QUARTERLY REPORT

TO 31 MARCH 2014

Q1 — 31 MARCH 2014

BMW GROUP

Rolls-Royce Motor Cars Limited

BMW GROUP IN FIGURES

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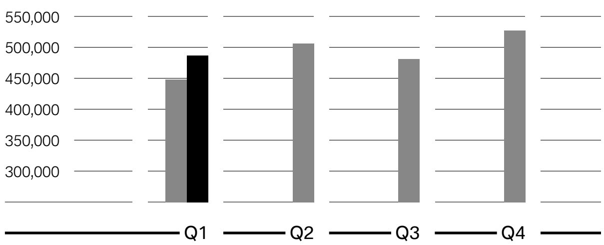
		1st quarter 2014	1st quarter 2013	Change in %
Automotive segment				
Sales volume				
BMW[1]	units	**428,259**	381,404	12.3
MINI	units	**57,868**	66,154	–12.5
Rolls-Royce	units	**897**	642	39.7
Total		**487,024**	**448,200**	**8.7**
Production				
BMW[2]	units	**461,096**	410,926	12.2
MINI	units	**57,674**	70,449	–18.1
Rolls-Royce	units	**1,154**	787	46.6
Total		**519,924**	**482,162**	**7.8**
Motorcycles segment				
Sales volume				
BMW	units	**28,719**	24,732[3]	16.1
Production				
BMW	units	**38,649**	35,221[4]	9.7
Financial Services segment				
New contracts with retail customers		**348,072**	340,328	2.3
Workforce to 31 March[5]				
BMW Group		**111,378**	106,470	4.6
Financial figures				
Operating cash flow Automotive segment	€ million	**2,132**	**1,971**[7]	**8.2**
Revenues	€ million	**18,235**	**17,546**	**3.9**
Automotive	€ million	**16,559**	15,907	4.1
Motorcycles	€ million	**472**	436	8.3
Financial Services	€ million	**4,890**	4,830	1.2
Other Entities	€ million	**2**	1	–
Eliminations	€ million	**–3,688**	–3,628	–1.7
Profit before financial result (EBIT)	€ million	**2,090**	**2,038**[7]	**2.6**
Automotive	€ million	**1,580**	1,580[7]	–
Motorcycles	€ million	**64**	51	25.5
Financial Services	€ million	**465**	450	3.3
Other Entities	€ million	**10**	17	–41.2
Eliminations	€ million	**–29**	–60[7]	51.7
Profit before tax	€ million	**2,166**	**2,003**	**8.1**
Automotive	€ million	**1,643**	1,516	8.4
Motorcycles	€ million	**63**	50	26.0
Financial Services	€ million	**460**	449	2.4
Other Entities	€ million	**57**	67	–14.9
Eliminations	€ million	**–57**	–79	27.8
Income taxes	€ million	**–704**	**–691**	**–1.9**
Net profit	€ million	**1,462**	**1,312**	**11.4**
Earnings per share[6]	€	**2.22/2.22**	**1.99/1.99**	**11.6/11.6**

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2013: 43,296 units, 2014: 62,494 units).
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2013: 51,792 units, 2014: 70,824 units).
[3] Plus an additional 1,110 Husqvarna motorcycles (until 5 March 2013).
[4] Plus an additional 1,569 Husqvarna motorcycles (until 5 March 2013).
[5] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.
[6] Common/preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.
[7] Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

Sales volume of automobiles[1]

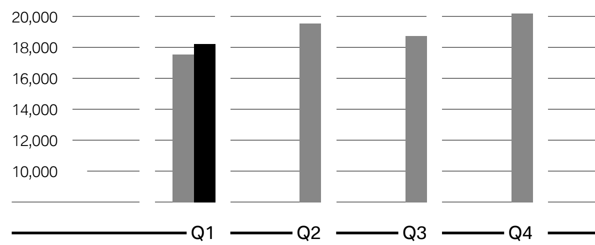
in units



	Q1	Q2	Q3	Q4
2013	448,200	506,321	481,657	527,620
2014	**487,024**			

Revenues

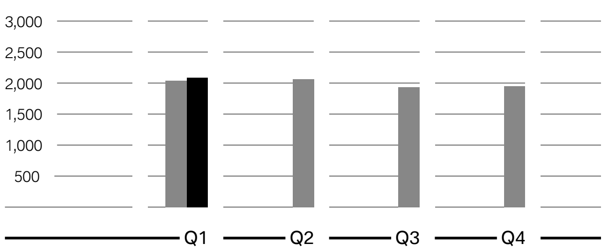
in € million



	Q1	Q2	Q3	Q4
2013	17,546	19,552	18,750	20,210
2014	**18,235**			

Profit before financial result

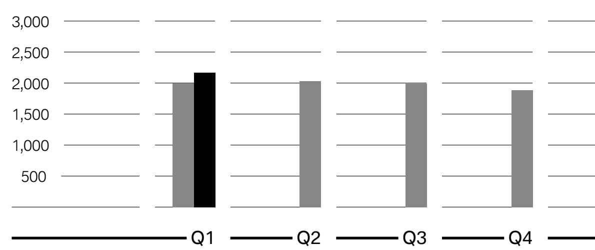
in € million



	Q1	Q2	Q3	Q4
2013	2,038[2]	2,068	1,928	1,951
2014	**2,090**			

Profit before tax

in € million



	Q1	Q2	Q3	Q4
2013	2,003	2,032	1,989	1,889
2014	**2,166**			

BMW Group starts year with record quarter

The BMW Group profited from increasingly friendly market conditions in the first quarter of 2014, particularly in Europe, achieving a new sales volume record with 487,024[1] cars sold (2013: 448,200[1] units; + 8.7 %).

The Motorcycles segment also benefited from favourable market conditions and set a new first-quarter sales volume record, selling 28,719 BMW motorcycles over the three-month period (2013: 24,732[3] units; + 16.1 %). The main factor driving this positive trend was the very mild winter in Europe, which effectively brought forward the beginning of the motorcycling season.

The Financial Services segment benefited from current developments in the automobile sector and made a fine start to the year. A total of 348,072 new lease and credit financing contracts were concluded with retail customers during the first three months of the year (2013: 340,328 contracts; + 2.3 %).

Revenues and earnings up on previous year

The strong sales volume performance is reflected in Group revenues, which rose to €18,235 million (2013: €17,546 million; + 3.9 %) for the three-month period. Group EBIT increased accordingly by 2.6 % to €2,090 million (2013: €2,038[2] million). Profit before tax amounting to €2,166 million represented a new record for first-quarter earnings (2013: €2,003 million; + 8.1 %).

Workforce increased

The BMW Group had a worldwide workforce of 111,378 employees at 31 March 2014 (31 March 2013: 106,470 employee; + 4.6 %). The increase was attributable to the growing need for engineers and skilled workers in order to keep pace with continued strong demand for vehicles on the one hand and to push ahead with innovations and develop new technologies on the other.

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2013: 43,296 units, 2014: 62,494 units).
[2] Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.
[3] Plus an additional 1,110 Husqvarna motorcycles (until 5 March 2013).

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Bayerische Motoren Werke Aktiengesellschaft (BMW AG), which is based in Munich, Germany, is the parent company of the BMW Group. The primary business object of the BMW Group is to develop, manufacture and sell engines as well as various types of vehicles equipped with 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. Its research and innovation network is spread over twelve locations in five countries. At 31 December 2013 the production network consisted of 28 locations in 13 countries.

Long-term thinking and responsible action have long been the cornerstones of our success. Constant striving for ecological and social sustainability along the entire value-added chain, full responsibility for our products and an unequivocal commitment to preserving resources are prime objectives firmly embedded in our corporate strategies. These unswerving endeavours have 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.).

Car markets

Most of the world's car markets reported growth in the first quarter 2014. While Europe's markets are gradually turning the corner and returning to the road of positive growth, some emerging markets showed signs of a downward trend.

The US automobile market, which had grown strongly in the preceding quarters, took a breather in the first three months of 2014 and grew at a rate of only 1.5 %. One contributing factor to the lull in growth was the exceptionally cold and stormy winter, which resulted in many vehicle purchases being postponed. The macroeconomic climate, however, generally remained favourable.

Car markets in Europe seem to be gathering pace and grew overall by 8.2 % compared to the previous year. Vehicle registrations in Germany increased by 5.6 %. Rises were also recorded in Italy (+ 6.2 %) and France (+ 3.1 %). The Spanish market, which had suffered the most severe downturn in recent years, grew by 11.8 % in the first quarter of 2014. The growth rate in the United Kingdom was particularly impressive (+ 13.7 %).

As expected, the Japanese market experienced a temporary boost in the first quarter of 2014, caused by the impending value added tax hike that came into effect on 1 April. The market grew by 20.5 % compared to the previous year.

Vehicle registration figures in China once again rose sharply during the period from January to March (+ 13.7 %), underlining the strength of demand still being generated by the private sector. By contrast, the figures for Russia (– 1.6 %), Brazil (– 1.9 %) and India (– 7.0 %) were all down on the previous year.

Motorcycle markets

The markets for 500 cc plus class motorcycles emerged from the doldrums for the first time in several years, with first-quarter sales up by 11.5 % worldwide. European markets experienced a distinctly pronounced upturn (+ 17.9 %), partly due to the very mild winter. With a growth rate of 20.0 %, the motorcycles market in Germany raced way ahead of the previous year. In a similar vein, markets in France (+ 11.0 %), Italy (+ 12.1 %) and Spain (+ 27.7 %) all performed very well year-on-year. The US motorcycles market, however, slipped just below its previous year's level (– 1.8 %).

Financial Services

Concerns about deflationary tendencies in Europe did not gain ground at the beginning of the year, and consequently the European Central Bank (ECB) did not see the necessity to loosen its monetary policies any further. Refinancing conditions were practically unchanged. Towards the end of 2013, the US Reserve Bank announced its intention to taper its bond-buying programme, the first move back towards more restrictive monetary policies. The immediate outcome was a rise in interest rates worldwide. In Japan, interest rates have meanwhile stabilised again at a low level.

US monetary policies caused currencies in emerging markets to lose significantly in value, as investors began to withdraw their capital. In order to protect their currencies and counter import price rises, the various central banks affected increased reference interest rates sharply and implemented a raft of measures, including some restrictions on capital movements.

Generally, bad debt levels have continued to drop as the global economy has become more stable. Some signs of improvement were also noticeable in southern Europe. Reselling levels on international used car markets did not change significantly during the first quarter 2014. Prices were stable in Europe and slightly lower in the USA.

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New sales volume record for the BMW Group

Sales of BMW, MINI and Rolls-Royce brand cars in the first three months of 2014 rose to 487,024[1] units (2013: 448,200[1] units; +8.7 %), a new first-quarter sales volume record for the BMW Group. The BMW brand surpassed the 400,000 mark for the first time in a first quarter with a record sales volume of 428,259[1] units (2013: 381,404[1] units; +12.3 %). In addition, 57,868 MINI brand (2013: 66,154 units; –12.5 %) and 897 Rolls-Royce brand vehicles (2013: 642 units; +39.7 %) were sold during the opening three-month period of the year.

Double-digit growth in Asia

The BMW Group sold a total of 158,582[1] units in Asia in the first quarter, 21.8 % more than in the corresponding period one year earlier (2013: 130,219 units). China accounted for 108,143[1] of the sales in this region, a rise of 25.4 % (2013: 86,224 units).

In Europe, the number of cars sold climbed by 3.4 % from 207,243 units to 214,210 units. At 62,502 units, first-quarter sales in Germany were slightly down on the previous year (2013: 63,419 units; –1.4 %). By contrast, sales of 46,500 units in Great Britain surpassed the high level achieved one year earlier (2013: 45,757 units; +1.6 %).

