the six-month period up to the previous year's level of 33.0%. The increase in the second quarter was primarily related to intragroup transfer pricing issues.

Net profit for the period from April to June amounted to €1,771 million and was therefore €379 million above

Profit before tax by segment

	2nd quarter 2014		1 January to 30 June 2014	
	2,250		3,893	
	54		117	
	458		918	
	25		82	
	–127		–184	
Profit before tax	2,660	2,032	4,826	4,035
	–889		–1,593	
Net profit	1,771	1,392	3,233	2,704

the previous year. In the second quarter 2014, the BMW Group generated earnings per share of common stock of €2.69 (2013: €2.11) and earnings per share of preferred stock of €2.70 (2013: €2.12).

Earnings performance for the first half of 2014

Six-month Group revenues increased by 2.8% to €38,140 million. The increase compared to the previous year was held down by the loss in value of a number of major currencies (including the US dollar, the Chinese renminbi, the Japanese yen and the Russian rouble). Adjusted for exchange rate factors, the revenue increase would have been up by 6.2%.

External revenues from the sale of BMW, MINI and Rolls-Royce brand cars were slightly higher than in the previous year (2.8%). Adjusted for exchange rate factors, revenues increased by 6.5%, reflecting the increase in sales volume. External revenues from Motorcycles business achieved a solid increase (9.8 %) compared to the previous year, primarily as a result of the sales volume increase and good spare parts business. Financial Services operations generated a 2.0% increase in external revenues. Adjusted for exchange rate factors, external revenues of the Motorcycles and Financial Services segments rose by 14.1% and 4.4% respectively.

Group cost of sales edged up by 1.0% compared to the first half of the previous year and comprised mainly manufacturing costs (2014: €17,362 million; 2013: €17,521 million), cost of sales attributable to financial services (2014: €8,021 million; 2013: €7,966 million) and research and development expenses (2014: €1,979 million; 2013: €1,946 million).

Gross profit amounted to €8,325 million, 10.0% up on the previous year and reflecting a favourable change in the model and regional mix. The gross profit margin for the period was 21.8% (2013: 20.4%).

The gross profit margin recorded by the Automotive segment was 19.6% (2013: 18.4%) and that of the Motorcycles segment was 21.9% (2013: 20.2%). The gross profit margin of the Financial Services segment fell by 0.6 percentage points to 13.4%.

The BMW Group continues to invest heavily in product and technological development. Research and development expenses for the six-month period increased to €1,979 million (2013: €1,946 million) and represented 5.2% of revenues, unchanged from the previous year. Research and development expenses include amortisation of capitalised development costs amounting to €539 million (2013: €538 million). Total research and development expenditure in the six-month period amounted to €2,042 million (2013: €1,958 million) and comprises research costs, non-capitalised development costs, capitalised development costs and systematic amortisation of capitalised development costs. The research and development expenditure ratio for the six-month period was 5.4% (2013: 5.3%) and the proportion of development costs recognised as assets was 29.5% (2013: 28.1%).

Six-month selling and administrative expenses rose by €183 million to €3,646 million, partly reflecting the greater workforce size and higher marketing expenses.

Other operating income and expenses gave rise to a net positive amount of €14 million. The main factors for the €15 million improvement compared to the first half of the previous year were gains arising in conjunction with the first-time consolidation of European branches and income relating to other tax refunds.

At €4,693 million, the Group's six-month profit before financial result (EBIT) was 14.4% up on the previous year.

The financial result was a net positive amount of €133 million, an improvement of €202 million over the first half of 2013. The result from equity accounted investments – comprising the Group's share of results from interests in the joint venture BMW Brilliance Automotive Ltd., Shenyang, and the two DriveNow joint venture entities – developed very positively. In addition, write-downs on available-for-sale securities, mainly relating to the investment in SGL Carbon SE, Wiesbaden, were lower than one year earlier. Commodity derivatives also contributed to the improved financial result, whereas fair value changes in interest rate and currency derivatives had the opposite effect.

Profit before tax amounted to €4,826 million (2013: €4,035 million). The pre-tax return on sales was 12.7% (2013: 10.9%). The six-month income tax expense increased from €1,331 million to €1,593 million, giving an unchanged effective tax rate of 33.0%.

The BMW Group reports a net profit of €3,233 million for the six-month period (2013: €2,704 million). In the first half of 2014, the BMW Group generated earnings per share of common stock of €4.91 (2013: €4.10) and earnings per share of preferred stock of €4.92 (2013: €4.11).

Earnings performance by segment

Revenues increased both in the second quarter and in the first half of 2014 on the back of higher volumes. The increase compared to the previous year was held down by the loss in value of a number of major currencies. The profit before tax in the Automotive segment improved significantly in both reporting periods, coming in at €2,250 million (2013: €1,648 million) for the quarter and €3,893 million (2013: €3,164 million) for the six-month period. In addition to the increased volume of BMW, MINI and Rolls-Royce brand cars sold, earnings also benefited – both in the quarter and six-month period – from the turnaround of the financial result to a net positive figure. The improvement in the financial result was attributable above all to the positive development of the result from equity accounted investments. Write-downs on available-for-sale marketable securities were also lower than one year earlier.

Second-quarter revenues of the Motorcycles segment increased by 11.2%. At €54 million, profit before tax was above the previous year's level (2013: €45 million). Six-month revenues grew to €1,000 million (2013: €911 million) and profit before tax increased by 23.2% to €117 million. Revenues and earnings benefited in both the second quarter and the six-month reporting periods from the above mentioned effects.

Revenues of the Financial Services segment edged up by 1.9% to €5,155 million in the second quarter. The segment profit before tax for the three-month period was slightly down at €458 million (2013: €467 million). Six-month revenues went up by 1.6% to €10,045 million. The pre-tax segment result improved by €2 million to €918 million.

The profit before tax of the Other Entities segment for the second quarter 2014 fell to €25 million (2013: €89 million), mainly reflecting a deterioration in the financial result arising from the fair value measurement of derivatives. Profit before tax for the six-month period dropped by €74 million to €82 million. The segment financial result for this period also fell year-on-year in conjunction with the fair value measurement of derivatives. Inter-segment eliminations during the six-month period up to the level of profit before tax gave rise to a net expense of €184 million (2013: net expense of €296 million).

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 first six-month periods of 2014 and 2013, 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 for the period. By contrast, cash flows from investing and financial activities are based on actual payments and receipts.

The cash inflow from operating activities in the first half of 2014 decreased by €357 million to €1,896 million (2013: €2,253 million). The main reason for this development was the increase in working capital (€1,442 million), which outweighed the higher net profit earned in the period (€529 million).

The cash outflow for investing activities amounted to €2,513 million (2013: €2,706 million), 7.1% lower than the previous year's level, mainly reflecting the €290 million decrease in net investments in marketable securities.

Cash inflow from financing activities totalled €462 million (2013: €113 million). Proceeds from the issue of bonds amounted to €6,648 million (2013: €5,128 million), compared with an outflow of €3,516 million (2013: €4,127 million) for the repayment of bonds. The change in other financial liabilities and commercial paper gave rise to a cash outflow of €957 million (2013: cash inflow of €764 million). The payment of dividends resulted in a cash outflow of €1,713 million (2013: €1,652 million).

Cash outflows from investing activities exceeded cash inflows from operating activities in the period from

January to June 2014 by €617 million. A similar constellation arose in same period last year, when cash outflows from investing activities had exceeded cash inflows from operating activities by €453 million.

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group for a negative amount of €10 million (2013: positive amount of €38 million), the various cash flows resulted in a decrease in cash and cash equivalents of €165 million (2013: decrease of €302 million).

The cash flow statement for the Automotive segment shows that the cash inflows from operating activities exceeded cash outflows from investing activities by €1,009 million (2013: €1,202 million). Adjusted for net investments in marketable securities amounting to €23 million (2013: €471 million), mainly in conjunction with strategic liquidity planning, the excess amount was €1,032 million (2013: €1,673 million).