In total, the BMW Group handed over the keys of 99,840 new vehicles on the American continent (2013: 96,488 units; +3.5 %), including 81,248 units in the USA (2013: 79,117 units; +2.7 %).

Record quarter for the BMW brand[1]

The BMW brand also achieved a new record in the first quarter of 2014 with a sales volume of 428,259 units sold (2013: 381,404 units; +12.3 %), thus ensuring continued market leadership in the premium segment. Good contributions to this performance were made by the BMW X5 as well as by the BMW 3, 5 and 6 Series, each of which achieved the pole position in their relevant segments.

At 50,178 units, sales of the BMW 1 Series were lower than in the previous year (2013: 53,906 units; –6.9 %), reflecting the fact that the Coupé and Convertible body variants will in future be part of the 2 Series. During the quarter ended 31 March 2014 we sold 116,671 units of the BMW 3 Series, a solid improvement of 6.7 % on last year's figure (2013: 109,309 units). A total of 91,600 customers worldwide opted for the BMW 5 Series (2013: 85,731 units; +6.8 %).

The various models of the BMW X family continued to be in demand during the first quarter 2014. The BMW X1 achieved a sales volume of 43,262 units (2013: 37,680 units; +14.8 %). With a sales volume of 40,125 units, the BMW X3 also registered a sharp rise (2013: 36,189 units; +10.9 %) as well as the BMW X5 with sales volume of 31,025 units (2013: 27,274 units; +13.8 %).

Automotive

		1st quarter 2014	1st quarter 2013	Change in %
Sales volume[1]	units	**487,024**	448,200	8.7
Production[2]	units	**519,924**	482,162	7.8
Revenues	€ million	**16,559**	15,907	4.1
Profit before financial result (EBIT)	€ million	**1,580**	1,580[3]	–
Profit before tax	€ million	**1,643**	1,516	8.4
Workforce to 31 March		**101,564**	97,210	4.5

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2013: 43,296 units, 2014: 62,494 units).
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2013: 51,792 units, 2014: 70,824 units).
[3] Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

Sales volume of BMW vehicles by model series*

in units

	1st quarter 2014	1st quarter 2013	Change in %
BMW 1 Series	**50,178**	53,906	–6.9
BMW 2 Series	**2,608**	–	–
BMW 3 Series	**116,671**	109,309	6.7
BMW 4 Series	**17,709**	–	–
BMW 5 Series	**91,600**	85,731	6.8
BMW 6 Series	**8,223**	6,174	33.2
BMW 7 Series	**12,670**	12,390	2.3
BMW X1	**43,262**	37,680	14.8
BMW X3	**40,125**	36,189	10.9
BMW X5	**31,025**	27,274	13.8
BMW X6	**9,160**	9,769	–6.2
BMW Z4	**3,006**	2,982	0.8
BMW i	**2,022**	–	–
BMW total	**428,259**	**381,404**	**12.3**

* Including the joint venture BMW Brilliance (2013: 43,296 units, 2014: 62,494 units).

Third generation of the MINI launched

The market introduction of the new MINI Hatch model in March 2014 heralds the third generation of the MINI. The model change brought MINI Hatch sales volume figures down to 17,860 units (2013: 29,519 units; –39.5 %). A total of 25,108 units of the MINI Countryman were delivered in the first quarter of the year (2013: 23,559 units; + 6.6 %).

Sales volume of MINI vehicles by model variant

in units

	1st quarter 2014	1st quarter 2013	Change in %
MINI Hatch	**17,860**	29,519	–39.5
MINI Convertible	**3,831**	4,165	–8.0
MINI Clubman	**4,484**	3,951	13.5
MINI Countryman	**25,108**	23,559	6.6
MINI Coupé	**1,061**	1,943	–45.4
MINI Roadster	**1,449**	2,288	–36.7
MINI Paceman	**4,075**	729	–
MINI total	**57,868**	**66,154**	**–12.5**

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Rolls-Royce shows strong upward trend
We sold 146 units of the Rolls-Royce Phantom in the first quarter (2013: 155 units; – 5.8 %). 305 customers worldwide opted for the Rolls-Royce Ghost (2013: 487 units; – 37.4 %), whereas the Rolls-Royce Wraith was delivered to a total of 446 customers. Overall, Rolls-Royce therefore achieved its best-ever sales volume figure for a first quarter.

Sales volume of Rolls-Royce vehicles by model variant
in units

	1st quarter 2014	1st quarter 2013	Change in %
Phantom (including Phantom Extended Wheelbase)	**110**	108	1.9
Coupé (including Drophead Coupé)	**36**	47	– 23.4
Ghost	**305**	487	– 37.4
Wraith	**446**	–	–
Rolls-Royce total	**897**	**642**	**39.7**

World premieres for new models at spring motor shows
The BMW Group presented numerous new models and concept studies at spring motor shows in Detroit, Geneva and New York. The BMW M3 Sedan, the BMW M4 Coupé and the BMW 2 Series Coupé all staged world premieres in Detroit. With the M models, we have successfully combined uncompromising sporting flair with ideal suitability for everyday driving. These new cars will go on sale in June 2014. Since its market launch in March 2014, customers have had the opportunity to test the great driving dynamics of the new BMW 2 Series Coupé.

In Geneva the BMW Group presented four refreshingly new vehicles: the BMW 2 Series Active Tourer, the BMW 4 Series Gran Coupé, the Rolls-Royce Ghost Series II and the MINI Clubman Concept. The new BMW 2 Series Active Tourer optimally meets customer needs in terms of variability, functionality and generous space in the compact class. The Active Tourer will be available from the fourth quarter 2014 onwards. The BMW 4 Series Gran Coupé, which will go on sale in June, also had its world premiere at the Geneva International Motor Show 2014. It combines the appealing design features of a two-door coupé with the practicality of four doors and plenty of space. The Rolls-Royce Ghost Series II was also presented to the public for the first time in Geneva. The new Ghost features a fine combination of silky smooth, effortlessly powerful performance and state-of-the-art luxury and will be in the showrooms this autumn. With its MINI Clubman Concept, again in Geneva, the MINI brand provided a convincing interpretation of dynamics, elegance and modern-day functionality.

The new BMW X4 was first presented at the New York Auto Show and will be available from July. It exquisitely blends the characteristic features of BMW X models with the sleek, sporting elegance of a classic coupé. The BMW M4 Convertible makes a strong design statement with its inimitable, elegant silhouette and well-balanced proportions and will be available from September 2014 onwards. The BMW Concept X5 eDrive concept study features a plug-in hybrid drive system with average fuel consumption of a mere 3.8 l/100 km in the EU test cycle.

The latest MINI Hatch, the new BMW 4 Series Convertible and the revised BMW X1 model have all been on the market since March 2014. The revised version of the BMW X3 is due to follow in May and the BMW i8 will be launched in June 2014.

Automobile production ramped up
In total, 519,924* BMW, MINI and Rolls-Royce brand cars were manufactured during the period from January to March (2013: 482,162 units; + 7.8 %). This figure included 461,096* BMW brand vehicles (2013: 410,926* units; + 12.2 %) and 57,674 MINI brand vehicles (2013: 70,449

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2013: 51,792 units, 2014: 70,824 units).

units; – 18.1 %). The significant drop in MINI production figures is due to the MINI Hatch model change. In addition, Rolls-Royce Motor Cars manufactured 1,154 vehicles (2013: 787 vehicles; + 46.6 %) during the first quarter.

Increase in revenues and earnings for Automotive segment

The good sales volume performance is also reflected in segment revenues, which culminated in a new record figure for a first quarter. Revenues for the first three months of 2014 climbed to €16,559 million (2013: €15,907 million; + 4.1 %). EBIT* remained unchanged at €1,580 million, resulting in a first-quarter EBIT margin of 9.5 % (2013: 9.9 %), well within the target corridor of 8 to 10 %. The segment's pre-tax profit rose by 8.4 % to €1,643 million (2013: €1,516 million).

Automotive segment workforce increased

The Automotive segment employed a workforce of 101,564 people at 31 March 2014, 4.5 % more than one year earlier (2013: 97,210 employees).

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

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Sharp rise in sales volume

With a sales volume of 28,719 motorcycles in the first quarter of 2014, 16.1 % up on the previous year's figure, BMW Motorrad recorded the best first quarter in its history (2013: 24,732[1] units). The principal factor in this positive trend was the extremely mild winter in Europe, which effectively brought forward the start of the motorcycling season. Sales of BMW motorcycles in Europe rose by 19.6 % to 17,098 units (2013: 14,300 units) on the back of these favourable conditions. Sales volume in Germany increased by 11.3 % to 4,796 units (2013: 4,309 units). Particularly strong growth was recorded in both Italy (2,892 units; + 17.8 %; 2013: 2,454 units) and France (2,725 units; + 21.7 %; 2013: 2,240 units). The number of BMW motorcycles sold in the USA during the first quarter rose by 4.2 % to 3,397 units (2013: 3,259 units).

Model range expanded

The new R nineT, S 1000 R, R 1200 RT, R 1200 GS Adventure and K 1600 GTL Exclusive models presented at the previous autumn trade fairs were all launched in time for the start of the season in March. The C evolution electric scooter will make its appearance in dealership showrooms from May onwards.

Motorcycle production increased

Overall, 38,649 motorcycles were produced during the first quarter of 2014, 9.7 % up on the same period last year (2013: 35,221[2] units).

Motorcycle segment revenues and earnings improved

In line with its strong first-quarter sales volume performance, revenues for the Motorcycles segment rose by 8.3 % to €472 million (2013: €436 million). Segment EBIT totalled €64 million (2013: €51 million; + 25.5 %), while profit before tax also rose significantly by 26.0 % to €63 million (2013: €50 million). At both levels, these figures represented the best quarterly earnings performance in the history of the Motorcycles segment.

Workforce up slightly compared to previous year

The BMW Group employed 2,791 people in the Motorcycles segment at 31 March 2014 (2013: 2,742 employees; + 1.8 %).

Motorcycles

		1st quarter 2014	1st quarter 2013	Change in %
Sales volume BMW	units	**28,719**	24,732[1]	16.1
Production BMW	units	**38,649**	35,221[2]	9.7
Revenues	€ million	**472**	436	8.3
Profit before financial result (EBIT)	€ million	**64**	51	25.5
Profit before tax	€ million	**63**	50	26.0
Workforce to 31 March		**2,791**	2,742	1.8

[1] Plus an additional 1,110 Husqvarna motorcycles (until 5 March 2013).
[2] Plus an additional 1,569 Husqvarna motorcycles (until 5 March 2013).

Financial Services segment on course

The Financial Services segment continued to perform well throughout the first quarter 2014. At 31 March 2014, the segment was managing a portfolio of 4,170,318 lease and credit financing contracts with retail customers and dealerships worldwide (2013: 3,905,891 contracts), 6.8 % more than one year earlier. The segment's business volume in balance sheet terms grew to €85,181 million (31 December 2013: €84,347 million; +1.0 %).

New business continues to grow

A total of 348,072 new lease and financing contracts were concluded with retail customers during the first three months of the year, an increase of 2.3 % on the same quarter last year (2013: 340,328 contracts). The growth was attributable to credit financing business (up by 4.4 %), whereas lease business decreased slightly (down by 1.9 %). The ratio of new BMW Group vehicles[1] leased or financed by the Financial Services segment during the quarter went down slightly to 40.5 % (2013: 44.2 %; – 3.7 percentage points).

In the used car financing line of business, 83,777 new contracts for BMW and MINI brand cars were signed during the first three months of 2014, 12.1 % more than one year earlier (2013: 74,767 contracts).

The volume of new credit and lease business signed worldwide with retail customers in the first quarter totalled €9,228 million, 0.6 % above the previous year's equivalent figure (2013: €9,174 million).