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

Cash outflows from operating activities of the Financial Services segment are driven primarily by cash flows relating to leased products and receivables from sales financing and totalled €947 million (2013: €1,527 million). The cash inflow from investing activities totalled €2 million (2013: €332 million).

Net financial assets of the Automotive segment comprise the following:

	30.6.2014
	6,314
	2,809

Refinancing

The BMW Group uses a broadly diversified and flexible range of funding sources to finance its operating activities. Almost all of the funds raised are used to finance the BMW Group's Financial Services business. Further details regarding the principles and objectives of financial management are contained in the Group Financial Statements at 31 December 2013. During the period from January to June 2014, the BMW Group issued euro-benchmark bonds with a volume of €2.5 billion as well as a number of foreign-currency corporate bonds (denominated in Norwegian krone, US dollar, Australian dollar) and private placements in various currencies with a total volume of €4.2 billion.

In addition, asset-backed-securities (ABS) transactions were executed in Chinese renminbi, US dollar, Japanese yen and Canadian dollar with a total volume of €1.4 billion. The regular issue of commercial paper and deposits received by the Group's banking subsidiaries are also used to refinance the BMW Group.

Net assets position[1]

The Group balance sheet total increased by €6,265 million (+4.5%) compared to the end of the previous financial year to stand at €144,642 million at 30 June 2014.

Adjusted for exchange rate factors, the balance sheet total increased by 3.7%.

The increase in non-current assets on the assets side of the balance sheet related primarily to receivables from sales financing (5.3%), leased products (3.7%) and property, plant and equipment (5.1%). At the same time, financial assets decreased by 15.3%.

Within current assets, the main increase was registered for inventories (23.8%) and for receivables from sales financing (1.4%). By contrast, cash and cash equivalents (2.2%), financial assets (5.8%) and trade receivables (2.2%) all decreased.

The growth in business reported by the Financial Services segment is reflected in increases in leased products (€951 million) and in current and non-current receivables from sales financing (€307 million and €1,714 million respectively). At the end of the reporting period, leased products accounted for 18.6% of total assets, slightly lower than their level one year earlier (18.7%). Adjusted for changes in exchange rates, leased products went up by 3.0% and current and non-current receivables from sales financing by 0.1% and 3.7% respectively.

Property, plant and equipment increased by €768 million. Adjusted for exchange rate factors, this corresponded to an increase of 4.5%. The main focus was on product investments for production start-ups and infrastructure improvements. In total, €1,963 million (2013: €1,430 million) was invested, most of which related to the Automotive segment. Depreciation on property, plant and equipment totalled €1,346 million (2013: €1,197 million). At 30 June 2014, property, plant and equipment accounted for 11.0% of total assets.

Compared to the end of the financial year 2013, current and non-current financial assets decreased by €396 million and €320 million respectively, mainly reflecting the fair value measurement of currency derivatives.

Inventories increased by €2,281 million to €11,876 million during the six-month period, as a result of which they accounted for 8.2% (2013: 6.9%) of total assets. Stocking up in conjunction with the introduction of new models and expanding business operations were the main reasons for the increase. Adjusted for exchange rate factors, inventories increased by 23.0%.

Cash and cash equivalents went down by €165 million to €7,506 million.

On the equity and liabilities side of the balance sheet, increases were recorded for equity (2.0%), current and non-current financial liabilities (1.7% and 6.5% respectively), pension provisions (38.7%), non-current other provisions (16.1%) and current other liabilities (10.2%).

Group equity rose by €711 million to €36,354 million, mainly due to the profit attributable to shareholders of BMW AG totalling €3,223 million. The dividend paid by BMW AG reduced equity by €1,707 million. Other items affecting equity were currency translation foreign operations (increase of €231 million), deferred taxes on items recognised directly in equity (increase of €530 million) and remeasurements of the net defined benefit liability for pension plans (decrease of €914 million) primarily as a result of the lower discount rate used in Germany. The fair value measurement of derivative financial instruments at the end of the reporting period had a negative impact (€667 million) on equity, whereas the remeasurement of marketable securities had a positive impact (€18 million). Income and expenses relating to equity accounted investments and recognised directly in equity (before tax) reduced equity by €13 million. Minority interests increased by €3 million. Other items increased equity by €7 million. The equity ratio of the BMW Group slipped overall by 0.7 percentage points to 25.1%. The equity ratio of the Automotive segment was 41.8% (2013: 43.0%) and that of the Financial Services segment was 9.2% (2013: 9.1%).

Current and non-current financial liabilities increased from €70,304 million to €73,367 million during the six-month period, mainly due to the issue of new bonds and new loans raised, and, working in the opposite direction, a reduction in commercial paper.

Pension provisions increased from €2,303 million to €3,194 million during the six-month period, primarily as a result of the lower discount factor rate (2.85%) used in Germany.

The increase in other non-current provisions was mainly attributable to obligations for personnel and social-related expenses on the one hand and obligations for on-going operational expenses on the other.

The €722 million increase in current other liabilities partly reflects the expansion of services and the ensuing impact of deferred income.

Trade payables went up from €7,485 million to €7,789 million, mainly reflecting higher production volumes and

increased capital expenditure levels. Trade payables accounted for 5.4% of the balance sheet total, unchanged from the end of the previous financial year. Adjusted for exchange rate factors, they increased by 3.6%.

Overall, the results of operations, financial position and net assets of the BMW Group continued to develop very positively during the second quarter and six-month reporting periods.

Related party relationships

Further information on transactions with related parties can be found in note 32 to the Interim Group Financial Statements.

Events after the end of the reporting period

No events have occurred after the balance sheet date which could have a major impact on the results of operations, financial position or net assets of 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.

It contains forward-looking assertions based on the BMW Group's expectations and assessments, which are, by their nature, subject to uncertainty. As a result, actual outcomes, including those attributable to political and economic developments, could differ substantially – either positively or negatively – from the expectations described below. Further information is also available in the section "Report on risks and opportunities" on pages 68 et seq. of the Annual Report 2013.

Further information on the assumptions used in the BMW Group's outlook can be found in the "Outlook" section on pages 63 et seq. of the Annual Report 2013.

Economic outlook in 2014

The global economy is predicted to grow at a rate of approximately 2.9% in 2014. It should be noted, however, that the risks it is facing remain high. Primarily, the downward pressure on public-sector budgets in Europe, the USA and Japan is leaving little room to manoeuvre. This unfavourable situation is exacerbated by the fact that, in some areas, ongoing expansionary monetary policies are again leading to some extremely high asset values. Over-capacities in China continue to harbour risks which could have a negative impact on global economic growth. Political conflicts in Asia, the Middle East and Ukraine could also have an impact on energy prices. Further information can be found in the "Risk report" section of the Annual Report 2013.

The eurozone is likely to extricate itself from recession in the course of 2014 and gradually return to growth, albeit at a modest level of 1.1%. Germany is expected to grow at a significantly faster rate of 2.0%. France's economy is only likely to expand by 0.8%, due to ongoing structural problems. The same can be said of Italy, where virtually no growth is expected (+0.4%). The first positive signs can be seen in Spain, for which 1.1% growth is predicted. The UK continues to perform surprisingly buoyantly, with consumer spending and a booming property market likely to contribute to economic growth in the region of 3.0%.

Predictions for the USA have been revised downwards recently, mainly due to the impact of the harsh winter, which caused economic output to drop in the first quarter 2014. The growth rate for the year is now only expected to reach 2.2%. However, catch-up effects may well cause the pace of growth to be even higher than previously predicted over the remainder of the year. The employment and property markets continue to perform well. So far, low interest rates have not had any impact on the rate of inflation, no doubt reflecting the fact that changes in labour costs are still on the moderate side. However, these costs are highly likely to rise in the medium term.

The Japanese economy is currently being affected by a number of factors, which are not all pulling in the same direction. Expansionary monetary policies and economic stimulus programmes continue to promote an upward trend in the rate of growth. On the other hand, however, the value-added tax hike from 5.0% to 8.0% introduced in spring 2014 has dampened the upswing, with the consequence that a modest growth rate of 1.5% is now being predicted for the year as a whole.

A growth rate of 7.4% is predicted for China in the current year, within the target corridor set by the Chinese government. However, the increasing problem of distressed loans in the financial sector – mostly resulting from over-capacities in the property and industrial sectors – continues to pose a growing risk for the Chinese economy.

Most of the world's emerging markets are currently having to cope with a phase of weaker growth. India, for example, is only likely to record a growth rate of 5.3% in 2014. The same applies to Brazil, except that here the growth rate is expected to drop to as low as 1.2%. The economic downturn in Russia has continued. Even though a growth rate of 0.4% is currently being predicted, it cannot be ruled out that the economy will soon find itself in recession as a result of capital flight and a deterioration of its economic relations with the Western world.

Car markets in 2014

We are currently forecasting growth of 3.2% for global car markets in 2014. This prediction is based not only on the assumption that the two largest markets – the USA and China – will perform as expected, but that Europe, too, will gather momentum.

The European car market as a whole is likely to record growth year-on-year for the first time since the onset of the economic crisis in 2008, although still well below pre-crisis levels. In line with the positive trend seen in the first half of the year, it is currently estimated that the market will grow by 3.2% to approximately 12.7 million units. Germany's contribution to this figure is a forecast

1.6% rise in registrations to around 3.0 million units. The other major markets in the region are currently growing faster. France is expected to register 3.5% growth to 1.8 million units. The latest forecasts indicate an increase of 4.1% to 1.4 million for Italy and one of 6.1% to 2.4 million units for the UK. The fastest growing car market in Europe is currently Spain, which is set to expand by 15.4% to 0.83 million units.

The US car market continues its upward trend and is forecast to grow by 3.9% to 16.2 million units in 2014, back to the level to which the USA had become accustomed prior to the crisis. China's position as the world's largest car market is likely to be reinforced with a 12.0% surge in car sales to 18.3 million units. In Japan, the value added tax rate hike will continue to have a perceptibly adverse impact on volumes, with the outcome that the market is likely to contract by 8.9% over the full year to 4.8 million units, despite the good start to the year.

The weak state of the economy in emerging markets is taking its toll on car markets in these regions. Russia, for example, is likely to see the number of new cars registered in 2014 fall by 4.7% to 2.5 million units, while the market in Brazil is expected to shrink by an even greater 10.3% to 3.2 million units.

Motorcycle markets in 2014
After years of contraction, the markets for 500 cc plus class motorcycles showed initial signs of a recovery during the first half of 2014. For the full year 2014, we forecast that the market in Germany, as well as that in Europe as a whole, will be up on the previous year. The US market is expected to consolidate at the level seen in 2013.

Financial Services sector in 2014
Expansionary monetary policies in the eurozone and Japan should provide over time for inflation and a positive economic impulse. The Japanese government has announced a set of additional measures aimed at boosting investment by reducing corporate taxes and making the employment market more flexible. The European Central Bank seems likely to continue its current policy of low interest rates beyond 2014.

The USA and the UK could see the first interest rate rises, either towards the end of the year or at the beginning of the coming year, in response to rising inflation in the USA and in an attempt to counter the impact of a property bubble in the UK.

Due to the varying paces at which economies around the world are growing, we expect to see rising refinancing costs in the UK and the USA, and unchanged interest rates in regions with lower inflation, such as the eurozone and Japan. Market conditions will continue to be influenced by a high degree of volatility.

Credit risk levels are likely to either remain stable or improve slightly across all regions during the remainder of the year. Vehicle residual values should remain stable in Europe and Asia. In North America, we expect any decrease in used car selling prices to be minor.

Expected impact on the BMW Group in 2014
Future developments on international automobile markets also have a direct impact on the BMW Group. While competition is likely to intensify in shrinking markets, new opportunities are appearing in the growth regions of the world. In some countries, sales volumes will be influenced to a great extent by the way the Company tackles new competitive challenges. The state of health of Europe's individual markets remains the greatest source of uncertainty. By contrast, we expect markets in North America and China to perform well.

Outlook for the BMW Group in 2014
The BMW Group in 2014
Profit before tax: significant increase expected
We expect that high levels of expenditure for future technologies, intense competition and higher personnel expenses will again have an adverse impact on the pace of the BMW Group's earnings growth in 2014. Nevertheless, BMW Group forecasts another successful year, with Group profit before tax likely to be significantly up on the previous year's figure (2013: €7,913 million). The rate of earnings growth will ultimately reflect the impact of various trends currently influencing the automobile sector. Tough competition in some markets is also likely to play a significant role in sales volume growth. Some economic risks remain, particularly in Europe,

whereas North America and China could well generate additional momentum. We expect both the Motorcycles segment and the Financial Services segment to continue performing well in 2014.

Workforce at year-end: solid increase expected
The BMW Group will continue to recruit staff on a targeted basis in 2014. Qualified people are required in order to meet strong market demand for the Group's products and to develop the technologies of the future, particularly in the field of electromobility. The size of the workforce is therefore likely to increase solidly (2013: 110,351 employees).

Automotive segment in 2014

Deliveries to customers (cars): significant increase expected
We expect the Automotive segment to continue performing well in 2014. Positive momentum is likely to be generated in particular by the launching of new models and by the generally dynamic market conditions in North America and China. However, if the economic situation in Europe does not continue to stabilise, new challenges will have to be faced, despite the current slight upward trend. Assuming economic conditions do not deteriorate, we forecast that deliveries to customers will rise significantly to a new record level (2013: 1,963,798[1] units).

The new BMW 2 Series Coupé was launched in March 2014 and sets new standards in terms of sporting flair within the compact segment. The new BMW 4 Series Convertible went on sale at the same time. The four-door Gran Coupé was added to the BMW 4 Series family in June. The new BMW M3 Sedan and BMW M4 Coupé models also joined the BMW Group's high-performance line-up in June. The BMW 2 Series Active Tourer is a new compact vehicle concept that is a perfect fusion of dynamism with comfort, functionality and spaciousness. It is the first ever BMW with front-wheel drive and is scheduled to go on sale in September 2014. The BMW M4 Convertible is due to follow in the same month. This vehicle's design language uniquely blends vibrant contours with finely balanced lines. Within the BMW X family, the highly successful BMW X1 underwent a model revision in 2014 and went on sale in March. The model revision of the BMW X3 came onto the market in July. The July launch of the BMW X4 within a new segment heralded the beginning of a new chapter in the BMW X family's success story.

Following its launch in Europe, the USA and Japan, the all-electric powered BMW i3 will become available to customers in metropolitan regions, including those in China, during the second half of the year. The BMW i8 plug-in hybrid went on sale in June. It represents a new generation of sports car in which the dynamism of a high-performance sports model is combined with low consumption and emission levels.

The new generation MINI arrived on showroom floors in March 2014. The Dutch car manufacturer, VDL NedCar bv, Born, began producing certain MINI models under contract on 17 July 2014. The Rolls-Royce Ghost Series II will appear in selected showrooms in autumn.

Fleet carbon emissions[2]: moderate decrease expected
Increasing electrification in our vehicle fleet will bolster our position as a key player in the relentless pursuit to reduce carbon emissions and fuel consumption. In 2013, we expanded our range of products to include electric powertrains in BMW i vehicles. This strategy will ensure our continued ability to meet applicable statutory threshold values in the coming years. We expect fleet carbon emissions[2] to decrease again moderately in 2014 (2013: 133 g CO_2/km).