The growth of new business had a positive impact on the overall size of the contract portfolio. The segment was managing a portfolio of 3,835,335 retail customer contracts at the end of the reporting period (2013: 3,595,511 contracts; + 6.7 %), with growth achieved across all regions. The Europe/Middle East/Africa region reported an increase of 8.0 % compared to the previous year, while the portfolios for the Americas region and for the EU Bank grew by 4.6 % and 1.6 % respectively. The most significant rise was again recorded in the Asia/Pacific region, where the contract portfolio grew by 23.5 %.

Solid growth for fleet business

The Financial Services segment's fleet management line of business offers lease and financing arrangements and other services to commercial customers under the brand name "Alphabet". The fleet contract portfolio comprised 534,869 contracts at the end of the first quarter 2014, giving a solid growth rate of 5.2 % (2013: 508,560 contracts).

Moderate decrease in multi-brand financing

Demand for multi-brand financing fell compared to the previous year, with a total of 40,341 new contracts signed during the first three months of the year (2013: 43,970 contracts; – 8.3 %). The total number of contracts

Financial Services

		1st quarter 2014	1st quarter 2013	Change in %
New contracts with retail customers		**348,072**	340,328	2.3
Revenues	€ million	**4,890**	4,830	1.2
Profit before financial result (EBIT)	€ million	**465**	450	3.3
Profit before tax	€ million	**460**	449	2.4
Workforce to 31 March		**6,907**	6,390	8.1

		31. 3. 2014	31. 12. 2013	Change in %
Business volume in balance sheet terms[2]	€ million	**85,181**	84,347	1.0

[1] The calculation only includes automobile markets, in which the Financial Services segment is represented by a consolidated entity.
[2] Calculated on the basis of the lines Leased products and Receivables from sales financing (current and non-current) of the Financial Services segment balance sheet.

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in this line of business grew by 7.1 % to 458,120 contracts (2013: 427,942 contracts).

Increased dealer financing volumes
The Financial Services segment supports the BMW Group dealership organisation with a well selected range of products. The total volume of dealership financing contracts managed by the Financial Services segment at the end of the first quarter 2014 stood at €13,155 million (2013: €12,866 million; + 2.2 %).

Deposit volumes down on previous year
The managed volume worldwide at the end of the first quarter 2014 stood at €12,225 million, 9.0 % down on the previous year's figure (2013: €13,428 million).

Insurance business continues to grow
Business with insurance products grew during the period from January to March, with the number of new contracts increasing slightly by 1.6 % to 249,842 contracts (2013: 245,919 contracts) and the total portfolio increasing to 2,633,672 contacts (2013: 2,341,448 contracts; + 12.5 %).

Rise in revenues and earnings
Revenues and earnings also reflect the good progress made by the Financial Services segment in the first quarter. Revenues edged up to €4,890 million to reach a new record level (2013: €4,830 million; + 1.2 %). Segment EBIT for the three-month period from January to March improved by 3.3 % to €465 million (2013: €450 million). First-quarter profit before tax of €460 million was also up on the previous year (2013: €449 million; + 2.4 %).

Workforce up on previous year
The Financial Services segment had a worldwide workforce of 6,907 employees at 31 March 2014, 8.1 % more than one year earlier (2013: 6,390 employees). The increase related primarily to growth in the volume of business.

Earnings performance*

First-quarter sales of BMW, MINI and Rolls-Royce brand cars increased by 8.7 % to 487,024 units, including 62,494 units (2013: 43,296 units) sold by the joint venture BMW Brilliance Automotive Ltd., Shenyang.

The BMW Group recorded a net profit for the first quarter 2014 of €1,462 million (2013: €1,312 million). The post-tax return on sales was 8.0 % (2013: 7.5 %). First-quarter earnings per share were €2.22 both for common and preferred stock (2013: €1.99 both for common and preferred stock).

Group revenues increased by 3.9 % to €18,235 million (2013: €17,546 million).

Revenues from the sale of BMW, MINI and Rolls-Royce brand cars were slightly higher than in the previous year (4.7 %). Adjusted for exchange rate factors, revenues increased by 8.7 %. Motorcycles business revenues rose solidly (8.6 %) compared to the previous year. Revenues generated with Financial Services operations increased slightly by 1.4 %. Adjusted for exchange rate factors, revenues of the Motorcycles and Financial Services segments rose by 13.3 % and 3.8 % respectively.

Group revenues comprise mainly the sale of products and related goods (2014: €13,502 million; 2013: €12,889 million), lease instalments (2014: €1,869 million; 2013: €1,765 million), the sale of vehicles previously leased to customers (2014: €1,552 million; 2013: €1,563 million) and interest income on loan financing (2014: €689 million; 2013: €713 million). The increase in revenues was impacted by depreciation of some of the major currencies in which the BMW Group does business, such as the US dollar, the Japanese yen, the Australian dollar and the South African rand. Furthermore, the higher volume of locally produced vehicles sold by the BMW Brilliance joint venture also meant that revenues grew at a less pronounced rate to sales volumes.

Group cost of sales were slightly higher (2.9 %) than in the previous year and comprise mainly manufacturing costs (2014: €8,145 million; 2013: €8,130 million), warranty costs (2014: €434 million; 2013: €219 million), costs relating to financial services (2014: €3,945 million; 2013: €3,918 million) and research and development expenses (2014: €987 million; 2013: €988 million).

First-quarter gross profit improved by 8.0 % to €3,864 million, giving a gross profit margin of 21.2 % (2013: 20.4 %).

The gross profit margin recorded by the Automotive segment was 18.8 % (2013: 18.1 %), while that of the Motorcycles segment was 24.2 % (2013: 21.1 %). In the Financial Services segment, the gross profit margin remained at a similar level to the previous year at 13.5 % (2013: 13.9 %).

Research and development expenses were almost identical to the previous year at €987 million (2013: €988 million), as the BMW Group continues to invest heavily in product and technological development. As a proportion of revenues, the research and development ratio decreased slightly to 5.4 % (2013: 5.6 %). Research and development expenses include amortisation of capitalised development costs amounting to €265 million (2013: €275 million). Total research and development expenditure in the first quarter amounted to €993 million (2013: €953 million). This figure comprises research costs, non-capitalised development costs, capitalised development costs and systematic amortisation of capitalised development costs. This corresponded to a research and development expenditure ratio of 5.4 % (2013: 5.4 %) and a capitalisation ratio of 27.3 % (2013: 25.2 %).

Compared to the previous year, selling and administrative expenses rose by €170 million to €1,758 million, with the larger workforce and marketing expenses the principal reasons for the increase. Overall, selling and administrative expenses represented 9.6 % (2013: 9.1 %) of revenues. Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses amounted to €957 million (2013: €901 million).

Other operating income and expenses deteriorated by €64 million to give a net expense of €16 million for the first quarter 2014. The principal reasons for the change were higher expenses for impairment losses and write-downs and the negative impact of currency contracts at the end of the reporting period.

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

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Revenues by segment in the first quarter

in € million

	External revenues		Inter-segment revenues		Total revenues	
	2014	2013	**2014**	2013	**2014**	2013
Automotive	**13,253**	12,664	**3,306**	3,243	**16,559**	15,907
Motorcycles	**469**	432	**3**	4	**472**	436
Financial Services	**4,512**	4,450	**378**	380	**4,890**	4,830
Other Entities	**1**	–	**1**	1	**2**	1
Eliminations	**–**	–	**–3,688**	–3,628	**–3,688**	–3,628
Group	**18,235**	**17,546**	**–**	**–**	**18,235**	**17,546**

The profit before financial result (EBIT) finished at €2,090 million (2013: €2,038 million).

The financial result was a net positive amount of €76 million, which was an improvement of €111 million over the first quarter 2013, mostly due to the €138 million improvement in 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 ventures).

Taking all these factors into consideration, the profit before tax improved to €2,166 million (2013: €2,003 million). The pre-tax return on sales was 11.9% (2013: 11.4%).

Income tax expense amounted to €704 million (2013: €691 million), resulting in an effective tax rate of 32.5% (2013: 34.5%). Lower non-recoverable withholding taxes and the changed regional earnings mix contributed to the decrease in the effective tax rate.

Earnings performance by segment

Revenues of the Automotive segment increased by 4.1% to €16,559 million. The benefits of higher sales volume figures were held down by the negative impact of the loss in value of a number of major currencies (including the US dollar, the Japanese yen, the Australian dollar and the South African rand). Adjusted for exchange rate factors, segment revenues rose by 7.5%. At 18.8%, the first-quarter gross profit margin was higher than in the previous year's 18.1%.

Selling and administrative expenses increased by €166 million to €1,495 million compared to the previous year, with the rise in administrative expenses mainly attributable to the higher workforce size and marketing expenses. Overall, selling and administrative expenses represented 9.0% (2013: 8.4%) of revenues.

The net amount of other operating income and expenses deteriorated by €78 million (2013: net positive amount of €34 million). The principal reasons for the

Profit before tax by segment in the first quarter

in € million

	2014	2013
Automotive	**1,643**	1,516
Motorcycles	**63**	50
Financial Services	**460**	449
Other Entities	**57**	67
Eliminations	**–57**	–79
Profit before tax	**2,166**	**2,003**
Income taxes	**–704**	–691
Net profit	**1,462**	**1,312**

change were higher expenses for impairment losses and write-downs and the negative impact of currency contracts at the end of the reporting period.

The profit before financial result (EBIT) amounted to €1,580 million (2013: €1,580 million), giving a gross profit margin of 9.5 % (2013: 9.9 %).

The financial result was a net positive amount of €63 million, an improvement of €127 million over the first quarter 2013, mostly due to the €138 million improvement in 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 ventures).

Overall, the segment profit before tax amounted to €1,643 million (2013: €1,516 million).

In the Motorcycles segment, the number of BMW brand motorcycles increased by 16.1 %, while segment revenues rose by 8.3 %, held down by the depreciation in value of some of the main currencies. Adjusted for exchange rate factors, segment revenues rose by 12.9 %. First-quarter segment profit before tax improved by €13 million (2013: €50 million).

Financial Services segment revenues edged up by 1.2 % to €4,890 million. Adjusted for exchange rate factors, revenues increased by 3.6 %. The segment's performance reflects the growth in the contract portfolio. The gross profit margin was 13.5 % (2013: 13.9 %). Selling and administrative expenses were almost identical to the previous year at €214 million (2013: €216 million). The net amount of other operating income and expenses improved by €25 million.

Overall the Financial Services segment reports a profit before tax of €460 million for the first quarter, 2.4 % up on the previous year's figure of €449 million.

A profit before tax of €57 million (2013: €67 million) was recorded for the Other Entities segment.

The negative impact on first-quarter earnings at the level of profit before tax reported in the Eliminations column decreased from €79 million in 2013 to €57 million in 2014.

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 quarters 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 financing activities are based on actual payments and receipts.

The cash inflow from operating activities in the first quarter of 2014 increased by €916 million to €1,601 million (2013: €685 million), mainly reflecting the increase in net profit (€150 million) and the change in provisions (€295 million).

The cash outflow for investing activities amounting to €1,414 million (2013: €1,595 million) was 11.3 % lower than in the previous year, mainly due to the €185 million decrease in net investments in marketable securities.

Cash outflow from financing activities totalled €338 million (2013: cash inflow of €450 million). Proceeds from the issue of bonds amounted to €3,387 million (2013: €2,575 million), compared with an outflow of €1,975 million (2013: €2,408 million) for the repayment of bonds. The change in other financial liabilities and commercial paper gave rise to a cash outflow of €1,750 million (2013: cash inflow of €283 million).

The cash inflow from operating activities in the first quarter exceeded the cash outflow for investing activities by €187 million, compared to a shortfall of €910 million in the previous year.

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group totalling a negative amount of €19 million (2013: positive amount of €34 million), the various cash flows resulted in a decrease in cash and cash equivalents of €170 million (2013: decrease of €426 million).

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

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The cash flow statement for the Automotive segment shows that the cash inflows from operating activities exceeded cash outflows for investing activities by €713 million (2013: €160 million). Adjusted for net investments in marketable securities amounting to €219 million (2013: €464 million), mainly in conjunction with strategic liquidity planning, the excess amount was €932 million (2013: €624 million).

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

in € million	**2014**	2013[1]
Cash inflow from operating activities	**2,142**	1,971
Cash outflow for investing activities	**–1,429**	–1,811
Net investment in marketable securities	**219**	464
Free cash flow Automotive segment	**932**	**624**

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 €11 million (2013: cash outflow of €116 million). The cash inflow from investing activities totalled €30 million (2013: €94 million).

Net financial assets of the Automotive segment comprise the following:

in € million	**31.3.2014**	31.12.2013[1]
Cash and cash equivalents	**6,403**	6,775
Marketable securities and investment funds	**2,967**	2,758
Intragroup net financial assets	**5,869**	4,411
Financial assets	**15,239**	**13,944**
Less: external financial liabilities[2]	**–2,243**	–1,859
Net financial assets Automotive segment	**12,996**	**12,085**

Refinancing
The BMW Group utilises 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 March 2014, the BMW Group issued euro-benchmark bonds with a volume of €1.5 billion, one bond for 200 million Australian dollars and one bond for 500 million Canadian dollars. It also transacted a US private placement for 750 million US dollar as well as further private placements in various currencies with a total volume of €830 million. In addition, one ABS transaction was executed in Japan with a volume of 30 billion Japanese yen. The regular issue of commercial paper on the one hand and customer deposits received by the Group's banking subsidiaries on the other are also used to refinance the BMW Group.

Net assets position[1]
The Group balance sheet total increased by €2,654 million (1.9 %) compared to the end of the previous financial year to stand at €141,031 million at 31 March 2014. Adjusted for exchange rate factors, the balance sheet total increased by 2.1 %.

[1] Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.
[2] Excluding derivative financial instruments.

The increase in non-current assets on the assets side of the balance sheet related primarily to property, plant and equipment (2.6 %), investments accounted for using the equity method (40.3 %), receivables from sales financing (0.7 %) and leased products (0.8 %). By contrast, decreases were recorded for financial assets (12.5 %) and other investments (16.1 %).

Within current assets, increases were registered in particular for inventories (16.5 %) and receivables from sales financing (1.8 %), while cash and cash equivalents decreased by 2.2 %.

Property, plant and equipment increased by €395 million during the three-month period. The main focus was on product investments for production start-ups and infrastructure improvements. In total, €967 million (2013: €594 million) was invested, most of which related to the Automotive segment. Depreciation on property, plant and equipment totalled €647 million (2013: €584 million). At 31 March 2014, property, plant and equipment accounted for 11.0 % of total assets. Adjusted for exchange rate factors, property, plant and equipment increased by 2.5 %.

The carrying amount of investments accounted for using the equity method increased by €257 million compared to 31 December 2013, mainly due to the improvement in the result from equity accounted investments, as reported in the financial result.

The growth in business reported by the Financial Services segment is reflected in increases in leased products (€211 million) as well as in current and non-current receivables from sales financing (€377 million and €223 million respectively). At the end of the reporting period, leased products accounted for 18.5 % of total assets, similar to their level one year earlier (18.7 %). Adjusted for changes in exchange rates, leased products went up by 1.1 % and current and non-current receivables from sales financing by 1.9 % and 0.6 % respectively.

Other investments went down by €89 million compared to the end of the previous financial year, mainly due to the first-time consolidation of branches.

Non-current financial assets decreased by €324 million in conjunction with the fair value measurement of interest rate and currency derivatives.

Compared to the end of the financial year 2013, inventories increased by €1,586 million to €11,181 million, as a result of which inventories accounted for 7.9 % (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 16.9 %.

Cash and cash equivalents went down by €170 million to €7,501 million.

On the equity and liabilities side of the balance sheet, increases were recorded for equity (3.7 %), non-current financial liabilities (3.6 %), pension provisions (10.3 %), non-current other provisions (8.8 %) and trade payables (9.2 %). By contrast, current financial liabilities decreased by 6.0 %.

Group equity rose by €1,314 million to €36,957 million, mainly due to the profit attributable to shareholders of BMW AG totalling €1,458 million. Currency translation differences increased equity by €2 million. Deferred taxes on items recognised directly in equity increased equity by €100 million. Group equity decreased by €280 million on account of remeasurements of the net defined benefit liability for pension plans (primarily as a result of the lower discount rate used in Germany). Fair value measurement of derivative financial instruments at the end of the reporting period increased equity by €44 million, whereas the remeasurement of marketable securities had a negative impact of €9 million. Income and expenses relating to equity accounted investments and recognised directly in equity (before tax) reduced equity by €9 million. Minority interests increased by €1 million. Sundry other changes amounted to €7 million.

The equity ratio of the BMW Group improved overall by 0.4 percentage points to 26.2 %. The equity ratio of the Automotive segment was 43.1 % (2013: 43.0 %) and that of the Financial Services segment was 9.3 % (2013: 9.1 %).

Current and non-current financial liabilities decreased from €70,304 million to €69,875 million over the three-month period, with the increase in non-current financial liabilities (up by €1,437 million) more than offset by the decrease in current financial liabilities (down by

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€1,866 million). In the case of non-current financial liabilities, the increase was due to the issuance of new bonds and new loans raised, while the decrease in current financial liabilities mostly reflected the decrease in commercial paper.

Pension provisions increased from €2,303 million to €2,540 million during the three-month period, primarily as a result of the lower discount factor applied in Germany.

The increase in other non-current provisions was mainly attributable to obligations for personnel and social-related expenses.

Trade payables went up from €7,485 million to €8,172 million, mainly reflecting higher production volumes and increased capital expenditure levels. Trade payables accounted for 5.9 % of the balance sheet total at the end of the reporting period (2013: 5.4 %). Adjusted for exchange rate factors, they increased by 9.2 %.

Related party relationships
Further information on transactions with related parties can be found in note [31] 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 earnings performance, 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

We base our outlook on the assumption that the global economy will grow by approximately 3.0 % in 2014. Public-sector budgets in Europe, the USA and Japan remain constrained by high sovereign debt levels. Further risk factors which could have a currently unforeseeable negative impact on the outlook are overcapacities in China as well as political conflicts in Asia and the Middle East.

After two years of recession, the eurozone is set to grow again by approximately 1.0 % in 2014, which includes an above-average growth rate of approximately 1.8 % for the German economy and a slightly lower growth rate of 0.8 % in France. The latter continues to be held back by structural problems. Despite the ongoing property crisis, Spain is beginning to generate some positive signs and should grow at a similar rate. Italy, too, is expected to register a cyclical upturn of approximately 0.5 %. The UK economy should grow by 2.6 % in the current year, thanks to increased consumer spending and a revitalised property market.

Economic growth in the USA is expected to be in the region of 2.8 % for the current year. Measures aimed at consolidating public-sector spending are likely to have a far lower impact on the economy than in the previous year. Positive momentum from the employment and property markets suggest that economic recovery is of a robust nature. Moreover, the increase in oil and gas production is helping reduce the current account deficit. Alongside the budget debate, it seems likely that the US Reserve Bank's decisions on monetary policy will not only have a significant impact on the US economy, but also on a global scale.

Economic growth in Japan is predicted to grow by only 1.5 % in 2014, due to an increase in the value-added tax rate (raised in a first step from 5.0 % to 8.0 % with effect from 1 April 2014).

The Chinese economy is set to grow by 7.4 % in the current year. Here, however, distressed loans in the financial sector caused by overcapacities in the property and industrial sectors pose a growing risk.

The foreseeable shift in monetary policy by the US Reserve Bank is threatening to become a major issue for some of the world's emerging economies. India is again expected to generate growth in 2014 – currently forecast at 5.0 % – which will again fall significantly short of its long-term potential. Brazil is also likely to disappoint with a growth rate of only 2.0 % in 2014. It is becoming increasingly probable that strained relationships with the USA and Europe will push Russia into recession in 2014.

Car markets

Based on our latest forecasts, the world's automobile markets are set to grow by 3.6 % in 2014, mostly driven by developments on the two largest markets, the USA and China.

Taken as a whole, Europe's car markets are expected to grow year-on-year for the first time since the onset of the economic crisis in 2008: the latest forecast is for growth of around 2.2 % to 12.5 million units. Vehicle registrations in Germany are forecast to rise by 1.6 % to approximately 3.0 million units. Based on the most recent predictions, the UK car market is likely to grow by 1.3 % to slightly under 2.3 million units and the French car market by 2.2 % to just below 1.8 million units. The growth rate in Italy should be above average (up by 4.1 % to approximately 1.35 million vehicles), on account of the comparatively weak numbers recorded in recent years. Registrations in Spain are expected to rise by 4.7 % to 0.76 million units after several years of falling figures. Overall, however, European markets are still likely to remain well below pre-crisis levels.

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The recovery in the USA is expected to continue in 2014, with new registrations up by 2.6 % to around 16.0 million units, which would then put the market back in the range (16 to 17 million units) achieved in the years prior to the financial crisis. Thanks to the positive climate for consumer spending, the Chinese passenger car market is expected to grow by approximately 10.4 % to 18.0 million units, and therefore at a more pronounced rate than the economy as a whole. The value-added tax hike in Japan is expected to dampen demand by 11.0 % to approximately 4.65 million units.

Looking at the emerging markets, the forecast for Russia sees volumes down by 4.6 % to 2.5 million units. Brazil's car market is expected to grow by roughly 2.6 % to 3.7 million units.

Motorcycle markets

The mild winter kick-started business with 500 cc plus class motorcycles in the first quarter of 2014. Seen over the full year 2014, we expect US and German markets to consolidate at their 2013 levels. Other European markets are set to show a slight upward trend.

Financial Services

In our estimation, the ECB is likely to continue applying its current monetary policy, at least until the end of the year. The ECB is currently forecasting an average rate of inflation between 1.1 % and 1.4 % for 2014. For the time being, therefore, any concerns about deflation seem to be unfounded. The US Reserve Bank could possibly begin to taper its bond-buying programme at the latest in autumn if the widely expected recovery of the US economy holds throughout the year. If inflation rises at a moderate rate of 1.7 % in 2014, reference interest rates are unlikely to be increased until the beginning of 2015. If, however, the US employment market recovers more swiftly than currently expected, consumer prices could well rise at a quicker rate. This, in turn, could prompt the US Reserve Bank to adopt more restrictive monetary policies. In view of the positive signals currently coming from the global economy, we forecast slightly rising interest rates on capital markets and hence an increase in refinancing costs.

Given that global economic growth is forecast to gain pace moderately in 2014, we expect credit risk levels to improve slightly across all regions.

Prices on used car markets in Asia and Europe are expected to remain similar to those of the previous year. In North America, however, we predict slightly falling price levels.

Expected impact on the BMW Group in 2014

Future developments on international automobile markets also have a direct impact on the BMW Group. 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 predict that high levels of expenditure for future technologies, fierce competition and higher personnel expenses will continue to have a dampening impact on the pace at which the BMW Group's earnings rise in 2014. Nevertheless, the BMW Group forecasts another successful year, with Group profit before tax expected to be significantly up on the previous year's figure (2013: €7,913 million). The rate at which earnings grow will ultimately reflect the impact of various trends currently shaping the automobile sector. Tough competition in some markets is also likely to a play a significant role in sales volume growth. The degree of uncertainty is particularly high 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 in 2014 on a targeted basis. Qualified staff is required 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 increase of the size of the workforce should therefore be solid in 2014 (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 by the launching of new models and 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 was launched at the same time. The four-door Gran Coupé will be added to the BMW 4 Series family from June onwards. The BMW 2 Series Active Tourer is a new compact vehicle concept that perfectly fuses dynamism with comfort, functionality and spaciousness. It is the first ever BMW with front-wheel drive and will go on sale in the fourth quarter 2014.