Revenues: solid growth expected
Growing demand for BMW, MINI and Rolls-Royce brand cars worldwide is predicted to have a positive impact on Automotive segment revenues. Despite the dampening effect of exchange rates – mentioned in our annual outlook as a potential negative factor – we forecast that automobile business revenues will increase solidly in the forecast period (2013: €70,629 million).

EBIT margin in target corridor between 8 and 10 % expected
Despite considerable levels of investment in new technologies, it is the Company's aim to achieve an EBIT

margin in the Automotive segment within an unchanged target range of 8 to 10% (2013: 9.4%). We expect to see a significant decrease in segment RoCE (2013: 63.3%), mainly reflecting the substantial scale of investment required to deal with upcoming 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.

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, helped in part by a positive contribution from the new machines presented at the 2013 autumn trade fairs. Despite difficult conditions on international motorcycle markets, we expect deliveries of BMW motorcycles to be slightly up on the previous year (2013: 115,215[1] units). Another major step in expanding our product range was the series introduction of the C evolution electric scooter in May 2014.

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

We expect the impetus provided by the new models will help 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 segment to remain on growth course throughout 2014. As a consequence of necessary investments, the return on equity is likely to drop slightly (2013: 20.2%), but still surpass the minimum required level of 18%.

Overall assessment by Group management for the full year 2014

The positive start to the financial year 2014 enjoyed in the first half of the year is expected to continue in the second six-month period. Demand for our fresh and attractive fleet of vehicles remains high worldwide. We are therefore confident that the BMW Group will grow profitably again in 2014. Despite a continuing volatile environment, Group profit before tax is expected to rise significantly and thus reflect the higher level of deliveries to customers. Despite the dampening effect of exchange rates – mentioned in our annual outlook as a potential negative factor – we forecast that automotive business revenues will achieve a solid increase in the forecast period. At the same time, we also expect to reduce fleet carbon emissions[2] moderately year-on-year. 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 is set to remain within the target range of 8 to 10%. In view of the substantial volume of capital expenditure planned, we expect RoCE for the Automotive segment to be significantly down and RoE for the Financial Services segment to be slightly lower than in the preceding financial year. Both performance indicators will be nevertheless higher than their long-term targets of 26% and 18% respectively. For the Motorcycles segment, we forecast a slight increase in sales volume and RoCE in line with last year's level. Group management's overall assessment of the outlook for the full year 2014 has not changed significantly compared to the assertions made in the Annual Report 2013. Depending on the political and economic situation and the outcome of the risks and opportunities described below, actual business performance could, however, differ from our current forecasts.

Report on risks and opportunities

As a globally operating enterprise, the BMW Group is confronted with a broad range of risks, but also with numerous opportunities. Making full use of these opportunities as they present themselves is the cornerstone of the BMW Group's entrepreneurial success. Risks are also taken consciously in order to achieve growth, profitability, efficiency and sustainable levels of future business. Overall, the assessment of the risk and opportunities profile of the BMW Group has not changed significantly compared to the assertions made in the Annual Report 2013. Further information on risks and opportunities, and on the methods employed to manage them, can also be found in the "Report on risks and opportunities" section on pages 68 et seq. of the Annual Report 2013.

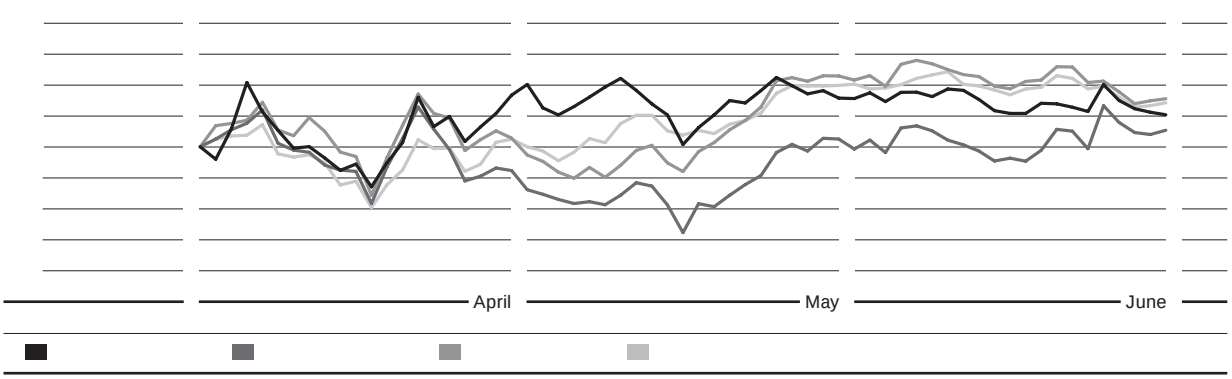
BMW stock and capital markets in second quarter 2014
The positive mood on international capital markets during the second quarter 2014 also resulted in new historical highs for a number of stock indices. The development was additionally influenced by the monetary policies being pursued by the ECB. The interest rate for the Eurosystem's main refinancing operations was reduced in June by 10 basis points to 0.15%. Similarly, the interest rate for deposit facilities was cut by 10 basis points to 0.10%. Reference interest rates in the eurozone are therefore currently at a historically low level. For the first time in the eurozone's history, banks are now required to pay interest on deposits with the ECB.

The German stock index, the DAX, continued to rise, closing at 9,833.07 points on 30 June 2014. This level was 2.9% higher than at the end of the first quarter and on the final day of trading in 2013. A new all-time high of 10,028.80 points was recorded in June.

The Prime Automobile Performance Index continued the upward trend seen in the first quarter, gaining a further 3.2% in value during the period from April to June. The sector index closed at 1,504.13 points at 30 June 2014, 7.9% up on its closing level at the end of 2013.

BMW common stock reached a new all-time high of €94.10 per share in June 2014, before closing at €92.62 at the end of the second quarter 2014, marginally higher than it had stood at the end of the previous quarter (+1.1%). Compared to its closing price at the end of 2013, this represented a rise of 8.7%. BMW preferred stock also performed well and finished the second quarter at €70.01, 2.1% ahead of its price on the final day of trading in the first quarter and 12.8% higher than at the end of the previous year. A new all-time high of €71.69 for BMW preferred stock was recorded in May.

Development of BMW stock compared to stock exchange indices



Income Statement for Group and Segments for the second quarter

	2014	2014
	19,905	18,504
	−15,444	

2014		2014		2014		2014		
528		5,155		1		–4,283		
–423		–4,466		–		4,191		
105	92	689	711	1	2	–92	–206	Gross profit
–49		–250		–7		4		
–		28		31		–18		
–1		–8		–9		18		
55	46	459	468	16	7	–88	–210	Profit before financial result
–		–		–		–		
–		2		346		–384		
–1		–1		–314		345		
–		–2		–23		–		
–1	–1	–1	–1	9	82	–39	–7	
54	45	458	467	25	89	–127	–217	Profit before tax
–17		–143		–20		44		
37	30	315	315	5	28	–83	–84	Net profit/loss
–		3		–		–		
37	30	312	312	5	28	–83	–84	Attributable to shareholders of BMW AG
								Basic earnings per share of common stock
								Basic earnings per share of preferred stock
								Diluted earnings per share of common stock
								Diluted earnings per share of preferred stock

Income Statement for Group and Segments for the period from 1 January to 30 June

	2014		2014	
	38,140		35,063	
	–29,815		–28,186	
Gross profit	8,325	7,568	6,877	6,266
	–3,646		–3,081	
	367		283	
	–353		–338	
Profit before financial result	4,693	4,104	3,741	3,335
	426		426	
	98		167	
	–218		–262	
	–173		–179	
	133	–69	152	–171
Profit before tax	4,826	4,035	3,893	3,164
	–1,593		–1,287	
Net profit / loss	3,233	2,704	2,606	2,090
	10		5	
Attributable to shareholders of BMW AG	3,223	2,693	2,601	2,083
Basic earnings per share of common stock	4.91			
Basic earnings per share of preferred stock	4.92			
	–			
Diluted earnings per share of common stock	4.91			
Diluted earnings per share of preferred stock	4.92			