The new BMW M3 Sedan and BMW M4 Coupé models will join the BMW Group's high-performance line-up in June, to be followed in September by the BMW M4 Convertible. This vehicle's design language uniquely blends a vibrant silhouette with finely balanced lines.

Looking at the BMW X family, a model revision of the highly successful BMW X3 will be introduced in the course of 2014. The revised BMW X1 has been available since March. From July onwards, the BMW X4 will be launched in a new segment, thus ringing in a new chapter in the BMW X family's success story.

Following on from its launch in Europe towards the end of 2013, over the course of the current year the all-electric powered BMW i3 will also go on sale in metropolitan regions in the USA, Japan, China and other markets worldwide. The BMW i8 plug-in hybrid, a new generation of sports car that combines the dynamism of a high-performance sports model with low consumption and emission levels, will also become available in June 2014.

The new generation MINI has been in the showrooms since March 2014. In the second half of 2014, the Dutch car manufacturer, VDL NedCar bv, Born, will begin producing certain MINI models under contract. The Rolls-Royce Ghost Series II will be in the showrooms in autumn.

Carbon fleet emissions[2]: moderate decrease expected

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

Revenues: significant increase expected

Rising demand for BMW, MINI and Rolls-Royce brand cars worldwide will have a positive impact on Automotive segment revenues. Accordingly, we expect revenues from automobile business to increase significantly in the financial year 2014 (2013: €70,629 million), although currency factors could have a negative impact on revenues.

EBIT margin in target corridor between 8 and 10 % expected

Despite considerable levels of investment in new technologies, we aim to achieve an EBIT margin in the Automotive segment within an unchanged target corridor of between 8 and 10 % (2013: 9.4 %). We expect to see a significant decrease in segment RoCE (2013: 63.3 %), mainly reflecting the substantial scale of investment required to

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2013: 43,296 units, 2014: 62,494 units).

[2] EU-27

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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, not least due to the contribution expected from the new motorcycles (the R nineT, S 1000 R, R 1200 RT, R 1200 GS Adventure and K 1600 GTL Exclusive) presented at the 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 the product range will be 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 in 2014. The degree of investment necessary is likely to dampen the return on equity slightly (2013: 20.2 %). However, it is still predicted to surpass the required minimum level of 18 %.

Overall assessment by Group management for 2014

The financial year 2014 got off to a strong start in the first quarter and is expected to continue. 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. Group profit before tax is expected to rise significantly despite a continuing volatile environment, and thus reflect the significantly higher level of deliveries to customers and revenues generated in the Automotive segment. At the same time, we also expect to reduce CO_2 fleet 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 corridor of between 8 and 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. 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 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 on consciously in order to achieve growth, profitability, efficiency and sustainable levels of future business. 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.

[1] Plus an additional 1,110 Husqvarna motorcycles (until 5 March 2013).
[2] EU-27

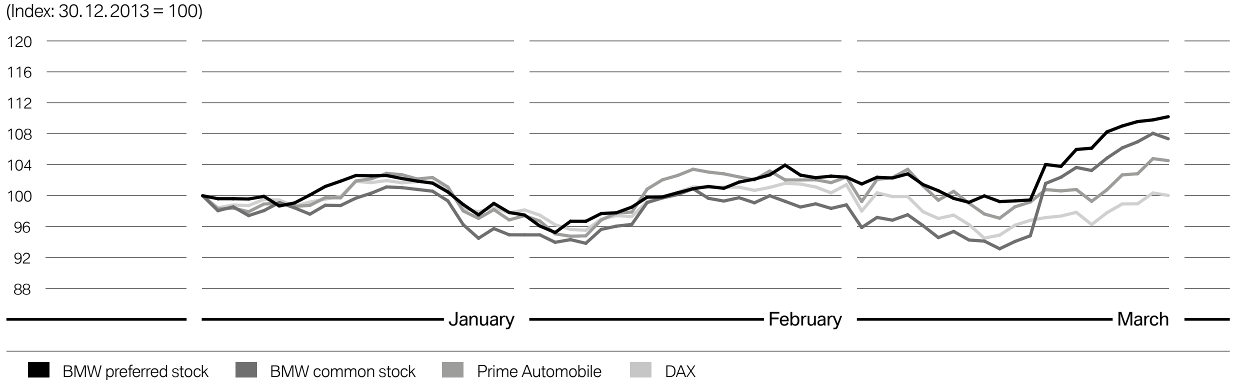
BMW stock and capital markets in the first quarter 2014
Uncertainty regarding the outcome of the Ukraine crisis and possible knock-on effects on the economy had a negative impact on stock markets in the first quarter of 2014. At the same time, however, markets were also driven by positive fundamentals coming out of Europe and improved employment figures in the USA. The retaining of expansionary monetary policies by the ECB and the US Reserve Bank were also a cause for optimism. Good and bad news alike ensured continued market volatility.

The German stock index, the DAX, finished the first quarter at 9,555.91 points, slightly up on the beginning of the year. Prior to that, the index had risen to an all-time high of 9,742.96 points on 17 January 2014. By contrast, the Prime Automobile Index continued to move upwards and finished the first quarter at 1,457.96 points, resulting in a gain for the sector index of 4.6%, compared to its closing level at 30 December 2013. The index marked a new all-time high of 1,461.57 points on 28 March 2014.

At the beginning of the year, prices of automobile stocks were affected by the general uncertainty prevailing on capital markets. An upward trend set in over the course of the quarter, however, as signs emerged that Europe's car markets were stabilising. Both categories of BMW stock recorded new highs during the first quarter and easily outperformed the DAX. BMW common stock stood at a new all-time high of €91.62 at the end of the quarter, 7.5% up on its closing price in 2013. BMW preferred stock was priced at a new all-time high of €68.56 at the end of the reporting period, an increase of 10.4% over its closing price in 2013.

Development of BMW stock compared to stock exchange indices

(Index: 30.12.2013 = 100)



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Income Statements for Group and Segments for the first quarter

in € million

	Note	Group		Automotive	
		2014	2013* adjusted	**2014**	2013* adjusted
Revenues	6	**18,235**	17,546	**16,559**	15,907
Cost of sales	7	**–14,371**	–13,968	**–13,440**	–13,032
Gross profit		**3,864**	**3,578**	**3,119**	**2,875**
Selling and administrative expenses	8	**–1,758**	–1,588	**–1,495**	–1,329
Other operating income	9	**154**	156	**111**	134
Other operating expenses	9	**–170**	–108	**–155**	–100
Profit before financial result		**2,090**	**2,038**	**1,580**	**1,580**
Result from equity accounted investments	10	**225**	87	**225**	87
Interest and similar income	11	**43**	41	**76**	71
Interest and similar expenses	11	**–86**	–78	**–101**	–110
Other financial result	12	**–106**	–85	**–137**	–112
Financial result		**76**	**–35**	**63**	**–64**
Profit before tax		**2,166**	**2,003**	**1,643**	**1,516**
Income taxes	13	**–704**	–691	**–534**	–529
Net profit/loss		**1,462**	**1,312**	**1,109**	**987**
Attributable to minority interest		**4**	5	**2**	4
Attributable to shareholders of BMW AG		**1,458**	**1,307**	**1,107**	**983**
Basic earnings per share of common stock in €	14	**2.22**	1.99		
Basic earnings per share of preferred stock in €	14	**2.22**	1.99		
Dilutive effects	14	**–**	–		
Diluted earnings per share of common stock in €	14	**2.22**	1.99		
Diluted earnings per share of preferred stock in €	14	**2.22**	1.99		

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

Statement of Comprehensive Income* for Group for the first quarter

in € million

	Note	**2014**	2013
Net profit		**1,462**	**1,312**
Remeasurement of the net liability for defined benefit pension plans		**–280**	302
Deferred taxes		**115**	–147
Items not expected to be reclassified to the income statement in the future		**–165**	**155**
Available-for-sale securities		**–9**	–9
Financial instruments used for hedging purposes		**44**	–363
Other comprehensive income from equity accounted investments		**–9**	–56
Deferred taxes		**–15**	146
Currency translation foreign operations		**2**	–35
Items expected to be reclassified to the income statement in the future		**13**	**–317**
Other comprehensive income for the period after tax	15	**–152**	**–162**
Total comprehensive income		**1,310**	**1,150**
Total comprehensive income attributable to minority interests		**4**	5
Total comprehensive income attributable to shareholders of BMW AG		**1,306**	**1,145**

* Presentation adjusted compared to the previous year.

	Motorcycles 2014	Motorcycles 2013	Financial Services 2014	Financial Services 2013	Other Entities 2014	Other Entities 2013	Eliminations 2014	Eliminations 2013* adjusted
Revenues	**472**	436	**4,890**	4,830	**2**	1	**–3,688**	–3,628
Cost of sales	**–358**	–344	**–4,232**	–4,160	**–**	–	**3,659**	3,568
Gross profit	**114**	**92**	**658**	**670**	**2**	**1**	**–29**	**–60**
Selling and administrative expenses	**–50**	–45	**–214**	–216	**–4**	–6	**5**	8
Other operating income	**–**	5	**32**	8	**28**	35	**–17**	–26
Other operating expenses	**–**	–1	**–11**	–12	**–16**	–13	**12**	18
Profit before financial result	**64**	**51**	**465**	**450**	**10**	**17**	**–29**	**–60**
Result from equity accounted investments	**–**	–	**–**	–	**–**	–	**–**	–
Interest and similar income	**–**	–	**1**	1	**310**	348	**–344**	–379
Interest and similar expenses	**–1**	–1	**–**	–1	**–300**	–326	**316**	360
Other financial result	**–**	–	**–6**	–1	**37**	28	**–**	–
Financial result	**–1**	**–1**	**–5**	**–1**	**47**	**50**	**–28**	**–19**
Profit before tax	**63**	**50**	**460**	**449**	**57**	**67**	**–57**	**–79**
Income taxes	**–20**	–17	**–143**	–151	**–23**	–24	**16**	30
Net profit/loss	**43**	**33**	**317**	**298**	**34**	**43**	**–41**	**–49**
Attributable to minority interest	**–**	–	**2**	1	**–**	–	**–**	–
Attributable to shareholders of BMW AG	**43**	**33**	**315**	**297**	**34**	**43**	**–41**	**–49**
Basic earnings per share of common stock in €								
Basic earnings per share of preferred stock in €								
Dilutive effects								
Diluted earnings per share of common stock in €								
Diluted earnings per share of preferred stock in €								

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Assets

	Note	Group		Automotive	
in € million		**31.3.2014**	31.12.2013*	**31.3.2014**	31.12.2013*
Intangible assets	16	**6,150**	6,179	**5,624**	5,646
Property, plant and equipment	17	**15,563**	15,168	**15,261**	14,863
Leased products	18	**26,125**	25,914	**25**	19
Investments accounted for using the equity method	19	**895**	638	**895**	638
Other investments	19	**464**	553	**5,175**	5,253
Receivables from sales financing	20	**32,839**	32,616	**–**	–
Financial assets	21	**2,269**	2,593	**1,128**	1,183
Deferred tax	22	**1,684**	1,620	**2,322**	2,226
Other assets	23	**932**	912	**2,990**	2,797
Non-current assets		**86,921**	**86,193**	**33,420**	**32,625**
Inventories	24	**11,181**	9,595	**10,819**	9,269
Trade receivables		**2,543**	2,449	**2,202**	2,184
Receivables from sales financing	20	**21,878**	21,501	**–**	–
Financial assets	21	**5,529**	5,559	**4,500**	4,479
Current tax	22	**1,295**	1,151	**1,130**	1,002
Other assets	23	**4,183**	4,258	**15,790**	15,480
Cash and cash equivalents		**7,501**	7,671	**6,403**	6,775
Current assets		**54,110**	**52,184**	**40,844**	**39,189**
Total assets		**141,031**	**138,377**	**74,264**	**71,814**

Equity and liabilities

	Note	Group		Automotive	
in € million		**31.3.2014**	31.12.2013*	**31.3.2014**	31.12.2013*
Subscribed capital	25	**656**	656		
Capital reserves	25	**1,990**	1,990		
Revenue reserves	25	**34,460**	33,167		
Accumulated other equity	25	**–338**	–358		
Equity attributable to shareholders of BMW AG	25	**36,768**	35,455		
Minority interest	25	**189**	188		
Equity		**36,957**	**35,643**	**31,977**	**30,909**
Pension provisions		**2,540**	2,303	**1,236**	938
Other provisions	26	**4,105**	3,772	**3,407**	3,075
Deferred tax	27	**3,732**	3,554	**1,280**	1,072
Financial liabilities	28	**40,887**	39,450	**2,001**	1,604
Other liabilities	29	**3,661**	3,603	**3,726**	3,627
Non-current provisions and liabilities		**54,925**	**52,682**	**11,650**	**10,316**
Other provisions	26	**3,380**	3,412	**3,013**	3,040
Current tax	27	**1,229**	1,237	**989**	1,021
Financial liabilities	28	**28,988**	30,854	**738**	725
Trade payables		**8,172**	7,485	**7,374**	6,774
Other liabilities	29	**7,380**	7,064	**18,523**	19,029
Current provisions and liabilities		**49,149**	**50,052**	**30,637**	**30,589**
Total equity and liabilities		**141,031**	**138,377**	**74,264**	**71,814**

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

Motorcycles		Financial Services		Other Entities		Eliminations		Assets
31.3.2014	31.12.2013	**31.3.2014**	31.12.2013	**31.3.2014**	31.12.2013	**31.3.2014**	31.12.2013*	
60	63	**465**	469	**1**	1	**–**	–	Intangible assets
269	271	**33**	34	**–**	–	**–**	–	Property, plant and equipment
–	–	**30,464**	30,230	**–**	–	**–4,364**	–4,335	Leased products
–	–	**–**	–	**–**	–	**–**	–	Investments accounted for using the equity method
–	–	**6**	6	**5,784**	5,754	**–10,501**	–10,460	Other investments
–	–	**32,839**	32,616	**–**	–	**–**	–	Receivables from sales financing
–	–	**157**	276	**1,518**	1,779	**–534**	–645	Financial assets
–	–	**279**	285	**279**	290	**–1,196**	–1,181	Deferred tax
–	–	**1,396**	1,436	**18,779**	18,627	**–22,233**	–21,948	Other assets
329	**334**	**65,639**	**65,352**	**26,361**	**26,451**	**–38,828**	**–38,569**	**Non-current assets**
354	318	**8**	8	**–**	–	**–**	–	Inventories
154	120	**185**	145	**2**	–	**–**	–	Trade receivables
–	–	**21,878**	21,501	**–**	–	**–**	–	Receivables from sales financing
–	–	**734**	826	**920**	936	**–625**	–682	Financial assets
–	–	**86**	89	**79**	60	**–**	–	Current tax
–	–	**4,257**	3,530	**32,130**	32,775	**–47,994**	–47,527	Other assets
–	–	**986**	879	**112**	17	**–**	–	Cash and cash equivalents
508	**438**	**28,134**	**26,978**	**33,243**	**33,788**	**–48,619**	**–48,209**	**Current assets**
837	**772**	**93,773**	**92,330**	**59,604**	**60,239**	**–87,447**	**–86,778**	**Total assets**

Motorcycles		Financial Services		Other Entities		Eliminations		Equity and liabilities
31.3.2014	31.12.2013	**31.3.2014**	31.12.2013	**31.3.2014**	31.12.2013	**31.3.2014**	31.12.2013*	
								Subscribed capital
								Capital reserves
								Revenue reserves
								Accumulated other equity
								Equity attributable to shareholders of BMW AG
								Minority interest
–	**–**	**8,680**	**8,407**	**10,842**	**10,805**	**–14,542**	**–14,478**	**Equity**
29	29	**34**	40	**1,241**	1,296	**–**	–	Pension provisions
147	141	**249**	257	**302**	299	**–**	–	Other provisions
–	–	**5,254**	5,266	**19**	6	**–2,821**	–2,790	Deferred tax
–	–	**14,341**	14,376	**25,079**	24,115	**–534**	–645	Financial liabilities
344	318	**20,334**	20,084	**68**	68	**–20,811**	–20,494	Other liabilities
520	**488**	**40,212**	**40,023**	**26,709**	**25,784**	**–24,166**	**–23,929**	**Non-current provisions and liabilities**
58	57	**304**	309	**2**	3	**3**	3	Other provisions
–	–	**134**	123	**106**	93	**–**	–	Current tax
–	–	**16,079**	16,006	**12,796**	14,805	**–625**	–682	Financial liabilities
219	204	**576**	502	**3**	5	**–**	–	Trade payables
40	23	**27,788**	26,960	**9,146**	8,744	**–48,117**	–47,692	Other liabilities
317	**284**	**44,881**	**43,900**	**22,053**	**23,650**	**–48,739**	**–48,371**	**Current provisions and liabilities**
837	**772**	**93,773**	**92,330**	**59,604**	**60,239**	**–87,447**	**–86,778**	**Total equity and liabilities**

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	Group	
in € million	**2014**	2013*
Net profit	**1,462**	1,312
Depreciation and amortisation of tangible, intangible and investment assets	**957**	908
Change in provisions	**267**	–28
Change in leased products and receivables from sales financing	**–900**	–1,124
Change in deferred taxes	**217**	167
Changes in working capital	**–942**	–570
Other	**540**	20
Cash inflow / outflow from operating activities	**1,601**	**685**
Investment in intangible assets and property, plant and equipment	**–1,240**	–1,208
Net investment in marketable securities	**–189**	–374
Other	**15**	–13
Cash inflow / outflow from investing activities	**–1,414**	**–1,595**
Cash inflow / outflow from financing activities	**–338**	**450**
Effect of exchange rate on cash and cash equivalents	**–21**	**34**
Effect of changes in composition of Group on cash and cash equivalents	**2**	**–**
Change in cash and cash equivalents	**–170**	**–426**
Cash and cash equivalents as at 1 January	**7,671**	8,374
Cash and cash equivalents as at 31 March	**7,501**	**7,948**

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

Automotive		Financial Services		
2014	2013*	**2014**	2013	
1,109	987	**317**	298	Net profit
935	878	**6**	5	Depreciation and amortisation of tangible, intangible and investment assets
327	33	**–18**	39	Change in provisions
–6	8	**–937**	–1,208	Change in leased products and receivables from sales financing
197	191	**9**	61	Change in deferred taxes
–918	–492	**32**	88	Changes in working capital
498	366	**580**	601	Other
2,142	**1,971**	**–11**	**–116**	**Cash inflow / outflow from operating activities**
–1,227	–1,197	**–1**	–2	Investment in intangible assets and property, plant and equipment
–219	–464	**31**	91	Net investment in marketable securities
17	–150	**–**	5	Other
–1,429	**–1,811**	**30**	**94**	**Cash inflow / outflow from investing activities**
–1,078	**–1,141**	**99**	**525**	**Cash inflow / outflow from financing activities**
–9	**27**	**–11**	**6**	**Effect of exchange rate on cash and cash equivalents**
2	**–**	**–**	**–**	**Effect of changes in composition of Group on cash and cash equivalents**
–372	**–954**	**107**	**509**	**Change in cash and cash equivalents**
6,775	7,487	**879**	797	Cash and cash equivalents as at 1 January
6,403	**6,533**	**986**	**1,306**	**Cash and cash equivalents as at 31 March**

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in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2013, as originally reported	25	**656**	**1,973**	**28,340**
Impact of application of revised IAS 19		–	–	204
1 January 2013 (adjusted)	25	**656**	**1,973**	**28,544**
Net profit		–	–	1,307
Other comprehensive income for the period after tax		–	–	155
Comprehensive income 31 March 2013		**–**	**–**	**1,462**
Other changes		–	–	–
31 March 2013	25	**656**	**1,973**	**30,006**

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2014	25	**656**	**1,990**	**33,167**
Net profit		–	–	1,458
Other comprehensive income for the period after tax		–	–	–165
Comprehensive income 31 March 2014		**–**	**–**	**1,293**
Other changes		–	–	–
31 March 2014	25	**656**	**1,990**	**34,460**

	Accumulated other equity: Translation differences	Accumulated other equity: Securities	Accumulated other equity: Derivative financial instruments	Equity attributable to shareholders of BMW AG	Minority interest	**Total**
1 January 2013, as originally reported	**–984**	**108**	**202**	**30,295**	**107**	**30,402**
Impact of application of revised IAS 19	–	–	–	204	–	**204**
1 January 2013 (adjusted)	**–984**	**108**	**202**	**30,499**	**107**	**30,606**
Net profit	–	–	–	1,307	5	**1,312**
Other comprehensive income for the period after tax	–12	–4	–301	–162	–	**–162**
Comprehensive income 31 March 2013	**–12**	**–4**	**–301**	**1,145**	**5**	**1,150**
Other changes	–	–	–	–	55	**55**
31 March 2013	**–996**	**104**	**–99**	**31,644**	**167**	**31,811**

	Accumulated other equity: Translation differences	Accumulated other equity: Securities	Accumulated other equity: Derivative financial instruments	Equity attributable to shareholders of BMW AG	Minority interest	**Total**
1 January 2014	**–1,629**	**135**	**1,136**	**35,455**	**188**	**35,643**
Net profit	–	–	–	1,458	4	**1,462**
Other comprehensive income for the period after tax	–30	–21	64	–152	–	**–152**
Comprehensive income 31 March 2014	**–30**	**–21**	**64**	**1,306**	**4**	**1,310**
Other changes	7	–	–	7	–3	**4**
31 March 2014	**–1,652**	**114**	**1,200**	**36,768**	**189**	**36,957**

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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 31 March 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 31 March 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.

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 IAS 27 (Consolidated and Separate Financial Statements) and the interpretation contained in SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group Financial Statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. The balance sheet value of the assets sold at 31 March 2014 totalled €9.7 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 31 March 2014 have neither been audited nor 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 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 three-month period ended 31 March 2014 include, besides BMW AG, 24 German and 173 foreign subsidiaries. This includes five special purpose securities funds and 32 special purpose trusts, almost all of which are used for asset-backed financing. In addition, three joint operations are consolidated proportionately.

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 quarter 2014.

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, are consolidated proportionately for the first time in the first quarter 2014 on the basis of the BMW Group's 49 % shareholding. Further information is provided in note 4.

Compared to the corresponding quarter one year earlier, six subsidiaries, one special purpose securities fund and twelve special purpose trusts have been consolidated for the first time. Two subsidiaries and six special purpose trusts ceased to be consolidated companies.