Statement of Comprehensive Income for Group for the period from 1 January to 30 June

	2014	
Net profit	3,233	2,704
	–914	
	339	
Items not expected to be reclassified to the income statement in the future	–575	664
	18	
	–667	
	–13	
	191	
	231	
Items expected to be reclassified to the income statement in the future	–240	–43
Other comprehensive income for the period after tax	–815	621
Total comprehensive income	2,418	3,325
	10	
Total comprehensive income attributable to shareholders of BMW AG	2,408	3,314

2014		2014		2014		2014		
1,000		10,045		3		–7,971		
–781		–8,698		–		7,850		
219	184	1,347	1,381	3	3	–121	–266	Gross profit
–99		–464		–11		9		
–		60		59		–35		
–1		–19		–25		30		
119	97	924	918	26	24	–117	–270	Profit before financial result
–		–		–		–		
–		3		656		–728		
–2		–1		–614		661		
–		–8		14		–		
–2	–2	–6	–2	56	132	–67	–26	
117	95	918	916	82	156	–184	–296	Profit before tax
–37		–286		–43		60		
80	63	632	613	39	71	–124	–133	Net profit/loss
–		5		–		–		
80	63	627	609	39	71	–124	–133	Attributable to shareholders of BMW AG
								Basic earnings per share of common stock
								Basic earnings per share of preferred stock
								Diluted earnings per share of common stock
								Diluted earnings per share of preferred stock

Assets

	30.6.2014		30.6.2014	
	6,175		5,656	
	15,936		15,632	
	26,865		13	
	891		891	
	454		5,240	
	34,330		–	
	2,197		927	
	2,055		2,451	
	964		3,220	
Non-current assets	89,867	86,193	34,030	32,625
	11,876		11,543	
	2,396		2,132	
	21,808		–	
	5,239		4,140	
	1,481		1,126	
	4,333		15,361	
	7,506		6,314	
	136		–	
Current assets	54,775	52,184	40,616	39,189
Total assets	144,642	138,377	74,646	71,814

Equity and liabilities

	30.6.2014		30.6.2014	
	656			
	1,990			
	34,108			
	–591			
Equity attributable to shareholders of BMW AG	36,163			
	191			
Equity	36,354	35,643	31,198	30,909
	3,194		1,735	
	4,378		3,668	
	3,726		1,176	
	42,002		2,000	
	3,649		3,452	
Non-current provisions and liabilities	56,949	52,682	12,031	10,316
	3,242		2,887	
	1,143		733	
	31,365		852	
	7,789		7,043	
	7,786		19,902	
	14		–	
Current provisions and liabilities	51,339	50,052	31,417	30,589
Total equity and liabilities	144,642	138,377	74,646	71,814

								Assets
30.6.2014	–	30.6.2014	–	30.6.2014	–	30.6.2014	–	
57		461		1		–		
272		32		–		–		
–		31,396		–		–4,544		
–		–		–		–		
–		5		5,780		–10,571		
–		34,330		–		–		
–		136		1,550		–416		
–		276		331		–1,003		
–		1,650		19,174		–23,080		
329	334	68,286	65,352	26,836	26,451	–39,614	–38,569	Non-current assets
325		8		–		–		
126		137		1		–		
–		21,808		–		–		
–		744		847		–492		
–		102		253		–		
–		3,765		33,933		–48,726		
–		1,151		41		–		
–		136		–		–		
451	438	27,851	26,978	35,075	33,788	–49,218	–48,209	Current assets
780	772	96,137	92,330	61,911	60,239	–88,832	–86,778	Total assets

								Equity and liabilities
30.6.2014	–	30.6.2014	–	30.6.2014	–	30.6.2014	–	
								Equity attributable to shareholders of BMW AG
–	–	8,806	8,407	11,095	10,805	–14,745	–14,478	Equity
29		37		1,393		–		
150		256		304		–		
–		5,223		–		–2,673		
–		15,166		25,252		–416		
318		21,325		68		–21,514		
497	488	42,007	40,023	27,017	25,784	–24,603	–23,929	Non-current provisions and liabilities
60		290		2		3		
–		257		153		–		
–		16,010		14,995		–492		
172		572		2		–		
51		28,070		8,647		–48,884		
–		125		–		–111		
283	284	45,324	43,900	23,799	23,650	–49,484	–48,371	Current provisions and liabilities
780	772	96,137	92,330	61,911	60,239	–88,832	–86,778	Total equity and liabilities

	2014	
	3,233	
	1,983	
	287	
	–2,141	
	244	
	–1,782	
	72	
Cash inflow / outflow from operating activities	**1,896**	**2,253**
	–2,580	
	–13	
	80	
Cash inflow / outflow from investing activities	**–2,513**	**–2,706**
Cash inflow / outflow from financing activities	**462**	**113**
Effect of exchange rate on cash and cash equivalents	**–12**	**–9**
Effect of changes in composition of Group on cash and cash equivalents	**2**	**47**
Change in cash and cash equivalents	**–165**	**–302**
	7,671	
Cash and cash equivalents as at 30 June	**7,506**	**8,072**

2014		2014		
2,606		632		
1,936		13		
185		77		
6		–2,328		
393		–72		
–1,807		74		
183		657		
3,502	4,349	–947	–1,527	Cash inflow / outflow from operating activities
–2,548		–2		
–23		4		
78		–		
–2,493	–3,147	2	332	Cash inflow / outflow from investing activities
–1,464	–2,040	1,228	1,777	Cash inflow / outflow from financing activities
–8	–1	–11	–7	Effect of exchange rate on cash and cash equivalents
2	47	–	–	Effect of changes in composition of Group on cash and cash equivalents
–461	–792	272	575	Change in cash and cash equivalents
6,775		879		
6,314	6,696	1,151	1,372	Cash and cash equivalents as at 30 June

1 January 2013	–	656	1,973	28,340
1 January 2013	–	656	1,973	28,544
Comprehensive income 30 June 2013		–	–	3,357
30 June 2013	–	656	1,973	30,261

1 January 2014	–	656	1,990	33,167
Comprehensive income 30 June 2014		–	–	2,648
30 June 2014	–	656	1,990	34,108

					Total	
–984	108	202	30,295	107	30,402	1 January 2013
					204	
–984	108	202	30,499	107	30,606	1 January 2013
					–1,640	
					2,704	
					621	
–337	–46	340	3,314	11	3,325	Comprehensive income 30 June 2013
					40	
–1,321	62	542	32,173	158	32,331	30 June 2013

					Total	
–1,629	135	1,136	35,455	188	35,643	1 January 2014
					–1,707	
					3,233	
					–815	
214	–5	–449	2,408	10	2,418	Comprehensive income 30 June 2014
–1,408	130	687	36,163	191	36,354	30 June 2014

1 — Basis of preparation

The Group Financial Statements of BMW AG at 31 December 2013 were drawn up in accordance with International Financial Reporting Standards (IFRSs), as applicable in the European Union (EU) at that date. The interim Group Financial Statements (Interim Report) at 30 June 2014, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as those utilised in the 2013 Group Financial Statements. The BMW Group applies the option of publishing condensed group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which are mandatory at 30 June 2014 have also been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the German Accounting Standards Committee e.V. (GASC).

Further information regarding the Group's accounting principles and policies is contained in the Group Financial Statements at 31 December 2013.

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 Interim 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 did not fall within the scope of the review of the Interim Group Financial Statements performed by the Group auditor.

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 Interim 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. More detailed information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in the explanatory notes to segment information in the Group Financial Statements of BMW AG for the year ended 31 December 2013.