The changes to the composition of the Group do not have a material impact on the results of operation, 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 Group Financial Statements, were as follows:

	Closing rate		Average rate	
	31.3.2014	31.12.2013	**1 January to 31 March 2014**	1 January to 31 March 2013
US Dollar	**1.38**	1.38	**1.37**	1.32
British Pound	**0.83**	0.83	**0.83**	0.85
Chinese Renminbi	**8.58**	8.34	**8.36**	8.22
Japanese Yen	**142.47**	144.55	**140.83**	121.80
Russian Rouble	**48.53**	45.29	**48.05**	40.16

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 — 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 (Consolidated and 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 introduces a uniform model which establishes control as the basis for consolidation – control of a subsidiary entity by a parent entity – and which can be applied to all entities. The control concept must therefore be applied both to parent-subsidiary relationships based on voting rights as well as to parent-subsidiary

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relationships arising from other contractual arrangements. Under the control concept established in IFRS 10, an investor controls another entity when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 supersedes IAS 31 (Interests in Joint Ventures) and SIC-13 (Jointly Controlled Entities – Non-Monetary Contributions by Ventures). This Standard sets out the requirements for accounting for joint arrangements and places the emphasis on the rights and obligations that arise from such arrangements. IFRS 11 distinguishes between two types of joint arrangements, namely joint operations and joint ventures, and therefore results in a change in the classification of joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires joint operators to account for their share of assets/liabilities and income/expenses in the joint operation (proportionate consolidation). 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 did not have an 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) did 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 (49 %). 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 rules for IFRS 10, IFRS 11 and IFRS 12 are required to be applied retrospectively. The transitional rules for these new Standards have been taken into account.

The following tables show the impact on the opening balance sheet at 1 January 2013, on the balance sheet at 31 December 2013, on the income statement and on the cash flow statement for the first quarter 2013:

Change in Group Balance Sheet presentation

1 January 2013 in € million	As originally reported	Adjustment	As reported
Total assets	131,835	4	131,839
thereof property, plant and equipment	13,341	35	13,376
thereof investments accounted for using the equity method	514	–9	505
thereof non-current other assets	803	–33	770
thereof inventories	9,725	7	9,732
thereof cash and cash equivalents	8,370	4	8,374
Total current provisions and liabilities	48,395	4	48,399
thereof trade payables	6,433	4	6,437

31 December 2013 in € million	As originally reported	Adjustment	As reported
Total assets	138,368	9	138,377
thereof property, plant and equipment	15,113	55	15,168
thereof investments accounted for using the equity method	652	−14	638
thereof non-current other assets	954	−42	912
thereof inventories	9,585	10	9,595
thereof current other assets	4,265	−7	4,258
thereof cash and cash equivalents	7,664	7	7,671
Total current provisions and liabilities	50,043	9	50,052
thereof other provisions	3,411	1	3,412
thereof trade payables	7,475	10	7,485
thereof other liabilities	7,066	−2	7,064

Change in Group Income Statement presentation

1 January to 31 March 2013 in € million	As originally reported	Adjustment	As reported
Cost of sales	−13,967	−1	−13,968
Gross profit	3,579	−1	3,578
Profit before financial result	2,039	−1	2,038
Result from equity accounted investments	85	2	87
Interest and similar income	42	−1	41
Financial result	−36	1	−35

Change in Group Cash Flow Statement presentation

1 January to 31 March 2013 in € million	As originally reported	Adjustment	As reported
Cash inflow from operating activities	677	8	685
Change in provisions	−29	1	−28
Changes in working capital	−571	1	−570
Other	14	6	20
Cash outflow from investing activities	−1,588	−7	−1,595
Investment in intangible assets and property, plant and equipment	−1,201	−7	−1,208
Change in cash and cash equivalents	−427	1	−426
Cash and cash equivalents as at 1 January	8,370	4	8,374
Cash and cash equivalents as at 31 March	7,943	5	7,948

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5 — New financial reporting rules

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

The following Standards and Amendments were applied for the first time in the first quarter 2014:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Expected impact on BMW Group
IFRS 10	Consolidated Financial Statements	12.5.2011	1.1.2013	1.1.2014	Significant in principle
IFRS 11	Joint Arrangements	12.5.2011	1.1.2013	1.1.2014	Significant in principle
IFRS 12	Disclosure of Interests in Other Entities	12.5.2011	1.1.2013	1.1.2014	Significant in principle
	Changes in Transitional Regulations (IFRS 10, IFRS 11 and IFRS 12)	28.6.2012	1.1.2013	1.1.2014	Significant in principle
	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	31.10.2012	1.1.2014	1.1.2014	Insignificant
IAS 27	Separate Financial Statements	12.5.2011	1.1.2013	1.1.2014	None
IAS 28	Investments in Associates and Joint Ventures	12.5.2011	1.1.2013	1.1.2014	None
IAS 32	Presentation – Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2014	1.1.2014	Insignificant
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	27.6.2013	1.1.2014	1.1.2014	Insignificant

Information regarding the introduction and impact of the consolidation-related Standards IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28, please see note 4 above.

(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 quarter 2014:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU	Expected impact on BMW Group
IFRS 9	Financial Instruments	12.11.2009 / 28.10.2010 / 16.12.2011 / 19.11.2013	1.1.2018	No	Significant in principle
IFRS 14	Regulatory Deferral Accounts	30.1.2014	1.1.2016	No	Insignificant
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	21.11.2013	1.7.2014	No	Insignificant
IFRIC 21	Levies	20.5.2013	1.1.2014	No	Insignificant
	Annual Improvements to IFRS 2010–2012	12.12.2013	1.7.2014	No	Insignificant
	Annual Improvements to IFRS 2011–2013	12.12.2013	1.7.2014	No	Insignificant

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

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

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

In October 2010, additional rules for financial liabilities were added to IFRS 9. The requirements for financial liabilities contained in IAS 39 remain unchanged with the exception of new requirements relating to the measurement of an entity's own credit risk at fair value. A package of amendments to IFRS 9 was announced on 19 November 2013. On the one hand, the amendments overhaul the requirements for hedge accounting by introducing a new hedge accounting model. They also enable entities to change the accounting for liabilities they have elected to measure at fair value such that fair value changes due to changes in "own credit risk" would not require to be recognised in profit or loss. The mandatory effective date of 1 January 2015 was removed and a new application date of 1 January 2018 set. The impact of adoption of the Standard on the Group Financial Statements is currently being assessed.

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6 — Revenues

Revenues by activity comprise the following:

in € million	1st quarter 2014	1st quarter 2013
Sales of products and related goods	**13,502**	12,889
Income from lease instalments	**1,869**	1,765
Sale of products previously leased to customers	**1,552**	1,563
Interest income on loan financing	**689**	713
Other income	**623**	616
Revenues	**18,235**	**17,546**

An analysis of revenues by segment is shown in the segment information in note 32.

7 — Cost of sales

Cost of sales in the first quarter include €3,945 million (2013: €3,918 million) relating to financial services business.

First-quarter cost of sales includes research and development expenses of €987 million (2013: €988 million), comprising all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to €265 million (2013: €275 million).

8 — Selling and administrative expenses

Selling expenses, comprising mainly marketing, advertising and sales personnel costs, amounted to €1,207 million in the first quarter (2013: €1,117 million). Administrative expenses, comprising expenses for administration not attributable to development, production or sales functions, amounted to €551 million in the first quarter (2013: €471 million).

9 — Other operating income and expenses

Other operating income in the first quarter totalled €154 million (2013: €156 million), while other operating expenses amounted to €170 million (2013: €108 million). 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 first quarter was a positive amount of €225 million (2013*: €87 million) and includes 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

in € million	1st quarter 2014	1st quarter 2013*
Interest and similar income	**43**	41
Interest and similar expenses	**–86**	–78
Net interest result	**–43**	**–37**

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

12 — Other financial result

in € million	1st quarter 2014	1st quarter 2013
Result on investments	**–1**	1
Sundry other financial result	**–105**	–86
Other financial result	**–106**	**–85**

13 — Income taxes

Taxes on income comprise the following:

in € million	1st quarter 2014	1st quarter 2013
Current tax expense	**485**	524
Deferred tax expense	**219**	167
Income taxes	**704**	**691**

The effective tax rate for the three-month period to 31 March 2014 was 32.5 % (2013: 34.5 %) 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 quarter.

14 — Earnings per share

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

		1st quarter 2014	1st quarter 2013
Profit attributable to shareholders of BMW AG	€ million	**1,457.9**	1,306.7
Profit attributable to common stock	€ million (rounded)	**1,337.4**	1,199.1
Profit attributable to preferred stock	€ million (rounded)	**120.5**	107.6
Average number of common stock shares in circulation	number	**601,995,196**	601,995,196
Average number of preferred stock shares in circulation	number	**54,259,787**	53,994,217
Basic earnings per share of common stock	€	**2.22**	1.99
Basic earnings per share of preferred stock	€	**2.22**	1.99

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.

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15 Disclosures relating to the statement of total comprehensive income*

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

in € million	1st quarter 2014	1st quarter 2013
Remeasurement of the net liability for defined benefit pension plans	**–280**	302
Deferred taxes	**115**	–147
Items not expected to be reclassified to the income statement in the future	**–165**	**155**
Available-for-sale securities	**–9**	–9
thereof gains / losses arising in the period under report	**1**	8
thereof reclassifications to the income statement	**–10**	–17
Financial instruments used for hedging purposes	**44**	–363
thereof gains / losses arising in the period under report	**153**	–425
thereof reclassifications to the income statement	**–109**	62
Other comprehensive income from equity accounted investments	**–9**	–56
Deferred taxes	**–15**	146
Currency translation foreign operations	**2**	–35
Items expected to be reclassified to the income statement in the future	**13**	**–317**
Other comprehensive income for the period after tax	**–152**	**–162**

* Presentation adjusted compared to the previous year.

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

in € million	1st quarter 2014			1st quarter 2013		
	Before tax	Deferred tax expense/ income	After tax	Before tax	Deferred tax expense/ income	After tax
Remeasurement of the net liability for defined benefit pension plans	**–280**	**115**	**–165**	302	–147	155
Available-for-sale securities	**–9**	**–12**	**–21**	–9	5	–4
Financial instruments used for hedging purposes	**44**	**3**	**47**	–363	121	–242
Other comprehensive income for the period from equity accounted investments	**–9**	**–6**	**–15**	–56	20	–36
Exchange differences on translating foreign operations	**2**	**–**	**2**	–35	–	–35
Other comprehensive income	**–252**	**100**	**–152**	**–161**	**–1**	**–162**

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 31 March 2014 amounted to €5,028 million (31 December 2013: €5,022 million). Additions to development costs in the first quarter 2014 totalled €271 million (2013: €240 million). The amortisation expense for the period was €265 million (2013: €275 million).

At 31 March 2014 other intangible assets amounted to €753 million (31 December 2013: €788 million), including a brand-name right with a carrying amount of €43 million (31 December 2013: €43 million) as well as property rights and licences amounting to €437 million (2013: €467 million). During the first three months of 2014, €2 million (2013: €384 million) was invested in other intangible assets. Amortisation on other intangible assets in the first quarter totalled €45 million (2013: €42 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 €43 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 three months of 2014 totalled €967 million (2013*: €594 million). The depreciation expense for the period amounted to €647 million (2013: €584 million), while disposals amounted to €15 million (2013: €11 million).

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

18 — Leased products

Additions/reclassifications to leased products and depreciation thereon in the first quarter amounted to €2,992 million (2013: €4,061 million) and €879 million (2013: €1,666 million) respectively. Disposals amounted to €1,837 million (2013: €2,021 million). The translation of foreign currency financial statements resulted in net negative translation difference of €65 million (2013: net positive translation difference of €165 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. No impairment losses were recognised on investments during the first three months of the year. 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 €54,717 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 €32,839 million (31 December 2013: €32,616 million) with a remaining term of more than one year.

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21 — Financial assets

Financial assets comprise:

in € million	31.3.2014	31.12.2013
Derivative instruments	**3,801**	4,013
Marketable securities and investment funds	**3,246**	3,060
Loans to third parties	**22**	32
Credit card receivables	**203**	222
Other	**526**	825
Financial assets	**7,798**	**8,152**
thereof non-current	**2,269**	2,593
thereof current	**5,529**	5,559

A description of the measurement of derivatives is provided in note 30.

22 — Income tax assets

Income tax assets totalling €1,295 million (31 December 2013: €1,151 million) include claims amounting to €554 million (31 December 2013: €530 million) which are expected to be settled after more than twelve months. Some of the claims may be settled earlier than this depending on the timing of proceedings.