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 IFRS 10 (Consolidated Financial Statements) 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 value of the assets sold at 30 June 2014 totalled €10.3 billion (31 December 2013: €10.1 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 Interim Group Financial Statements at 30 June 2014 have been reviewed by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

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

The preparation of the Interim Group Financial Statements 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. All assumptions and estimates are based on factors known at the end of the reporting period. They are determined

on the basis of the most likely outcome of future business developments. Actual amounts could differ from those assumptions and estimates if business conditions develop differently to the Group's expectations at the end of the reporting period. Estimates and underlying assumptions are checked regularly.

2 — Consolidated companies

The BMW Group financial statements for the first half of 2014 include, besides BMW AG, 19 German and 172 foreign subsidiaries. This includes 32 special purpose entities, almost all of which are used for asset-backed financing transactions. In addition, three joint operations are consolidated proportionately.

No entities were consolidated for the first time in the second quarter 2014.

BMW Österreich Finanzierungs GmbH, Steyr, was merged with BMW Motoren GmbH, Steyr, in the second quarter 2014 and therefore ceased to be a consolidated company.

Compared to the corresponding period last year, six subsidiaries and twelve special purpose entities were consolidated for the first time. Three subsidiaries and six special purpose trusts ceased to be consolidated companies. In addition, three joint operations were consolidated proportionately for the first time.

BMW Madrid S. L., Madrid, BMW Amsterdam B.V., Amsterdam, BMW Den Haag B.V., The Hague, BMW Retail Nederland B.V., Haaglanden, BMW Milano S. r. l., Milan, and BMW Distribution S. A. S., Montigny-le-Bretonneux, were consolidated for the first time in the first half of 2014. BMW Österreich Finanzierungs GmbH, Steyr, was merged with BMW Motoren GmbH, Steyr, and therefore ceased to be a consolidated company.

The joint operations SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, were consolidated proportionately for the first time in the first half of 2014 on the basis of the BMW Group's 49 % shareholding. Further information is provided in note 5.

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 — Currency translation

The exchange rates applied for currency translation purposes in accordance with the modified closing rate method, and which have a material impact on the Interim Group Financial Statements, were as follows:

	30.6. 2014	1 January to 30 June 2014
	1.37	1.37
	0.80	0.82
	8.48	8.46
	138.55	140.44
	46.54	48.02

For further information regarding foreign currency translation, reference is made to note 4 of the Group Financial Statements of BMW AG for the year ended 31 December 2013.

4 — New financial reporting rules

(a) Financial reporting rules applied for the first time in the first half of 2014

The following Standards and Revised Standards issued by the International Accounting Standards Board (IASB) were applied for the first time in the first half of 2014:

Information regarding the introduction and impact of the consolidation-related Standards IFRS 10, IFRS 11 and IFRS 12 is provided in note 5.

(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 first half of 2014:

In November 2009 the IASB issued IFRS 9 (Financial Instruments) as the first 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 initiallTD 0 Ohe

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time or at a specific point in time. The five-step model describes the five steps necessary to recognise revenue on the basis of the transfer of control:

1. Identify the contract with the customer,
2. Identify the performance obligations in the contract,
3. Determine the transaction price,
4. Allocate the transaction price to separate performance obligations,
5. Recognise revenue when a performance obligation is satisfied.

In the case of multi-component transactions or transactions with variable consideration, it is possible that revenue may have to be recognised earlier or later under IFRS 15 compared with the previous Standard.

A major difference to the previous Standard is the increased scope of discretion for estimates and the introduction of thresholds that could influence the amount and timing of revenue recognition.

The Standard is mandatory for the first time for annual periods beginning on or after 1 January 2017. Early adoption is not permitted under IFRS. The impact of adoption of the new requirements on the Group Financial Statements is currently being assessed.

5 — Changes brought about by consolidation-related Standards

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 (Separate Financial Statements) and to IAS 28 (Investments in Associates and Joint Ventures), all relating to accounting for business combinations. The three new Standards, which were endorsed by the EU in December 2012, are mandatory for the first time for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

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 consolidation 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 Venturers). 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.

Application of IFRS 10 has no impact on the scope of entities included in the Group Financial Statements. The

removal of the option for accounting for joint ventures (as stipulated by IFRS 11) does not have any impact since the BMW Group already accounted for joint ventures using the equity method. By contrast, the classification of joint arrangements in accordance with IFRS 11 has changed. 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, are classified as joint operations and are therefore consolidated proportionately on the basis of the BMW Group's 49% shareholding. Application of IFRS 12 impacts the scope of disclosures required to be made in the notes to the BMW Group Financial Statements, in particular the requirement to disclose more detailed financial information with respect to significant joint ventures. The Interim Group Financial Statements are not affected.

The new requirements pertaining to IFRS 10, IFRS 11 and IFRS 12 are required to be applied retrospectively. The transition requirements contained in these new Standards were complied with.

The following tables show the impact on the opening balance sheet at 1 January 2013, on the balance sheet at 31 December 2013 as well as on the income statement and cash flow statement for the first half of 2013. Due to the immateriality of the amounts involved, the effect of adjustments to the income statement is only presented for the first half of 2013 and not, additionally, for the second quarter 2013.

Change in Group Balance Sheet presentation

Change in Group Income Statement presentation

Change in Group Cash Flow Statement presentation

6 — Revenues

Revenues by activity comprise the following:

	2nd quarter 2014	1 January to 30 June 2014
	14,888	28,390
	1,906	3,775
	1,725	3,277

An analysis of revenues by segment is shown in the segment information in note 33.

7 — Cost of sales

Cost of sales include €9,217 million (2013*: €9,391 million) in the second quarter and €17,362 million (2013*: €17,251 million) in the six-month period relating to manufacturing costs.

Cost of sales directly attributable to financial services business amounted to €4,076 million (2013: €4,048 million) in the second quarter and €8,021 million (2013: €7,966 million) for the period from 1 January to 30 June 2014.

Second-quarter cost of sales include research and development expenses of €992 million (2013: €958 million), comprising all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to €274 million (2013: €263 million). For the first half of the year, research and development expenses amounted to €1,979 million (2013: €1,946 million), including amortisation on capitalised development costs of €539 million (2013: €538 million).

8 — Selling and administrative expenses

Selling expenses, comprising mainly marketing, advertising and sales personnel costs, amounted to €1,251 million in the second quarter (2013: €1,230 million) and €2,458 million (2013: €2,347 million) for the six-month period.

Administrative expenses, comprising expenses for administration not attributable to development, production or sales functions, amounted to €637 million (2013: €645 million) in the second quarter and €1,188 million in the six-month period (2013: €1,116 million).

9 — Other operating income and expenses

Other operating income in the second quarter totalled €213 million (2013: €165 million). The six-month figure amounted to €367 million (2013: €321 million). Second-quarter and six-month other operating expenses totalled €183 million (2013: €214 million) and €353 million (2013: €322 million) respectively. These items principally include exchange gains and losses, gains and losses on the disposal of assets, write-downs and income/expense from the reversal of, and allocation to, provisions.

10 — Result from equity accounted investments

The result from equity accounted investments in the second quarter was a positive amount of €201 million (2013*: €166 million). For the first half of the year, the equivalent figure was €426 million (2013*: €253 million). These figures include the results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich.

11 — Net interest result

	2nd quarter 2014		1 January to 30 June 2014	
	55		98	
	–132		–218	
Net interest result	**–77**	**–89**	**–120**	**–126**

12 — Other financial result

	2nd quarter 2014		1 January to 30 June 2014	
	–6		–7	
	–61		–166	
Other financial result	**–67**	**–111**	**–173**	**–196**

13 — Income taxes

Taxes on income comprise the following:

	2nd quarter 2014		1 January to 30 June 2014	
	864		1,349	
	25		244	
Income taxes	**889**	**640**	**1,593**	**1,331**

The effective tax rate for the six-month period of 33.0% was unchanged from the previous year and corresponds to the best estimate of the weighted average annual income tax rate for the full year. This tax rate has been applied to the pre-tax profit for the interim reporting periods.

14 – Earnings per share

The computation of earnings per share is based on the following figures:

	2nd quarter 2014	1 January to 30 June 2014
	1,765.0	3,222.9
	1,618.5	2,955.9
	146.5	267.0
	601,995,196	601,995,196
	54,259,787	54,259,787
Basic earnings per share of common stock	2.69	4.91
Basic earnings per share of preferred stock	2.70	4.92

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 shares in circulation.

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 four quarters of the corresponding financial year. 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.

15 — Disclosures relating to the statement of total comprehensive income

Other comprehensive income for the period after tax comprises the following:

	2nd quarter 2014		1 January to 30 June 2014	
	–634		–914	
	224		339	
Items not expected to be reclassified to the income statement in the future	**–410**	**509**	**–575**	**664**
	27		18	
	–711		–667	
	–4		–13	
	206		191	
	229		231	
Items expected to be reclassified to the income statement in the future	**–253**	**274**	**–240**	**–43**
Other comprehensive income for the period after tax	**–663**	**783**	**–815**	**621**

Deferred taxes on components of other comprehensive income in the second quarter are as follows:

	2nd quarter 2014					
	–634	224	–410			
	27	–11	16			
	–711	212	–499			
	–4	5	1			
	229	–	229			
Other comprehensive income	**–1,093**	**430**	**–663**	**1,145**	**–362**	**783**

Deferred taxes on components of other comprehensive income for the six-month period are as follows:

	1 January to 30 June 2014					
	–914	339	–575			
	18	–23	–5			
	–667	215	–452			
	–13	–1	–14			
	231	–	231			
Other comprehensive income	**–1,345**	**530**	**–815**	**984**	**–363**	**621**

16 — 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 acquired customer lists. Capitalised development costs at 30 June 2014 amounted to €5,085 million (31 December 2013: €5,022 million). Additions to development costs in the first half of the year totalled €602 million (2013: €550 million). The amortisation expense for the period was €539 million (2013: €538 million).

At 30 June 2014 other intangible assets amounted to €721 million (31 December 2013: €788 million), including a brand-name right with a carrying amount of €44 million (31 December 2013: €43 million) and concessions, protected rights and licenses with a carrying amount of €416 million (31 December 2013: €467 million). During the first six months of 2014, €15 million (2013: €408 million) was invested in intangible assets. No impairment losses were recognised in the period under report (2013: €5 million). Amortisation on other intangible assets in the same period totalled €91 million (2013: €86 million).

In addition, intangible assets include goodwill of €33 million (31 December 2013: €33 million) allocated to the Automotive cash-generating unit and goodwill of €336 million (31 December 2013: €336 million) allocated to the Financial Services cash-generating unit.

Intangible assets amounting to €44 million (31 December 2013: €43 million) are subject to restrictions on title.

17 — Property, plant and equipment

Capital expenditure for property, plant and equipment in the first six months of 2014 totalled €1,963 million (2013*: €1,430 million). The depreciation expense for the period amounted to €1,346 million (2013*: €1,197 million), while disposals amounted to €9 million (2013: €9 million).

Purchase commitments for property, plant and equipment totalled €2,737 million at the end of the reporting period (31 December 2013: €2,661 million).

18 — Leased products

Additions/reclassifications to leased products and depreciation thereon in the first half of the year amounted to €6,547 million (2013: €7,482 million) and €1,770 million (2013: €2,561 million) respectively. Disposals/reclassifications amounted to €3,880 million (2013: €4,010 million). In addition, leased products decreased by €129 million due to the reclassification of leased products to the line item "Assets held for sale" (held by Noord Lease B.V., Groningen, as described in note 25). The translation of foreign currency financial statements resulted in a net positive translation difference of €183 million (2013: net negative translation difference of €58 million).

19 — Investments accounted for using the equity method and other investments

Investments accounted for using the equity method relate to the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich.

Other investments relate primarily to investments in non-consolidated subsidiaries, interests in associated companies not accounted for using the equity method, participations and non-current marketable securities. Impairment losses totalling €7 million (2013: €85 million) were recognised on investments during the first half of the year and related mainly to the investment in SGL Carbon SE, Wiesbaden, which was written down after being tested for impairment. Investments went down by €41 million as a result of the first-time consolidation of six European branches with effect from 1 January 2014.

20 — Receivables from sales financing

Receivables from sales financing totalling €56,138 million (31 December 2013: €54,117 million) relate to credit financing for retail customers and dealerships and to finance leases.

Receivables from sales financing include €34,330 million (31 December 2013: €32,616 million) with a remaining term of more than one year.

Income tax assets

Income tax assets totalling €1,481 million (31 December 2013: €1,151 million) include claims amounting to €492 million (31 December 2013: €530 million) which are expected to be settled after more than twelve months.

25 — Assets held for sale and liabilities in conjunction with assets held for sale

In June 2014 BMW AG, Munich, signed an agreement relating to the sale of the investment in Noord Lease B.V., Groningen. Subject to approval of the transaction by the Dutch merger control authorities, the sale will be completed during the second half of 2014.

At 30 June 2014 Noord Lease B.V., Groningen, meets the criteria set out in IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) for classification as a "disposal group". The carrying amount of the relevant property, plant and equipment and intangible assets has been written down to the lower of net book value or fair value less costs to sell. All assets of Noord Lease B.V., Groningen, are reported separately on the balance sheet line item "Assets held for sale". Similarly, its liabilities are reported separately in the balance sheet on the line "Liabilities in conjunction with assets held for sale".

Assets held for sale relate primarily to leased products with a carrying amount of €129 million. Liabilities in conjunction with assets held for sale comprise mainly other liabilities with a carrying amount of €12 million.

26 — Equity

The Group Statement of Changes in Equity is shown on pages 34 and 35.

Number of shares issued

At 30 June 2014 common stock issued by BMW AG was divided, as at the end of the previous year, into 601,995,196 shares with a par-value of €1. The number of shares of preferred stock at that date – also unchanged from 31 December 2013 – was 54,259,787 shares, each 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.

The shareholders passed a resolution at the 2014 Annual General Meeting authorising the Board of Management, with the approval of the Supervisory Board, to increase the Company's share capital by up to €5 million prior to 14 May 2019 by the issuance of new shares of non-voting preferred stock, carrying the same rights as existing non-voting preferred stock, in return for cash contributions. The authorisation had not been utilised by the end of the reporting period. Authorised Capital therefore remained at €5 million. The BMW Group did not hold any treasury shares at the end of the reporting period.

Capital reserves

Capital reserves include premiums arising from the issue of shares and were unchanged from 31 December 2013 at €1,990 million.

Revenue reserves

Revenue reserves comprise the post-acquisition and non-distributed earnings of consolidated companies. In addition, revenue reserves include both positive and negative goodwill arising on the consolidation of Group companies prior to 31 December 1994.

Revenue reserves increased during the six-month period to stand at €34,108 million at 30 June 2014 (31 December 2013: €33,167 million). They were increased in the first half of 2014 by the net profit for the period attributable to shareholders of BMW AG amounting to €3,223 million (2013: €2,693 million) and were reduced by the payment by BMW AG's payment of dividends on common stock (€1,566 million) and preferred stock (€141 million) for the financial year 2013. Revenue reserves also decreased by €575 million (2013: increased by €664 million) as a result of remeasurements of the net defined benefit liability for pension plans (net of deferred tax recognised directly in equity).

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 as well as the related deferred taxes recognised directly in equity.

Minority interests

Equity attributable to minority interests amounted to €191 million (31 December 2013: €188 million). This includes a minority interest of €10 million in the results for the period (2013: €11 million).

27 — Other provisions

Other provisions, at €7,620 million (31 December 2013*: €7,184 million) primarily include employee and social-related obligations as well as obligations for ongoing operational expenses.

Current other provisions amounted to €3,242 million at the end of the reporting period (31 December 2013*: €3,412 million).