23 — Other assets

in € million	31.3.2014	31.12.2013*
Other taxes	**904**	867
Receivables from subsidiaries	**663**	779
Receivables from other companies in which an investment is held	**712**	950
Prepayments	**1,249**	1,074
Collateral receivables	**736**	706
Sundry other assets	**851**	794
Other assets	**5,115**	**5,170**
thereof non-current	**932**	912
thereof current	**4,183**	4,258

24 — Inventories

Inventories comprise the following:

in € million	31.3.2014	31.12.2013*
Raw materials and supplies	**955**	851
Work in progress, unbilled contracts	**997**	851
Finished goods and goods for resale	**9,229**	7,893
Inventories	**11,181**	**9,595**

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

25 — Equity

The Group Statement of Changes in Equity is shown on pages 30 and 31.

Number of shares issued

At 31 March 2014 common stock issued by BMW AG was divided, as at the end of the previous year, into 601,995,196 shares of common stock with a par-value of €1. Preferred stock issued by BMW AG was divided at the end of the reporting period – also unchanged from 31 December 2013 – into 54,259,787 shares with a par-value of €1. Unlike the common stock, no voting rights are attached to the preferred stock. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

The shareholders have passed a resolution at the 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 13 May 2014 in return for cash contributions and the issue of new non-voting preferred stock. Based on this authorisation, 2,063,625 shares of preferred stock have been issued to employees up to the reporting date. Authorised Capital therefore stands at €2.9 million at 31 March 2014. 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 first quarter to stand at €34,460 million at the end of the reporting period (31 December 2013: €33,167 million). Revenue reserves increased during the first quarter 2014 by the net profit attributable to the shareholders of BMW AG amounting to €1,458 million (2013: €1,307 million) and were reduced by €165 million (2013: increased by €155 million) due to remeasurements of 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 and the related deferred taxes recognised directly in equity.

Minority interests

Equity attributable to minority interests amounted to €189 million (31 December 2013: €188 million). This includes a minority interest of €4 million in the results for the period (31 December 2013: €26 million).

26 — Other provisions

Other provisions, at €7,485 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 at 31 March 2014 amounted to €3,380 million (31 December 2013*: €3,412 million).

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

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27 — Income tax liabilities

Income tax liabilities totalling €1,229 million (31 December 2013: €1,237 million) include obligations amounting to €803 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 €188 million (31 December 2013: €197 million) for taxes payable and €1,041 million (31 December 2013: €1,040 million) for tax provisions.

28 — Financial liabilities

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

in € million	**31.3.2014**	31.12.2013
Bonds	**31,827**	30,370
Liabilities to banks	**9,378**	8,590
Liabilities from customer deposits (banking)	**12,225**	12,457
Commercial paper	**4,275**	6,292
Asset backed financing transactions	**9,714**	10,128
Derivative instruments	**1,053**	1,103
Other	**1,403**	1,364
Financial liabilities	**69,875**	**70,304**
thereof non-current	**40,887**	39,450
thereof current	**28,988**	30,854

During the first quarter 2014, a number of bonds were issued in various currencies with a total volume of €3,371 million (2013: €2,662 million). Repayments during the three-month period amounted to €1,957 million (2013: €2,295 million). Currency translation differences accounted for most of the remainder of the change in bonds.

Further information regarding the changes in other items within financial liabilities is provided in the section "Results of operations, financial position and net assets". A description of the measurement of derivatives is provided in note 30.

29 — Other liabilities

Other liabilities comprise the following items:

in € million	**31.3.2014**	31.12.2013*
Other taxes	**903**	745
Social security	**74**	74
Advance payments from customers	**552**	605
Deposits received	**427**	381
Payables to subsidiaries	**137**	157
Payables to other companies in which an investment is held	**68**	70
Deferred income	**5,154**	4,926
Other	**3,726**	3,709
Other liabilities	**11,041**	**10,667**
thereof non-current	**3,661**	3,603
thereof current	**7,380**	7,064

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

30 — Financial instruments

The fair values shown are computed using market information available at the balance sheet date, on the basis of prices quoted by the contract partners or using appropriate measurement methods e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 March 2014 on the basis of the following interest rates:

ISO Code in %	EUR	USD	GBP	JPY
Interest rate for six months	0.35	0.25	0.61	0.14
Interest rate for one year	0.42	0.27	0.70	0.18
Interest rate for five years	1.01	1.84	2.08	0.33
Interest rate for ten years	1.85	2.96	2.90	0.84

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. The fair values of derivative financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market price spreads are taken into account in the measurement of derivative financial instruments, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on their disposal. In addition, the Group's own default risk and that of counterparties is taken into account in the form of credit default swap (CDS) contracts which have matching terms and which can be observed on the market.

Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 13. This includes financial instruments that are

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

The following table shows the amounts allocated to each measurement level at the end of the reporting period:

31 March 2014	Level hierarchy in accordance with IFRS 13		
in € million	Level 1	Level 2	Level 3
Marketable securities, investment fund shares and collateral assets – available-for-sale	3,180	–	–
Other investments – available-for-sale	325	–	–
Derivative instruments (assets)			
Cash flow hedges	–	1,894	–
Fair value hedges	–	928	–
Other derivative instruments	–	979	–
Derivative instruments (liabilities)			
Cash flow hedges	–	295	–
Fair value hedges	–	229	–
Other derivative instruments	–	529	–

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31 December 2013	Level hierarchy in accordance with IFRS 13		
in € million	Level 1	Level 2	Level 3
Marketable securities, investment fund shares and collateral assets – available-for-sale	3,134	–	–
Other investments – available-for-sale	379	–	–
Derivative instruments (assets)			
Cash flow hedges	–	1,914	–
Fair value hedges	–	1,050	–
Other derivative instruments	–	1,049	–
Derivative instruments (liabilities)			
Cash flow hedges	–	317	–
Fair value hedges	–	321	–
Other derivative instruments	–	465	–

As in the previous year's Group Financial Statements, there were no reclassifications within the level hierarchy during the first quarter 2014.

In the case of financial instruments held by 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:

in € million	**31. 3. 2014**		31. 12. 2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Loans and receivables – Receivables from sales financing	**55,825**	**54,717**	55,536	54,117
Other liabilities – Bonds	**32,495**	**31,827**	30,860	30,370

31 — Related party relationships

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities which have the ability to control the BMW Group or which are controlled by the BMW Group, must be disclosed unless such parties are not already included in the Group Financial Statements of BMW AG as consolidated companies. Control is defined as ownership of more than one half of the voting power of BMW AG or the power to direct, by statute or agreement, the financial and operating policies of the management of the BMW Group.

In addition, the disclosure requirements of IAS 24 also cover transactions with associated companies, joint ventures, 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 three 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 quarter 2014 for an amount of €1,118 million (2013: €821 million). At 31 March 2014, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, totalled €647 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 €58 million (31 December 2013: €66 million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, during the first three months of 2014 for an amount of €1 million (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.

The foundation of the joint venture BMW Albatha Finance PSC, Dubai, was initiated during the first quarter 2014. At 31 March 2014, capital contributions payable to this entity amounted to €4 million (31 December 2013: €– million).

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 quarter 2014, these entities are now consolidated on a proportionate basis (49 %) and the appropriate portion of transactions eliminated on consolidation (**joint operations**). The remaining 51 % of the transactions continue to be reported in the Group Financial Statements (non-consolidated portion) and are described below. Previous year's figures have been adjusted. 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 31 March 2014, loans receivable from the joint operations amounted to €65 million (31 December 2013*: €52 million). Interest income recognised on these loans in the first quarter 2014 amounted to €0.3 million (2013*: €0.3 million). Goods and services received by Group companies from the joint operations totalled €11 million (2013*: €3 million). Amounts payable to the joint operations at the end of the reporting period totalled €6 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 three months of 2014. In addition, companies of the DELTON Group acquired vehicles from the BMW Group, mostly in the form of leasing contracts. Stefan Quandt is also the majority shareholder of Solarwatt GmbH, Dresden. Cooperation arrangements within the field of electromobility have been in place between BMW AG and Solarwatt GmbH, Dresden, since the second quarter 2013. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. During the first quarter 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 three 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.

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

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32 — **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 first quarter is as follows:

Segment information by operating segment

in € million	Automotive 2014	Automotive 2013*	Motorcycles 2014	Motorcycles 2013
External revenues	**13,253**	12,664	**469**	432
Inter-segment revenues	**3,306**	3,243	**3**	4
Total revenues	**16,559**	**15,907**	**472**	**436**
Segment result	**1,580**	1,580	**64**	51
Capital expenditure on non-current assets	**1,227**	1,250	**12**	9
Depreciation and amortisation on non-current assets	**935**	879	**16**	18

in € million	Automotive 31.3.2014	Automotive 31.12.2013*	Motorcycles 31.3.2014	Motorcycles 31.12.2013
Segment assets	**11,061**	10,318	**520**	488

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

in € million	1st quarter 2014	1st quarter 2013*
Reconciliation of segment result		
Total for reportable segments	**2,161**	2,147
Financial result of Automotive segment and Motorcycles segment	**62**	–65
Elimination of inter-segment items	**–57**	–79
Group profit before tax	**2,166**	**2,003**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	**5,147**	5,410
Elimination of inter-segment items	**–951**	–131
Total Group capital expenditure on non-current assets	**4,196**	**5,279**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	**2,754**	2,562
Elimination of inter-segment items	**–918**	5
Total Group depreciation and amortisation on non-current assets	**1,836**	**2,567**

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

Financial Services 2014	Financial Services 2013	Other Entities 2014	Other Entities 2013	Reconciliation to Group figures 2014	Reconciliation to Group figures 2013*	Group 2014	Group 2013*	
4,512	4,450	**1**	–	**–**	–	**18,235**	17,546	External revenues
378	380	**1**	1	**–3,688**	–3,628	**–**	–	Inter-segment revenues
4,890	**4,830**	**2**	**1**	**–3,688**	**–3,628**	**18,235**	**17,546**	**Total revenues**
460	449	**57**	67	**5**	–144	**2,166**	2,003	Segment result
3,908	4,151	**–**	–	**–951**	–131	**4,196**	5,279	Capital expenditure on non-current assets
1,803	1,665	**–**	–	**–918**	5	**1,836**	2,567	Depreciation and amortisation on non-current assets

Financial Services 31.3.2014	Financial Services 31.12.2013	Other Entities 31.3.2014	Other Entities 31.12.2013	Reconciliation to Group figures 31.3.2014	Reconciliation to Group figures 31.12.2013*	Group 31.3.2014	Group 31.12.2013*	
8,680	8,407	**53,569**	54,250	**67,201**	64,914	**141,031**	138,377	Segment assets

in € million	31.3.2014	31.12.2013*
Reconciliation of segment assets		
Total for reportable segments	**73,830**	73,463
Non-operating assets – Other Entities segment	**6,035**	5,989
Operating liabilities – Financial Services segment	**85,093**	83,923
Interest-bearing assets – Automotive and Motorcycles segments	**37,640**	37,357
Liabilities of Automotive and Motorcycles segments not subject to interest	**25,880**	24,423
Elimination of inter-segment items	**–87,447**	–86,778
Total Group assets	**141,031**	**138,377**

* Prior year's figures adjusted due to first-time application of IFRS 10, IFRS 11 and IFRS 12, see note 4.

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Quarterly Report to 30 June 2014	5 August 2014
Quarterly Report to 30 September 2014	4 November 2014
Annual Report 2014	18 March 2015
Annual Accounts Press Conference	18 March 2015
Analyst and Investor Conference	19 March 2015
Quarterly Report to 31 March 2015	6 May 2015
Annual General Meeting	13 May 2015
Quarterly Report to 30 June 2015	4 August 2015
Quarterly Report to 30 September 2015	3 November 2015

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The BMW Group on the Internet

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