28 — Income tax liabilities

Income tax liabilities totalling €1,143 million (31 December 2013: €1,237 million) include obligations amounting to €10 million (31 December 2013: €823 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 comprise €192 million (31 December 2013: €197 million) for taxes payable and €951 million (31 December 2013: €1,040 million) for tax provisions.

29 — Financial liabilities

Financial liabilities include all obligations of the BMW Group relating to financing activities. Financial liabilities comprise the following:

	30.6.2014	
	33,873	
	9,800	
	12,099	
	4,500	
	10,328	
	1,351	
	1,416	
Financial liabilities	**73,367**	**70,304**
	42,002	
	31,365	

During the first half of 2014, a number of bonds was issued in various currencies with a total volume of €6,657 million (2013: €5,611 million). Repayments during the six-month period amounted to €3,575 million (2013: €4,228 million). Currency translation differences accounted for most of the remainder of the change in bonds.

Further information relating to the change in other items within financial liabilities is provided in the net assets position of the Interim Group Management Report. A description of the measurement of derivatives is provided in note 31.

30 — Other liabilities

Other liabilities comprise the following items:

	30.6.2014	*
	839	
	79	
	644	
	460	
	145	
	70	
	5,337	
	3,861	
Other liabilities	**11,435**	**10,667**
	3,649	
	7,786	

31 — 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 30 June 2014 on the basis of the following interest rates:

The interest rates derived from interest-rate structures are 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, determined using measurement models. There is therefore 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, 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 (Fair Value Measurement). 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:

30 June 2014

As in the previous year, there were no reclassifications within the level hierarchy during the first half of 2014.

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

	30.6.2014	
	57,848	56,138
	34,280	33,873

32 — 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 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 Group.

In addition, the disclosure requirements of IAS 24 also cover transactions with associated companies, joint ventures, joint operations 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.

For the first six months of 2014, the disclosure requirements contained in IAS 24 affect the BMW Group with regard to business relationships with affiliated, non-consolidated entities, joint ventures, joint operations 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 **affiliated, non-consolidated entities.** 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 the first six months of 2014 for an amount of €2,160 million (2013: €1,716 million), of which €1,042 million was recorded in the second quarter (2013: €895 million). At 30 June 2014, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, totalled €767 million (31 December 2013: €898 million). Payables of Group companies to BMW Brilliance

Automotive Ltd., Shenyang, at the end of the reporting period amounted to €66 million (31 December 2013: €66 million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, during the first six months of 2014 for an amount of €15 million (2013: €8 million), of which €14 million was recorded in the second quarter (2013: €4 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.

Transactions of Group companies with SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, were reported in their entirety in the Group Financial Statements until 1 January 2014. As a result of the first-time application of IFRS 11 (Joint Arrangements) in the first half of 2014, these entities are now consolidated, as **joint operations,** on a proportionate basis (49%) and the appropriate portion of transactions eliminated on consolidation. The remaining 51% of the transactions continue to be reported in the Group Financial Statements (non-consolidated portion) and are described below. Prior year figures have been adjusted accordingly. All relationships with the joint operations are attributable to the ordinary activities of the entities concerned. All transactions were conducted on the basis of arm's length principles. At 30 June 2014, loans receivable from the joint operations amounted to €84 million (31 December 2013*: €52 million). Interest income recognised on these loans amounted to €0.7 million (2013*: €0.4 million) in the second quarter 2014 and €1 million (2013*: €0.7 million) for the six-month period. Goods and services received by Group companies from the joint operations during the first six months of 2014 totalled €24 million (2013*: €6 million), of which €13 million was recorded in the second quarter (2013*: €3 million). Amounts payable to the joint operations at the end of the reporting period totalled €4 million (31 December 2013*: €4 million).

Business transactions between BMW Group entities and associated companies all 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 first six months of 2014. In addition, companies of the DELTON Group used vehicles provided by the BMW Group, mostly in the form of leasing contracts. Stefan Quandt is also the majority shareholder of Solarwatt GmbH, Dresden. Cooperation arrangements are also in place between BMW AG and Solarwatt GmbH, Dresden, within the field of electromobility. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. During the first six months of 2014 Solarwatt GmbH leased vehicles from the BMW Group. 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 first six months of 2014, 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.

33 — Explanatory notes to segment information

For information on the basis used for identifying and assessing the performance of reportable segments along internal management lines, reference is made to the Group Financial Statements of BMW AG for the year ended 31 December 2013. No changes have been made either in the accounting policies applied or in the basis used for identifying reportable segments as compared to 31 December 2013. Segment information by operating segment for the second quarter is as follows:

Segment information by operating segment

	2014		2014	
	14,611		525	
	3,893		3	
Total revenues	18,504	18,201	528	475
	2,161		55	
	1,321		18	
	997		18	

Segment information by operating segment for the six-month period is as follows:

Segment information by operating segment

	2014		2014	
	27,864		994	
	7,199		6	
Total revenues	35,063	34,108	1,000	911
	3,741		119	
	2,548		30	
	1,932		34	

	30.6.2014		30.6.2014	
	12,162		497	

2014		2014		2014		2014		
4,769		–		–		19,905		
386		1		–4,283		–		
5,155	5,058	1	2	–4,283	–4,184	19,905	19,552	Total revenues
458		25		–39		2,660		
4,726		–		–1,134		4,931		
1,898		–		–1,003		1,910		–

2014		2014		2014		2014		
9,281		1		–		38,140		
764		2		–7,971		–		
10,045	9,888	3	3	–7,971	–7,812	38,140	37,098	Total revenues
918		82		–34		4,826		
8,634		–		–2,085		9,127		
3,701		–		–1,921		3,746		–

30.6.2014	–	30.6.2014	–	30.6.2014	–	30.6.2014	–	
8,806		55,654		67,523		144,642		

Segment figures for the second quarter can be reconciled to the corresponding Group figures as follows:

	2nd quarter 2014	
	2,699	
	88	
	–127	
Group profit before tax	2,660	2,032
	6,065	
	–1,134	
Total Group capital expenditure on non-current assets	4,931	4,586
	2,913	
	–1,003	
Total Group depreciation and amortisation on non-current assets	1,910	1,814

Segment figures for the six-month period can be reconciled to the corresponding Group figures as follows:

	1 January to 30 June 2014	
	4,860	
	150	
	–184	
Group profit before tax	4,826	4,035
	11,212	
	–2,085	
Total Group capital expenditure on non-current assets	9,127	9,865
	5,667	
	–1,921	
Total Group depreciation and amortisation on non-current assets	3,746	4,381

	30.6.2014	
	77,119	
	6,257	
	87,331	
	36,995	
	25,772	
	–88,832	
Total Group assets	**144,642**	**138,377**

Munich, 29 July 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

Responsibility Statement pursuant to § 37y of the German Securities Trading Act (WpHG) in conjunction with § 37 w (2) No. 3 WpHG

"To the best of our knowledge, and in accordance with the applicable principles for interim financial reporting, the Interim Group Financial Statements give a true and fair view of the net assets, financial position and results of operation of the Group in accordance with German principles of proper accounting, and the Interim 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 for the remaining months of the financial year."

Munich, 29 July 2014

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer

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Dr. Ian Robertson (HonDSc)

Peter Schwarzenbauer

REVIEW REPORT

To Bayerische Motoren Werke Aktiengesellschaft, Munich

We have reviewed the condensed interim consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft, Munich – comprising the income statement for group and the statement of comprehensive income for group, the balance sheet for group, the condensed cash flow statement for group, the group statement of changes in equity and selected explanatory notes, together with the interim group management report of Bayerische Motoren Werke Aktiengesellschaft, Munich, for the period from 1 January to 30 June 2014, that are part of the semi-annual financial report according to § 37 w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 4 August 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pastor	Feege
Wirtschaftsprüfer	Wirtschaftsprüfer

OTHER INFORMATION

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
Quarterly Report to 30 September 2015	3 November 2015

Business and Finance Press

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PUBLISHED BY
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